PALACE CAPITAL plc

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE 14 MONTH PERIOD ENDED 31 MARCH 2014

Company Registration No. 05332938

Palace Capital plc

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Stanley Davis	Chairman
Neil Sinclair	Managing Director
Anthony Dove	Director
Richard Starr	Director
Roger Nagioff	Director

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David Kaye F.C.I.S.

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1 CHAIRMANS STATEMENT

I am very pleased to report our results for the fourteen month period ended 31 March 2014 showing the Group has made a consolidated profit of £21,233,885 (2013: loss £157,722).

As announced previously our year end has changed to 31 March and our results are for the fourteen month period.

REVIEW OF THE BUSINESS AND FUTURE OUTLOOK

This has been a transformational period for the Company which up to last October had a market capitalisation of under £1m. The significant acquisition was that of the Sequel Portfolio from Quintain Estates and Development PLC and Buckingham Properties Limited which comprised 24 properties around the UK. The gross income at the time was circa £6.45m per annum but the net income was reduced to circa £5m per annum due to 15% of the portfolio being vacant so the owners had to bear the brunt of empty rates, service charges and insurance shortfall. After inspecting all the properties the directors decided that this provided a golden opportunity of putting into effect our expertise in active management. This focused on letting or selling vacant property so as to reduce irrecoverable expenditure and increase income, as well as extending short term leases.

During the year the Company continued to actively manage the Hockenhull Estates portfolio which has performed well. A very small shop which has become vacant is our only void in this portfolio. We have a great deal of interest in it and we are very confident of an early letting.

Portfolio activity:

Our particular skill is with properties which have early lease expiries or break clauses and managing them to become better and more secure investments. We have recently concluded three transactions after our financial year end which will be earnings and value enhancing.

We own three freehold office buildings in Milton Keynes. One comprising approximately 14,500 sq ft net lettable, is currently let to Northgate Information Solutions UK Ltd on a lease expiring in March 2021 with a tenant’s option to break in March 2016 at a current rent payable of £167,500 per annum exclusive of rates.

The other two comprising 14,434 sq ft & 23,897 sq ft net lettable were let to Rockwell Automation Ltd on leases expiring in December of this year whereby no rent would have been payable over the last six months as the tenant’s options to break effective in August 2013 were not activated.

Contracts have now been exchanged where, with an investment by the Company of £2.43m, the two buildings will be refurbished to an agreed specification and an agreed amount of furniture will be supplied. Soon after completion of these works, programmed for the end of December of this year, Rockwell Automation Ltd will take new full repairing and insuring leases of both buildings for a term of 12 years with provision for upward only rent reviews at the end of the 4th and 8th years at an aggregate rental of £398,916 per annum exclusive. We will thus have turned two potentially empty buildings into well let investments to a valued tenant with considerable opportunity for growth. The rent payable is only £10.40 per sq ft which is very modest by current standards.

The second transaction concerns Courtauld House and Staybrite House situated on the Foleshill Enterprise Park, Coventry. Courtauld House is a freehold factory building, completed in 1999, of circa 75,000 sq ft which was let to Bowater Building Products Ltd on a lease expiring in August 2024 at a rental of £397,500 per annum exclusive, but with the right of the tenant to determine the lease in August of this year subject to a rent penalty. The tenant did exercise the right to determine the lease but works to improve the building are being carried out and it has been let to Brose Ltd, part of a large German group, for a term of ten years with a tenant’s option to break at the end of the fifth year at a rental of £325,000 per annum exclusive.

Staybrite House, which is also on the Foleshill Enterprise Park and completed in 1999, is a long leasehold office building which is still let to Bowater Building Products until August of this year but they have exercised the option to break, albeit with a rent penalty, and they are currently complying with their Schedule of Dilapidations and improving the building. Agents have now been instructed to let the building when the works are completed. There has been a considerable upturn of the West Midlands economy and we are confident of an early letting.

The third and final transaction is at Stratton House, Bristol where we have 26,140 sq. ft of offices which was let to a subsidiary of Balfour Beatty at a rental of £162,500 per annum which expired this month. Contracts have now been signed for the renewal to Balfour Beatty Group Ltd for a term of five years at an initial rental of £81,500 per annum for the first year, £162,500 per annum for the second and third years, with a tenant's option to break at the end of the third year. Maintaining income has been our continuing focus.

We have already announced the sales at above book value of Gelderd Point, Leeds a vacant 20,500 sq ft office building and Argent House, Tolworth a vacant 12,000 sq ft office building both of which had been empty for some time. In addition we also sold the Bonded Warehouse, Atlantic Wharf, Cardiff a mainly vacant 17,375 sq ft office building also above book value. We also carried out a number of small lettings and sales at Meadow Court, Sheffield, Argent Court, Tolworth, Point Four Industrial Estate, Avonmouth and most recently at Sandringham House, Harlow.

Hudson House, York

We believe this 103,000 sq ft office building has very considerable potential. It is not only situated adjacent to York Station but York is one of the fastest growing cities in the UK. It not only adjoins George Stephenson House an 80,000 sq ft office building but also the new 140,000 sq ft offices of City of York Council. We have let a further 15,000 sq ft on short term leases so boosting income and reducing irrecoverable expenditure. At the same time we have appointed a professional team to plan a major refurbishment. We are examining all the proposed uses and although it is early days we are excited about the prospects for this asset.

Borrowings

Since acquiring the Sequel Portfolio and disposing of a number of mainly vacant assets we have reduced the level of bank borrowings from £21.2m to £18.5m. Based on the revaluation to which I refer below, it leaves us with a very comfortable level of gearing.

Strategy Update

During the year we have continued to seek property portfolios either directly or corporately in order to grow the scale of the Company. We have looked at a number of opportunities but in the Board's view most of them did not provide a sufficient return which we could recommend to our shareholders. That said, we have identified a proposition which does meet with our criteria and we have entered detailed discussions with the vendors. There can be no guarantee that a transaction will reach fruition but we will keep shareholders updated appropriately.

Portfolio Valuation

We stated in our second interim statement that we were instructing valuers to provide an update on both the Sequel Portfolio and the Hockenhull Estates Portfolio having regard to the considerable economic upturn that has taken place particularly in the last 12 months. We have already referred to the properties that have been sold but we are pleased to state that as at 31 March 2014 the remaining part of the Sequel Portfolio has been valued at £55.99m whilst the Hockenhull Estates portfolio has been valued at £2.23m. With a healthy cash balance of £5.1m and borrowings of £18.5m, our net asset position was £44.3m representing a net asset value per share of £3.56. This compares to £2.31 stated in our second interim accounts for the twelve months ended 31 January 2014 which was based on an August 2013 valuation.

Dividend

In the Company's Admission Document dated 2 October 2013, the Board stated its intention to recommend the payment of a dividend of 4p per share in respect of the period from completion of the acquisition of the Sequel Portfolio to 31 March 2014. In view of the progress made 2p per share was paid on 7 May 2014 to those shareholders on the register on 4 April 2014. Subject to shareholders' approval at our annual general meeting on 21 July 2014, we recommend the payment of a further 2.5p per share and not 2p per share (as previously stated) on 31 July 2014 to those shareholders on the register on 11 July 2014.

Outlook

I am really proud of our team in delivering such stellar results in such a short time. We have made tremendous progress and we are very excited about our future prospects.

2 PRINCIPAL ACTIVITIES

The principal activity of the Company is to invest in entities operating within the property sector. Through its subsidiary undertakings, Signal Property Investments LLP and Hockenhull Estates Limited, the Group has made a number of investments in the property arena. Palace Capital plc is quoted on the AIM market of the London Stock Exchange.

3 KEY PERFORMANCE INDICATORS (KPI)

The directors have identified rent receivable, investment property asset value, bank loans to investment property asset value and gearing as major KPI's of the Group.

Rent receivable for the year was £3,251,818 (2013: £199,785)

The investment property value at 31 March 2014 was £59,440,148 (2013: £2,015,000)

Bank loans to investment property asset value at 31 March 2014 was 31.9% (2013: 59.6%)

The gearing at 31 March 2014 was 44.5% (2013: 1,551%)

4 PRINCIPAL RISKS AND UNCERTAINTIES

Set out below are certain risk factors which could have an impact on the Group's long term performance. The factors discussed below should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties facing the Group.

Property valuations

The valuation of all property assets includes assumptions regarding income expectations and yields that investors would expect to achieve on those assets over time. Many external economic and market factors, such as interest rate expectations, bond yields, the availability and cost of finance and the relative attraction of property against other asset classes, could lead to a reappraisal of the assumptions used to arrive at current valuations. In adverse conditions this reappraisal can lead to a reduction in property values and a loss in net asset value, amplified by the effect of gearing.

Tenant risk

As a result of adverse conditions in the wider economy, a restriction of the availability of credit for consumers and businesses could lead to lower levels of consumer spending, a higher level of business failures and difficulties for new ventures in raising start-up capital. This could adversely affect the financial viability of the Group's tenants, potentially leading to higher levels of vacancies and declines in rental values. The directors employ a professional firm of property management consultants to manage the portfolio to ensure vacancies are kept to a minimum.

Interest rate risk

The Group is exposed to significant cash flow interest rate risk on borrowings and cash balances held at variable rates, resulting in variable interest cash flows. The Group is therefore relatively sensitive to changes in interest rates. The directors regularly review its position with regard to interest rates in order to minimise the Group's risk.

Liquidity risk

The Directors consider that the key financial risk is liquidity risk. This is the risk of the company not being able to continue to operate as a going concern. The Directors' consideration of the Going Concern Basis is contained on page 15 of the Annual Report.

On behalf of the board

Stanley Davis
Chairman
19 June 2014

The directors present their report and the audited consolidated financial statements of Palace Capital plc for the 14 month period ended 31 March 2014.

STRATEGIC REPORT

The Company is required to prepare a fair review of the business of the Group during the financial period ended 31 March 2014 and of the position of the Group at the end of the financial period and a description of the principal risks and uncertainties facing the Group (known as a 'strategic report'). The purpose of the strategic report is to enable shareholders to assess how the Directors have performed their duty under Section 172 of the Companies Act 2006 (duty to promote the success of the Company). The information that fulfils the requirements of the Strategic Report can be found in pages 2 to 4. The information that fulfils the requirements of the corporate governance report can be found on page 8.

RESULTS AND DIVIDENDS

The results for the year are set out on page 11.

The Directors paid an interim dividend of 2p per ordinary 10p share on 7 May 2014, and recommend the payment of a final dividend of 2.5p per ordinary 10p share on 31 July 2014.

DIRECTORS

The following directors have held office since 1 February 2013:–

Stanley Davis	
Neil Sinclair	
Anthony Dove	
Richard Starr	Appointed 21 October 2013
Roger Nagioff	Appointed 16 January 2014

CONFLICTS OF INTEREST

Under the articles of association of the company and in accordance with the provisions of the Companies Act 2006, a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the company's interests. However, the directors may authorise conflicts and potential conflicts, as they deem appropriate. As a safeguard, only directors who have no interest in the matter being considered will be able to take the relevant decision, and the directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate. During the financial period ended 31 March 2014, the directors have authorised no such conflicts or potential conflicts.

DIRECTORS' INTERESTS IN SHARES

Directors' interests in the shares of the Company, including family interests, were as follows:–

	Ordinary shares of 10p each	Ordinary shares of 1p each
	31.03.14	31.01.13
Stanley Davis	1,403,997	10,274,746
Neil Sinclair	154,413	2,941,412
Anthony Dove	43,000	100,000
Richard Starr	50,000	–
Roger Nagioff	337,500	–

There have been no changes in the Directors' shareholdings since the year end.

DIRECTORS' REMUNERATION AND SERVICE CONTRACTS

Neil Sinclair is the principal executive director and his service contract continues unless it is terminated by either party giving 12 months' notice. From the 3 October 2011 up until 20 October 2013 his salary was £45,000 per annum. This was increased to £100,000 per annum on 21 October 2013.

The letter of appointment of Stanley Davis continues until 30 July 2016 unless it is terminated by either party giving 6 months' notice. From the 3 October 2011 his fees were £12,000 per annum. This was increased to £30,000 per annum on 21 October 2013.

The letter of appointment of Anthony Dove continues until 8 September 2014 unless it is terminated by either party giving 6 months' notice. From 8 September his fees were £12,500 per annum. This was increased to £25,000 per annum on 21 October 2013.

The service contract of Richard Starr continues unless it is terminated by either party giving 8 months' notice from 21 October 2013 and his salary is £60,000 per annum.

The terms of appointment of Roger Nagioff are that the position can be terminated by either party without notice. From 16 July 2013 no fees were payable.

The remuneration paid to the directors during the 14 month period ended 31 March 2014 is shown below:

	Fees/ Salaries	**14 month period ended 31 March 2014 Total**	Year ended 31 January 2013 Total
	£	**£**	£
Neil Sinclair	84,230	**125,647**	50,500
Stanley Davis	22,185	**25,393**	14,750
Anthony Dove	20,288	**20,288**	12,500
Richard Starr	27,077	**27,077**	–
Roger Nagioff	–	**–**	–
	153,780	**198,405**	77,750

SUBSTANTIAL SHAREHOLDINGS

As at 31 May 2014, being the latest practicable date before the issue of these financial statements, the company had been notified of the following shareholdings which constitute 3% or more of the total issued shares of the company.

	Ordinary 10p shares No.	Shareholding %
Polar Capital European Forager Fund Ltd	2,000,000	16.08
Quantum Partners LP	1,850,000	14.87
Stanley Davis	1,403,997	11.29
Henderson Global Investors	1,250,000	10.05
AXA Investment Managers SA	1,000,000	8.04
Commerzbank AG	1,000,000	8.04
Jeremy Isaacs	562,500	4.52
Slater Investments Ltd	402,500	3.24

FINANCIAL INSTRUMENTS
The Group's principal financial instruments comprise cash at bank, bank loans, redeemable preference shares and various items within current assets and current liabilities that arise directly from its operations. The Directors consider that the key financial risk is liquidity risk. This risk is explained in the section headed Principal Risks and Uncertainties on page 4.

POLICY ON PAYMENT OF CREDITORS
Although the Group does not follow a formal code, the policy is to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods and services in accordance with the agreed terms and conditions. The total value of trade creditors at 31 March 2014 amounted to £338,812 (2013: £nil). The average period taken to pay creditors during the year was 30 days (2013 – 30 days).

STATEMENT OF DIRECTORS' RESPONSIBILITIES
The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and applicable law. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Provision of information to auditors
Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Group's auditors are unaware; and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the Group's auditors in connection with preparing their report and to establish that the Group's auditors are aware of the information.

AUDITOR
The auditor, Crowe Clark Whitehill LLP, will be proposed for re-appointment in accordance with Section 489 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

David Kaye
Company Secretary
19 June 2014

The Board of Palace Capital plc appreciate the value of good corporate governance and intend to comply with the principles of the Quoted Companies Alliance's Corporate Governance Guidelines, as far as applicable to the Group given its current size and stage of development.

Board Structure
The Board consists of five directors of which two are executives and three non-executive.

The Board will meet 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.

During the year, the Group has appointed an Audit, Remuneration and Nomination Committee. The following board members are members of these committees:

Stanley Davis
Anthony Dove
Roger Nagioff

The board has undertaken a formal assessment of the auditor's independence and will continue to do so at least annually. This assessment includes:

- a review of non-audit services provided to the company and the related fees;
- a review of the auditor's own procedures for ensuring the independence of the audit firm and parties and staff involved in the audit, including regular rotation of the audit partner; and
- obtaining confirmation from the auditor that, in their professional judgement, they are independent.

Internal Controls
The Board is responsible for the Group's system of internal controls and for reviewing their effectiveness. The internal controls are designed to ensure the reliability of financial information for both internal and external purposes. The Directors are satisfied that the current controls are effective with regard to the size of the Group. Any internal control system can only provide reasonable, but not absolute assurance against material mis-statement or loss.

Given the size of the Group, there is currently no need for an internal audit function.

We have audited the financial statements of Palace Capital plc for the 14 month period ended 31 March 2014 which comprise Group Statement of Financial Position and Parent Company Balance Sheet, the Group Statement of Comprehensive Income, the Group and Parent Cash Flow Statement, the Group Statement of Changes in Equity, the Parent Company Statement of Total Recognised Gains and Losses and the related notes numbered 1 to 24 for the Group and the related notes numbered 1 to 12 for the Parent Company.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

We read all the financial and non-financial information in the Directors' Report, the Strategic Report and any other surrounding information which includes the Chairman's statement to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2014 and of the Group's profit for the period then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report and the Strategic Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors’ remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

S. Eden

Stacy Eden
Senior Statutory Auditor
For and on behalf of

Crowe Clark Whitehill LLP

Statutory Auditor

St Bride’s House
10 Salisbury Square
London
EC4Y 8EH

19 June 2014

Palace Capital plc

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 14 month period ended 31 March 2014

Company Registration Number: 05332938

	Note	**14 month period ended 31 March 2014**	Year ended 31 January 2013
		£	£
Revenue – Continuing operations	1	**213,666**	199,785
– Acquisition		**3,038,152**	–
		3,251,818	199,785
Cost of sales		**(648,181)**	(5,442)
Gross profit		**2,603,637**	194,343
Administrative expenses		**(648,790)**	(225,403)
Costs of acquisition		**(516,569)**	–
Gains on revaluation of investment property portfolio		**19,500,531**	–
Profit on disposal of investment properties		**786,616**	–
Continuing operations		**78,967**	(31,060)
Acquisition		**21,646,458**	–
Operating profit/(loss)		**21,725,425**	(31,060)
Other interest receivable and similar income	3	**20,519**	105
Finance costs	4	**(593,200)**	(113,733)
Profit/(loss) before taxation		**21,152,744**	(144,688)
Tax payable on profit/(loss) on ordinary activities	7	**81,141**	(13,034)
Profit/(loss) after taxation for the year			
Attributable to equity holders of the parent		**21,233,885**	(157,722)
Other comprehensive income for the year		**–**	–
Total comprehensive income for the year		**21,233,885**	(157,722)
Attributable to:			
Equity holders of the parent		**21,233,885**	13,957
EARNINGS PER SHARE			
Basic	8	**431.6p**	(49.9)p
Diluted		**401.3p**	(49.9)p

All results in the current and preceding financial year derive from continuing operations.

The notes on pages 15 to 37 are an integral part of these consolidated financial statements

Palace Capital plc

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the 14 month period ended 31 March 2014

Company Registration Number: 05332938

	Note	**31 March 2014**	31 January 2013
		£	£
Non-current assets			
Goodwill	9	**5,910**	5,910
Investment properties	11	**59,440,168**	2,015,000
Tangible fixed assets	12	**205**	447
Trade and other receivables	13	**539,995**	–
		59,986,278	2,021,357
Current assets			
Trade and other receivables	13	**1,936,795**	29,483
Deferred tax	7	**100,000**	–
Cash at bank and in hand		**5,123,337**	38,696
		7,160,132	68,179
Total Assets		**67,146,410**	2,089,536
Current liabilities			
Trade and other payables	16	**(4,171,382)**	(140,507)
Redeemable preference shares	15	**–**	(65,000)
Creditors: amounts falling due within one year		**(4,171,382)**	(205,507)
Net current assets/(liabilities)		**2,988,750**	(137,328)
Non-current liabilities			
Borrowings	17	**(17,384,179)**	(1,762,374)
Obligations under finance leases	18	**(1,215,055)**	–
Net assets		**44,375,794**	121,655
Capital and reserves			
Called up share capital	19	**1,528,438**	315,938
Share premium account		**21,856,482**	110,395
Capital redemption reserve		**65,000**	–
Convertible loan notes – equity		**27,934**	27,934
Share based payments		**75,000**	13,333
Retained earnings		**20,822,940**	(345,945)
Equity – attributable to the owners of the parent		**44,375,794**	121,655

These financial statements were approved by the Board of Directors and authorised for issue on 19 June 2014 and are signed on its behalf by:

Stanley Davis
Director

Palace Capital plc

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 14 month period ended 31 March 2014

	Share Capital	Share Premium	Share based payments	Capital redemption reserve	Convertible loan notes equity	Retained earnings	Total equity
	£	£	£	£	£	£	£
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
Profit for the period	–	–	–	–	–	21,233,885	21,233,885
Warrants issued on raising of share capital (Note 10)		(50,000)	50,000	–	–	–	–
Share based payments	–	–	11,667		–	–	11,667
Total comprehensive income	–	–	61,667	–	–	21,233,885	21,295,552
Issue of ordinary share capital	1,212,500	21,796,087	–	–	–	–	23,008,587
Redemption of preference share capital	–	–	–	65,000	–	(65,000)	–
At 31 March 2014	1,528,438	21,856,482	75,000	65,000	27,934	20,822,940	44,375,794

For the purpose of preparing the consolidated financial statement of the Group, 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.

The capital redemption reserve represents the value of preference shares capital redeemed.

Palace Capital plc

CONSOLIDATED STATEMENT OF CASH FLOWS

For the 14 month period ended 31 March 2014

	Note	**14 month period ending 31 March 2014**	Year ending 31 January 2013
		£	£
OPERATING ACTIVITIES			
Net cash inflow/(outflow) from operating activities	2	**1,297,372**	(7,304)
Interest received		**20,519**	105
Preference share dividends paid		**(18,124)**	–
Interest paid		**(410,775)**	(99,599)
		(408,380)	(99,494)
TAXATION			
Corporation tax paid		**(13,250)**	–
INVESTING ACTIVITIES			
Payments to acquire subsidiary undertaking	10	**(1)**	–
Purchase of investment property		**(750,000)**	–
Proceeds from disposal of investment property		**3,282,147**	–
Adjustments to fixed assets	11	**–**	135
Net cash flow from investing activities		**2,532,146**	135
FINANCING ACTIVITIES			
Other loans repaid	17	**(550,000)**	–
Bank loans repaid	17	**(20,716,126)**	(19)
Issue of new share capital		**23,008,587**	–
Redemption of Preference shares		**(65,000)**	–
Capital element of finance lease rental payments		**(708)**	–
Net cash flow from financing activities		**1,676,753**	(19)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**5,084,641**	(106,682)
Cash and cash equivalents at beginning of the year		**38,696**	145,378
Cash and cash equivalents at the end of the year		**5,123,337**	38,696

BASIS OF ACCOUNTING

These financial statements are 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 41 Chalton Street, London, NW1 1JD.

The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 2 to 4.

BASIS OF PREPARATION

The Group financial statements have 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. These financial statements are for the 14 month period 1 February 2013 to 31 March 2014 and are presented in pounds sterling ("GBP")

The financial statements have 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's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 2 to 4. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in these financial statements. In addition, note 24 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposures to credit risk and liquidity risk.

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

After making enquiries, and in accordance with the FRC's Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

International Accounting Standards (IAS/IFRSs)

Endorsed by the EU:

IAS 27 Amendment: Separate Financial Statements 1 January 2014

IAS 28 Amendment: Investments in Associates and Joint Ventures 1 January 2014

IAS 32 Amendment: Offsetting Financial Assets and Financial Liabilities 1 January 2014

IFRS 10 Consolidated Financial Statements 1 January 2014

IFRS 10, IFRS 12, IAS 27 Amendments: Investment Entities 1 January 2014

IFRS 11 Joint Arrangements 1 January 2014

IFRS 12 Disclosure of Interests in Other Entities 1 January 2014

IFRS 10, 11 and 12 Amendments: Transition Guidance 1 January 2014

IAS 36 Amendments: Recoverable Amount Disclosures for Non-Financial Assets 1 January 2014

IAS 39 Amendments: Novation of Derivatives and Continuation of Hedge Accounting 1 January 2014

IAS 16 and IAS 38: Amendments to Clarification of Acceptable Methods of Depreciation and Amortisation 1 January 2016

IFRS 11: Amendments to Accounting for Acquisitions of Interests in Joint Operations 1 January 2016.

Not yet endorsed by the EU:

IFRS 9 Financial Instruments To be decided

IAS 19 Amendments: Defined Benefit Plans: Employee Contributions 1 July 2014

Annual Improvements to IFRSs 2010–2012 Cycle 1 July 2014

Annual Improvements to IFRSs 2011–2013 Cycle 1 July 2014

IFRS Interpretations Committee (IFRIC), not yet endorsed by the EU:

IFRIC 21 Levies 1 January 2014

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

BASIS OF CONSOLIDATION

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

Subsidiaries are all entities (including special purpose entities) over which the Group 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 Statements.

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.

Rental income from investment properties leased out under operating leases is recognised in the Income Statement on a straight-line basis over the term of the lease.

Other income comprises insurance commission, property management fees and miscellaneous income.

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 has become a party to the contractual priorities of the instrument.

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

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

OBLIGATIONS UNDER FINANCE LEASES
Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in liabilities. The finance charges are charged to the 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.

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.

A deferred tax liability on capital allowances linked to investment properties has not been provided as it is expected that they will not reverse when the properties are disposed of.

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 statements. 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 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 Statement of Financial Position. The investment property portfolio is carried at fair value, which requires a number of judgements and estimates in assessing the qualities of the Group's assets relative to market transactions. The approach to this valuation and the amounts affected are set out in the accounting policies and note 11.

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 periods ended 31 March 2014 and 31 January 2013.

14 month period ended 31 March 2014	**United Kingdom**	**Total**
	£	£
Rents received from investment properties	**3,178,285**	3,178,285
Management fees and other income	**73,533**	73,533
	3,251,818	3,251,818

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

2 RECONCILIATION OF OPERATING PROFIT

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

	14 month period ending 31 March 2014	Year ended 31 January 2013
	£	£
Profit/(loss) before taxation	**21,152,744**	(144,688)
Finance income	**(21,519)**	(105)
Finance costs	**593,200**	113,733
Gains on revaluation of investment property portfolio	**(19,500,531)**	–
Profit on disposal of investment properties	**(786,616)**	–
Depreciation	**242**	223
Share based payments	**11,667**	10,000
(Increase)/decrease in receivables	**(982,382)**	6,190
Increase in payables	**829,567**	7,343
Net cash inflow/(outflow) from continuing operating activities	**1,297,372**	(7,304)

3 OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	14 month period ending 31 March 2014	Year ended 31 January 2013
	£	£
Profit recognised on acquisition of loan at below par	**20,111**	–
Bank interest received	**408**	105
	20,519	105

4 INTEREST PAYABLE AND SIMILAR CHARGES

	14 month period ending 31 March 2014	Year ended 31 January 2013
	£	£
Interest on bank loans	**507,714**	72,486
Interest on other loans	**32,256**	35,397
Interest on finance leases	**46,806**	–
Preference share dividend	**6,424**	5,850
	593,200	113,733

5 PROFIT/(LOSS) FOR THE PERIOD

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

	14 month period ending 31 March 2014	Year ended 31 January 2013
	£	£
Depreciation of tangible fixed assets:	**242**	223
Auditor's remuneration:		
Fees payable to the auditor for the audit of the company's annual accounts	**30,000**	14,500
Fees payable to the auditor and its related entities for other services:		
Corporate advisory services	**35,098**	–
Tax services	**3,000**	–
	68,098	14,500

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

6 EMPLOYEES AND DIRECTORS' REMUNERATION

Staff costs during the period were as follows:

	14 month period ending 31 March 2014	Year ended 31 January 2013
	£	£
Directors fees	**42,473**	24,500
Wages and salaries	**173,086**	57,000
Social security costs	**24,784**	7,126
Share based payments	**11,667**	10,000
	252,010	98,626

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

	14 month period ending 31 March 2014	Year ended 31 January 2013
	Number	Number
Directors and management	**5**	4

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

	14 month period ending 31 March 2014	Year ended 31 January 2013
	£	£
Short-term employee benefits:		
Emoluments for qualifying services	**188,780**	69,500
Share based payments	**9,625**	8,250
	198,405	77,750

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:

	14 month period ending 31 March 2014	Year ended 31 January 2013
	£	£
Short-term employee benefits:		
– Emoluments for qualifying services	**119,230**	45,000
Share based payments	**6,417**	5,500
	125,647	50,500

7 TAXATION

	14 month period ending 31 March 2014	Year ended 31 January 2013
	£	£
Current income tax charge	**18,859**	15,937
Over provided in prior year	**–**	(2,903)
Deferred tax	**(100,000)**	–
Tax charge/(credit)	**(81,141)**	13,034

	14 month period ending 31 March 2014	Year ended 31 January 2013
	£	£
Profit/(loss) on ordinary activities before tax	**21,152,744**	(144,688)
Based on profit for the period:		
Tax at 23.0% (2013: 24.3%)	**4,865,131**	(35,159)
Effect of:		
Expenses not deductible for tax purposes	**142,518**	9,527
Over provision in prior year	**–**	(2,903)
Gains on revaluation of investment property portfolio	**(4,485,122)**	–
Profit on sale of investment properties	**(180,922)**	–
Capital allowances in excess of depreciation	**(45,258)**	–
Other adjustments	**(5,372)**	4,766
Deferred tax	**(100,000)**	
Losses used in the period	**(272,116)**	–
Losses not utilised	**–**	36,803
Tax charge/(credit) for the period	**(81,141)**	13,034

Deferred taxes at 31 March relates to the following:

	31 March 2014	31 January 2013
	£	£
Deferred tax assets		
Losses available to carry forward	**100,000**	–
Deferred tax asset	**100,000**	–

At 31 March 2014, the Group had tax losses of £1,225,952 (2013: £740,665) available to carry forward to future periods. A deferred tax asset of £100,000 has been recognised as it is expected to be utilised in the foreseeable future and a deferred tax asset of £157,450 (2013: £177,760) has not been recognised in the financial statements due to the uncertainty as to whether it can be utilised against future profits.

8 EARNINGS PER SHARE

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

	14 month period ending 31 March 2014	Year ending 31 January 2013
	£	£
Profit/(loss) for the period	21,233,885	(157,722)
Weighted average number of shares for basic profit/(loss) per share	4,920,006	315,938
Weighted average number of shares for diluted profit/(loss) per share	5,291,256	507,531
EARNINGS PER ORDINARY SHARE;		
Basic	431.6p	(49.9)p
Diluted	401.3p	(49.9)p

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 and 2013	5,910
On acquisitions (note 10)	–
Carrying Value at 31 March 2014	**5,910**

10 BUSINESS COMBINATIONS

On 21 October 2013 the Group acquired 100% of the share capital of Quintain (Signal) Member A Limited and its subsidiary undertakings for a consideration of £1. The Group also acquired, on the same day, a 1.5% share of Signal Property LLP which was not already owned by Quintain (Signal) Member A Limited together with a loan owing from Signal Property Investments LLP, a subsidiary undertaking of Quintain (Signal) Member A Limited, amounting to £220,111 for a consideration of £200,000.

	Carrying value at acquisition date	Adjustments	Fair value at acquisition date
Investment properties	38,450,000	1,220,168	39,670,168
Receivables and prepayment	1,475,320	197,462	1,672,782
Cash at bank and in hand	–	–	–
Payables and other creditors	(1,678,083)	–	(1,678,083)
Other loans	(478,715)	–	(478,715)
Finance leases	–	(1,215,763)	(1,215,763)
Bank loans	(37,815,390)	(154,998)	(37,970,388)
Net assets	(46,868)	46,869	1
Consideration			1
Goodwill on acquisition			–

The acquired subsidiary contributed £21,080,708 to the profit before tax of the Group. If these acquisitions had occurred on 1 February 2013, Group revenue would have been an estimated £8.2m and Group profit before tax would have been an estimated £23.5m. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 February 2013.

Acquisition related costs

The Group incurred acquisition related costs of £516,569 related to professional fees paid for due diligence, general professional fees and legal related costs. These costs have been included in non-underlying administrative expenses in the Group's consolidated income statement.

The group issued 248,715 warrants to its Nominated Advisors and Brokers to subscribe for shares at a price of 200p per share. The directors have valued these warrants at £50,000.

11 INVESTMENT PROPERTIES

	Freehold Investment properties	Leasehold Investment properties	Total £
At 1 February 2013 and 1 February 2012	2,015,000	–	2,015,000
Arising on acquisition of subsidiary undertaking	27,295,547	12,374,621	39,670,168
Additions	750,000	–	750,000
Gains on revaluation of investment property	14,684,984	4,815,547	19,500,531
Disposals	(2,495,531)	–	(2,495,531)
At 31 March 2014	**42,250,000**	**17,190,168**	**59,440,168**

Investment properties are stated at fair value as determined by the Directors. The fair value of the Group's property portfolio is based upon external valuations and is inherently subjective. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arms-length transaction at the date of valuation, in accordance with International Accounting Standard 13. 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 of 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.

A reconciliation of the valuations carried out by the external valuers to the carrying values shown in the balance sheet was as follows:

	2014 £	2013 £
Scanlans Consultant Surveyors LLP	**2,230,000**	2,015,000
Cushman & Wakefield LLP	**55,990,000**	–
Adjustment in respect of minimum payment under head leases separately included as a liability in the balance sheet	**1,220,168**	–
	59,440,168	2,015,000

Investment properties with a carrying value of £58,220,000(2013:£2,015,000) are subject to a first charge to secure the Group's bank loan amounting to £18,532,318 (2013: £1,199,981).

The historical cost of the Group's investment properties, at the cost the properties were acquired by the relevant subsidiary undertaking, as at 31 March 2014 was £60,015,591 (2013: £1,430,336). The historical cost of the Group's investment properties based on the fair value of the assets acquired as at 31 March 2014 was £38,801,663 (2013: £1,817,500).

12 TANGIBLE FIXED ASSETS

	IT and fixtures and fittings £
At 1 February 2012	805
Adjustment to additions	(135)
At 1 February 2013	670
Additions	–
At 31 March 2014	**670**
Depreciation	
At 1 February 2012	–
Provided during the year	223
At 1 February 2013	223
Provided during the year	242
At 31 March 2014	**465**
Net book value at 31 March 2014	205
Net book value at 31 January 2013	447

13 TRADE AND OTHER RECEIVABLES

	31 March 2014 £	31 January 2013 £
Current		
Trade receivables	**1,499,278**	15,477
Less: allowance for doubtful trade receivables	**(88,946)**	–
Other taxes	**36,925**	3,774
Other debtors	**71,806**	–
Prepayments	**417,732**	10,232
	1,936,795	29,483

	31 March 2014 £	31 January 2013 £
Non-Current		
Prepayments	**539,995**	–
	539,995	–

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

	31 March 2014	31 January 2013
	£	£
Arising on acquisition	**107,443**	–
Utilised in the period	**(49,362)**	–
Provisions increased	**30,865**	–
	88,946	**–**

As at 31 March, the analysis of trade receivables that were past due but not impaired is as follows:

	31 March 2014	31 January 2013
	£	£
Not yet due	**398,974**	14,769
0 – 30 days	**866,900**	–
31 – 60 days	**346**	–
61 – 90 days	**12,604**	–
91 – 102 days	**42,706**	–
More than 120 days	**88,802**	708
	1,410,332	15,477

14 CASH AND CASH EQUIVALENTS

All of the Group's cash and cash equivalents at 31 March 2014 and 31 January 2013 are in sterling and held at floating interest rates.

	31 March 2014	31 January 2013
	£	£
Cash and cash equivalents	**5,123,337**	38,696

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

15 REDEEMABLE PREFERENCE SHARES

The 65,000 £1 redeemable preference shares were redeemed on 31 January 2014 at par. The redeemable preference shares provided for a fixed cumulative dividend at a rate of 9% per annum which accrues on a daily basis. The preference shares do not confer a right to attend, speak or vote at any general meeting of the company. Preference share dividends amounting to £18,124 (2013: £nil) were paid during the period. Included in accruals and deferred income are accrued preference dividends of £nil (2013: £11,700).

16 TRADE AND OTHER PAYABLES

	31 March 2014	31 January 2013
	£	£
Convertible loan notes (note 22)	**–**	60,000
Trade payables	**338,812**	10,500
Bank loans (note 17)	**1,199,959**	–
Other taxes	**827,280**	2,651
Income tax	**7,468**	1,859
Other payables	**46,103**	–
Accruals and deferred income	**1,751,760**	65,497
	4,171,382	140,507

17 BORROWINGS

	31 March 2014	31 January 2013
	£	£
Current		
Bank loans	**1,199,959**	–
Non-current liabilities		
Convertible loan notes (note 22)	**290,619**	284,893
Loan notes	**–**	277,500
Bank loans	**17,093,560**	1,199,981
Total Non-current liabilities	**17,384,179**	1,762,374
Total borrowings	**18,584,138**	1,762,374

	31 March 2014	31 January 2013
	£	£
Non-current liabilities		
Bank loans	**17,332,360**	1,199,981
Amortised borrowing costs	**(238,800)**	–
	17,093,560	1,199,981

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

	31 March 2014	31 January 2013
	£	£
Within one year	**1,199,959**	–
From one to two years	**300,000**	1,199,981
From two to five years	**17,332,360**	577,500
	18,832,319	1,777,481

Included within bank loans is an amount of £1,199,959 (2013: £1,199,981)which is secured on the investment properties in the Hockenhull portfolio. 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.

Included within bank loans is an amount of £17,332,360 (2013: £nil) which is secured on the investment properties in the Signal portfolio. Interest is charged at a rate of 3.75% above the 1 month Libor rate and is payable monthly. The loan is repayable on 21 October 2016.

The loan notes amounting to £277,500 which were provided by Stanley Davis, a director of the company, were repaid during the year. Interest was charged at a rate of 5% above the 1 month Libor rate fixed for each interest period. The interest accrued during the period amounted to £12,590 (2013: £16,696).

The convertible loan notes of £300,000 (2013: £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 £290,619, (2013 – £284,893) (see note 21).The interest accrued during the period amounted to £13,940(2013 – £12,003). The loan is repayable on 3 October 2015 but can be converted to ordinary shares at any time at an exercise price of 225p per share.

18 OBLIGATIONS UNDER FINANCE LEASES

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

	31 March 2014			31 January 2013
	Minimum lease payments	**Interest**	**Present value of minimum lease payments**	Present value of minimum lease payments
	£	**£**	**£**	£
Within one year	**86,980**	**(85,459)**	**1,521**	–
From one to two years	**86,980**	**(85,346)**	**1,634**	–
From two to five years	**260,940**	**(255,280)**	**5,660**	–
From five to 25 years	**1,713,600**	**(1,648,225)**	**65,375**	–
After 25 years	**6,349,600**	**(5,255,735)**	**1,140,865**	–
	8,545,100	**(7,330,045)**	**1,215,055**	–

The net carrying amount of the leasehold properties is shown in note 11.

19 SHARE CAPITAL

	31 March 2014	31 January 2013
	£	£
Nil (2013 – 31,593,733) ordinary shares of 1p each	**–**	315,938
12,440,937 ordinary shares of 10p each (2013 nil)	**1,244,094**	–
315,937 deferred shares of 90p each (2013 nil)	**284,344**	–
	1,528,438	315,938
65,000 redeemable preference shares of £1 each	**–**	65,000

On 21 October 2013 the company consolidated and redesignated the 31,593,733 ordinary 1p shares into 315,937 ordinary 10p shares and 315,937 deferred 90p shares.

On 21 October 2013 the company issued 12,125,000 ordinary 10p shares at a price of £2.00.

On 31 January 2014 the company redeemed 65,000 preference shares at par.

Share options:

As at 31 March 2014, the Company had outstanding unexpired options of 811,752 shares (2013: 31,593). The Company granted 646,815 share options during the year (2013: nil). No share options were exercised during the year (2013: nil) and 26,667 share options lapsed during the year (2013: nil).

Description of unexpired share options	***No of options***	***Weighted average Option price***
Senior executive plan (note 20)	429,704	17p
Warrants issued to Nominated advisors and Brokers (note 10)	248,715	200p
Share options on convertible loan (note 17)	133,333	225p
Total	811,752	107p

20 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 2013	**31,594**	225p
Issued during the year (LTIP 2014)	**398,110**	0p
At 31 March 2014	**429,704**	17p

Option on convertible loans

As part of the loan agreements (see note 17) 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 March 2014 was 2 years (2013: 3).

21 RELATED PARTY TRANSACTIONS

Stanley Davis, owned £32,500 (2013: £32,500) of the redeemable preference shares disclosed in note 15, which were repaid during the period.

Convertible loan notes amounting to £nil (2013: £31,500), disclosed in note 17, are payable to Stanley Davis, £nil (2013: £2,000) are payable to Neil Sinclair and £nil (2013: £2,000) are payable to London Active Management, a company controlled by Pamela &Neil Sinclair. No interest is payable on these loan notes. These loan notes were repaid during the period.

A further convertible loan note amount of £300,000 (2013: £300,000) was provided by a pension scheme in which Stanley Davis is a beneficiary. Interest charged during the period amounted to £13,940 (£12,000). Accrued unpaid interest on this loan amounted to £29,885 (2013: £15,945).

During the year, the company repaid convertible loan notes provided by Stanley Davis, a director of the company, amounting to £277,500. Interest charged during the period amounted to £12,590 (£16,696). Accrued unpaid interest on this loan amounted to £4,521 (2013: £10,013).

Accounting services amounting to £22,000 (2013: £nil) have been provided to the Group by Stanley Davis Group Limited, a company where Stanley Davis is a director.

A fee of £392,500 for introducing, advising and liaising with advisors during the Signal acquisition was provided by Acorn2Oak Property Advisors Limited, a company owned by Richard Starr, a director of the company.

22 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 225p 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 were repaid during the year. These loans were convertible at a rate of 225p per share,at the option of the loan note holders and at any time prior to redemption. No interest was 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:

	31 March 2014 £	31 January 2013 £	**31 March 2014 £**	31 January 2013 £
Convertible loan notes issued	**300,000**	300,000	–	60,000
Equity component	**(21,197)**	(21,197)	–	(6,737)
Liability component at date of issue	**278,803**	278,803	–	53,263
Interest charged	**41,728**	22,002	–	6,737
Interest payable	**(29,912)**	(15,912)	–	–
	290,619	284,893	–	60,000

23 POST BALANCE SHEET EVENT

On 2 June 2014 the company agreed to repay the convertible loan note amounting to £300,000 provided by a pension scheme in which Stanley Davis is a beneficiary (see note 22).

24 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	
	31 March 2014	31 January 2013	**31 March 2014**	31 January 2013
	£	£	**£**	£
Financial assets				
Cash and cash equivalents	**5,123,577**	38,696	**–**	–
Current financial liabilities				
Borrowings – loan notes	**–**	–	**–**	60,000
Borrowings – bank loan	**–**	–	**18,293,519**	1,199,981
Borrowings – other loans	**–**	–	**290,619**	562,393
Obligations under finance leases	**–**	–	**1,215,055**	
Preference Shares	**–**	–	**–**	65,000
Total	**5,123,577**	38,696	**19,799,193**	1,887,374

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 its services commensurately with the level of risk.

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

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

Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed on pages 15 to 20 to these financial statements.

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 £5m. The income statement would be affected by £50,000 (2013: £400) by a reasonably possible one percentage point change in floating interest rates on a full year basis.

The Group has loans amounting to £18,293,519 which have interest payable at rates linked to the 1 month Libor interest rates. A 1% increase in Libor rate will have the effect of increasing interest payable by £182,935 (2013:£14,775).

The Group must also pay interest at a fixed rate of 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 its cash held on deposit with two large banks and a large building society in the United Kingdom. At 31 March 2014 the concentration of credit risk held with the largest of these banks was £2,994,106 (2013: £38,696).

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 9% 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
The Group's policy is to hold cash and undrawn committed facilities at a level sufficient to ensure that the Group has available funds to meet its medium term capital and funding obligations, including organic growth and acquisition activities, and to meet any unforeseen obligations and opportunities. The Group holds cash to enable the Group to manage its liquidity risk.

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

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

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 March 2014

Company Registration Number: 05332938

	Note	31 March 2014	31 January 2013
		£	£
Non-current assets			
Tangible fixed assets	4	**205**	447
Investments	3	**807,889**	1,813,215
		808,094	1,813,662
Current assets			
Trade and other receivables	5	**23,559,943**	13,844
Cash at bank and in hand		**1,132,203**	11,885
		24,692,146	25,729
Creditors: amounts falling due within one year	6	**(79,469)**	(1,338,456)
Net current assets/(liabilities)		**24,612,677**	(1,312,727)
Non-current liabilities			
Borrowings	7	**(290,619)**	(562,393)
Net assets/(liabilities)		**25,130,152**	(61,458)
Capital and reserves			
Called up share capital	8	**1,528,438**	315,938
Share premium account	9	**21,906,482**	110,395
Capital redemption reserve	10	**65,000**	–
Convertible loan notes – equity		**27,934**	27,934
Share based payments		**25,000**	13,333
Profit and loss account	11	**1,577,298**	(529,058)
Equity – attributable to the owners of the parent	12	**25,130,152**	(61,458)

The financial statements were approved by the Board of Directors and authorised for issue on 19 June 2014 and are signed on its behalf by:

Stanley Davis
Director

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

The Company has reasonable financial resources together with the profits it will generate from the loans made to its subsidiary undertakings to support its business for the foreseeable future. As a consequence, the Directors believe that the Company is well placed to manage its business risk successfully.

After making enquiries, and in accordance with the FRC's Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

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 PROFIT/(LOSS) FOR THE FINANCIAL PERIOD

a) 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 profit for the 14 month financial period was £2,171,356 (2013: loss £161,903).

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 £30,000 (2013: £14,500). Fees payable to the auditor for other services amounted to £38,098 (2013: £nil).

2 EMPLOYEES' AND DIRECTORS' REMUNERATION

Staff costs during the period were as follows:

	14 month period ending 31 March 2014	Year ended 31 January 2013
	£	£
Directors' fees	**42,473**	24,500
Wages and salaries	**173,086**	57,000
Social security costs	**24,784**	7,126
Share based payments	**11,667**	10,000
	252,010	98,626

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

	14 month period ending 31 March 2014	Year ended 31 January 2013
	Number	Number
Directors and management	**5**	4

Remuneration in respect of directors was as follows:

	14 month period ending 31 March 2014	Year ended 31 January 2013
	£	£
Short term employee benefits:		
Emoluments for qualifying services	**188,780**	69,500
Share based payments	**9,625**	8,250
	198,405	77,750

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:

	14 month period ending 31 March 2014	Year ended 31 January 2013
	£	£
Short term employee benefits:		
Emoluments	**119,230**	45,000
Share based payments	**6,417**	5,500
	125,647	50,500

3 INVESTMENTS

	Subsidiary undertakings
Cost:	£
At 1 February 2013	1,813,215
Acquisitions	1
At 31 March 2014	**1,813,216**
Provision for diminution in value:	£
At 1 February 2013	–
Provided during the year	1,005,327
At 31 March 2014	**1,005,327**
Net book value at 31 March 2014	**807,889**
Net book value at 31 January 2013	**1,813,215**

On 21 October 2013 the Group acquired 100% of the share capital of Quintain (Signal) Member A Limited and its subsidiary undertakings for a consideration of £1. The Group also acquired, on the same day, a 1.5% share of Signal Property LLP which was not already owned by Quintain (Signal) Member A Limited together with a loan owing from Signal Property Investments LLP, a subsidiary undertaking of Quintain (Signal) Member A Limited, amounting to £220,111 for a consideration of £200,000.

The company owns more than 20% of the following undertakings, all of which are incorporated in the United Kingdom unless shown otherwise:

	Class of share held	% shareholding	Principal activity
Subsidiary undertaking:			
Equalgold Limited	Ordinary	100	Dormant
Hockenhull Estates Limited **	Ordinary	100	Property Investments
Quintain (Signal) Member A Limited	Ordinary	100	Holding
Quintain (Signal) Member B Limited*	Ordinary	100	Holding
Signal Property Investments LLP*	Member	100	Property Investments
Signal Investments LLP*	Member	100	Holding
Meadowcourt Management (Meadowhall) Limited*	Ordinary	50	Property Management

* held indirectly
** Incorporated in Isle of Man

4 TANGIBLE FIXED ASSETS

	IT and fixtures and fittings £
At 1 February 2013	670
Adjustment to additions	–
At 31 March 2014	**670**
Depreciation	
At 1 February 2013	223
Provided during the period	242
At 31 March 2014	**465**
Net book value at 31 March 2014	**205**
Net book value at 31 January 2013	447

5 TRADE AND OTHER RECEIVABLES

	31 March 2014	31 January 2013
	£	£
Amounts owed by subsidiary undertakings	**23,419,136**	–
Deferred tax	**100,000**	–
Other taxes and social security	**36,925**	3,774
Prepayment	**3,882**	10,070
	23,559,943	13,844

Included in amounts owed by subsidiary undertakings is an amount of £20,488,377 which is due after more than one year.

6 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 March 2014	31 January 2013
	£	£
Trade creditors	**18,580**	10,500
Amounts owed to subsidiary undertakings	**–**	1,156,523
Other taxes	**7,860**	2,651
Redeemable preference shares	**–**	65,000
Loan notes	**–**	60,000
Accruals and deferred income	**53,029**	43,782
	79,469	1,338,456

The 65,000 £1 redeemable preference shares were redeemed on 31 January 2014 at par. The redeemable preference shares provided for a fixed cumulative dividend at a rate of 9% per annum which accrued on a daily basis. The preference shares did not confer a right to attend, speak or vote at any general meeting of the company. Preference share dividends amounting to £18,124 (2013: £nil) were paid during the period. Included in accruals and deferred income are accrued preference dividends of £nil (2013: £11,700).

7 BORROWINGS

	31 March 2014	31 January 2013
	£	£
Convertible loan notes	**290,619**	284,893
Other loans	**–**	277,500
	290,619	562,393

The loan notes amounting to £277,500 which were provided by Stanley Davis, a director of the company, were repaid during the year. Interest was charged at a rate of 5% above the 1 month Libor rate fixed for each interest period. The interest accrued during the period amounted to £13,940 (2013: £16,696).

The convertible loan notes of £300,000 (2013: £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 £290,619, (2013 – £284,893) (see note 20). The interest accrued during the period amounted to £12,590 (2013 – £12,033). The loan is repayable on 3 October 2015 but can be converted to ordinary shares at any time at an exercise price of 225p per share.

8 SHARE CAPITAL

	31 March 2014	31 January 2013
	£	£
Nil (2013 – 31,593,733) ordinary shares of 1p each	**–**	315,938
12,440,937 ordinary shares of 10p each (2013 nil)	**1,244,094**	–
315,937 deferred shares of 90p each (2013 nil)	**284,344**	–
At 31 March	**1,528,438**	315,938
65,000 redeemable preference shares of £1 each	**–**	65,000

On 21 October 2013 the company consolidated the 31,593,733 ordinary 1p shares into 315,937 ordinary 10p shares and 315,937 deferred 90p shares.

On 21 October 2013 the company issued 12,125,000 ordinary 10p shares at a price of £2.00.

On 31 January 2014 the company redeemed 65,000 preference shares at par.

Share options:
As at 31 March 2014, the Company had outstanding unexpired options of 811,751 shares (2013: 31,593). The Company granted 646,815 share options during the year (2013: nil). No share options were exercised during the year (2013: nil) and 26,667 share options lapsed during the period (2013: nil).

9 SHARE PREMIUM ACCOUNT

	14 month period ending 31 March 2014	Year ended 31 January 2013
	£	£
Balance brought forward	**110,395**	110,395
Premium on issue of new shares	**21,796,087**	–
Balance carried forward	**21,906,482**	110,395

10 CAPITAL REDEMPTION RESERVE

	14 month period ending 31 March 2014	Year ended 31 January 2013
	£	£
Balance brought forward	**–**	–
Transfer from profit and loss account on redemption of preference shares	**65,000**	–
Balance carried forward	**65,000**	–

11 PROFIT AND LOSS ACCOUNT

	14 month period ending 31 March 2014	Year ended 31 January 2013
	£	£
Balance brought forward	**(529,058)**	(367,155)
Profit/(loss) for financial period	**2,171,356**	(161,903)
Transfer to capital redemption reserve	**(65,000)**	–
Balance carried forward	**1,577,298**	(529,058)

12 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	14 month period ending 31 March 2014	Year ended 31 January 2013
	£	£
Profit/(loss) for the financial period	**2,171,356**	(161,903)
Net increase/(decrease) in shareholders' funds	**2,171,356**	(161,903)
Issue of new shares	**23,008,587**	–
Share based payments	**11,667**	10,000
Opening Shareholders' funds	**(61,458)**	90,445
Closing Shareholders' funds	**25,130,152**	(61,458)

NOTICE OF ANNUAL GENERAL MEETING

Palace Capital plc (the "**Company**")

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

Notice is hereby given that the Annual General Meeting (**Meeting**) of the Company will be held at the offices of Hamlins LLP, Roxburghe House, 273-287 Regent Street, London W1B 2AD at 10.00 a.m. on 21st July 2014.

You will be asked to consider and vote on the resolutions below. Resolutions 1 to 7 will be proposed as ordinary resolutions and resolution 8 will be proposed as a special resolution.

Ordinary Resolutions

1. To receive the accounts and reports for the financial period ended 31 March 2014.

2. To re-appoint MR RICHARD STARR as an executive director.

Biography:
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.

Richard Starr is a director of Acorn2Oak Property Advisors Ltd and has not been a director or partner of any other company or partnership within the last five years.

Proposal for Re-appointment:
The board recommends Mr. Starr's re-appointment as an executive director. The board has conducted a performance evaluation for Mr. Starr. His performance continues to be effective while demonstrating commitment to the role.

3. To re-appoint MR ROGER NAGIOFF as a non-executive director.

Biography:
Roger Benjamin Nagioff is a Founding Partner of JRJ Group, and brings almost three decades of operating and i*nvesting experience to the Company. Prior to co-founding JRJ Group, in late 2008, he served in various senior executive positions within Lehman Brothers, which he joined in 1997, holding leadership roles in a number of business lines. During his tenure at Lehman Brothers, he held positions in both Europe and the United States and was Global Head of Fixed Income from May 2007 to February 2008 and had previously served as Chief Operating Officer for Europe, Co-Head of Global Equities and Head of European Equities. Alongside Jeremy Isaacs, Roger was central to the strategic development and implementation of Lehman Brothers' international businesses in Europe and Asia. Prior to Lehman Brothers he worked for Natwest Markets with responsibilities for risk management, trading and derivatives sales. Roger holds a BA degree in law from City University, London. He is a director of Topstar Properties Limited, Pointcharm Limited and the Homes Partnership (Bristol) Limited.*

Proposal for Re-appointment:
The board recommends Mr. Nagioff's re-appointment as a non-executive director. The board has conducted a performance evaluation for Mr. Nagioff. His performance continues to be effective while demonstrating commitment to the role.

4. To re-appoint MR ANTHONY CHARLES DOVE as a non-executive director.

Biography:
Anthony has over 30 years' experience in the corporate sector. He was a partner at the international law firm Simmons & Simmons from 1977 until 1999. In 1998 he joined the board of Tops Estates plc, a fully listed company, and remained so until 2005 when the company was acquired by Land Securities plc. He 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.

Proposal for Re-appointment:
The board recommends Mr. Dove's re-appointment as a non-executive director. The board has conducted a performance evaluation for Mr. Dove. His performance continues to be effective while demonstrating commitment to the role.

5. **To re-appoint Crowe Clark Whitehill as auditors of the Company and to authorise the directors to fix their remuneration.**

6. **To declare a final dividend of 2.5p per ordinary share in respect of the period ended 31 March 2014. This dividend will be paid on 31st July 2014 to the holders of ordinary shares.**

7. **That, in accordance with section 551 Companies Act 2006 (CA 2006), the directors of the Company are generally and unconditionally authorised, and in substitution for any previous authority to allot Relevant Securities (as defined in this resolution) comprising equity securities (as defined in section 560 CA 2006) up to an aggregate nominal amount of £410,000, such authority, unless previously revoked or varied by the Company in general meeting, to expire at the close of the Company's next annual general meeting, except that the directors of the Company may allot Relevant Securities pursuant to an offer or agreement made before the expiry of the authority. In this notice, Relevant Securities means any shares in the capital of the Company and the grant of any right to subscribe for, or convert any security into, shares in the capital of the Company.**

   Section 551 of the Companies Act 2006 provides that the directors of a Company cannot issue new shares in its capital without the approval of the shareholders. Accordingly, the purpose of this resolution is to give the directors of the Company authority to issue new shares in the capital of the Company up to a maximum nominal amount of £410,000 (representing approximately one third of the issued ordinary share capital of the Company as at the date of this notice). This resolution will allow the directors of the Company flexibility to act in the best interests of the Company and its shareholders by issuing new shares in appropriate circumstances. The number of treasury shares held by the Company as at the date of this notice is nil. The directors intend to seek renewal of the authority and powers set out in resolution 7 at each annual general meeting.

Special Resolution

8. **That, subject to the passing of resolution 7, under section 570 CA 2006, the directors of the Company are authorised, in substitution for any previous authority, to allot equity securities, as defined in section 560 CA 2006, wholly for cash for the period commencing on the date of this resolution and expiring on the date of the Company's next annual general meeting, as if section 561 CA 2006 did not apply to such allotment, except that the directors of the Company may allot Relevant Securities following an offer or agreement made before the expiry of the authority and provided that the authority is limited to:**

   8.1 **the allotment of equity securities in connection with a rights issue in favour of ordinary shareholders where their holdings are proportionate, as nearly as possible, to the respective number of ordinary shares held, or deemed to be held, by them, but subject to any exclusions or arrangements the directors think necessary or expedient for the purpose of dealing with fractional entitlements or legal or practical problems under the laws of any territory or the requirements of any recognised regulatory body or stock exchange in any territory; or**

NOTICE OF ANNUAL GENERAL MEETING
Palace Capital plc (the "**Company**")
(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 05332938)

8.2 the allotment of equity securities up to a maximum nominal value of £124,000.

If shares are to be allotted by the Company, Section 561 of the Companies Act 2006 requires that except to the extent dis-applied by shareholders, those shares be offered first to existing shareholders in proportion to their shareholdings. However it may sometimes be in the interest of the Company for the directors to have greater flexibility. This resolution would allow the directors to allot shares for cash up to an aggregate nominal value of £124,000 representing approximately one tenth of the Company's issued share capital as at the date of this notice, without first offering such shares to shareholders in proportion to their shareholding. The authorities sought and the limit set by this resolution will also apply to any sale or transfer of treasury shares. The directors consider it prudent to have the flexibility to buy back shares into treasury and to be able to subsequently sell or transfer them if appropriate. This will enable them to act on short notice in appropriate circumstances should that be in the best interest of the Company. The directors intend to seek renewal of the authority and powers set out in resolution 8 at each AGM.

By order of the board

David Kaye
Company Secretary
Date: 19 June 2014

Registered office:
41 Chalton Street,
London,
NW1 1JD

NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

Entitlement to attend and vote

1. Only those members registered on the Company's register of members at:
   - 10.00 a.m. on 21st July 2014; or,
   - if this Meeting is adjourned, at 48 hours (excluding any part of a day that is not a working day) prior to the adjourned meeting,

   shall be entitled to attend and vote at the Meeting.

Attending in person

2. If you wish to attend the Meeting in person, please arrive at the offices of Hamlins LLP, Roxburghe House, 273-287 Regent Street, London W1B 2AD (the nearest underground station is Oxford Circus) at 09:30 a.m. on 21st July 2014 (commencement of registration); the Meeting will commence at 10.00 am. Please bring this notice with you. Representatives of corporate shareholders will have to produce evidence of their proper appointment when attending the Meeting. Please contact the Company's Registrar, Capita Asset Services, PXS 1, 34 Beckenham Road, Beckenham, Kent, BR3 4ZF, if you require further guidance on this.

Appointment of proxies

3. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of Meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
4. If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in this "Appointment of proxies" section. Please read the section "Nominated persons" below.
5. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
6. 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, please contact the Company's Registrar, Capita Asset Services, PXS 1, 34 Beckenham Road, Beckenham, Kent, BR3 4ZF.
7. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

Appointment of proxy using hard copy proxy form

8. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.

   To appoint a proxy using the proxy form, the form must be:
   - completed and signed;
   - sent or delivered to Company's Registrar, Capita Asset Services, PXS 1, 34 Beckenham Road, Beckenham, Kent, BR3 4ZF; and
   - received by Capita Asset Services no later than 10.00 am on 17th July 2014.

   In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

Appointment of proxies through CREST

9. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) of it by using the procedures described in the CREST Manual (available from https://www.euroclear.com/site/public/EUI). 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.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a **CREST Proxy Instruction**) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (**EUI**) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (IDRA10) by 10.00 am on 17th July 2014. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Appointment of proxy by joint members

10. 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).

Changing proxy instructions

11. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.
Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Capita Asset Services, PXS 1, 34 Beckenham Road, Beckenham, Kent, BR3 4ZF.
If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Termination of proxy appointments

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 Capita Asset Services, PXS 1, 34 Beckenham Road, Beckenham, Kent, BR3 4ZF. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

The revocation notice must be received by Capita Asset Services no later than 10.00 am on 17th July 2014.

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.

Appointment of a proxy does not preclude you from 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.

Corporate representatives

13. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

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