



**PALACE CAPITAL** plc



## **Delivering on our strategy to return capital to Shareholders**

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Annual Report and Accounts 2025

# Welcome to Palace Capital

## Our Strategy

is focused on maximising cash returns to Shareholders.

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# Financial highlights (including Alternative Performance Measures)

**£72.5m**

Net asset value

**£3.5m**

Adjusted profit before tax

**0.4%**

Total Shareholder return

**£22.2m**

Net cash

**£53.2m**

Property portfolio  
(see note 9)

**251p**

EPRA net tangible  
assets per share

**£6.1m**

Contractual rental income

**84.8%**

EPRA occupancy

**7.2 years**

Weighted average  
lease length to break

**15.0p**

Dividend per share

**Nil**

Total gross debt

**Nil**

Average cost of debt

**£1.4m**

IFRS profit before tax

**4.5p**

Basic EPS

**11.3p**

Adjusted EPS

\*See the Glossary for definitions and explanations of the Alternative Performance Measures ('APMs') used by the Company highlighted above. The Board considers that the above APMs are appropriate for the Company and have used them consistently over several years. Please see the Key Performance Indicators section on pages 10-12. Such APMs may not be in line with GAAP measures reported elsewhere in the report.

# Executive Chairman's statement

## Update on delivery of strategic objectives

During the financial year ended 31 March 2025 (FY25), we continued to progress our strategy to return capital to Shareholders through the disposal of investment and residential properties. This was achieved through the sale of £35.0 million of assets at 6.0% above the 31 March 2024 valuation and returning cash of £21.7 million to Shareholders by way of a successful, oversubscribed tender offer in July 2024, which contributed an additional 2.0 pence to EPRA NTA per share. Since the updated strategy of the Company was announced in July 2022, we have returned over £43 million of cash to Shareholders.

Since 1 April 2025, the Company completed the sale of HQ Office, York, a freehold, multi-let building, for a gross price of £10.0 million, which, after adjusting for rent top ups, was in line with the 31 March 2024 valuation. We are also under offer on the sale of the office building at Leamington Spa. There are 10 apartments remaining at Hudson Quarter, York, valued at £4.3 million as at 31 March 2025.

The Company has been in a net cash position since April 2024 and in line with the terms of the loan agreement with Scottish Widows, the Company repaid the outstanding £8.0 million loan (£7.9 million net of the loan break gain) in March 2025, in advance of the completion of the sale of the NHS units at Halifax as reported on 11 April 2025. The Company is now debt free and the portfolio is entirely unencumbered and currently has cash of £30.3 million,



The success of our disposal strategy since July 2022 means that the Company is now debt free and the remaining portfolio is unencumbered which together with its strong cash position gives it both flexibility and optionality over the timing of its disposal programme. In the meantime, the Company anticipates it will return further cash to Shareholders by way of a Tender Offer, expected in July 2025 once the disposal of its property at Leamington Spa has been completed.

compared with £22.2 million as at 31 March 2025.

Total investment properties sold since the change of strategy in July 2022 amount to £145.6 million (£160.3 million including residential apartments).

The Company currently has five investment properties remaining, which were valued at £39.0 million as at 31 March 2025. One of these assets (Leamington Spa) is under offer, another (Halifax) is expected to be marketed for sale in September or the fourth quarter of 2025, subject to market conditions, following its part disposal in March 2025. The remaining three require the completion of ongoing asset management activities in order to be ready for sale. An update on progress made together with the current position is set out below under Disposal and asset management strategy post FY25. We reported in the Interim Results in November 2024 that conditions in the investment market for certain types of assets, particularly leisure assets, were such that, in the Board's view, the sale of these assets should be deferred until market demand and pricing improve, particularly given the high income yield and long unexpired lease terms. We remain of this view although we expect market conditions to improve later this year assuming that financial markets are less volatile than at present. The increase in bank lending to UK real estate businesses seen over the last 12 months is encouraging and should bring more liquidity to property investment markets as should further interest rate reductions which are expected during 2025.

Palace Capital continues to reduce its level of administrative expenses in line with its strategy with a reduction of £1.1 million in total administrative expenses in FY25 with measures being implemented expected to result in a significant reduction in headcount from six to three Executives from the second half of 2025. This together with other cost reduction measures when fully implemented are expected to result in annualised administrative expenses of c.£1.3 million from the second half of 2025.

## Dividend

The Group paid or declared dividends of 15.0 pence per share in relation to the year ended 31 March 2025 (2024: 15 pence per share), including a proposed final fourth quarter interim dividend of 3.75 pence per share. The fourth quarter interim dividend of 3.75 pence per share will be paid on 14 July 2025 to Shareholders on the register at 13 June 2025. The ex dividend date will be 12 June 2025. The entire dividend will be a Property Income Distribution ('PID').

Adjusted PBT

**£3.5m**

Return of capital

**£21.7m**

## Outlook

We reported in the Interim Results in November 2024 that conditions in the investment market for certain types of assets, particularly leisure assets, were such that, in the Board's view, the sale of these assets should be deferred until market demand and pricing improve, particularly given the high income yield and long unexpired lease terms. We remain of this view although we expect market conditions to improve later this year assuming that financial markets are less volatile than at present. The 0.25% reduction in base rates last month is a welcome step to improving liquidity in real estate markets, particularly for residential property.

At an operational level, the Company continues to make good progress with its asset management activities to enable the remaining properties to be ready for sale as set out in the Operational Review.

The success of our disposal strategy since July 2022 means that the Company is now debt free and the remaining portfolio is unencumbered which together with its strong cash position gives it both flexibility and optionality over the timing of its disposal programme. In the meantime, the Company anticipates it will return further cash to Shareholders by way of a tender offer expected to be in July 2025, once the disposal of its property at Leamington Spa has been completed. Discussions with shareholders regarding the timing and strategy for the remaining assets and returns to shareholders have commenced and are continuing.

**Steven Owen**  
Executive Chairman

4 June 2025

# Operational Review

## Portfolio overview

As at 31 March 2025, the portfolio comprised seven properties (March 2024: 12) comprising by value 58% office, 34% leisure and 8% residential, which were independently valued by CBRE at £53.2 million resulting in a deficit of 5.9% or £3.3 million on a like-for-like basis compared with the valuation as at 31 March 2024.

The investment portfolio declined by £2.9 million or 5.6% over FY25 compared with £3.2 million or 5.6% for the half year ended 30 September 2024 (HY 25). As previously reported, the investment portfolio produced a small increase compared with the valuation as at 30 September 2024 principally as a result of the completion of the Vue lease regear at Sol, Northampton in 2025 and the unwinding of some lease incentive balances on certain offices.

The four office assets fell by 6.5% or £2.2 million over FY25, with the 12% fall in the value of St James's Gate, Newcastle accounting for 75% of the office portfolio valuation deficit. The decline was driven by a combination of softening yields and slower than expected trading at the space occupied by Orega, a premium, flexible, serviced office workspace provider. The deficit on the office assets in HY25 was £2.6 million.

The two leisure assets declined by 4.0% or £0.7m over FY25 due mainly to increase in Equivalent yield on Halifax following the sale of the long leasehold interest for £4.8 million to Calderdale and Huddersfield NHS Foundation Trust, at a 7.5% NIY and 38% ahead of the March 2024 valuation. The deficit on the leisure assets in HY25 was £0.6 million.

The residential properties at Hudson Quarter, York declined by £0.4 million or 8.7% over FY25, all of which occurred in the second half of FY25 due to muted sales activity since November 2024.

## Asset management

Operationally, the business remains robust. An additional £0.7million of annualised net rental income was created during FY25 through leasing and review activity and the associated reduction in non-recoverable property costs, which was on average 3% ahead of the March 2024 ERVs.

During FY25 a key letting was achieved at Imperial Court, Leamington Spa (20,419 sq ft) where we completed a 10 year lease with a mutual break in year five to Lighthouse Games Ltd at a rent of £0.38 million per annum, which was in line with the March 2024 ERV.

It was previously reported that an agreement was reached in principle with Vue Cinemas at Sol, Northampton to regear their lease and bring their total term to 20 years, expiring in 2044, with a material increase in rent and five-yearly upward only rent reviews linked to RPI with a cap and collar structure. The lease regear was completed in January 2025 and the comprehensive refurbishment of the cinema, including a recliner seating upgrade, associated auditoria decorative works and foyer refurbishment commenced in March 2025 and is expected to take four months to complete. The Company is making a significant capital contribution towards these works.

An Agreement for Lease on lower ground vacant office suite (3,660 sq ft) at HQ York was completed in March 2025 increasing the occupancy rate of the property to over 90% with only half a floor (2,932 sq ft) remaining available. This letting was critical to the Company being able to sell the property for £10 million in April 2025, as previously announced.

## Disposal and asset management strategy post FY25

The portfolio currently consists of five investment properties and one residential property in York.

As at 31 March 2025 there were ten apartments valued at £4.3 million remaining for sale at Hudson Quarter, York. Market conditions remain difficult following the Budget in October 2024 although enquiries have increased since price reductions were announced in March 2025.

The strategy for the remaining five investment properties, which had a value of £39.0 million as at 31 March 2025, is as follows:

## Broad Street Plaza, Halifax

At the end of March 2025, Units 5&6b were sold on a long leasehold interest for £4.8 million to Calderdale and Huddersfield NHS Foundation Trust, at a 7.5% NIY and 38% ahead of the March 2024 valuation. Additionally, the sale included the removal of a seven year annual uncapped service charge shortfall landlord liability, the value of which was estimated at £0.4 million, and which will benefit the future sale of Halifax. The sale resulted in a reduction in the lot size of the property which potentially could attract a wider range of purchasers in due course.

The investment market for leisure assets continues to be difficult with debt finance currently hard to obtain for such assets, notwithstanding the diversity and longevity of income from some of these properties, including Halifax. The lack of liquidity in this sector means that valuations can be volatile.

The March 2025 valuation of Halifax was £8.5 million, NIY of 13.2%, EY of 16.0%, the WAULT to expiry was 14.0 years (8.5 years to break) and the occupancy rate was 90%.

Short term interest rates reduced in May and are expected to reduce further over the coming months and it is expected that this property will be marketed for sale in September or the fourth quarter of 2025 subject to market conditions at that time.

Annualised net rental income created

**£0.7m**

Ahead of ERV

**3%**

## Sol, Northampton

As noted above, the completion of the Vue lease regear was transformational for this property and together with other recent asset management activities extended the core WAULT to 13.2 years on expiry (12.9 years to break) and increased the occupancy rate to 95% as at March 2025.

The higher rental income achieved at Sol from the above activities increased the valuation as at March 2025 to £9.7 million (March 2024: £8.6 million) resulting in a NIY of 14.2% and EY of 12.2%. Included within the valuations is a contingency relating to a review of the fabric of the building and a comprehensive fire strategy review. The completion of these reviews will determine whether any further steps or works are required. This work is an essential part of the process of preparing the property for sale.

As is the case with Halifax, the investment market for leisure assets is currently weak with a limited pool of buyers and therefore the focus is on the completion of the refurbishment of the Vue cinema and other asset management activities before considering the appropriate timing for disposal which is unlikely to be before the fourth quarter of 2025/first quarter of 2026, again subject to market conditions at that time. It is arguable that Sol could be viewed over a longer timeline, say two years, before full value may be realised for shareholders.

The blended key metrics for the two leisure assets are NIY 13.8%, EY 13.7%, WAULT 13.6 years and 10.7 years to expiry and break respectively (March 2024: NIY 13.4%, EY 12.8%, WAULT 14.2 years and 11.1 years to expiry and break respectively).

Some real estate market participants believe that the commercial real estate sector is at an inflection point and that with interest rates likely to fall further the arbitrage between properly yields and interest rates becomes more attractive to investors, which could potentially lead to property yields hardening and a repricing of certain leisure assets, particularly those with long WAULTs and high yields.

## St James' Gate, Newcastle

The office market in Newcastle remains challenging both from a letting and investment perspective. In 2024 the take up of office space in the city was mainly focused on best-in-class, new Grade A space with strong ESG credentials.

Active asset management initiatives are ongoing and will include the light refurbishment of the ground floor of 2 St James' Gate (2 SJG). Further lettings of the vacant space are required in order to increase the occupancy from 68% as at March 2025 and extend the WAULT prior to the asset being ready for sale. It is pleasing to note that occupancy has increased under the management agreement with Orega and this trend will need to be further established before a sale can be contemplated which in our view is unlikely before the second quarter of 2026.

As is the case with Sol, it is arguable that 2 SJG could be viewed over a longer timeline, say two years, before full value may be realised for shareholders.

Unit 3A is currently on the market for sale for £0.6 million and it is expected that the vacant Unit 3C will be put on the market within the next three months.

The March 2025 valuation of 2 SJG was £10.4 million, NIY of 6.9%, EY of 12.2%, the WAULT to expiry was 5.9 years (3.0 years to break).

## Imperial Court and House, Leamington Spa

Following the completion of asset management activities the property was marketed in the first quarter of this year and is now under offer.

## The Forum, Exeter

In 2024 we actively explored a change of use for this 1970s office building to one that we believe will realise more value on sale and identified PBSA as having a significantly greater value. As part of this strategy, we are making good progress with tenants to achieve a vacant possession block date within the next twelve months and have submitted a pre-application for a PBSA scheme to Exeter City Council to de-risk the site for a potential buyer.

If these initiatives are successful, we will market the property for sale, which is likely to be in the fourth quarter of 2025. The March 2025 valuation of Exeter as an office building was £3.0 million and the occupancy rate was 67%.

## Summary

Since the change of strategy announcement on 19 July 2022, investment property disposals have generated proceeds of £145.6 million at a 16.3% reduction to the March 2022 valuation (which was the peak of the current property cycle) or 4.3% ahead when compared with the relevant March valuation prior to sale.

**Daniel Davies**  
Head of Asset Management

**Thomas Hood**  
Head of Investment

4 June 2025

# Our Strategy and Business Model

## Key Resources



### Our people

- Property and financial expertise
- Small Board and Executive Committee
- Values of being active, astute and ambitious
- A culture of demonstrable commitment, resilience and strong team working supports the delivery of the strategy



### Our Portfolio

- Resilient rent collection and returns
- Value-added assets with future growth potential
- Potential development or refurbishment optionality for the longer term / new owners



### Our Funding

- Strong balance sheet with no debt following bank debt repayments.
- Portfolio cash generation supporting dividend

## Our Strategy:

### Maximising shareholder returns

We actively asset manage and then sell assets at the right time to return cash to shareholders via share buybacks or other methods such as tender offers.



See pages 04 & 05 to read more on **Active asset management** and **Timely asset realisation**

## Value created

### Investors

Strong asset management and disposals enabled early debt repayment and the return of cash to shareholders via the Tender Offer of £21.7m and dividends of 15p per share.

**15p**

Dividend per share

**2p**

Accretion per share from Tender Offer

### Tenants

- Ongoing engagement with tenants
- We create space for modern requirements and are forward looking for tenant's needs
- We aim to ensure our refurbishments are environmentally efficient

**41**

Tenants

**99%**

Rent collection

### Our people

- Flexible, agile working with fair rewards for company and individual successes
- Executive Chairman aligned with employees receiving salary, benefits and STIP
- Remuneration aligned with the strategic objectives
- Diverse backgrounds, age and experience
- In the year, two directors and five other members of staff of whom all were men (including senior managers)

**10%**

Average employee pension contribution

**100%**

Employees received an STIP award

### The environment

Continuous focus on upgrading our portfolio and working with tenants to improve environmental performance

**100%**

EPC of A–D in portfolio

**0%**

EPC of E and F in portfolio

**0%**

EPC of G in portfolio



# Financial Review

The Group's adjusted profit before tax decreased to £3.5 million (2024: £5.4 million) as a result of income lost through disposals, offset in part by the significant reduction in finance costs and recurring administrative expenses. Principally as a result of the revaluation deficit on the portfolio, equivalent to 9 pence per share, EPRA NTA per share decreased by 4.2% to 251 pence per share (2024: 262 pence per share).

The Group continued to deliver at an operational level, by repaying all remaining debt and making substantial

progress in reducing administration costs with a reduction of £1.1 million in FY25.

Investment property sales during the year realised a profit of £1.5 million (2024: £2.3 million) whilst trading profits from the sale of residential units contributed £0.2 million (2024: £0.2 million).

The deficit on the revaluation of the portfolio for the year of £2.9 million was due principally to softening yields across the portfolio. Contractual payments to the former Chief Financial Officer of

£0.2 million, including associated costs, have been treated as an exceptional item. A provision of £0.6 million in relation to the Short Term Incentive Plan has been made although no payment will be due until the Completion Date has been determined in accordance with the rules of the STIP.

The aggregation of the profits and losses described in the preceding paragraphs account for the IFRS profit before tax for the year of £1.4 million (2024: £9.3 million loss).

## Financial Highlights

	2025 £'000	2024 £'000
<b>Income metrics</b>		
IFRS profit/(loss) before tax	<b>£1.4m</b>	(£9.3m)
Adjusted profit before tax	<b>£3.5m</b>	£5.4m
EPRA earnings	<b>£2.7m</b>	£4.0m
Basic EPS	<b>4.5p</b>	(23.7p)
EPRA EPS	<b>8.6p</b>	10.1p
Adjusted EPS	<b>11.3p</b>	13.8p
Dividend per share paid or declared	<b>15.0p</b>	15.0p
<b>Capital metrics</b>		
Like-for-like portfolio valuation decrease	<b>(5.9%)</b>	(15.5%)
Net Asset Value	<b>£72.5m</b>	£97.8m
Basic NAV per share	<b>251p</b>	260p
EPRA NTA per share	<b>251p</b>	262p
Total accounting return	<b>1.5%</b>	(6.4%)
Total shareholder return	<b>0.4%</b>	13.7%

# Financial Review continued

The summary of the Group financial results are as follows:

## Income Statement

	31 March 2025 £m	31 March 2024 £m
Gross property income	6.9	12.1
Property operating expenses	(1.7)	(2.5)
Expected Credit Loss provision	(0.4)	–
<b>Net rental income</b>	<b>4.8</b>	9.6
Recurring administrative expenditure	(2.0)	(2.6)
Finance income	0.8	0.3
Finance costs	(0.1)	(1.9)
<b>Adjusted profit before tax</b>	<b>3.5</b>	5.4
Tax	0.1	–
<b>Adjusted profit after tax</b>	<b>3.6</b>	5.4
Payments to former Directors and staff (including associated costs)	(0.2)	(0.6)
Short term incentive plan provision (including associated costs)	(0.6)	(0.6)
Share based payments	(0.1)	(0.2)
<b>EPRA earnings</b>	<b>2.7</b>	4.0
Loss on revaluations	(2.9)	(15.4)
Trading profit	0.2	0.2
Profit on disposal of investment properties	1.5	2.3
Other income statement movements	(0.1)	(0.5)
<b>IFRS profit/(loss) after tax</b>	<b>1.4</b>	(9.4)

Net rental income reduced by £4.8 million or 50.0% to £4.8 million (2024: £9.6 million) largely due to net income lost from disposals in the year of £4.8 million. Property operating expenses reduced by £0.8 million to £1.7 million reflecting void savings from disposals in the year.

The Group's recurring administrative expenditure reduced by 23.1% to £2.0 million in FY25 (March 2024: £2.6 million) for the period whereas total administrative expenditure reduced by £1.1 million

Finance costs reduced by £1.8 million or 94.7% to £0.1 million (2024: £1.9 million) as a direct result of repaying all of its debt in the year. During the year, our active cash management enabled us to receive £0.8 million in interest income (2024: £0.3 million).

Rent collection remained strong at 99% (2024: 98%) throughout the year as tenant financial covenant health remained robust through the economic uncertainty.

## EPRA NTA Movement

EPRA Net Tangible Assets ("NTA") decreased by 11.0p per share or 4.2% to 251p (2024: 262 pence) during the year. This was largely due to the revaluation deficit of £2.9m or 9.2p per share, or a 5.9% reduction in the portfolio on a like-for-like basis.

Other movements to note include the buyback of shares of £22.1m, increasing EPRA NTA by 2.0p per share, the profit on disposal of assets and Hudson Quarter (HQ) trading profit of £1.7m, contributing 5.4p per share. These were offset by the fair value, downward adjustment of trading properties (HQ York residential) of £0.5m, or 1.6p per share and the payments including associated costs to former Directors and staff of £0.2m reducing EPRA NTA by 1.0p per share and the STIP provision of £0.6m or 2.1 pence per share. Conversely, net adjusted earnings, after dividends paid, decreased EPRA NTA by a further 3.7p per share. Other movements contributed to a further reduction of 0.8p per share.

	£m	No. of shares (diluted)	Pence per share
<b>EPRA NTA at 31 March 2024</b>	<b>98.3</b>	<b>37,554,525</b>	<b>262p</b>
Share buyback	(22.1)	(8,667,760)	2.0p
<b>EPRA NTA after buyback</b>	<b>76.2</b>	<b>28,886,765</b>	<b>264p</b>
Adjusted earnings	3.5		11.3p
Disposal of assets	1.5		4.8p
Hudson Quarter trading profit	0.2		0.6p
Property portfolio revaluation deficit	(2.9)		(9.2p)
Cash dividends paid	(4.7)		(15.0p)
Fair value adj. of trading properties	(0.5)		(1.6p)
Payments to former Directors including associated costs	(0.2)		(1.0p)
Short term incentive plan including associated costs	(0.6)		(2.1p)
Other movements <sup>1</sup>	–	5,770	(0.8p)
<b>EPRA NTA at 31 March 2025</b>	<b>72.5</b>	<b>28,892,535</b>	<b>251p</b>

<sup>1</sup> Other movements include debt termination costs, shares purchased by EBT, the denominator effect of the reduced number of shares at period end compared with the average for the period and the effect of rounding.

## Financing

The Group repaid its all of its remaining debt during the year and is now entirely debt free and all assets unencumbered (2024: £8.3 million). The significant de-leveraging of the balance sheet resulted in a net cash position of £22.2 million as at the year end which has increased to £30.3 million currently.

Set out above is a table showing the movement in gross debt during the year:

	2025 £m
<b>Gross debt at 31 March 2024</b>	<b>8.3</b>
Repayment of debt from disposals	(7.9)
Break gain on repayment of debt	(0.1)
Amortisation of loans	(0.3)
<b>Gross debt at 31 March 2025</b>	<b>0.0</b>

The Group's key debt metrics are summarised in the table below:

## Debt metrics

	31 March 2025	31 March 2024
Loan to value	Nil	Nil
Total gross debt	Nil	£8.3m
Total fixed debt	Nil	£8.3m
Average cost of debt	Nil	2.9%
Average debt maturity (yrs)	Nil	2.3yrs
NAV gearing	Nil	Nil

### Andrew Wolfe

Financial Controller

4 June 2025

# Key performance indicators

We measure our performance using KPIs linked to our strategic priorities of returning capital to Shareholders.

Where possible, we link our performance to EPRA best practice recommendations, recognised as industry standard measures. These KPIs have been updated to reflect the Company's strategy.



## KEY

### Strategic aims

- 1 Maximise capital returns to Shareholders
- 2 Manage our assets effectively
- 3 Be a responsible company

### Remuneration aims

- 1 Fixed remuneration
- 2 Short term variable remuneration

## Return of Capital

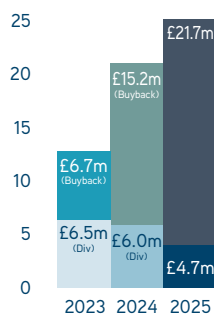
### Rationale

Maximise property and capital returns to shareholders.

### Performance

The Company repaid £21.7m to shareholders under the Tender Offer and £4.7m in dividends paid.

### Performance over the last 3 years



Link to strategy



Link to remuneration



## Total shareholder return

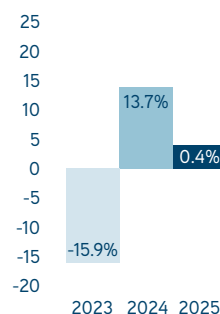
### Rationale

Actual market-based returns achieved by an investor.

### Performance

The share price decreased by 6.1% in the year, and taking into account the 15.0p dividend gave a TSR of 0.4%. It remains a key objective to reduce discount between NAV and share price.

### Performance over the last 3 years



Link to strategy



Link to remuneration



## Gross Debt

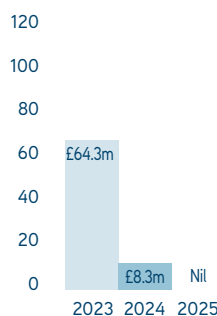
### Rationale

The Board seek to maintain an appropriate level of debt in order to enhance shareholder returns. It is mindful of rising interest rates and the impact this can have on the value creation for shareholders.

### Performance

The Company has repaid the remaining outstanding loan at 31 March 2024 of £8.3m in the year, and accordingly the Company is now debt free.

### Performance over the last 3 years



Link to strategy



Link to remuneration



## LTV of Group Debt

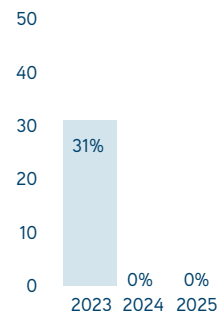
### Rationale

The Company seeks to maintain an appropriate level of gearing to enhance shareholder returns.

### Performance

Disposals of assets and debt repayment, have resulted in the company being in a net cash position.

### Performance over the last 3 years



Link to strategy



Link to remuneration



## Adjusted Profit Before Tax

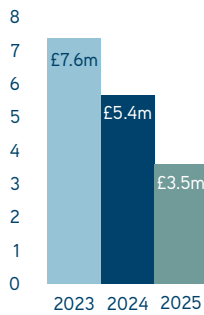
### Rationale

Adjusted profit before tax strips out fair value movements, share based payments and one-off costs, to get recurring income from the underlying performance of the property portfolio.

### Performance

Adjusted profit before tax was £3.5 million (2024: £5.4 million), reflecting the reduction in income following disposals.

### Performance over the last 3 years



Link to strategy

1 2

Link to remuneration

1 2

## Adjusted Earnings per share

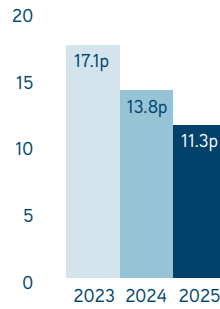
### Rationale

Adjusted earnings per share is an important measure of the Company's operational performance as it excludes all fair value movements and one-off items not relevant to the underlying net income performance of the portfolio.

### Performance

Adjusted EPS was 11.3 pence (2024: 13.8 pence) reflecting the movement in adjusted profit before tax but partly mitigated by the accretive Tender Offer.

### Performance over the last 3 years



Link to strategy

1 2

Link to remuneration

1

## Average EPC rating

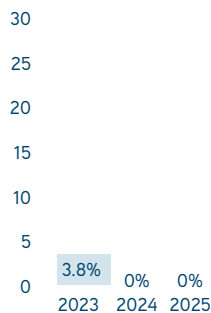
### Rationale

We want to either refurbish and improve or sell assets for redevelopment based on our EPC criteria.

### Performance

Through disposals, capex and re-assessments, E,F and G ratings are 0% and B and D ratings in particular have improved.

### Performance over the last 3 years



Link to strategy

1 2 3

Link to remuneration

1

# Risk Management

## Risk framework

Risk management is an inherent part of the Board's decision making process. This is then embedded into the business and its systems and processes. The Board reviews its overall risk appetite and regularly considers, via the Audit and Risk Committee, the principal risks facing the company, managements plans for mitigating these and emerging risks. The Committee also considers, at least annually, the effectiveness of the Company's system of risk management and internal control. Further information on the work of the Committee in this area is available in the Audit and Risk Committee report on page 32.

The team are able to report directly and at an early stage on issues to the Executive Committee, allowing management to take appropriate mitigating action.

## Emerging risks

If economic and geo-political stability remains uncertain or worsens, this could have an impact on the commercial property market with reduced valuations and rental income. Further cost of living issues may negatively impact consumer sentiment and inflation could reduce spending further while direct and indirect costs to the Group may increase further which may not be fully recoverable.

## Going Concern Statement Introduction

In accordance with the 2018 UK Corporate Governance Code (the Code), the Directors have assessed the Group's position over the:

- Short-term (over the next 12 months to June 2026 as required by the 'Going concern' provision) and;
- Medium-term (a 2 year period to June 2027 as required by the 'Viability statement' provision)

## Going concern

The Directors regularly assess the Group's ability to continue as a going concern. The Strategic report sets out in detail the Group's financial position, cash flows, liquidity position, and the factors which will affect future performance. In assessing the going concern, the Directors considered:

- The Group's net cash position, noting that the Group is entirely debt free
- The Group's 12 month 'base case scenario' forecast to June 2026, which is managements best estimate of market and business changes, taking into account:
  - Disposal of investment and residential properties
  - Committed capital expenditure
  - Rent collection
- Downside scenario on the 12 month base case scenario forecast to June 2026

The Group is in a strong financial position. At 31 March 2025 the Group had a net cash position of £22.2m and a property portfolio valued at £53.2m with net assets of £72.5m. During the year, the Group repaid all of its debt and is now entirely debt free (31 March 2024: £8.3m). Rent collection remained strong during the year at 99%. In addition to the strong financial position of the Group at 31 March 2025, the Group continued to strengthen its balance sheet post year end, with Leamington Spa being under offer.

The Directors conducted a detailed 12 month base case scenario forecast to June 2026, making various assumptions over asset sales, rent collection and committed capital expenditure. The forecasts indicated that the Group has strong sustainable cash flows and would be able to meet its liabilities as they fall due over the next 12 months.

In addition to the detailed 12 month base case scenario forecast to June 2026, the Directors have considered a downside scenario in assessing the Group's ability to continue as a going concern. The downside scenario assumptions used in the assessment included a reduction in rent collection and slow down in HQ residential sales. Even on the downside scenario described above, the Group has significant headroom and will still be able to meet its liabilities as they fall due over the next 12 months.

The Directors also considered the likelihood of all the remaining assets of the Group being sold within the Going Concern period and considered that this was unlikely to occur and therefore there was no material uncertainty in the Group's ability to continue as a going concern. Therefore, it was appropriate to prepare the accounts on a Going Concern basis.

## Going Concern Statement

Based on the analysis undertaken on the base case and downside scenario, the Group has sufficient liquidity to meet its ongoing liabilities that fall due over the assessment period. Given the market information available, the Directors are not aware of any material uncertainty that exists that may cast doubt upon the Group's ability to continue as a going concern. As a result, the Directors consider it appropriate to continue to prepare the financial statements on a going concern basis.

## Viability

In accordance with provision 31 of the UK Corporate Governance Code and taking into consideration the current economic uncertainty, the Directors have assessed the prospects of the Group and future viability over a two-year period to June 2027, being longer than the 12 months required by the "Going Concern" provision.

The Board's assessment of the Group's viability for the next two years has been made with reference to:

- The impact of the current economic uncertainties and resulting impact on the Group and our tenants' ability to operate and meet their rental obligations.
- The key principal risks of the business and its risk appetite.
- The impact on business operations, mainly rent collection, and progress on residential sales at Hudson Quarter, in the event of a downturn in the economy.

## Review Period

The Board considers a period of two years to be appropriate over which to assess the long-term viability of the Company as it reflects the Group's view on the length of time needed to complete asset management initiatives. The Group's WAULT to break at 31 March 2025 was 7.2 years.

## Assessment

The Directors conducted a detailed 2-Year viability assessment which included a base case scenario forecast to June 2027, making various assumptions over asset sales, rent collection and committed capital expenditure.

In addition to the base case scenario, the Directors have undertaken a robust scenario assessment of the risks which could threaten the 2-year viability or the operational existence of the Group. As part of the reasonable downside modelling, the Directors have stress-tested working capital model and cash flows using the same assumptions as stated above in the Going Concern assessment.

## Confirmation of viability

Having assessed the current position of the Group, its prospects and principal risks and taking into consideration the assumptions stated above, the Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the next two years.

# Risk Management continued

## Statement of Principal Risks

The Audit and Risk Committee has considered that the following represent the Group's principal risks, divided into Strategic, Financial, Portfolio and Operational risks:

### Strategic Risks

#### 01 Market cycle, economic and political

##### Risk description

Failure to react appropriately to changing market conditions and adapt our corporate strategy could negatively impact shareholder returns. A downturn in the market could reduce the appetite in the investment market, leading to lower valuations and affecting our disposal strategy and ability to return capital to shareholders.

Uncertainty in the UK economic landscape, global supply chain issues, inflation and interest rates, cost of energy crisis brings risks to the property market, supply chains and to occupiers' businesses. This can significantly impact market sentiment and our ability to extract value from our properties resulting in lower shareholder returns, reduced liquidity and increased occupier failure.

##### Mitigation

The Board monitors macro economic issues, market indicators and reviews the Group's strategy and business objectives on a regular basis. It will tailor the delivery of the Company's strategy in light of current and forecast market conditions. Disposal of other assets will continue if the market conditions allow for value to be achieved, whilst active asset management of the assets will continue to support in delivering returns to shareholders. Third party agent's advice is taken on all disposals. The Executive Committee regularly reviews market conditions.

##### Current position

The Board is monitoring and considering the longer term impacts of the cycle including the potential future of the office and the effects of enhanced ESG requirements.

Likelihood	Impact	Overall Risk
6	6	12

#### 02 Capital structure and liquidity

##### Risk description

An inappropriate level of gearing could put pressure on cash resources and lead to a funding shortfall for operational activities.

Increasing costs of borrowing and increasing interest rates could affect the Group's ability to borrow or reduce its ability to repay its debts.

##### Mitigation

The Board regularly reviews its capital risk management policy, gearing strategy and debt maturity profile. The Group's LTV limit is 35%, and capital has been used to repay debt to reduce exposure to interest rate volatility and ensure debt compliance. During the year, the Group repaid its only outstanding loan facility and therefore is debt free. The Board reviews financial forecasts on a regular basis. The Audit and Risk Committee considers the going concern status of the Group biannually. The Board considers the allocation of its capital in granular detail to ensure the most efficient use.

##### Current position

The Group is debt free and while the Group's LTV limit is 35% the current LTV is nil. The Company has repaid £8.3 million of bank debt in the year to 31 March 2025.

Likelihood	Impact	Overall Risk
1	1	2

#### 03 Portfolio strategy

##### Risk description

An inappropriate investment strategy that is not aligned to overall corporate purpose objectives, economic conditions, or tenant demand may result in lower investment returns.

##### Mitigation

The Board regularly reviews the Group's investment strategy and asset allocation to ensure this is aligned to the overall corporate strategy.

##### Current position

The Company is selectively marketing certain assets, as the market stabilisation and recovery continues and the timing is considered optimal for returns. Asset management initiatives are utilised to maximise value. Appraisals for improving properties e.g. via refurbishment are ongoing for certain assets.

Likelihood	Impact	Overall Risk
4	6	10

#### 04 Asset management

##### Risk description

Failure to implement asset business plans and elevated risks associated with refurbishment could lead to longer void periods, higher arrears and overall investment performance, adversely impacting returns and cashflows.

##### Mitigation

The process for reviewing asset business plans is embedded in the annual budget process. Our experienced management team and use of advisors and property managers supports the execution of asset management strategies.

##### Current position

Our refurbishment pipeline is continuously assessed to ensure the right projects are being brought forward at appropriate times ensuring exposure at any one time is limited. The Executive Committee reviews the Group's Health and Safety systems and processes to ensure appropriate oversight of assets.

Likelihood	Impact	Overall Risk
4	4	8

#### 05 Valuation

##### Risk description

Decreasing capital and rental values could impact the Group's portfolio valuation leading to lower returns. Higher cost of debt can lead to property yields to be pushed out and valuations to fall as a result. Increasing gilt yields, can leave property investment less attractive unless the desired return can be achieved.

##### Mitigation

Independent valuations are undertaken for all assets at the half year and year end. These are reviewed by management and the Board. Members of the Audit and Risk Committee meet with the valuers at least once a year to discuss valuations and the valuation process. Management actively review leases, tenant covenants and asset management initiatives to grow capital and rental values.

##### Current position

Valuations of the portfolio reflect the commercial property market in general. The team continue to work to mitigate against falls in value through active asset management including ESG improvements.

Likelihood	Impact	Overall Risk
7	8	15



## 06 Tenant demand and default

### Risk description

Failure to adapt to changing occupier demands and/or poor tenant covenants may result in the loss of significant tenants, which could materially impact income, capital values and profit. Rising inflation, interest rates and living costs could impact tenant businesses, such as the leisure industry, as demand falls for discretionary spending.

### Mitigation

Management maintain close relationships with tenants understanding their needs and supporting them throughout their business cycle. Managing agents support rent collection and collection of arrears on a regular basis. Tenant due diligence and credit checks are undertaken on an ongoing basis to review covenant strength of existing and prospective tenants. The finance and property teams monitor and report to the Executive Committee on tenant covenants including potential new tenants. All arrears are monitored by the Executive Committee on an ongoing basis.

### Current position

Rent collection rates remain robust at 99%. The team are closely monitoring tenant covenants in high risk sectors, ensuring we are aware of any tenant distress which can impact the rental collection.

Likelihood	Impact	Overall Risk
6	8	14

## 09 Climate change

### Risk description

Longer term failure to anticipate and prepare for transition and physical risks associated with climate change including increasing policy and compliance risks associated with existing and emerging environmental legislation could lead to increased costs and the Group's assets becoming obsolete or unable to attract occupiers.

### Mitigation

The Group's ESG Committee oversees the execution of ESG related matters and ensures these are integrated into our business model and corporate strategy. Climate related risks are considered as part of our overall corporate risk assessment and ongoing environmental management of our buildings.

### Current position

There has been an increased focus on environmental management and management have focused on asset management initiatives to increase the EPC ratings of our assets, increasing the marketability of the assets in a cost effective way.

Likelihood	Impact	Overall Risk
5	5	10

## 07 Business continuity and cyber security

### Risk description

Business disruption as a result of physical damage to buildings, Government policy and measures implemented in response to pandemics, cyber attacks or other operational or IT failures or unforeseen events may impact income and profits.

### Mitigation

Our governance structure and internal control systems ensure sufficient Board oversight, with delegated responsibilities, segregation of duties and clear authorisation processes. A comprehensive programme of insurance is in place which covers buildings, loss of rent, cyber risks, Directors' and Officers liability and public liability. Antivirus software and firewalls protect IT systems and data is regularly backed up.

### Current position

The Board continues to review the internal control environment and ensure good governance practices are adopted throughout the business. Cyber security arrangements have been kept under regular review to ensure we are deploying the most up to date technologies.

Likelihood	Impact	Overall Risk
2	2	4

## 10 Regulatory and tax

### Risk description

Non-compliance with the legal and regulatory requirements of a public real estate company, including the REIT regime could result in convictions or fines and negatively impact reputation.

### Mitigation

The Company employs experienced staff and external advisers to provide guidance on key regulatory, accounting and tax issues. Compliance with the REIT regime is regularly monitored by the Board and the Executive team consider the impact on the regime as part of their decision making.

### Current position

Emerging corporate governance and audit reforms, require additional processes and procedures to be put in place and additional reporting on the company's resilience. The Board is overseeing these changes.

Likelihood	Impact	Overall Risk
4	2	6

## 08 People

### Risk description

An inability to retain staff with the right skills and experience may result in significant underperformance or impact the overall effectiveness of our operations. Health and Safety of staff and others including tenants both physically and mentally and providing a safe and healthy environment in our properties is of utmost importance. Failure to do so could lead to staff and tenant ill health, litigation and regulatory issues, negative media and market sentiment against the Company.

### Mitigation

The Board engage with staff regularly and encourage a positive working environment. We maintain an attractive reward and benefits package and undertake regular performance reviews for each employee. Insurance cover is in place for Directors. Health and Safety is undertaken both internally and via the tenants and a key issue for our property managers.

### Current position

A competitive pay and benefits package has been implemented to align with shareholders and ensure the retention of individuals with the skills, knowledge and experience required to implement the strategy. With the reduced portfolio in the year, the Board will maintain an appropriate ongoing administrative cost level but with sufficient cover and retention of employees needed to implement the strategy.

Likelihood	Impact	Overall Risk
7	7	14

### KEY

#### Likelihood after mitigation

Score 1 (low) - 10 (high)

#### Impact after mitigation

Score 1 (low) - 10 (high)

#### Overall Risk Rating

Score 1 (low) - 20 (high)

## Section 172 statement

The following statement highlights our principal stakeholders and how their interests have been considered and the actions taken by the Group in the year in line with these.

Stakeholder	Why we engage	How we have considered stakeholders in the year and action taken
<b>Investors</b>	Our investors expect the Company to deliver attractive returns and return cash.	<ul style="list-style-type: none"> <li>The Executive Chairman and Senior Independent Director have held regular meetings with major investors</li> <li>Shareholders are able to attend General Meetings including the AGM where they can question Directors and vote on matters put to the meeting</li> <li>Regular trading updates and announcements are made to the market</li> <li>We implemented the share buyback programme, the Tender Offer and paid quarterly dividends in the year to Shareholders</li> </ul>
<b>Tenants</b>	Our business is focused on our tenants and responding to their needs.	<p>We have a proactive asset management strategy and regularly engage with our tenants including:</p> <ul style="list-style-type: none"> <li>Asset manager review meetings</li> <li>Visiting assets and listening to concerns</li> </ul>
<b>Employees</b>	Our small team of employees are key to implementing the Group's strategy.	<ul style="list-style-type: none"> <li>Weekly Executive Committee for which all team members attend</li> <li>Meetings with Directors, both formally and informally.</li> </ul>
<b>Suppliers, agents and consultants</b>	We rely on a number of key partnerships to support our asset management and the delivery of our strategy.	<p>We actively engage with our suppliers and work closely with them:</p> <ul style="list-style-type: none"> <li>Weekly meetings with our managing agents and regular contact by telephone and email</li> <li>Ensuring payments are made within agreed terms</li> </ul>
<b>Communities and the environment</b>	We are mindful of the impact our operations have on local communities and the environment.	We aim to have a positive impact on local areas including employment and the built environment
<b>Lender</b>	Our debt provider supplied us with finance for our business purposes including a previous acquisition.	We actively engaged regularly with our bank including on the repayment of the loan

Key interests	How we have considered stakeholders in the year
Our investors are looking for financial performance that generates a return on their investment incorporating dividends, capital growth and maximising cash returns in line with the strategy.	The Board and Committees have taken the views of investors into account regularly including the repayment of debt, share buybacks and Tender Offer. All shareholders were eligible to take part in the Tender Offer which was over subscribed. All shareholders are treated equally for example in relation to information access, dividends and returns of capital.
Our tenants want fit-for-purpose spaces at a fair price.	Tenant requirements have been included in Board deliberations for example in relation to capital expenditure. The Board conducted several site visits and meetings with advisors in the year.
We have moved to more flexible workspace in Victoria, appropriate for the number of employees and at less cost to the Company. Employees are able to work flexibly depending on the needs of the business.	Employees regularly feature in Board discussions. This included the strategy and the performance of the Company in returning capital to shareholders. Consideration was given to the needs of the Company for fewer Executives and the potential impacts of this.
Understanding of objectives and working together to achieve these with good communication and liaison is key.	The asset management model of a small internal team overseeing the activities and performance of agents is fundamental to how the Group does business.
We aim to provide our communities with attractive, safe and environmentally friendly spaces, which enhance the local area.	The Board understands the long term nature of the built environment and creating a sustainable legacy. For example with Exeter, we have been looking at alternative uses to better support local requirements and needs.
We consistently met our covenant and repayment obligations with our lender up to and including the date of repayment of the loan.	We have had a strong long standing relationships with banks. We no longer have debt but believe that should requirements of the business change, that these relationships would allow the Company to borrow in the future on good terms.

# ESG Introduction

## Environmental, Social and Governance ('ESG')

Our ESG strategy aims to mitigate the risks and consider the opportunities in terms of the impacts of our business on the environment, our communities, our tenants and our people. The main pillars are:

### Environmental

- Improving the portfolio – by understanding better the environmental performance of our assets, we are actively seeking to reduce energy use and greenhouse gas emissions and improve energy efficiency of which our EPC ratings continue to be a key metric.

### Social

- Consideration of stakeholders' interests particularly employees – by promoting collaboration and input from all team members.

### Governance

- Being a responsible business – ensuring ethical business practices and sound risk management are embedded in business practices and culture.

## ESG - Environmental

### Greenhouse gas emissions

Our GHG calculation and reporting process follows the Greenhouse Gas Protocol ("operational approach") and the DEFRA Environmental Reporting Guidelines (2019). Our reporting includes emissions from sources under our control, grouped under: Scope 1 (direct) GHG emissions from owned assets; and Scope 2 (indirect) GHG emissions from landlord-controlled electricity supplies and Scope 3 (indirect) GHG emissions from our tenants. As a commercial property landlord the bulk of our reporting is under Scope 3 in line with the GHG Protocol's Scope 3 category 13: Downstream Leased Assets.

We are pleased to have again reduced our direct emissions under Scope 1 from our own office usage in the year. This reflects a smaller office with reduced consumption at Thomas House, Victoria. The Company does not own any vehicles and emissions from sources such as production processes and combustion sources are minimal, therefore not deemed material.

As we have a limited amount of energy use within our control so we proactively engage with our tenants, encouraging them to minimise their own energy consumption. We have seen a further annual improvement in data collection from our agents and tenants and we are grateful to them for the provision of data. However, certain leases remain under the control of tenants for energy use and control of data collection so we continue to work with tenants to improve this.

Total emissions reduced in line with our strategy including disposals of investment properties and asset management initiatives. Energy usage reduced, partly due to the ongoing relatively high costs of energy. We will work with our tenants on the strategy for overall carbon reduction as we continue to make a positive impact on reducing energy usage.

GHG emissions	2025	2024
Emissions type (tonnes of CO <sub>2</sub> equivalents)		
Scope 1 (estimate in 2023)	–	–
Scope 2	5	3
Scope 3	284	545
<b>Total</b>	<b>289</b>	548
Average GHG intensity (tCO <sub>2</sub> e/sq ft <sup>2</sup> )	0.001	0.001
Scope 1, 2 and 3 combined		
Total energy use (kWh)	3,279,636	6,114,983
Scopes 1, 2, 3		

## Climate Related Financial Disclosures (TCFD)

We published our findings from our consideration of the Taskforce for Climate-related Financial Disclosures (TCFD) methodology in our 2022 report, as updated in our 2023 and 2024 reports. We considered the associated physical and transition risks with a 2 degrees warming scenario, referencing the models mapped out by the Bank of England and the IMF's World Economic Outlook. Under a 2°C scenario, the Company's strategy is considered resilient, taking into account the physical locations of its assets and the actions it is taking to manage transition risks.

The Company is continuing with its upgrading and retrofitting programmes to meet more stringent building performance and carbon emissions requirements: for example, to meet existing Government minimum energy efficiency regulations (MEES), and in anticipation of a further ratcheting up of regulatory requirements for energy performance certificate (EPC) ratings by 2030. The Company reviews this over the short, medium and long term. The Board considers climate-related issues when reviewing and guiding strategy, major plans of action, risk management policies, annual budgets, and business plans. These are considered in overseeing major capital expenditure, and sales of assets, in line with the strategy.

Climate-related risks have been integrated within the Company's risk management framework and the investment and asset management decision-making processes. The risk management framework are considered by the Audit and Risk Committee and the Board. We have identified and implemented opportunities for the Company to enhance its EPC and environmental performance its assets across our sectors leading to higher ERVs and capital growth compared to less well performing assets. The Company will adapt its strategy accordingly to take into account the opportunities and risks from either market or regulatory impacts such as for example, accelerated programmes for EPC capital expenditure.

## Net Zero Strategy

We aim for the remaining assets in the portfolio to be in an appropriate position to be net zero by 2050, in line with the UK Government's ambition and are actively taking steps to achieve this as explained in these sections.

## ESG Improving environmental performance

During the year, we have continued to make good progress in improving our EPC ratings. We have removed all G, F and E rated EPCs and significantly reduced C ratings, moving the portfolio towards MEES compliance. This has been through a co-ordinated effort to incorporate energy efficiency measures into our refurbishment programmes and include ESG considerations in our asset management plans for each property.

## Current EPC/MEES requirements & compliance

Since 1 April 2020, landlords can no longer let or continue to let properties covered by the MEES Regulations if they have an EPC rating below 'E'. From 1 April 2023, this has been extended to include existing leases, making it unlawful for a landlord to continue to let commercial property rated F or less unless they have a valid exemption in place.

Our current EPC split at 31 March 2025 compared to March 2024 is as follows:

Rating	31 March 2025	31 March 2024	Change
A	2.3%	3.4%	-1.1%
B	48.8%	46.6%	2.2%
C	32.6%	31.0%	1.6%
D	16.3%	19.0%	-2.7%
E	0.0%	0.0%	0.0%
F	0.0%	0.0%	0.0%
G	0.0%	0.0%	0.0%
	100.0%	100.0%	0.0%

As shown above including disposals, the Company has made progress on reducing the lower performing assets in the portfolio with the percentage with a B rating rising from 46.6% of the portfolio in March 2024 to 48.8% in March 2025 while we have decreased the percentage with D ratings from 19.0% in March 2024 to 16.3% in March 2025. We continue to have no E, F and G performance ratings in the portfolio.

# TCFD

## Being a responsible business

### Overview

In this section, we provide an overview of our progress and priorities against the requirements of the UK Listing Rules ('UKLR') and the Task Force on Climate-related Financial Disclosures ('TCFD') Recommendations and Recommended Disclosures (as defined in UKLR 6.6.6(8)), which also reflects the Annex to the Recommendations of the TCFD section C (Guidance for all sectors).

### Governance

The Board assumes overall responsibility and accountability for climate-related issues. The Executive Committee reviews environmental performance including EPCs at its meetings and the outputs are included in the Property Board reports for each Board meeting.

### Risk management

The Audit & Risk Committee oversees the Group's risk management framework, evaluating its principal and emerging risks and setting the risk appetite.

### Metrics and targets

The Group commenced measuring its greenhouse gas emissions (GHG) in 2020. These GHG emissions cover Scope 1 direct emissions from the usage of fuel in its operations and indirect Scope 2 emissions from electricity consumption on site. We have utilised Compare Your Footprint for data analysis including our tenants' usage as Scope 3.

This includes for example aspects such as purchased goods & services (water); fuel & energy related activities; business travel; employee commuting; teleworking; and downstream leased assets.

### Compliance statement

We believe our climate related financial disclosures for the year ended 31 March 2025 are consistent with the TCFD requirements with the exception of our development of medium and long term targets for managing climate related risks and opportunities and its related impact due to the Group's strategy to maximise cash returns to shareholders through asset disposals (metrics and targets disclosure c). We are therefore not compliant with the TCFD requirements.

In relation to 4b (relating to our Scope 3 emissions), we have assessed all 15 categories but only disclose our material emissions, which are from downstream leased assets and purchased goods and services.

Further details on our policies and approach to responsible business are also available on our website. We believe that the details of these climate related financial disclosures are conveyed in a decision useful format to the users of this report. In line with our strategy, we consider climate related issues for short, medium and long term as part of our asset management and risk management strategies.

We take into account climate related issues for our tenants and stakeholders including potential future purchasers and our shareholders.

Disclosure	Commentary
<b>Governance</b>	
<b>a) Describe the Board's oversight of climate-related risks and opportunities</b>	The Board, supported by the Audit Committee, assumes overall responsibility and accountability for ESG matters. Due to the current size of the Group and its current strategy, the Board is actively involved in all of the key investment (including efficiency measures into our refurbishment programmes) and disposals decisions to reduce the lower performing assets regularly.
<b>b) Describe the management's role in assessing and managing climate-related risks and opportunities</b>	Climate-related issues have been integrated into the core risk management process for asset management and investment which is reported to the Executive Committee which meets weekly. The Executive Chairman chairs the Executive Committee and has delegated authority for day to day risk management oversight and major matters are considered by the Board or its Committees.
<b>Strategy</b>	
<b>a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term</b>	The horizons considered are short (0-2 years) medium (3-5 year) and longer term (5 years plus). Most of the Company's assets as investment properties have a useful economic life in excess of 5 years so the risks are considered as part of our ongoing asset management initiatives taking into account the longer term risks to the buildings. This includes in particular risks of obsolescence of mechanical and engineering equipment, including heating and cooling. Where appropriate the Company considers refurbishment or replacement and the timeframes and costs for doing so, in order to achieve improved environmental performance, particularly EPC ratings and improve the experience of tenants and visitors. For certain assets, these may be more appropriate for redevelopment in the short or medium term so the opportunity for a purchaser to develop the property is taken into account, rather than the Company conducting the upgrades. The strategy to return capital through sales means that certain assets will be asset managed and others will be sold if the timing is appropriate to maximise returns. Longer-term (over 5 years) risk includes the costs associated with improving commercial property to achieve the environmental targets. In line with our disposal strategy and viability statement, the long term risks are not considered relevant to the Group. The most significant financial impacts have been considered as part of the Risk Management process. The opportunities identified include: the attractiveness of well performing assets to tenants and potential purchasers over the short, medium and longer term and to differentiate the Company's assets with other, less well performing buildings that may require significant future expenditure by their owners and tenants.

Disclosure	Commentary
<b>b) Describe the impact of climate-related risks and opportunities the organisation's businesses, strategy and financial planning</b>	Climate-related risks have been integrated within the Company's risks. Climate and energy performance have been fully integrated into both investment and asset management decision-making process. The Company has not yet set itself targets due to the company's strategy for maximising cash returns to shareholders through the timely sale of assets. For the medium (3-5 years) and longer term (over 5 years) the Company considers the improvement of environmental performance as part of its asset management activity which is reviewed weekly at the Executive Committee but does not consider that targets are appropriate, with the exception of improved EPC ratings.
<b>c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a +2°C or lower scenario</b>	The average life-cycle of Palace Capital's assets within its ownership is short (0-2 years) to medium term (2-5 years). Under a long term +2°C scenario, the Company's strategy is considered resilient, bearing in mind the physical locations of its assets and the actions it is taking to manage transition risks. The Company reviewed the risks of a +2C increase in workshops with an external advisor to the Company on climate and environmental matters in 2023. The review concluded that specific risks such as flooding were minor due to the location of the Company's assets but the Company continued to monitor developments. In light of the sales subsequently, the associated risks are considered to have reduced also.
<b>Risk management</b>	
<b>a) Describe the organisation's processes for identifying and assessing and managing climate-related risks</b>	The Executive Committee reviews issues weekly, particularly in relation to progress on EPC ratings and escalates matters to the Board as appropriate.
<b>b) Describe the organisation's processes for managing climate-related risks</b>	The Executive Committee, Audit Committee and the Board manage these risks as part of the risk management system. Risks are considered in the short term e.g. if equipment is considered for imminent replacement, medium term costs for improvement and the longer term opportunities and costs for improvements in asset performance. This is integrated into the overall risk management process from a bottom up and top down approach through the asset managers oversight and escalation to the Executive Committee and the Board and the top down approach of considering the wider economic and regulatory issues affecting the real estate sector and Company.
<b>c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.</b>	The Group identifies risk including climate related risks as part of its risk management processes. The Board reviews this process including mitigations and risk ratings regularly as part of the Group's Principal Risks. This means that the issue is embedded into day to day operations for considering matters that present a potential significant risk to the Group's assets or finances. Assessments are undertaken specifically in relation to climate change risk periodically, looking at the longer term risks to the Group's assets. Short term and medium term risks are considered weekly at the Executive Committee. The Group utilises third party consultants to assist with assessing climate related risks and the potential impacts on the Group, and for managing and mitigating climate-related risks.
<b>Metrics and targets</b>	
<b>a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management processes</b>	GHG emissions and energy consumption are disclosed including Scope 1, 2 & 3 and are aligned to the Greenhouse Gas Protocol Corporate Standard and DEFRA Environmental Reporting Guidelines. The Company uses the EPC ratings as a metric for risks and opportunities also. As the Company has small staff numbers and a flexible office occupation Scope 1 emissions are negligible. The Company acknowledges certain Scope 2 emissions but the main priority is Scope 3 which is the emissions from tenants that utilise our buildings. We work with them on an ongoing asset management basis to reduce their use of energy and we provide opportunities to improve the systems for provision of electricity, gas and water to minimise costs to tenants, while improving environmental performance, particularly in relation to EPC ratings.
<b>b) Describe Scope 1, Scope 2 and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risk</b>	GHG emissions are disclosed and are aligned to the Greenhouse Gas Protocol Corporate Standard. The related potential risks can be viewed in the section above.
<b>c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets</b>	We have collected Scope 3 emissions utilising Compare Your Footprint systems as disclosed in the prior year and are focused on working with tenants to improve Scope 3 in particular. As noted above we have not set targets due to the strategy for the Company of returning cash to shareholders through the timely disposal of assets. We continue to improve EPC performance and will continue to have this as a priority over the coming short and medium terms.

The Strategic Report was approved by the Board of Directors on 4 June 2025 and signed on its behalf by:

**Phil Higgins**  
Company Secretary

4 June 2025

# Corporate Governance

## Letter from the Chairman

### Dear Shareholder,

In line with requirements, we report on how we have applied the Principles and complied with the Provisions of the UK Corporate Governance Code (2018) (the 'Code'). Where we were not compliant, we provide an explanation under the 'comply or explain' basis of reporting. We have continued with our engagement with major shareholders on strategy and governance matters and are grateful for their engagement.

### Governance structure and compliance with the Code

Our governance structure continues to consist of one Executive director and one Independent Non-executive director. The Board and its Committees are supported in day to day operational matters by the Executive Committee. This structure means that the Company is not compliant with the Code in certain areas, as outlined later in this report.

### Governance roles and support

The Board is mindful that the Code recommends the splitting of the roles of Chairman and Chief Executive but that exceptionally an individual may hold both. The Senior Independent Director is satisfied that his regular engagement with shareholders and the independent oversight and challenge provided by him as Senior Independent Director means that having an Executive Chairman continues to be warranted in the circumstances. Shareholders have supported me as Executive Chairman in implementing the strategy as indicated by the 96% vote in favour of my re-election last year and I hope to continue to have their support, for which I am grateful.

In addition, the Executive Committee, which I chair and meets weekly, oversees the operational implementation of the strategy and finance matters including budgets and forecasts, financial reporting and compliance.

I am satisfied that the appropriate governance is in place for the Company. The Board and its Committees provides appropriate oversight. The Audit and Risk Committee is provided with impartial advice from the external auditor and independent valuer and the Remuneration Committee is very well advised by Korn Ferry who are a leading remuneration consultant. The Board is also supported by CMS on corporate legal matters, Deutsche Bank Numis on investor relations and broker services including in relation to listing and DTR matters and by FTI for corporate communications and support. The Company Secretary supports the Board and all of its Committees.

Further information on the work of the Committees can be found in this report. Information on the Remuneration Committee is contained in the Report on pages 34 to 45. The Nomination Committee report is on page 31. The Audit and Risk Committee work in the year is considered at pages 32 and 33.

### Stakeholders

Finally, I would like to thank our shareholders for their feedback and support for myself and the Board and to thank the team for their effort and hard work that they have put in to implement the strategy to return cash to shareholders.

**Steven Owen**  
Executive Chairman

4 June 2025



# Governance Overview

## Statement by the Directors on compliance with the UK Corporate Governance Code

The UK Corporate Governance Code 2018 (the Code) applied to the Group for the financial year ended 31 March 2025. The Board considers that it applied the Principles of the Code but that certain Provisions were not complied with due to the Board's governance structure which it believes is appropriate for the Company and its strategy. The explanations for such non-compliance, in line with the 'comply or explain' basis of reporting, are provided below and in the following pages and are summarised in the Executive Chairman's introduction to the Governance report.

The Code is publicly available at [www.frc.org.uk](http://www.frc.org.uk).

### Non-compliance with the Provisions of the Code.

As outlined in this report, the Company did not comply with the following provisions:

Provision 9: in relation to the combined role of the Executive Chairman

Provisions 17, 24 and 32: as the Executive Chairman is not deemed independent, the Committees are not constituted solely or with a majority of independent directors.

## Applying the principles of the code

Section of the code	How we have applied the Principles
<p><b>Board leadership and Company purpose</b></p> <p>The Board is responsible for leading the business in a way which promotes the long-term sustainable success of the Company, generating value for Shareholders and contributing to wider society.</p>	<ul style="list-style-type: none"> <li>The Board establishes the Company's purpose, values and strategy and reviews these regularly</li> <li>The Board strategy is to return cash to shareholders and is diligent on providing appropriate returns when the timing of sales is right to maximise value. Bank debt has been repaid to reduce LTV and strengthen the balance sheet</li> <li>There is a regular programme of meetings for the Board and its Committees</li> <li>A formal schedule of matters reserved for Board and Delegations of Authority ensure oversight and appropriate levels of approval for the size of the Company</li> <li>The Board has regular shareholder engagement</li> </ul>
<p><b>Division of responsibilities</b></p> <p>The Board includes an appropriate combination of executive and independent Non-Executive Directors. The chair leads the Board and is responsible for its overall effectiveness in directing the company.</p>	<ul style="list-style-type: none"> <li>The Board contains an appropriate mix of Executive (one) and Non-Executive directors (one). The Company recognises that it was therefore not compliant with the Code</li> <li>The Executive Chairman leads the Board and chairs the Executive Committee</li> <li>The Senior Independent Director chairs both the Remuneration and the Audit &amp; Risk Committees and engages with shareholders independently</li> <li>The Independent Non-Executive Director provides constructive challenge, strategic guidance, offers specialist advice and holds executive management to account</li> </ul>
<p><b>Composition, succession and evaluation</b></p> <p>The Nomination Committee ensures Board appointments are subject to a formal, rigorous and transparent process</p>	<ul style="list-style-type: none"> <li>All Directors submit themselves at each AGM for election or re-election to the Board</li> <li>The Nomination Committee leads the process for appointments, based on merit</li> <li>There is an annual evaluation of the performance of the Board and Committees</li> </ul>
<p><b>Audit, risk and internal control</b></p> <p>The Audit &amp; Risk Committee monitors the integrity of the Financial Statements and oversees the risk management process and internal control environment.</p>	<ul style="list-style-type: none"> <li>We have two Directors, both chartered accountants, on the Audit &amp; Risk Committee providing appropriate experience and expertise. The Company recognises that the Committee is not constituted with only independent Non-Executive Directors and was therefore not compliant with the Code</li> <li>The Audit &amp; Risk Committee supports the Board and advises on whether the Annual Report and Accounts is fair, balanced and understandable</li> <li>There is regular assessment and consideration of the Company's emerging and principal risks</li> <li>There are clear policies and processes to ensure the independence and effectiveness of the external audit and consideration of whether an internal audit function is required</li> </ul>
<p><b>Remuneration</b></p> <p>Our remuneration policies and practices are designed to support the business strategy and promote the success of the Company.</p>	<ul style="list-style-type: none"> <li>The Remuneration Committee determines the policy and implementation of the remuneration of the Executive Chairman (without the Executive Chairman present) and Executives</li> <li>The Remuneration Committee engaged with Korn Ferry as remuneration advisors to assist the Committee</li> </ul>

# Board of Directors

**Steven Owen**  
Executive Chairman

## Date of appointment

Appointed Chairman 1 January 2022, Interim Executive Chairman on 14 June 2022 and Executive Chairman on 26 July 2023

A N R E

## Expertise

Steven was, until April 2024, the Non-Executive Chairman of Primary Health Properties plc ("PHP") having been appointed Chairman in April 2018. He was appointed to the PHP Board as an independent Non-Executive Director in January 2014. Steven oversaw PHP's significant corporate activity in the period including its merger with MedicX Fund Limited in 2019 and the internalisation of its management structure in January 2021 with both transactions creating significant shareholder value. Steven began his earlier career with KPMG before moving into property with Brixton plc where he became Finance Director and subsequently Deputy Chief Executive.

## External appointments

None

**Mark Davies**  
Senior Independent Director

## Date of appointment

Joined the Group on 1 August 2022 as Independent Non-executive Director

A N R E

## Expertise

Mark is Chief Executive of Primary Health Properties plc having been appointed in April 2024. He is a highly experienced FTSE250 executive, with extensive experience as Chairman, CEO and CFO in listed companies and private equity. He was a Co-founder Director of New River REIT plc and helped take the Company from IPO to the FTSE250 in seven years. He was CFO of New River for over twelve years and, working alongside his role as CFO, was also CEO/Chairman of Hawthorn Leisure Limited for five years. Mark stood down from the Board of New River following the announcement of the sale of Hawthorn in July 2021 but remained as CEO of Hawthorn until its successful sale to Admiral Taverns in August 2021.

Mark is chair of both the Audit & Risk and the Remuneration Committees and is the Senior Independent Director.

## External appointments

Chief Executive of PHP

## COMMITTEE MEMBERSHIP

- A Audit and Risk Committee
- N Nomination Committee
- R Remuneration Committee
- Chair

# Executive Committee

**Steven Owen**  
Executive Chairman

**Date of appointment**  
Joined the Group on 1 January 2022

**Expertise**  
See Board profile.

**Tom Hood**  
Head of Investment

**Date of appointment / leaving**  
Joined the Group in September 2019 and leaves in June 2025

**Expertise**  
Tom joined Palace Capital in September 2019 from Mansford LLP where he was a Director in the Asset Management and Investment Team, responsible for the full life cycle across a diversified UK portfolio. He previously held roles at GVA and BNP Paribas in their Central London Investment Teams.  
Tom is a Chartered Surveyor with an MSc in Real Estate from The University of Reading and an LLB from Durham University. He also holds the CFA UK IMC.

**Andrew Wolfe**  
Financial Controller

**Date of appointment / leaving**  
Joined the Group in June 2018 and leaves in June 2025

**Expertise**  
Andrew Wolfe is a Chartered Accountant, having joined the Company in June 2018 and becoming Financial Controller. Following the departure of the CFO in November 2023, Andrew has undertaken a broader finance remit. Andrew previously spent 3 years at PricewaterhouseCoopers in the Financial Services sector, having an array of investment banking and private equity clients, most notably Barclays Investment Bank. Andrew also spent 2 years at EasyHotel, a listed property company.

**Daniel Davies**  
Head of Asset Management

**Date of appointment**  
Joined the Group in January 2018

**Expertise**  
Daniel is a Chartered Surveyor with over 20 years of real estate experience and joined Palace Capital in 2018. Daniel brings extensive experience of asset management having spent 12 years at Telereal Trillium, one of the UK's largest private property companies. Prior to this position, he spent four years at Nelson Bakewell, where his role included investment, agency and management.

**Phil Higgins**  
Company Secretary

**Date of appointment / leaving**  
Joined the Group in December 2021 and leaves in June 2025

**Expertise**  
Phil was previously acting Company Secretary at Kier Group plc and has significant experience in the listed property sector having been Deputy Company Secretary at Land Securities Group plc and intu properties plc. Phil has wide ranging senior level experience in FTSE100 and FTSE250 companies and professional services firms during his 25 years as a governance professional. He holds an LLM in Commercial Law and is a Fellow of the Corporate Governance Institute.

**Tom Stimson**  
FP&A Analyst

**Date of appointment**  
Joined the company in September 2017

**Expertise**  
Tom has overseen the implication of a number of financial systems with a focus on appraising data analysis and output for the company. He has a BSC in accounting and finance and is a fellow of ACCA.

# Governance Framework

## Board and Committees

### Board of Directors as at 31 March 2025

**Executive Chairman:** Steven Owen and **Senior Independent Director:** Mark Davies

#### Summary of its role under the UK Corporate Governance Code:

“Collectively responsible for devising the purpose, vision and long-term strategy and overseeing its implementation in order to promote the long term sustainable success of the company, generating value for shareholders and contributing to wider society.”

### Board Committees

#### Audit & Risk Committee

**Chair:**  
Mark Davies

**Comprises:**  
Senior Independent Director and Executive Chairman

#### Summary of Role:

- Monitor and oversee financial reporting
- Monitor risk management and internal controls
- Oversee external auditors and the audit process

#### Remuneration Committee

**Chair:**  
Mark Davies

**Comprises:**  
Senior Independent Director and Executive Chairman

#### Summary of Role:

- Set remuneration policy and oversee its implementation
- Review Executive Chairman and Executive Committee members and attendees’ remuneration packages and incentives
- Approve incentives, bonus and salaries

#### Nomination Committee

**Chair:**  
Steven Owen

**Comprises:**  
Senior Independent Director and Executive Chairman

#### Summary of Role:

- Recommend Board appointments
- Succession planning
- Board composition skills and diversity
- Board performance review

#### ESG Committee

**Chair:**  
Phil Higgins

**Comprises:**  
Company Secretary, Executive Chairman and Senior Independent Director

#### Summary of Role:

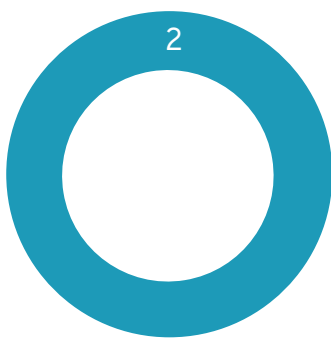
- Oversee Group’s response to evolving ESG matters
- Review ESG issues and management actions
- Review reporting requirements and disclosure

# Board Composition and Division of Responsibilities

## Key responsibilities

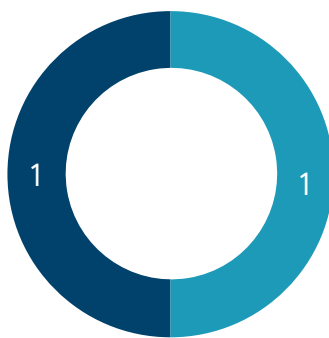
Roles	Responsibilities
<b>Executive Chairman</b>	<ul style="list-style-type: none"> <li>Leads the Board and chairs the Executive Committee</li> <li>Sets, with the Company Secretary, the Board and Executive Committee agenda and meeting schedule</li> <li>Oversees the culture of the Board including diversity of opinion, ensures the Directors are properly briefed and are able to take a full and constructive part in Board discussions</li> <li>Responsible for evaluating the performance of the Board, executive management and of the Non-Executive Director</li> <li>Engages with advisors and meets with shareholders to understand their concerns and views and consider implications for the strategy of the Company</li> <li>Has a prime role in appointing and removing Directors</li> <li>Line management of Head of Asset Management, Head of Investment, Financial Controller and the Company Secretary</li> </ul>
<b>Senior Independent Director</b>	<ul style="list-style-type: none"> <li>Provides a sounding board and as intermediary for the Executive Chairman</li> <li>Available to discuss concerns with Shareholders that cannot be resolved through the normal channels of communication with the Executive Chairman</li> <li>Responsible for reviewing the Executive Chairman's performance</li> <li>Brings a wide listed company and property sector perspective and experience to provide independent judgement, suggestions, challenge and assistance to the Board and Committees' deliberations and decision making</li> <li>Scrutinises and holds to account the performance of management</li> </ul>

## Board composition at 31 March 2025



**Gender diversity**

● Men



**Independence**

● Independent  
● Executive Chairman  
(independent on appointment)

# Board Composition and Division of Responsibilities continued

## UK employee gender diversity at 31 March 2025

Number of employees	Male	Female	Total
Board of Directors	2/100%	-/-	2
Executive Committee <sup>1</sup>	4/100%	-/-	4
Other	1/100%	-/-	1
<b>Total</b>	<b>7/100%</b>	<b>-/-</b>	<b>7</b>

<sup>1</sup> Executive Committee includes Executive Chairman (EC) included in Board of Directors

## UK employee ethnicity at 31 March 2025

Ethnic origin	No.	%	ONS <sup>2</sup>
White – British, English, Welsh, Irish, Other	6	100%	82%
Asian – Indian, Pakistani, Other	-	-	9%
Black – African, Caribbean, Other	-	-	4%
Mixed heritage	-	-	3%
Other	-	-	2%
<b>Total</b>	<b>6</b>	<b>100%</b>	<b>100%</b>

<sup>2</sup> Office for National Statistics: Census 2021 data for England and Wales published June 2022.

## Board gender identity or sex at 31 March 2025

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (SID and Chair)	Number in executive management <sup>3</sup>	Percentage of executive management
Men	2	100%	2	4	100%
Women	-	-	-	-	-
Not specified/prefer not to say	-	-	-	-	-

<sup>3</sup> Excluding Executive Chairman

## Board ethnic background at 31 March 2025

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (SID and Chair)	Number in executive management <sup>4</sup>	Percentage of executive management
White British or other White (including minority-white groups)	2	100%	100%	4	100%
Mixed/multiple ethnic groups Asian/Asian British	-	-	-	-	-
Black/African/Caribbean/Black British	-	-	-	-	-
Other ethnic group, including Arab	-	-	-	-	-
Not specified/prefer not to say	-	-	-	-	-

<sup>4</sup> Excluding Executive Chairman

# Board performance review

The Board has conducted an internal evaluation of its performance. The last external evaluation was conducted by ICSA Board Evaluation Services in 2019.

The review process was led by the Executive Chairman with support from the Company Secretary.

As part of the review, the Board

- considered how effectively the members of the Board and Executive Committee work together to achieve objectives;
- reviewed the Board and Board Committee agendas and required frequency and length of meetings
- reviewed the performance of the Committees; and
- reviewed the time and commitment required from the Senior Independent Director, taking into account his role at PHP.

## Process

The process with the Directors covered:

- Board role and individual responsibilities
- Oversight
- Board meetings frequency and agendas
- Support for the Board
- Board composition
- Working together
- Outcomes and achievements
- Future requirements

The process included a review of the effectiveness of the Remuneration, Nomination and Audit & Risk Committees.

The Board was considered to continue to be of the right size. The Directors demonstrate the appropriate commitment and have experience of the property sector and listed companies in particular to implement the strategy.

## Meetings and day to day delegation

It was felt that fewer formal meetings were required with delegated responsibility to the Executive Chairman and Executive Committee. However, a number of additional Board and Committee meetings were held during the year to consider issues outside the

scheduled annual meeting schedule, including in relation to consideration of the Tender Offer.

## Employees

The small team structure has meant that all employees are members of the Executive Committee and appropriate Executives and advisors attend Board or Committee meetings. This has meant that all Directors are kept informed on progress on operational matters and advised of issues and strategic matters requiring Board or Board Committee consideration.

## Administration

The Board and Committee agendas' focused on the key strategic, operational and governance matters relevant to the Company. Papers, typically provided a week in advance, provided the right information for the Board and Committees to consider and make appropriate decisions, including those matters reserved for the Board and escalated from management and the Executive Committee.

## Shareholder engagement

The Board was grateful for the level of engagement with major shareholders and would continue to proactively ascertain and monitor shareholder views while implementing the strategy.

# Board Activities and Committee Attendance

Board members diligently prepare for meetings, utilising the prereads and having the opportunity to raise any queries with the authors beforehand if further explanation is required. The meetings themselves are open and positive and questions and positive feedback are encouraged. Consequently, the actions arising from decisions taken are reviewed for progress at subsequent meetings.

The Senior Independent Director is considered to be independent, noting that Mr Davies is Chief Executive of PHP post Mr Owen retiring as Chairman of that company. Therefore, Mr Davies is regarded as being free from a relationship that could affect

the exercise of his independent judgement. Both Directors have developed an understanding of their roles and appropriate delineation of these, whilst working well together. It is felt that Mr Davies' knowledge and understanding of the property industry and listed companies are fundamental to the Board's deliberations. The Board is led by the Executive Chairman who has many years experience of leading listed property companies in both an executive and non-executive capacity. The profiles of the Board members can be found on page 24 of this Report. They demonstrate a complementary blend of knowledge, skills, backgrounds, age and experience, which enables the Group to be led effectively.

The Board met five times during the financial year in accordance with its annual meeting programme. Following the Board performance review, this was a reduction from the six held in the prior year. A number of further meetings were convened to deal with specific strategic and corporate matters including the Tender Offer.

The Board has a schedule of matters reserved for its approval which includes material capital commitments, acquisitions and disposals and Board appointments. This was reviewed in the year and considered appropriate, based on the Company strategy.

	Board <sup>1</sup>	Audit and Risk	Remuneration	Nomination	ESG <sup>2</sup>
Steven Owen (Chairman)	5/5	3/3	4/4	1/1	1/1
Mark Davies	5/5	3/3	4/4	1/1	1/1

<sup>1</sup> In addition to scheduled meetings noted above, the Board and Remuneration Committee held ad hoc meetings virtually and in person during the year to discuss specific strategic and operational matters.

<sup>2</sup> ESG matters are, going forwards, being considered by the Board rather than by separate Committee.

## Culture

The Board has overall responsibility for establishing the Company's purpose and strategy and satisfying itself that these and the Company's culture, regarded as being 'the way things are done', are aligned.

The Executive Chairman and Senior Independent Director ensure that issues are approached and decisions are taken appropriately, including an appreciation of risks and opportunities, good communication and that these behaviours are reflected throughout the management team. This has embedded the desired culture and ensures that the expected values are sufficiently understood and upheld.



# Nomination Committee report

## Members

- Steven Owen (Chair)
- Mark Davies

## Total meetings held

One

## Areas of focus

- Board and Committee performance
- Terms of Reference
- Succession planning

## Dear Shareholder,

In accordance with the Code, at least a majority of members of the Committee should be Independent Non-Executive Directors. While I was independent on appointment, we have not been compliant with this aspect of the Code.

The Nomination Committee leads the process for appointments to the Board and oversees the plans for orderly succession to both the Board and senior management positions. The Committee has kept the structure and composition of the Board and Senior Management under regular review to ensure it has the right balance of skills, knowledge, experience and diversity to carry out its duties and provide effective leadership. The Committee considers that it has retained the right people during the year to implement the strategy. However, following the further investment property sales in the year, the number of full time Executives is being reduced from 6 to 3 as explained further below.

## Board performance review

A formal and rigorous internal review of the Board's performance was carried out under the oversight of the Committee.

The Committee is satisfied that the Board and Committee structure, including the Executive Committee, has a strong group of people from different backgrounds and experience which provides for effective decision making and appropriate oversight of management on behalf of shareholders.

## Diversity

The Committee is very conscious that the Board consists of two men and the Executive Committee in the year again consisted of five men, albeit of different ages, experience and backgrounds. Due to the strategy of returning cash to shareholders and a smaller portfolio, the Company is not intending to recruit or replace the current staff and the need for retention and motivation is discussed further in the Directors' Remuneration Report. However, the Board would certainly look to take into account diversity in its broadest sense for any future appointments to the Board or Executive Committee.

## Executive Committee changes

The reduction in size of the Company has meant that we do not require as many full time executives. Accordingly, with the agreement of the individuals impacted, Thomas Hood, Head of Investment, Andrew Wolfe, Financial Controller, and Phil Higgins, Company Secretary will, from June 2025, leave the Company and we wish them well. The roles impacted will be absorbed by the remaining employees. The Company Secretary role is being outsourced via a Company Secretarial and Governance consultancy.

## AGM

In accordance with the Code, each of the Directors will submit themselves for re-election at the 2025 AGM to be held on Wednesday 9 July 2025. The Committee, on behalf of the Board, is satisfied that all Board members put forward for re-election have and continue to commit the time required to discharge their roles effectively.

The Committee believes that, despite non-compliance with the Code, the Board has the appropriate balance of skills, experience, independence and knowledge to oversee the particular strategy of the Company. Shareholders are requested to support the resolutions proposed by the Board.

## Steven Owen

Chair of Nomination Committee

4 June 2025

# Audit and Risk Committee report

## Members

- Mark Davies (Chair)
- Steven Owen

## Total meetings held

Three

## Key actions

- Reviewed and approved the annual and half-yearly financial statements
- Ensured that the Annual Report was fair, balanced and understandable
- Scrutinised potential transactions and property valuations
- Full and mid-year risk reviews
- Considered the appointment of the external Auditor, their reports to the Committee and their independence

## Dear Shareholder,

The Committee assists the Board in its oversight and assurance roles, ensuring that the annual report and accounts are fair balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

The Committee has supported the Board by monitoring the integrity of the Company's financial and narrative reporting and the robustness of the Group's risk management and internal control framework, taking into account that the Company does not have an internal audit function. Due to the size and relative lack of complexity of the business, the Committee recommended to the Board that no internal audit function was required. We have however, worked closely with the external auditors, to ensure an effective external audit process.

In light of the successful implementation of the strategy for selling assets and returning cash to shareholders, the Board has remained small and it is not intended at present to increase the size of the Board. Therefore the Committee is not constituted in accordance with the Code as the Executive Chairman is a member of the Committee. The Code requirement is that all members are Independent Non-Executive Directors. The Committee is satisfied that its composition is appropriate, that I bring recent and relevant financial

experience as a Chartered Accountant and many years as a FTSE250 Director, and considers that all members have the necessary competence relevant to the sector in which the Company operates, as required by the Code, since the Executive Chairman and I have many years' experience in the real estate sector.

## Property valuations

A critical aspect of the financial reports is the valuation of the Group's properties and the determination of their fair value is one of the most important elements of the annual and half-year financial results. The Committee reviews the valuations and the underlying assumptions and judgements applied by management and CBRE. The Committee receives information on the valuation process and reviews updates from management in relation to current market trends and key valuation movements compared to previous periods. The Committee provides robust challenge and satisfies itself that sufficient oversight and controls are in place and that the financial reporting is supported.

## Going concern

The Committee reviewed whether it was appropriate to adopt the going concern basis in the preparation of the financial statements. In considering this, the Committee reviewed the Group's 12-month cashflow forecasts and consideration that the Group has no debt, following the repayment of the loan in the year with Scottish Widows.

With this knowledge, and following the review, the Committee recommended to the Board that it was appropriate to adopt the going concern basis of preparation.

## Viability statement

The Committee reviewed the viability statement and the period for which the Board should assess the prospects of the Group. Following the review, the Committee concluded that a two year period was appropriate, in line with the Company's internal forecasting horizon. It is the period in which management may require to complete asset management activities. Further details are provided on page 12.

## Fair, balanced and understandable

The Committee has considered whether the Annual Report is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's position and performance. In forming its opinion, the Committee considered whether the Annual Report provided a comprehensive review of matters in the year, both positive and negative, included all relevant financial transactions and balances, was consistent throughout and had been written in straightforward language without unnecessary repetition. The Committee was satisfied that, taken as a whole, the Annual Report is fair, balanced and understandable.

## External auditor

BDO LLP was first appointed as external Auditor in respect of the year ended 31 March 2015. The Committee has assessed BDO's performance, independence, objectivity and fees, as well as the effectiveness of the audit process. In making its assessment, the Committee considered the qualifications, expertise and resources, the quality and timeliness of the delivery of the audit and the provision of non-audit related services. The Committee made their assessment based on feedback from management, their own interaction with the audit team and assurances provided by the Auditor in relation to their independence.

In the year ended 31 March 2025 no non-audit services were provided to the Group. The Committee will only authorise non-audit services on the basis that they are permissible under regulations relating to a Public Interest Entity and the Company has a formal non-audit services Policy.

## Audit fees

Fees payable to the Group's Auditors for audit and previously for non-audit services are set out in note 3 on page 64. We have had several robust discussions with the auditors regarding the fee levels as a smaller company with fewer assets, noting however that our listed status means that we are a public interest entity in the year and there are various requirements for PIEs that mean that the audit has to require significant time from the audit team. We therefore have agreed with BDO a reduced fee compared to prior years and continue to monitor this and opportunities for further fee reductions without additional risk to the integrity of the external audit.

## Risk management and internal controls

The Board is responsible for the Group's risk management and internal control systems. To support the Board, the Committee oversees and at least annually reviews the effectiveness of the Group's internal controls and risk management systems and reviews / approves the related statements in the Annual Report. During the year the Committee received updates from management and the external Auditor regarding the operation of key controls. As part of their review the Committee also considered the process of risk identification, mitigation and evaluation of the potential impact on the Group's strategic objectives. The Directors are satisfied that the current controls are effective with regard to the size of the Group.

The internal controls are designed to ensure the reliability of financial information for both internal and external purposes. However, they can only provide reasonable, but not absolute assurance against material misstatement or loss.

## Whistleblowing procedures

The Audit and Risk Committee reviews arrangements whereby employees may in confidence raise concerns. During the year no concerns were raised.

## Mark Davies

Chair of Audit and Risk Committee

4 June 2025

# Remuneration Committee report

## Members

- Mark Davies (Chair)
- Steven Owen

## Total meetings held

Four

## Key actions

- Engaged with shareholders on remuneration issues
- Monitored performance for the STIP approved by shareholders at the 2023 AGM to motivate and retain management to implement the strategy and deliver alignment with shareholders
- Considered the malus and clawback arrangements under the Company's share plans for the awards made to the former Chief Executive and Executive Property Director
- Considered the performance conditions under the 2021 LTIP awards
- Reviewed Executive Chairman and Senior Management Remuneration

## Dear Shareholder,

The Committee's focus is that the Group's remuneration policies and implementation support the successful delivery of the strategy. This report provides details of how the Committee has taken action in the year to achieve this.

## Committee membership and meetings

In the year, the Committee consisted of myself, an Independent Non-Executive Director, as Chair, and the Executive Chairman. Although we were not compliant with the Code, which requires that members of the Committee are Independent Non-Executive Directors, we believe that the Committee has sufficient independence and experience to oversee management remuneration. The Executive Chairman is not involved in determining his own remuneration which is determined by myself, with external input from Korn Ferry, independent remuneration consultants, as appropriate.

The Committee met four times during the year (details of attendance are set out on page 30). In addition, ad hoc meetings were held to consider the malus and clawback arrangements for the former directors.

## Advisors

Korn Ferry were paid £7,310 (2024: £87,344) for advice and attendance at Committee meetings and the AGM. Korn Ferry are also remuneration advisors to the Remuneration Committee of PHP but, as Chief Executive of PHP, I do not sit on the Remuneration Committee of PHP. The Committee was satisfied that there were no issues of independence of Korn Ferry or their provision of advice to the Committee. Otherwise, Korn Ferry do not have any other connection with the Company or Directors personally. The Committee is satisfied that the advice is objective and independent and thanks Korn Ferry for their assistance.

## Remuneration Policy

The Directors' Remuneration Policy was approved at the Company's AGM held in July 2023 and supports the strategy of returning cash to shareholders. A summary of the policy can also be found on the website at [palacecapitalplc.com](http://palacecapitalplc.com). Remuneration arrangements in the year were made under the Policy in line with the strategy.

## Performance outcomes for FY25

The 12 months to 31 March 2025 were challenging for the sector with a difficult

economic backdrop. Despite this, the Group achieved 99% rent collection, a resilient adjusted profit before tax, as well as reducing our net debt levels to nil and returning £21.7m cash to shareholders via the Tender Offer.

The Long Term Incentive awards that were granted in 2021 had a normal vesting date in November 2024. The performance conditions were not met and therefore lapsed for all participants.

## Payments to Former Directors

For awards made to the former Chief Executive and Executive Property Director for the 2020 LTIP, these were determined by the Committee, after taking legal advice, that malus would apply in accordance with the LTIP rules. This was due to the significant reduction in value of Bank House, Leeds and the specific role that the two Directors were determined by the Committee to have had in this. The Awards made to them in 2021 under the LTIP lapsed as the performance conditions were not met.

In line with the Agreement with Matthew Simpson, former CFO, he received staged payments during the year up to November 2024 of £0.2m. No further payments are due to Mr Simpson.

## Progress of the STIP in FY25

Following Shareholder approval of the Short Term Incentive Plan ('STIP') and new Remuneration Policy at the 2023 AGM, awards were made to full time members of staff in July 2023.

The Committee continues to monitor progress against objectives in order that management remains incentivised and cash returns to shareholders are maximised.

## Salary and bonus

Due to the strategy and its progression, the Committee determined that no salary increases for Directors and staff would be awarded for the period commencing 1 April 2025. For the bonus, noting that the Executive Chairman is not eligible, for employees the maximum potential opportunity was 50% of their previous bonus opportunity levels.

## Concluding remarks

With the implementation of the strategy to return cash shareholders, it is important to retain and motivate management for the benefit of shareholders and stakeholders. I am pleased to report the success of this whilst reducing administrative costs – overall recurring employee costs are down 34% for the year and like-for-like Director costs are down 35% and no bonuses were paid in the year to Directors. In the year, distributions to shareholders were £4.7m in dividends and £21.7m in the Tender Offer.

The Committee will take into consideration a range of stakeholders' interests especially those of our Shareholders when making remuneration decisions. Accordingly, on behalf of the Committee, I would like to thank Shareholders for their engagement and continued support.

## Mark Davies

Chair of Remuneration Committee

4 June 2025

# Remuneration Committee report continued

## Remuneration Policy

This part of the Directors' Remuneration report sets out a summary of the Remuneration Policy approved at the Company's AGM on 29 July 2023. That Policy is effective for a period of up to three years. Until a new Policy is approved, the existing Policy will remain in effect. The full Policy is set out in the 2023 notice of the Annual General Meeting on the Company's website.

In line with the UK Corporate Governance Code, the policy was tested against the factors listed in Provision 40:

- Clarity – the Remuneration Policy is transparent, and the implementation of the Policy is disclosed in straightforward, concise terms to shareholders.
- Simplicity – remuneration structures incorporate the necessary structural features to ensure a strong alignment to performance, strategy and minimising the risk of rewarding failure whilst being sufficiently simple enough for key stakeholders to understand.
- Risk – the Remuneration Policy has been shaped to discourage inappropriate risk taking. Awards under the Remuneration Policy are subject to malus and clawback provisions. The performance conditions are reviewed annually to ensure that they remain suitable and do not incentivise risk taking. To avoid conflicts of interest, Committee members are required to disclose any conflicts or potential conflicts ahead of Committee meetings.
- Proportionality – the link between each element of policy and Company strategy is noted in the table below.
- Alignment to culture – Where possible, in support of our performance culture, we align remuneration across the Group.

A summary of the Policy is set out below.

Element and link with strategy	Operation and maximum potential value	Performance framework
<b>Salary</b> Fixed amount at a level appropriate to the skills and experience needed to fulfil the role.	Salaries are generally reviewed annually with effect from 1 April each year. Any increases are made having regard to inflation, personal performance, and the need to retain and motivate.	Salary is not linked to specific financial or non-financial performance measures.
<b>Annual bonus</b> To incentivise performance which is measured against targets normally set at the beginning of the financial year.	<p>The maximum bonus opportunity is capped at 50% of salary. The Executive Chairman is not eligible for a bonus.</p> <p>The bonus is paid as to 65% in cash and 35% by way of an option over shares pursuant to the Deferred Bonus Plan. The ability to exercise the option granted under the Deferred Bonus Plan is deferred for a year and there is a period of a further year during which the options may be exercised. The Committee has discretion for 100% to be paid in cash.</p> <p>The Committee may, in exceptional circumstances, use its discretion to amend the bonus outcome if it believes that it does not properly reflect overall underlying business performance, an individual's contribution or some other factor.</p> <p>Malus and clawback applies at the discretion of the Committee.</p>	Performance is assessed against a range of financial, non-financial and/or strategic targets which may vary each year.
<b>Legacy Long Term Incentive Plan</b> Outstanding legacy LTIP awards will continue to vest on their terms	<p>No further awards will be made under the legacy LTIP.</p> <p>Awards previously made are subject to the terms of the 2021 Policy.</p>	Performance measures were aligned to the key objectives of the Company and the creation of shareholder value.

Element and link with strategy	Operation and maximum potential value	Performance framework
<p><b>Short Term Incentive Plan</b> To support the disposal strategy and the return of cash to shareholders.</p>	<p>A one-off award that grants Executive Directors the opportunity to share in the value created for shareholders.</p> <p>Executive Directors will be eligible to receive a proportion of the Pool generated by the sale of assets. An individual may be awarded no more than 40% of the total 1,000 units available in the pool.</p> <p>Awards under the STIP will pay out in cash.</p> <p>The Plan will pay out as soon as reasonably practicable after the earlier of (i) the sale of all assets, (ii) a takeover of the Company or (iii) when the Remuneration Committee determines that the plan has achieved its original purpose.</p>	<p>Participants will be granted an Award over units in a Realisation Pool. The size of the Realisation Pool is determined by a share (12.6%) of the value created from the sale of assets from 1 April 2023. Value created is defined as the difference between the net sale proceeds of assets less their share of the Company's enterprise value. The Company's enterprise value is the average market capitalisation over March and April 2023 of £94.3m plus the total net debt and net current liabilities as at 31 March 2023 of £63.1m. This is split across the Company's assets by reference to their valuation on 31 March 2023 (£192.4m).</p> <p>To ensure the timely disposal of assets, the gain attributable to the Pool will reduce over time. For assets sold after 31 March 2024, a 12% p.a. discount will be applied to the gain when calculating the total value of the Pool.</p> <p>No further value will accrue in the Pool if total net sale proceeds reach an NAV that would have been 350p per share on 31 March 2023.</p>
<p><b>Pension</b> As part of their overall package Executive Directors are provided with retirement benefits.</p>	<p>Executive Directors receive a contribution in line with the rate available to the majority of the workforce paid into a pension scheme. The Executive Chairman is not eligible for a pension.</p>	<p>None</p>
<p><b>Other Benefits</b> As part of their overall package Executive Directors are provided with a competitive level of benefits that encourage well-being and engagement.</p>	<p>Benefits include (but are not limited to): travel or car allowance, private medical cover, life assurance and critical illness cover.</p> <p>The Executive Chairman may also be eligible to receive the benefits set out above.</p>	<p>None</p>
<p><b>Shareholding Requirements</b> Encourages commitment and alignment with shareholder interests.</p>	<p>Executive Directors are expected to build up and retain a minimum shareholding of 100% of basic salary.</p> <p>The shareholding will be built up over time, with a requirement to retain 25% of any shares vesting under the Deferred Bonus Plan or the legacy Long-Term Incentive Plan (after tax/NI has been settled) until the guideline is met.</p> <p>Post-employment requirements - Any shares that are still subject to the holding period as defined in the respective award will need to be retained, and in all other regards the Executive will be encouraged to engage with the Company regarding the timing of any sales for a period of two years following the termination of their employment to ensure an orderly market is preserved. The Committee may, in exceptional circumstances, exercise its discretion to adjust or disapply the holding requirement.</p>	<p>None</p>

# Remuneration Committee report continued

## Policy

### Dividend equivalents for share-based awards

Awards granted under the Deferred Bonus Plan and Long Term Incentive Plan incorporated the right to receive amounts equivalent to any dividends or shareholder distributions which would have been paid between the date of grant and the date of the delivery of shares in respect of which an option has been exercised.

### Malus and clawback

The Committee may, determine that malus or clawback provisions may apply in the following circumstances: (i) material financial misstatement; (ii) significant reputational damage; (iii) negligence or gross misconduct by a participant; (iv) fraud effected by or with the knowledge of a participant; (v) material corporate failure; or (vi) where awards were granted or vested based on erroneous or misleading data. For the STIP, malus and clawback provisions apply until the Company is sold, or in the opinion of the Board, all value has been returned to shareholders.

### How the Committee will use its discretion

The Remuneration Committee can exercise discretion in a number of areas when operating the Company's incentive schemes, in line with the relevant rules of the schemes. These include (but are not limited to):

- the choice of participants;
- the size of awards in any year (subject to the limits set out in the Directors' Remuneration Policy table);
- amending or substituting any performance condition(s) if one or more events occur which cause it to determine that an amended or substituted performance condition would be more appropriate, provided that any such amended or substituted performance condition would not be materially less difficult to satisfy than the original condition;
- adjust the calculation of performance targets and vesting outcomes (for instance for material acquisitions, disposals or investments and events not foreseen at the time the targets were set) to ensure they remain a fair reflection of performance over the relevant period;
- the determination of good or bad leavers and the treatment of outstanding awards (subject to the provisions of the scheme rules and the Remuneration Policy provisions); and
- the treatment of outstanding awards in the event of a change of control.

The Committee also retains discretion to make downward or upward adjustments resulting from the application of the performance measures if it considers that the outcomes are not a fair and accurate reflection of business performance. In the event that the Committee was to make an adjustment of this sort, a full explanation would be provided in the next Remuneration Report.

### Non-Executive Director policy table

Element and link with strategy	Operation and maximum potential value	Performance framework
<b>Fees and benefits</b> To provide competitive fees to attract the right Non-Executives.	Fees are normally reviewed every two years.  Additional fees may be payable for the chairing of Board Committees.  In exceptional circumstances, if there is a temporary yet material increase in the time commitments for Non-Executive Directors, the Board may pay extra fees on a pro-rata basis to recognise the additional workload.  The aggregate of all fees to the Directors will not exceed the maximum set out in the Articles of Association, currently £500,000. The Company currently does not intend to exceed the previous maximum of £300,000.  Private medical cover may be provided at a level which the Committee determines is fair and reasonable.  The Company may reimburse expenses reasonably incurred in the fulfilment of the Company's business, together with any taxes thereon.	Not applicable.



## Service contracts and policy on payments for loss of office

The Committee's policy on service contracts for Executive Directors is that they should provide for termination of employment by giving 12 months' notice.

Element	Operation
<b>Salary</b>	Service contracts may be terminated immediately by making a payment in lieu of notice. An immediate payment of 50% of salary will be made followed by monthly payments after six months in the event that alternative employment has not been secured.
<b>Annual Bonus</b>	In the event of termination for a reason other than resignation or gross misconduct for material performance or conduct concerns, a Director may be eligible, at the discretion of the Remuneration Committee to receive an award based on the achievement of the performance targets. If the Director has not been employed throughout the year a reduced pro-rata amount may be paid in specific circumstances or at the discretion of the Remuneration Committee. The Executive Chairman is not eligible for a bonus.
<b>Deferred Bonus Plan</b>	<p>In relation to Deferred Bonus awards, individuals would be defined as good or bad leavers, with good leavers being those leaving under pre-determined circumstances such as retirement, redundancy, ill-health, death or disability (proved to the satisfaction of the Committee), or those deemed by the Committee in its absolute discretion to be good leavers given the circumstances surrounding termination. All other leavers would be bad leavers.</p> <p>If an individual is categorised as a good leaver the award will vest on the normal vesting date unless the Committee determines the award should vest following cessation of employment or a change of control. If an individual is considered by the Committee to be a bad leaver, their awards will lapse in full.</p>
<b>LTIP</b>	Individuals would be defined as good or bad leavers, with good leavers being those leaving under pre-determined circumstances such as retirement, redundancy, ill-health, death or disability (proved to the satisfaction of the Board), or those deemed by the Committee in its absolute discretion to be good leavers given the circumstances surrounding termination. All other leavers would be bad leavers. If an individual is categorised as a good leaver then, other than in exceptional circumstances, the award will vest on the normal vesting date reflecting the extent to which performance targets have been met and the number of shares would normally be pro rated to reflect the reduced service period. The post vesting holding period would also apply, other than in exceptional circumstances. If an individual is determined to be a bad leaver, their awards will lapse in full.
<b>STIP</b>	Individuals would be defined as good or bad leavers, with good leavers being those leaving under pre-determined circumstances such as retirement, redundancy, ill-health, death or disability, or those deemed by the Committee in its absolute discretion to be good leavers given the circumstances surrounding termination. All other leavers would be bad leavers. If an individual is categorised as a good leaver then, other than in exceptional circumstances, the award will vest on the leaving date reflecting the extent to which performance has been met and taking into account anticipated future gains or losses on the sales of assets. For leavers prior to 31 March 2024, 50% of the original number of units awards vests with the remaining 50% of units available to be reallocated, subject that no individual may obtain more than 400 units out of the total 1,000 units. If an individual is determined to be a bad leaver, their awards will lapse in full.

# Remuneration Committee report continued

## Annual remuneration report

This report was prepared by the Remuneration Committee and approved by the Board for the financial year ended 31 March 2025. The statements within the remuneration report subject to audit have been specified. The remaining statements remain unaudited.

### Directors' total remuneration (audited)

The table below sets out the total remuneration receivable by each of the Directors who held office during the year to 31 March 2025, with a comparison to the previous financial year.

Executive Directors	Year	Salary £	Taxable benefits £	Bonus Cash £	Bonus Shares £	Long term incentive plan £	Pension £	Total fixed pay £	Total variable pay £	Total pay £
Steven Owen <sup>1</sup>	<b>2025</b>	<b>204,750</b>	<b>12,867</b>	–	–	–	–	<b>217,617</b>	–	<b>217,617</b>
	2024	133,095	9,061	–	–	–	–	142,156	–	142,156
Matthew Simpson <sup>2</sup>	<b>2025</b>	–	–	–	–	–	–	–	–	–
	2024	163,334	6,440	–	–	39,952	16,333	186,107	39,952	226,059
Total	<b>2025</b>	<b>204,750</b>	<b>12,867</b>	–	–	–	–	<b>217,617</b>	–	<b>217,617</b>
	2024	296,429	15,501	–	–	39,952	16,333	328,263	39,952	368,215

1 Steven Owen was appointed as Executive Chairman on 26 July 2023.

2 Matthew Simpson stepped down from the Board on 14 November 2023. He received a payment of £155,000 during the year for his salary and benefits as part of his leaving arrangements as detailed in the 2024 Annual Report. No further payments are due.

Non-Executive Directors	Fees to 31 March 2025 £	Fees to 31 March 2024 £
Steven Owen <sup>1</sup>	–	80,571
Mark Davies	<b>73,500</b>	70,000
<b>Total</b>	<b>73,500</b>	150,571

1 Steven Owen was appointed Chairman on 1 January 2022 and became Interim Executive Chairman on 14 June 2022 at a fee of £130,000 per annum plus additional fees of £10,000 per month for the extra responsibilities and time commitment of the role. On 26 July 2023 Steven Owen was appointed as Executive Chairman in an executive role on a salary of £195,000 per annum. In line with other employees, Mr Owen received a pay rise in the year of 5%.

### Annual bonus (audited)

The Group's remuneration policy for the year ended 31 March 2025 meant that the Executive Chairman did not receive, nor is eligible, for a bonus.

### Long-Term Incentive Plan (audited)

Executives have historically been able to participate in the Group's Long Term Incentive Plan. The LTIP awards that were granted in October 2021 had a normal vesting date in November 2024. Performance was measured against total shareholder return and return of the property portfolio as calculated by IPD measured over a three-year period.

	At 31 March 2025	Granted	Vested and exercised	Lapsed	As at 31 March 2024	Share price at date of award	Grant date	Vesting date
Matthew Simpson	–	–	–	20,770	20,770	£2.47	16/11/2021	16/11/2024
<b>Total</b>	<b>–</b>				<b>20,770</b>			

Vesting of Shares awarded under the 2021 LTIP was subject to Total Shareholder Return ("TSR") and Total Property Return ("TPR") as calculated by MSCI measured over a three-year period. The TSR aspect of the award would also have been subject to a downward adjustment according to the Company's share price discount to Net Asset Value at the time of vesting.

Further details of the LTIP awards and performance criteria are contained in the 2021 and 2022 Annual Reports.

In line with the strategy announced in July 2022, no awards of LTIPs were made in FY24 or FY25.

## Short Term Incentive Plan

The Palace Capital Short Term Incentive Plan provided that Executive Directors be eligible to receive a proportion of the Realisation Pool generated by the sale of assets. An individual may be awarded no more than 40% of the units in the pool. Awards under the STIP will pay out in cash. The Plan will pay out as soon as reasonably practicable after the earlier of (i) the sale of all assets, (ii) a takeover of the Company or (iii) when the Remuneration Committee determines that the plan has achieved its original purpose. The Remuneration Policy on page 37 and the Notice of Annual General Meeting 2023 including the Rules of the STIP provide further information on the Plan.

	Granted in July 2023	Granted in January 2024	Vested and exercised	Lapsed	At 31 March 2024 and 2025
Steven Owen	325	65	–	–	390

## Deferred bonus plan (audited)

The Palace Capital Deferred Bonus Plan provided that 35% of any bonuses awarded may be deferred for a year and options over shares to the value of the deferred bonus amount allocated plus dividends accruing at the discretion of the Remuneration Committee. No awards were made or received in the year.

## Total pension entitlements (audited)

The Company made no pension contributions to the Executive Chairman.

## Payments to former directors (audited)

In line with his contract and as detailed in the 2024 Remuneration Report, payments to Matthew Simpson, who stepped down in November 2023, were £155,000. No further payments are due to Mr Simpson.

In relation to the application of malus on LTIP awards to Mr Neil Sinclair and Mr Richard Starr as disclosed in the 2024 Remuneration Report whilst the two former directors have disputed this, the Committee has applied malus, as previously disclosed, to the 2020 LTIP. The 2021 LTIP awards did not vest due to the performance targets not being achieved in any event so the application of malus did not apply to those awards.

## Statement of directors' shareholding and share interests (audited)

Directors' interests in the shares of the Company, including family interests, were as follows. Directors are encouraged, but not required, to acquire shares in the Company up to 100% of salary over time.

	Ordinary shares of 10p each 31 March 2025*	Ordinary shares of 10p each 31 March 2024*	Outstanding Ordinary share options of 10p each 31 March 2025	Outstanding Ordinary share options of 10p each 31 March 2024
Steven Owen	–	–	–	–
Mark Davies	–	–	–	–

As at 4 June 2025 there were no changes in Directors' shareholdings.

# Remuneration Committee report continued

## Annual remuneration report

### Historical Chief Executive's remuneration

Year to 31 March	Total remuneration £	Annual bonus (as a % of the maximum payout)	LTIP vesting (as a % of the maximum possible)
<b>2025</b>	–	–	–
2024	–	–	–
2023	68,447	–	–
2022	590,675	50	50.00
2021	424,996	35.2	–
2020	598,406	62	50.00
2019	479,432	40	32.75
2018	683,379	95	16.66
2017	412,975	63	–
2016	362,629	<sup>2</sup>	–
2015	262,007	<sup>2</sup>	–
2014 <sup>1</sup>	125,467	<sup>2</sup>	–

1 Fourteen month period

2 No policy for annual bonuses in place

### Relative importance of spend on pay

The table below shows the expenditure and percentage change in employee remuneration as compared with dividends paid to Shareholders (see note 4 to the financial statements):

	2025 £	2024 £	% change
Recurring employee costs <sup>1</sup>	<b>1,098,284</b>	1,674,723	(34%)
Dividends <sup>2</sup>	<b>4,658,056</b>	6,045,207	(23%)
Share buybacks and Tender Offer	<b>22,091,166</b>	15,178,802	46%

1 Excluding payments to former director

2 Cash paid in dividends reduced following Tender Offer due to fewer shares in issue

### Percentage change in Directors' Remuneration in the year

	Salary	Benefits	Bonus
Steven Owen	5%	N/A	N/A
Mark Davies	5%	N/A	N/A
<b>Total Directors change (%)</b>	<b>5%</b>	<b>0%</b>	<b>0%</b>
<b>Average change for employees (%)<sup>2</sup></b>	<b>5%</b>	<b>0%</b>	<b>(56%)</b>

### Percentage change in Directors' Remuneration in prior years

FY24	Salary	Benefits	Bonus
<b>Total Directors change (%)</b>	<b>(14%)</b>	<b>(14%)</b>	<b>(100%)</b>
<b>Average change for employees (%)</b>	<b>-2%</b>	<b>0%</b>	<b>49</b>

\* Includes leavers in the year

FY23	Salary	Benefits	Bonus
<b>Total Directors change (%)</b>	<b>(37)%</b>	<b>(52)%</b>	<b>(28)%</b>
<b>Average change for employees (%)</b>	<b>16%</b>	<b>0%</b>	<b>(79)%</b>

FY22	Salary	Benefits	Bonus
<b>Total Directors change (%)</b>	<b>37%</b>	<b>156%</b>	<b>42%</b>
<b>Average change for employees (%)</b>	<b>4%</b>	<b>0%</b>	<b>40%</b>

## Service contracts and letters of appointment

The Committee's policy on service contracts for Executive Directors is that they should provide for termination of employment by giving no more than 12 months' notice.

Name	Date of appointment	Original contract date	Current contract date	Notice period	Termination Arrangements
Steven Owen	26 July 2023	1 January 2022	26 July 2023	12 months	An immediate payment of 50% of salary followed by monthly payments after six months in the event that alternative employment has not been secured

## Non-Executive Directors

Non-Executive Directors are usually engaged for fixed terms, typically three years, which may be extended for subsequent periods. The effective dates of the letters of appointment for the current Non-Executive Director is as follows:

Name	Date of letter for current appointment	Date term due to expire
Mark Davies	1 August 2022	31 July 2025

## Implementation of remuneration policy in 2025/26

In respect of the year ending 31 March 2026, the Committee intends to implement the Executive and Non-Executive Director remuneration policy including under the STIP.

### Salary

#### Executive Directors

The average salary increase across the workforce from 1 April 2025 was 0%.

Name	Role	Salary	Change
Steven Owen	Executive Chairman	£204,750	0%

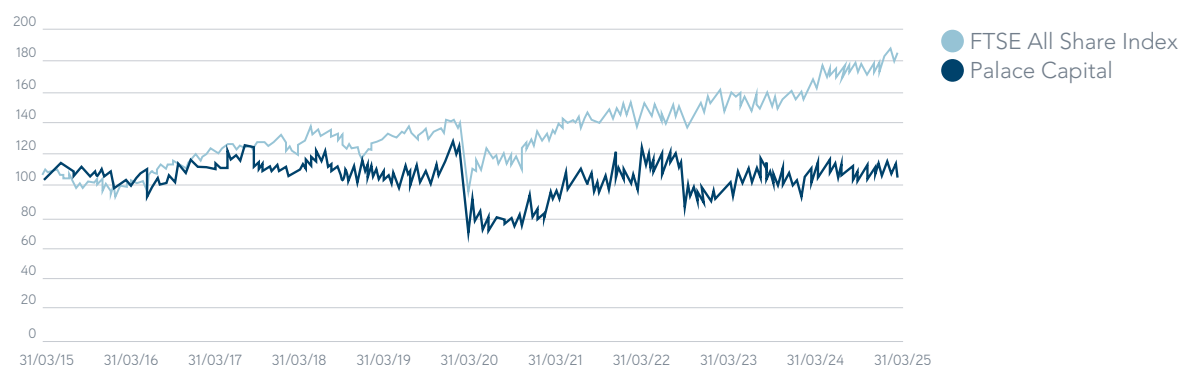
#### Non-Executive Directors

Non-Executive Director fees for the year are as follows.

Name	Role	2026 fee	Change
Mark Davies	Non-Executive Director	£73,500	0%
	Chair of Audit and Risk Committee		
	Chair of Remuneration Committee		
	Senior Independent Director		

## Review of past performance

The following graph shows the Group's Total Shareholder Return (TSR) for the ten year period to 31 March 2025 as compared with the FTSE All Share Index as the Company's shares are a constituent of this index. TSR measures share price growth with dividends deemed to be reinvested on the ex-dividend date.



# Remuneration Committee report continued

## Annual remuneration report

### Pension and benefits (audited)

The Executive Chairman does not receive a pension.

### Annual bonus (audited)

The Executive Chairman is not eligible for a bonus.

### Long-term incentive plan

No awards will be made under the Long-Term Incentive Plan.

### Statement of voting at annual general meeting

The table below sets out the results of the voting in respect of the Directors' Remuneration Report at the 2024 AGM.

	Percentage of votes cast		Number of votes cast		
	For and discretion	Against	For and discretion	Against	Withheld <sup>1</sup>
Remuneration Report	99.67%	0.33%	19,611,944	64,196	1,671
New Remuneration Policy (2023)	97.74%	2.26%	27,155,962	629,303	4,166

<sup>1</sup> A vote withheld is not a vote in law and is not included in the calculation of the number or the percentage of votes For or Against the resolution

### Approval

This report was approved by the Board of Directors on 4 June 2025 and signed on its behalf by:

#### Mark Davies

Chair of Remuneration Committee

# Directors' report and additional disclosures

The Directors present their report and the audited consolidated financial statements of Palace Capital plc for the year ended 31 March 2025.

## Statutory information contained elsewhere in the Annual Report

Information required to be part of this Directors' Report can be found elsewhere in the Annual Report and is incorporated into this report by reference, as indicated in the relevant section.

In accordance with the UK Financial Conduct Authority's Listing Rules, the information to be included within the Annual Report, where applicable, is set out in the Directors' Report on the following pages:

- The Corporate Governance Statement page 22
- Going Concern & Viability page 12 and 13
- Remuneration Report pages 34 to 44
- Related party transactions page 79

## Results and dividends

The results for the year are set out in the financial statements. The Company paid interim dividends of 3.75p per Ordinary share in October 2024, December 2024 and April 2025. The Directors propose a further interim dividend in respect of the year ended 31 March 2025 of 3.75p per Ordinary share be paid on 14 July 2025.

## Substantial shareholdings

The table below is provided by our brokers under the requests made to shareholders under section 793 of the Companies Act 2006 and information provided to the Company. As such this information is regarded by the Company as providing an up to date representation of our major shareholders' interests.

As at 31 March 2025 Shareholder	Ordinary		At 3 June 2025 Ordinary	
	Shares of 10p	%	Shares of 10p	%
Peter Gyllenhammar	4,627,134	16.01	4,940,083	17.10
Winton Capital Management	2,765,001	9.57	2,765,001	9.57
JO Hambro Capital Management	2,516,847	8.71	2,234,689	7.73
Harwood Capital	1,868,244	6.47	1,865,244	6.47
Premier Miton Investors	1,750,957	6.06	1,750,957	6.06
UBS Wealth Management	1,442,021	4.99	1,443,675	5.06
Charles Stanley	1,347,660	4.66	1,349,663	4.67
Slater Investments	1,167,454	4.04	1,167,454	4.04
Hargreaves Lansdown, stockbrokers (EO)	1,135,034	3.93	1,151,900	3.99
Janus Henderson Investors	1,056,733	3.66	1,056,733	3.66

to the Shareholders on the register on 13 June 2025.

## Share capital

The present capital structure of the Company is set out in note 19 to the financial statements.

## Purchase of own shares by the company

Authority was granted at the 2024 Annual General Meeting for the Directors to purchase up to 15% of the share capital of the Company. The authority was expressed to run until the conclusion of the next Annual General Meeting of the Company. Renewal of this authority will be proposed at the 2025 Annual General Meeting.

## Directors

The Directors' powers, including the rules relating to the appointment and replacement of Directors, are conferred on them by UK legislation and by the Company's Articles of Association. Changes to the Articles of Association are only permitted in accordance with legislation and must be approved by a special resolution of Shareholders.

Details of the Directors of the Company who served during the year ended 31 March 2025 and up to the date of the financial statements, are set out on page 24, and their interests in the Ordinary share capital of the Company and details of options granted under the Group's

share schemes are set out in the Annual Remuneration Report on page 34. The interests of the Directors in the shares in the Company have not changed since the end of the financial year to 3 June 2025, the latest practicable date. No member of the Board had a material interest in any contract of significance with the Company, or any of its subsidiaries, at any time during the year.

In accordance with the UK Code, all Directors will offer themselves for re-election at the 2025 Annual General Meeting. The Directors' service contract terms are set out in the Annual Remuneration Report on page 39.

## Political donations

During the year, no donations were made to political parties and none are proposed for the current year.

## Post balance sheet events

Details of post balance sheet events are provided in note 23 on page 79 of the financial statements.

## Future developments

Details of future developments are provided in the Strategic Report.

## Going concern

The Directors confirm they have a reasonable expectation that the Company and the Group have adequate resources to continue in operation for at least 12 months from the date of approval of the financial statements.

# Directors' report and additional disclosures continued

## Directors' and Officers' liability insurance

The Group maintains Directors' and Officers' Liability Insurance.

## Financial risk management

The Group is exposed to market risk (including interest rate risk and real estate market risk), credit risk and liquidity risk. The Group's senior management oversee the management of these risks, and the Board of Directors 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 in note 24 and the Risk Management section of the Annual Report and Accounts.

## Authorisation of 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 they have, 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 make the relevant decision, and the Directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

## Audit exemption for subsidiaries

The Group has taken advantage of the S479A Companies Act exemption from audit for all subsidiaries.

## Change of control

The Group's STIP contain provisions that, in the event of a change of control, would result in outstanding awards becoming payable, subject to the rules of the STIP. The Director's service contract contains a provision for the payment of compensation for loss of office or employment that occurs directly as a result of a takeover bid.

## Greenhouse gas emissions

The Group's GHG emission report can be found in the ESG Report.

## Auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant Audit information of which the Company's Auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information. The Auditor, BDO LLP, has indicated their willingness to continue in office. The Board, on the advice of the Audit and Risk Committee, recommends their re-appointment at the Annual General Meeting.

## 2025 Annual General Meeting (AGM)

The 2025 AGM is proposed to be held on 9 July 2025. The resolutions will be set out in the Notice of Meeting, together with explanatory notes and provided to Shareholders shortly.

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

**Phil Higgins**  
Company Secretary

4 June 2025

Palace Capital plc. Incorporated, registered and domiciled in England and Wales with company number 5332938

Thomas House,  
84 Eccleston Square  
London SW1V 1PX



# Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Group and Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. Under that law, the Directors have prepared the Group financial statements in accordance with UK adopted international accounting standards ('IFRS-UK') and applicable law, and have elected to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 the Company and of the profit or loss of the Group and the Company for the period. In preparing each of the Group and Company financial statements the Directors are required to:

- confirm that the financial statements have been prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the Company;
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, IFRS-UK and applicable law, subject to any material departures disclosed and explained in the financial statements;

- for the Company financial statements, state whether they have been prepared in accordance with UK GAAP, subject to any material departure disclosed and explained in the parent company financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent Company will continue in business; and
- under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006.

They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring the Annual Report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

## Directors' responsibilities statement

The Directors confirm to the best of their knowledge:

- The financial statements have been prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group and Company;
- the Strategic Report includes a fair review of the development and performance of the business and the financial position of the Company and the undertakings included in the consolidation as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Group's and Company's performance, business model and strategy.

On behalf of the Board

**Phil Higgins**  
Company Secretary

4 June 2025

# Independent Auditor's report to the members of Palace Capital plc

## Opinion on the 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 2025 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- 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.

We have audited the financial statements of Palace Capital Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2025 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Statement of Financial Position, the Company Statement of Changes in Equity and notes to the financial statements, including a summary of material and significant accounting policy information. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit and risk committee.

## Independence

Following the recommendation of the audit and risk committee, we were appointed by the Board of Directors on 1 April 2015 to audit the financial statements for the year ended 31 March 2015 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is eleven years, covering the years ended 31 March 2015 to 31 March 2025. We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

## Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group's and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Using our knowledge of the Group and its market sector together with the current economic environment to assess the Directors' identification of the inherent risks to the Group's and the Parent Company's business and how these might impact the Group's ability to remain a going concern during the going concern period which is at least 12 months from when the financial statements are authorised for issue.
- Obtaining an understanding of the Directors' process for assessing going concern including an understanding of the key assumptions used;
- We have reviewed the forecasts that support the Directors' going concern assessment and:
  - Assessed the Group's forecast cash flows with reference to budgeted and historic performance and challenged management's forecast assumptions in comparison to the current performance of the Group;
  - Agreed the inputs into the forecasts to supporting documentation where available for reasonableness;
- Testing the arithmetical accuracy of the going concern model;
- Analysing the sensitivities applied by the Directors' stress testing calculations and challenging the assumptions made using our knowledge of the business and of the current economic climate, to assess the reasonableness of the downside scenarios selected;
- Assessing the intercompany debtors in the Parent Company's balance sheet for recoverability by reviewing the financial position of each subsidiary. We also assessed the Parent Company's ability to pay the intercompany creditors by reviewing its liquidity as at the year end.
- Enquiring of Directors and those charged with governance as to any future events or conditions that may affect the Group's ability to continue as a going concern.
- Considering board minutes, and evidence obtained through the audit and challenging the Directors on the identification of any contradictory information in the forecasts and the resultant impact to the going concern assessment.
- Considering the Directors' intentions for the Group going forward and its impact on the Group's ability to continue as a going concern
- Reviewing the disclosures in the financial statements relating to going concern to check that the disclosure is consistent with the circumstances of the Group.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Parent Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

#### Overview

Coverage	100% (2024: 100%) of Group profit before tax	
	100% (2024: 100%) of Group revenue	
	100% (2024: 100%) of Group total assets	
	100% (2024: 100%) of Group investment property	
Key audit matters	2025	2024
	Valuation of investment properties	Valuation of investment properties
Materiality	Group financial statements as a whole	
	£1.4m (2024: £1.1m) based on 2% of net assets (2024: 1% of total assets)	

### An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group operates solely in the United Kingdom, and all audit procedures were performed by the Group audit team. The Group operates in one segment, investment property, structured through a number of subsidiary entities and therefore we treated the Group as a single component. The Group audit engagement team performed all the work necessary to issue the Group and Parent Company audit opinion, including undertaking all of the audit work on the risks of material misstatement identified in the key audit matters section below.

### Climate change

Our work on the assessment of potential impacts on climate-related risks on the Group's operations and financial statements included:

- Enquiries and challenge of management to understand the actions they have taken to identify climate-related risks and their potential impacts on the financial statements and adequately disclose climate-related risks within the annual report;
- Our own qualitative risk assessment taking into consideration the sector in which the Group operates and how climate change affects this particular sector; and
- Review of the minutes of Board and Audit and Risk Committee meeting and other papers related to climate change and performed a risk assessment as to how the impact of the Group's commitment as set out in the Strategic Report may affect the financial statements and our audit.

We challenged the extent to which climate-related considerations, including the expected cash flows from the initiatives and commitments have been reflected, where appropriate, in management's going concern assessment and viability assessment.

We also assessed the consistency of managements disclosures included as Statutory Other Information with the financial statements and with our knowledge obtained from the audit.

Based on our risk assessment procedures, we did not identify there to be any Key Audit Matters materially impacted by climate-related risks and related commitments.

# Independent Auditor's report continued to the members of Palace Capital plc

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters

Key audit matter	How the scope of our audit addressed the key audit matter
<p><b>Valuation of investment properties</b></p> <p>The Group has opted to carry its investment properties at fair value rather than cost.</p> <p>Refer to accounting policies on investment properties on page 61</p> <p>Refer to note 9 in relation to the property portfolio</p> <p>The valuation of each property requires consideration of the individual nature of the asset, its location, cash flows and comparable market transactions.</p> <p>Determination of the fair value of investment properties is considered a significant audit risk due to the subjective nature of assumptions inherent in each valuation. Thus, fraud risk could arise given the level of subjectivity.</p> <p>The Group engages independent external experts, CBRE to value these properties at each reporting period. The valuation uses a cash flow methodology with key inputs including detailed data on the underlying assets and the market environment for each asset.</p> <p>The valuation models applied are complex and require consideration of the existing market conditions including yields and estimates regarding current and future rental income, occupancy and property management costs.</p> <p>There is a risk that the observable inputs to the valuation are not complete or accurate. Furthermore, these inputs could be subject to manipulation by management giving rise to fraud risk.</p> <p>For these reasons, the valuation of investment properties was considered to be a key audit matter.</p>	<p>We obtained the valuation report prepared by management's independent external valuer and discussed the basis of the valuations with them, confirming that the approach was consistent with the requirements of accounting standards.</p> <p>We held discussions with the external valuer to understand the assumptions and methodologies used in valuing these properties. We have also corroborated these assumptions to market evidence.</p> <p>Using our own real estate valuation experts, we challenged the valuation assumptions, methodologies and the unobservable inputs used by establishing our own range of expectations for certain inputs used in the valuation of investment property based on externally available metrics, comparable organisations and wider economic and commercial factors. We considered whether the overall movement in the investment property valuation indicates potential Management bias to either overstate or understate the valuation. We also compared the values of properties from prior year. We obtained an explanation from CBRE to understand the reason behind material movements and corroborated their explanation to supporting documentations.</p> <p>We assessed the competency, independence and objectivity of the valuer which included making enquiries regarding interests and relationships that may create a threat to the valuer's objectivity.</p> <p>We considered whether the sales during the year and those that have been agreed or are being negotiated after the year end support or contradict the valuations being reported for those properties.</p> <p>We also checked the ownership of each property to the title deeds and checked for any new charges against these properties.</p> <p>We agreed the key observable valuation inputs used by the external valuer back to source documentation, which includes title deeds and lease agreements that are tested as part of our revenue audit procedures.</p> <p>We compared the purchaser costs to generally accepted market percentages.</p> <p>We compared the Estimated Rental Value ('ERV') on void units with similar other units as well as assumptions as regards the time to occupancy with the valuer and compared the ERV to the income as per the tenancy schedule.</p> <p><b>Key observations:</b></p> <p>The results of our audit procedures indicated that the estimates and assumptions used in the property valuations were appropriate and therefore, the investment are appropriately valued.</p>

## Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2025	2024	2025	2024
Materiality	£1.4m	£1.1m	£0.92m	£0.99m
Basis for determining materiality	2% of Net Assets (2024: 1% of Total Assets)			
Rationale for the benchmark applied	We determined that net assets would be the most appropriate basis for determining overall materiality. The Group's current strategy is to maximise cash returns to shareholders. Hence we consider net assets to be the principal consideration for the users of the financial statements in assessing the financial performance of the Group and Parent Company.			
Performance materiality	£1.05m	£0.83m	£0.69m	£0.74m
Basis for determining performance materiality	On the basis of our risk assessment, together with our assessment of the Group's and Parent Company's overall control environment, our judgement was that performance materiality should be 75% (2024: 75%) of materiality.			
Rationale for the percentage applied for performance materiality	The level of performance materiality applied was set after having considered a number of factors including our assessment of the Group's and Parent Company's overall control environment and the expected total value of known and likely misstatements and the level of transactions in the year.			

## Specific materiality

Previously, we set specific materiality for the items that specifically impact the measurement of European Public Real Estate Association ("EPRA") earnings at 5% of EPRA earnings. Following the shift of the group's focus from the trading performance to the maximisation of cash returns to shareholders, we considered that the use of specific materiality was no longer appropriate and therefore, the audit procedures were performed on all the Financial Statements areas using solely a single materiality as seen in the table above.

## Reporting threshold

We agreed with the Audit and Risk Committee that we would report to them all individual audit differences in excess of £70,000 (2024: £55,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

## Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Corporate governance statement

The UK Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Parent Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

# Independent Auditor's report continued to the members of Palace Capital plc

Going concern and longer-term viability	<ul style="list-style-type: none"> <li>The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 12; and</li> <li>The Directors' explanation as to their assessment of the Parent Company's prospects, the period this assessment covers and why the period is appropriate set out on pages 12 and 13.</li> </ul>
Other Code provisions	<ul style="list-style-type: none"> <li>Directors' statement on fair, balanced and understandable set out on pages 32 and 33;</li> <li>Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 33;</li> <li>The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 33; and</li> <li>The section describing the work of the audit and risk committee set out on page 32</li> </ul>

## Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"> <li>the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and</li> <li>the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.</li> </ul> <p>In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.</p>
Directors' remuneration	<p>In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.</p>
Matters on which we are required to report by exception	<p>We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:</p> <ul style="list-style-type: none"> <li>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</li> <li>the Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or</li> <li>certain disclosures of Directors' remuneration specified by law are not made; or</li> <li>we have not received all the information and explanations we require for our audit.</li> </ul>

## Responsibilities of Directors

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, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

### Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

#### Non-compliance with laws and regulations

Based on:

- Our understanding of the Group and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining and understanding the Group's policies and procedures regarding compliance with laws and regulations.

We considered the significant laws and regulations to be UK company law, UK tax legislation (including the REIT regime requirements) and the UK Listing Rules, and we considered the extent to which non-compliance might have a material effect on the Group financial statements.

Our procedures in response to the above included:

- Agreeing the financial statement disclosures to underlying supporting documentation where relevant;
- Review of Board and Committee meeting minutes and enquiries with management and the Directors as any known or suspected instances of non-compliance with laws and regulations.
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations; and
- Involvement of tax experts in the audit;

#### Irregularities including fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these, including the STIP.

Based on our risk assessment, we considered the areas most susceptible to fraud to be investment property valuations and management override of controls.

Our procedures in response to the above included:

- Addressing the risk of management override of controls by testing a sample of journal entries processed during the year, agreeing to supporting documentation and evaluating whether there was evidence of bias by management or the Directors that represented a risk of material misstatement due to fraud; and
- Our responses to the valuation of investment properties risk are set out in the key audit matters section above.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, who were deemed to have the appropriate competence and capabilities, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### Charles Ellis (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

London,

United Kingdom

4 June 2025

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# Consolidated Statement of Comprehensive Income

## for the year ended 31 March 2025

	Note	2025 £'000	2024 £'000
Revenue	1	13,245	19,599
Cost of sales	3b	(7,868)	(9,776)
Movement in expected credit loss	12	(353)	–
<b>Net property income</b>		<b>5,024</b>	9,823
Administrative expenses	3c	(2,889)	(3,998)
<b>Operating profit before gains and losses on property assets</b>		<b>2,135</b>	5,825
Profit on disposal of investment properties		1,502	2,298
Loss on revaluation of investment property portfolio	9	(2,868)	(15,383)
Impairment of trading properties	10	(61)	–
<b>Operating profit/(loss)</b>		<b>708</b>	(7,260)
Finance income		850	312
Finance expense	2	(126)	(1,909)
Debt termination costs		(35)	(459)
<b>Profit/(loss) before taxation</b>		<b>1,397</b>	(9,316)
Taxation	5	25	(46)
<b>Profit/(loss) after taxation for the year and total comprehensive profit/(loss) attributable to owners of the Parent</b>		<b>1,422</b>	(9,362)
<b>Earnings per ordinary share</b>			
Basic	6	4.5p	(23.7p)
Diluted	6	4.5p	(23.7p)

All activities derive from continuing operations of the Group. The notes form an integral part of these financial statements.



# Consolidated Statement of Financial Position

## as at 31 March 2025

	Note	2025 £'000	2024 £'000
<b>Non-current assets</b>			
Investment properties	9	33,363	73,845
Right of use asset	11	–	38
Trade and other receivables	12	5,021	5,625
		<b>38,384</b>	<b>79,508</b>
<b>Current assets</b>			
Assets held for sale	9	9,875	–
Trading property	10	4,340	8,126
Trade and other receivables	12	2,201	3,352
Cash and cash equivalents	13	22,222	19,766
		<b>38,638</b>	<b>31,244</b>
<b>Total assets</b>		<b>77,022</b>	<b>110,752</b>
<b>Current liabilities</b>			
Trade and other payables	14	(3,277)	(4,066)
Borrowings	15	–	(318)
Lease liabilities for right of use asset	18	–	(39)
<b>Creditors: amounts falling due within one year</b>		<b>(3,277)</b>	<b>(4,423)</b>
<b>Net current assets</b>		<b>35,361</b>	<b>26,821</b>
<b>Non-current liabilities</b>			
Borrowings	15	–	(7,933)
Short term incentive plan provision		(1,209)	(565)
Deferred tax liability	5	(32)	(57)
Lease liabilities for investment properties	18	–	–
<b>Net assets</b>		<b>72,504</b>	<b>97,774</b>
<b>Equity</b>			
Called up share capital	19	2,889	3,756
Treasury shares		–	–
Merger reserve		3,503	3,503
Capital redemption reserve		2,090	1,223
Capital reduction reserve		63,182	89,931
Retained earnings/(accumulated losses)		840	(639)
<b>Equity – attributable to the owners of the Parent</b>		<b>72,504</b>	<b>97,774</b>
Basic NAV per ordinary share	7	251p	260p
Diluted NAV per ordinary share	7	251p	260p

These financial statements were approved by the Board of Directors and authorised for issue on 4 June 2025 and are signed on its behalf by:

**Steven Owen**  
Executive Chairman

# Consolidated Statement of Changes in Equity

## for the year ended 31 March 2025

	Note	Share Capital £'000	Treasury Share Reserve £'000	Other Reserves £'000	Capital Reduction Reserve £'000	Retained Earnings/ (Accumulated Losses) £'000	Total Equity £'000
<b>At 31 March 2023</b>		4,639	(7,343)	3,843	118,477	8,859	128,475
Total comprehensive loss for the year		–	–	–	–	(9,362)	(9,362)
Share-based payments	20	–	–	–	–	137	137
Exercise of share options		–	161	–	–	(273)	(112)
Dividends paid	8	–	–	–	(6,045)	–	(6,045)
Share buyback		–	(15,179)	–	–	–	(15,179)
Shares purchased by employee benefits trust		–	(140)	–	–	–	(140)
Cancellation of treasury shares		(883)	22,501	883	(22,501)	–	–
<b>At 31 March 2024</b>		<b>3,756</b>	<b>–</b>	<b>4,726</b>	<b>89,931</b>	<b>(639)</b>	<b>97,774</b>
Total comprehensive profit for the year		–	–	–	–	1,422	1,422
Share-based payments	20	–	–	–	–	57	57
Dividends paid	8	–	–	–	(4,658)	–	(4,658)
Share buyback		–	(22,091)	–	–	–	(22,091)
Cancellation of treasury shares		(867)	22,091	867	(22,091)	–	–
<b>At 31 March 2025</b>		<b>2,889</b>	<b>–</b>	<b>5,593</b>	<b>63,182</b>	<b>840</b>	<b>72,504</b>

The share capital represents the nominal value of the issued share capital of Palace Capital plc.

Treasury shares represents the consideration paid for shares bought back from the market. On 17 July 2024 all shares held in Treasury were cancelled.

Other reserves comprise the merger reserve and the capital redemption reserve.

The merger reserve represents the excess over nominal value of the fair value consideration for the acquisition of subsidiaries satisfied by the issue of shares in accordance with S612 of the Companies Act 2006.

The capital redemption reserve represents the nominal value of cancelled preference share capital redeemed.

The capital reduction reserve represents distributable profits generated as a result of the share premium reduction and cancellation of shares.

# Consolidated Statement of Cash Flows

## for the year ended 31 March 2025

	Note	2025 £'000	2024 £'000
<b>Operating activities</b>			
Profit/(loss) before taxation		1,397	(9,316)
Finance income		(850)	(312)
Finance expense	2	126	1,909
Loss on revaluation of investment property portfolio	9	2,868	15,383
Profit on disposal of investment properties		(1,502)	(2,298)
Impairment of trading properties		61	–
Debt termination costs		35	459
Depreciation of tangible fixed assets	11	–	23
Amortisation of right of use asset	11	38	119
Share-based payments	20	57	137
Decrease/(increase) in receivables		500	(2,536)
Decrease in payables		(149)	(3,369)
Decrease in trading property		3,725	2,929
Net cash generated from operations		6,306	3,128
Interest received		850	312
Interest and other finance charges paid		(102)	(2,339)
Net cash flows from operating activities		7,054	1,101
<b>Investing activities</b>			
Capital expenditure on refurbishment of investment property		(175)	(1,544)
Proceeds from disposal of investment property		30,637	92,217
Net cash flow generated from investing activities		30,462	90,673
<b>Financing activities</b>			
Bank loans repaid	17	(8,311)	(56,022)
Dividends paid	8	(4,658)	(6,045)
Share buyback		(22,091)	(15,179)
Payment of share options exercised		–	(271)
Net cash flow used in financing activities		(35,060)	(77,517)
Net increase in cash and cash equivalents		2,456	14,257
Cash and cash equivalents at beginning of the year		19,766	5,509
Cash and cash equivalents at the end of the year	13	22,222	19,766

# Notes to the Consolidated Financial Statements

## Basis of accounting

The Directors continue to adopt the going concern basis in preparing the Group's financial statements. The consolidated financial statements of the Group comprise the results of Palace Capital plc ("the Company") and its subsidiary undertakings.

The Company is quoted on the Main Market of the London Stock Exchange and is domiciled and registered in England and Wales and incorporated under the Companies Act. The address of its registered office is Thomas House, 84 Eccleston Square, London, SW1V 1PX.

## Basis of preparation

The Group financial statements have been prepared in accordance with UK-adopted International Accounting Standards, (the 'applicable framework'), and have been prepared in accordance with the provisions of the Companies Act 2006 (the 'applicable legal requirements'). The Group financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties, the revaluation of property, plant and equipment, pension scheme and financial assets held at fair value.

## Exemption to the audit of subsidiary accounts under Section 479a of the Companies Act 2006

The following subsidiaries which consolidate into the Group accounts are exempt from being audited under section 479A of the Companies Act 2006:

Palace Capital (Leeds) Limited (Registered number: 06068651)

Palace Capital (Northampton) Limited (Registered number: 04982121)

Palace Capital (Properties) Limited (Registered number: 07866050)

Palace Capital (Developments) Limited (Registered number: 09849073)

Palace Capital (Signal) Limited (Registered number: 06991031)

Palace Capital (Halifax) Limited (Registered number: 05122315)

Property Investment Holdings Limited (Registered number: 00582889)

Palace Capital (Newcastle) Limited (Registered number: 05348319)

Palace Capital (York) Limited (Registered number: 12080228)

Palace Capital (Dartford) Limited (Registered number: 10523678)

## Going concern

The Directors have made an assessment of the Group's ability to continue as a going concern which included the current economic headwinds coupled with the Group's cash resources, borrowing facilities, rental income, disposals of investment properties, committed capital and other expenditure and dividend distributions.

The Group's business activities, together with the factors likely to affect its future performance and position, are set out in the Strategic Report. The financial position of the Group, its cash flows, and liquidity position 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.

As at 31 March 2025 the Group had £22.2m of unrestricted cash and cash equivalents and a property portfolio with a fair value of £53.2m. During the year the Group repaid all of its debt and is now entirely debt free and all assets unencumbered. The Directors have reviewed the forecasts for the Group taking into account the impact of the current economic environment on trading over the 12 months from the date of signing this annual report. The forecasts have been assessed against a downside scenario incorporating lower levels of income. See Going Concern and Viability Statement of the Annual Report for further details.

The Directors have a reasonable expectation that the Group have adequate resources to continue in operation for at least 12 months from the date of approval of the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

## New standards adopted during the year

New standards effective for the year ended 31 March 2025 did not have a material impact on the financial statements and were not adopted.

## New standards issued but not yet effective

There are no other standards that are not yet effective that would be expected to have a material impact on the Group in the current or future reporting periods and on the foreseeable future transactions other than IFRS 18, which was recently issued by the IASB and management are still considering if and how this will impact the presentation of the Statement of Comprehensive Income and disclosure of defined performance measures.

## Basis of consolidation

The consolidated financial statements incorporate the financial statements of Palace Capital plc and its subsidiaries as at the year-end date.

Subsidiaries are all entities over which the Company has control being: power to direct the activities of the entity; exposure to variable returns from the entity; and the ability of the Company to use its power to affect those variable returns. Where necessary, adjustments have been made to the financial statements of subsidiaries and associates to bring the accounting policies used and accounting periods into line with those of the Group. Intra-group balances and any unrealised gains and losses arising from intra-group transactions are eliminated in preparing the Consolidated Financial Statements.

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

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.

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.

Where an acquired subsidiary does not meet the definition of a business, it is accounted for as an asset acquisition rather than a business combination. A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities.

## Revenue

Revenue is primarily 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 the 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 Statement of Comprehensive Income on a straight-line basis over the term of the lease. Contingent rent reviews are recognised when such reviews have been agreed with tenants. Lease incentives, rent concessions and guaranteed rent review amounts are recognised as an integral part of the net consideration for use of the property and amortised on a straight-line basis over the term of lease. Judgement is exercised when determining the term over which the lease incentives should be recognised.

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognised in the Group Statement of Comprehensive Income when the right to receive them arises. Surrender premium income are payments received from tenants to surrender their lease obligations and are recognised immediately in the Group's Consolidated Statement of Comprehensive Income.

Insurance commissions are recognised as performance obligations are fulfilled in terms of the individual performance obligations within the contract with the insurance provider. Revenue is determined by the transaction price in the contract and is measured at the fair value of the consideration received. Revenue is recognised once the underlying contract between insured and insurer has been signed.

Revenue from the sale of trading properties is recognised when control of the trading property, along with the significant risks and rewards, have transferred from the Group, which is usually on completion of contracts and transfer of property title.

Service charge income relates to expenditure that is directly recoverable from tenants. Service charge income is recognised as revenue in the period to which it relates as required by IFRS 15 Revenue from Contracts with Customers. Dividend income comprises dividends from the Group's listed equity investments and is recognised when the Shareholder's right to receive payment is established. Revenue is measured at the fair value of the consideration received. All income is derived in the United Kingdom.

The disposal of investment properties is recognised when significant risks and rewards attached to the property have transferred from the Group. This will ordinarily occur on completion of contract, with such transactions being recognised when this condition is satisfied. The profit or loss on disposal of investment property is recognised separately in the Consolidated Statement of Comprehensive Income and is the difference between the net sales proceeds and the opening fair value asset plus any capital expenditure during the period to disposal.

# Notes to the Consolidated Financial Statements

continued

## Deferred income

Where invoices to customers have been raised which relate to a period after the Group year end, being 31 March 2025, the Group will recognise deferred income for the difference between revenue recognised and amounts billed for that contract.

## Cost of sales

Cost of sales includes direct expenditure relating to the construction of the trading properties, capitalised interest, and selling costs incurred as a result of residential sales. Selling costs includes agent and legal fees. Cost of sales is expensed to the income statement and is recognised on completion of each residential unit. The cost for each unit is calculated using the ratio of the unit selling price, over the total forecasted sales proceeds of all residential units. This ratio is then applied to the total forecasted development cost to get the cost of sale per unit.

Service charges and other such receipts arising from expenses recharged to tenants are as stated in note 3b. Notwithstanding that the funds are held on behalf of the occupiers, the ultimate risk for paying and recovering these costs rests with the Group.

## Borrowing costs

Bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. After initial recognition, loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognised in profit or loss in the Consolidated Statement of Comprehensive Income when the liabilities are derecognised, as well as through the amortisation process.

Interest associated with trading properties is capitalised from the start of the development work until the date of practical completion. The rate used is the rate on specific associated borrowings. Interest is then expensed through the income statement post completion of the development.

## Financial assets

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Group's accounting policy for each category is as follows:

### Fair value through profit or loss

This category comprises in-the-money derivatives (see "Financial liabilities" section for out-of-the-money derivatives classified as liabilities). They are carried in the Consolidated Statement of Financial Position at fair value with changes in fair value recognised in the Consolidated Statement of Comprehensive Income in the finance income or expense line.

### Amortised cost

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the Consolidated Statement of Comprehensive Income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the Consolidated Statement of Financial Position.

### Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

### Financial liabilities

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The Group's accounting policy for each category is as follows:

### Fair value through profit or loss

This category comprises out-of-the-money derivatives (see "Financial assets" for in-the-money derivatives where the time value offsets the negative intrinsic value). They are carried in the Consolidated Statement of Financial Position at fair value with changes in fair value recognised in the Consolidated Statement of Comprehensive Income.

### Amortised cost

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

## Other financial liabilities

Bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the Consolidated Statement of Financial Position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payment while the liability is outstanding.

## Contributions to pension schemes

The Company operates a defined contribution pension scheme. The pension costs charged against profits are the contributions payable to the scheme in respect of the accounting period.

## 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 Consolidated Statement of Comprehensive Income in the year in which they arise.

Investment properties are stated at fair value as determined by the independent external valuers. The fair value of the Group's property portfolio is based upon independent 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 arm's length transaction at the date of valuation, in accordance with Global Valuation Standards. In determining the fair value of investment properties, the independent valuers make use of historical and current market data as well as existing lease agreements.

The Group recognises investment property as an asset when it is probable that the economic benefits that are associated with the investment property will flow to the Group and it can measure the cost of the investment reliably. This is usually the date of completion of acquisition or completion of construction if the development is a mixed-use scheme.

Investment properties cease to be recognised on completion of the disposal or when the property is withdrawn permanently from use and no future economic benefit is expected from disposal.

The Group evaluates all its investment property costs at the time they are incurred. These costs include costs incurred initially to acquire an investment property and costs incurred subsequently to add to, replace part of, or service a property. Any costs deemed as repairs and maintenance or any costs associated with the day-to-day running of the property are recognised in the Consolidated Statement of Comprehensive Income as they are incurred.

## Non-current assets held for sales and disposal groups

Non-current assets and disposal groups are classified as held for sale when:

- They are available for immediate sale;
- Management is committed to a plan to sell;
- It is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- An active programme to locate a buyer has been initiated;
- The asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- A sale is expected to complete within 12 months from the date of classification. Non-current assets and disposal groups classified as held for sale are measured in accordance with the fair value method of IAS 40.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated. The results of operations disposed during the year are included in the Consolidated Statement of Comprehensive Income up to the date of disposal. A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, that has been disposed of, has been abandoned or that meets the criteria to be classified as held for sale.

## Trading properties

Trading property is developed for sale or held for sale after development is complete, and is carried at the lower of cost and net realisable value. Trading properties are derecognised on completion of sales contracts. Costs includes direct expenditure and capitalised interest. Cost of sales, including costs associated with off-plan residential sales, are expensed to the Consolidated Statement of Comprehensive Income as incurred.

# Notes to the Consolidated Financial Statements

continued

## Current taxation

Current tax assets and liabilities for the period not under UK REIT regulations 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

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.

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.

## Dividends to equity holders of the parent

Interim ordinary dividends are recognised when paid and final ordinary dividends are recognised as a liability in the period in which they are approved by the Shareholders.

## Share-based payments

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. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that ultimately the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair values of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

## Equity

The share capital represents the nominal value of the issued share capital of Palace Capital plc. Share premium represents the excess over nominal value of the fair value consideration received for equity shares net of expenses of the share issue. Treasury share reserve represents the consideration paid for shares bought back on the open market. The merger reserve represents the excess over nominal value of the fair value consideration for the acquisition of subsidiaries satisfied by the issue of shares in accordance with S612 of the Companies Act 2006. The capital redemption reserve represents the nominal value of cancelled share capital redeemed. The capital reduction reserve represents distributable profits generated as a result of the share premium reduction or cancellation of shares.

## 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.

## Estimates

### Property Valuation

The key source of estimation uncertainty rests in the values of property assets, which significantly affects the value of investment properties in the Consolidated Statement of Financial Position. The investment property portfolio is carried at fair value, which requires a number of estimates in assessing 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 9.

Trading properties are held at the lower of cost and net realisable value. Net realisable value is the value of an asset that can be realised upon the sale of the asset, less a reasonable estimate of the costs associated with the eventual sale or disposal of the asset.

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 and assets held for sale, this will impact on the Group's results in the period in which this determination is made.



## Short term incentive plan

The amount recognised as the short term incentive plan ("STIP") provision is management's estimate of the total expected payout when the plan comes to an end, which has been assumed as when all of the assets are sold. As the STIP is "backend loaded" and only pays out when the Remuneration Committee has determined that the performance period has ended under the Rules of the STIP, the total estimated provision has been calculated over the period to June 2026, consistent with that adopted for the Viability Statement. As a result, the provision recognised on the balance sheet for the year ended 31 March 2025 represents 12 months of this total estimated provision which has been calculated by reference to sales achieved to date and the assumed sales of the remaining assets to reflect the uncertainty around financial and property markets. The timing and success of future sales will impact the timing and quantum of the total payment.

## 1. Rental and other income

The chief operating decision maker ("CODM") takes the form of the Group's Executive Committee which is of the opinion that the principal activity of the Group is to invest in commercial real estate in the UK.

Operating segments are identified on the basis of internal financial reports about components of the Group that are regularly reviewed by the CODM.

The internal financial reports received by the Group's Executive Committee contain financial information at a Group level as a whole and there are no reconciling items between the results contained in these reports and the amounts reported in the financial statements. Additionally, information is provided to the Group's Executive Committee showing gross property income and property valuation by individual property. Therefore, each individual property is considered to be a separate operating segment in that its performance is monitored individually.

The Directors have considered the requirements of IFRS 8 as to aggregation of operating segments into reporting segments. All of the Group's revenue is generated from investment and trading properties located outside of London. The properties are managed as a single portfolio by an asset management team whose responsibilities are not segregated by location or type but are managed on an asset-by-asset basis.

The route to market is determined by reference to the current economic circumstances that fluctuate through the life cycle of the portfolio. The Group holds a diversified portfolio across different sectors including office, retail, leisure, and residential. The Group has from time to time engaged in development projects such as Hudson Quarter, York. This is not regarded as a separate business or division.

The Directors therefore consider that the individual properties have similar economic characteristics and therefore have been aggregated into a single reportable segment under the provision of IFRS 8.

All of the Group's properties are based in the UK. No geographical grouping is contained in any of the internal financial reports provided to the Group's Executive Committee and, therefore, no geographical segmental analysis is required.

	2025 £'000	2024 £'000
<b>Revenue – type</b>		
Gross rental income	6,450	11,603
Dilapidations and other property related income	479	453
Insurance commission	–	58
Gross property income	6,929	12,114
Service charge income	2,326	4,286
Trading property income	3,990	3,199
Total revenue	13,245	19,599

The biggest tenant is 20.7% of the rent roll as at 31 March 2025 (2024: 14.8%). Similarly, there was no individual or corporate that accounts for more than 10% of the trading property income.

## 2. Interest payable and similar charges

	2025 £'000	2024 £'000
Interest on bank loans*	97	1,655
Amortisation of loan arrangement fees	25	213
Other finance charges	4	41
	126	1,909

\*Includes a net break gain of £137,000 following repayment of the Scottish Widows loan.

# Notes to the Consolidated Financial Statements

continued

## 3. Profit for the year

a) The Group's profit for the year is stated after charging the following:

	2025 £'000	2024 £'000
Depreciation of tangible fixed assets and amortisation of right of use assets:	38	142
Fees payable to the Auditor for the audit of the Group's annual accounts and subsidiaries' annual accounts	169	192
	<b>169</b>	<b>192</b>

b) The Group's cost of sales comprise the following:

	2025 £'000	2024 £'000
Void property costs	1,436	1,871
Legal, lettings and consultancy costs	318	601
Property operating expenses	1,754	2,472
Service charge expenses	2,326	4,286
Trading property cost of sales	3,788	3,018
	<b>7,868</b>	<b>9,776</b>

c) The Group's administrative expenses comprise the following:

	2025 £'000	2024 £'000
Recurring staff costs	1,099	1,675
Short term incentive plan provision (including associated costs)	644	640
Other overheads*	373	249
Accounting, tax and audit fees	239	280
Payments to former Directors and Staff (including associated costs)	175	611
Stock Exchange costs	155	132
PR and marketing costs	61	79
Share-based payments	57	137
Legal and professional fees	44	40
Amortisation of right of use asset	38	119
ESG costs	4	13
Depreciation of tangible fixed assets	–	23
	<b>2,889</b>	<b>3,998</b>

\* Other overheads comprise of rent, rates, service charge, consulting, and other office costs

d) EPRA cost ratios are calculated as follows:

	2025 £'000	2024 £'000
Gross property income	6,929	12,114
Administrative expenses	2,889	3,998
Property operating expenses	1,754	2,472
Movement in expected credit loss	353	–
EPRA costs (including property operating expenses)	4,996	6,470
EPRA cost ratio (including property operating expenses)	72.1%	53.4%
Less property operating expenses	(1,754)	(2,472)
EPRA costs (excluding property operating expenses)	3,242	3,998
EPRA cost ratio (excluding property operating expenses)	46.8%	33.0%
Total expense ratio	3.8%	3.6%

## 4. Employees and directors' remuneration

Staff costs during the period were as follows:

	2025 £'000	2024 £'000
Non-Executive Directors' fees	74	151
Wages and salaries	805	1,181
Pensions	90	124
Social security costs	130	219
Total recurring staff costs	1,099	1,675
Payments to former Directors and staff (incl. NI and pension contributions)	175	564
Short term incentive plan provision (incl. NI)	644	565
Share-based payments	57	137
	<b>1,975</b>	<b>2,941</b>

The average number of employees of the Group and the Company during the period was:

	2025 Number	2024 Number
Directors	2	2
Senior management and other employees	5	6
	<b>7</b>	<b>8</b>

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

	2025 £'000	2024 £'000
Emoluments for qualifying services	278	398
Social security costs	43	74
Pension	–	25
Total recurring key management costs	321	497
Payments to former Directors (incl. NI and pension contributions)	–	357
Short term incentive plan provision (incl. NI)	291	256
Share-based payments	–	16
	<b>612</b>	<b>1,126</b>

## 5. Taxation

	2025 £'000	2024 £'000
Tax underprovided in prior year	–	65
Deferred tax	(25)	(19)
Tax (credit)/charge	<b>(25)</b>	<b>46</b>
	<b>2025 £'000</b>	<b>2024 £'000</b>
Profit/(loss) on ordinary activities before tax	1,397	(9,316)
Based on profit/(loss) for the period: Theoretical Tax at 25% (2024: 25%)	349	(2,329)
Effect of:		
Net expenses not deductible for tax purposes	24	40
Deferred tax released to profit and loss on Hudson Quarter residential sales	(25)	(19)
Tax underprovided in prior year	–	65
REIT exempt income	(800)	(1,135)
Non-taxable items	427	3,424
Tax (credit)/charge for the period	<b>(25)</b>	<b>46</b>

As a UK REIT, the income profits of the Group's UK property rental business are exempt from corporation tax, as are any gains it makes from the disposal of its properties, provided they are not held for trading. The Group is otherwise subject to UK corporation tax at the prevailing rate.

Deferred taxes relate to the following:

# Notes to the Consolidated Financial Statements

continued

## 5. Taxation continued

	2025 £'000	2024 £'000
Deferred tax liability – brought forward	(57)	(76)
Deferred tax release on sale of trading property	25	19
Deferred tax liability – carried forward	(32)	(57)
	2025 £'000	2024 £'000
Investment property unrealised valuation gains	(32)	(57)
Deferred tax liability – carried forward	(32)	(57)

The deferred tax liability of £32,000 relates to investment properties transferred into trading stock, prior to the Group becoming a REIT. As at 31 March 2025 the Group had approximately £5,915,000 (2024: £5,915,000) of realised capital losses to carry forward. There has been no deferred tax asset recognised as the Directors do not consider it probable that future taxable profits will be available to utilise these losses.

## 6. Earnings per share

### Basic earnings per share

Basic earnings per share and diluted earnings per share have been calculated on loss after tax attributable to ordinary Shareholders for the year (as shown on the Consolidated Statement of Comprehensive Income) and for the earnings per share, the weighted average number of ordinary shares in issue during the period (see table below) and for diluted weighted average number of ordinary shares in issue during the year (see table below).

	2025 £'000	2024 £'000
Profit/(loss) after tax attributable to ordinary Shareholders for the year	1,422	(9,362)
	2025 No. of shares	2024 No. of shares
Weighted average number of shares for basic earnings per share	31,325,057	39,524,282
Dilutive effect of share options	–	–
Weighted average number of shares for diluted earnings per share	31,325,057	39,524,282
Earnings per ordinary share		
Basic	4.5p	(23.7p)
Diluted	4.5p	(23.7p)

### Key Performance Measures

The Group financial statements are prepared under IFRS which incorporates non-realised fair value measures and non-recurring items. Alternative Performance Measures (“APMs”), being financial measures which are not specified under IFRS, are also used by management to assess the Group’s performance. These include a number of European Public Real Estate Association (“EPRA”) measures, prepared in accordance with the EPRA Best Practice Recommendations reporting framework the latest update of which was issued in September 2024. The Group reports a number of these measures (detailed in the glossary of terms) because the Directors consider them to improve the transparency and relevance of our published results as well as the comparability with other listed European real estate companies.

### EPRA EPS and EPRA Diluted EPS

EPRA Earnings is a measure of operational performance and represents the net income generated from the operational activities. It is intended to provide an indicator of the underlying income performance generated from the leasing and management of the property portfolio. EPRA earnings are calculated taking the profit after tax excluding investment property revaluations and gains and losses on disposals, changes in fair value of financial instruments and one-off finance termination costs. EPRA earnings is calculated on the basis of the weighted average basic number of shares in line with IFRS earnings as the dividends to which they give rise accrue to current Shareholders.

### Adjusted profit before tax and Adjusted EPS

The Group also reports an adjusted earnings measure which is based on recurring earnings before tax and the weighted average basic number of shares. This is the basis on which the Directors consider dividend cover. This takes EPRA earnings as the starting point and then adds back tax and any other fair value movements or one-off items that were included in EPRA earnings. This

includes share-based payments being a non-cash expense, as well as payments to former Directors and Staff, and the Short Term Incentive Plan provision ("STIP"), which are one-off exceptional items. The STIP was excluded from adjusted earnings as the provision is deemed not to be in the ordinary course of business and the performance criteria of the plan is based on the selling of assets. The plan was designed to be back end loaded in terms of paying out in order to be aligned with shareholders' interests and is therefore deemed to be an exceptional item as it does not reflect earnings from trading in the portfolio as it is capital in nature. The corporation tax charge (excluding deferred tax movements, being a non-cash expense) is deducted in order to calculate the adjusted earnings per share, if the charge is in relation to recurring earnings.

The EPRA and adjusted earnings per share for the period are calculated based upon the following information:

	2025 £'000	2024 £'000
Profit/(loss) after tax for the year	1,422	(9,362)
Adjustments:		
Loss on revaluation of investment property portfolio	2,868	15,383
Profit on disposal of investment properties	(1,502)	(2,298)
Impairment of trading properties	61	–
Trading profit	(202)	(181)
Debt termination costs	35	459
<b>EPRA earnings for the year</b>	<b>2,682</b>	<b>4,001</b>
Payments to former Directors (including associated costs)	175	611
Share-based payments	57	137
Short term incentive plan provision (including associated costs)	644	640
<b>Adjusted profit after tax for the year</b>	<b>3,558</b>	<b>5,389</b>
Tax excluding deferred tax on EPRA adjustments and capital gain charged	(25)	46
<b>Adjusted profit before tax for the year</b>	<b>3,533</b>	<b>5,435</b>
<b>EPRA and adjusted earnings per ordinary share</b>		
EPRA Basic	<b>8.6p</b>	10.1p
EPRA Diluted	<b>8.6p</b>	10.1p
Adjusted EPS	<b>11.3p</b>	13.8p

## 7. Net asset value per share

The Group has adopted the EPRA NAV measures which came into effect for accounting periods starting 1 January 2020. EPRA issued best practice recommendations (BPR) for financial guidelines on its definitions of NAV measures. The NAV measures as outlined in the BPR are EPRA net tangible assets (NTA), EPRA net reinvestment value (NRV) and EPRA net disposal value (NDV).

The Group considered EPRA Net Tangible Assets (NTA) to be the most relevant NAV measure for the Group and we are now reporting this as our primary NAV measure, replacing our previously reported EPRA NAV and EPRA NNNAV per share metrics. EPRA NTA excludes the intangible assets and the cumulative fair value adjustments for debt-related derivatives which are unlikely to be realised.

### As at 31 March 2025

	EPRA NTA £'000	EPRA NRV £'000	EPRA NDV £'000
Net assets attributable to Shareholders	72,504	72,504	72,504
Include:			
Fair value adjustment of trading properties	–	–	–
Real estate transfer tax	–	3,254	–
Fair value of fixed interest rate debt	–	–	–
Exclude:			
Deferred tax on latent capital gains and capital allowances	32	32	–
<b>EPRA NAV</b>	<b>72,536</b>	<b>75,790</b>	<b>72,504</b>
Number of ordinary shares issued for diluted and EPRA net assets per share	28,892,535	28,892,535	28,892,535
<b>EPRA NAV per share</b>	<b>251p</b>	<b>262p</b>	<b>251p</b>

The adjustments made to get to the EPRA NAV measures above are as follows:

- Real estate transfer tax: Gross value of property portfolio as provided in the Valuation Certificate (i.e. the value prior to any deduction of purchasers' costs).

# Notes to the Consolidated Financial Statements

continued

## 7. Net asset value per share continued

- Fair value of fixed interest rate debt: Difference between any financial liability and asset held on the balance sheet of the Group and the fair value of that financial liability or asset.
- Deferred tax on latent capital gains and capital allowances: Exclude the deferred tax as per IFRS balance sheet in respect of the difference between the fair value and the tax book value of investment property, development property held for investment, intangible assets, or other non-current investments as this would only become payable if the assets were sold.

### As at 31 March 2024

	EPRA NTA £'000	EPRA NRV £'000	EPRA NDV £'000
Net assets attributable to Shareholders	97,774	97,774	97,774
Include:			
Fair value adjustment of trading properties	449	449	449
Real estate transfer tax	–	5,294	–
Fair value of fixed interest rate debt	–	–	606
Exclude:			
Deferred tax on latent capital gains and capital allowances	57	57	–
EPRA NAV	98,280	103,574	98,829
Number of ordinary shares issued for diluted and EPRA net assets per share	37,554,525	37,554,525	37,554,525
EPRA NAV per share	262p	276p	263p

	2025 No of shares	2024 No of shares
Number of ordinary shares issued at the end of the year (excluding treasury shares)	28,892,535	37,554,525
Dilutive effect of share options	–	–
Number of ordinary shares issued for diluted and EPRA net assets per share	28,892,535	37,554,525
<b>Net assets per ordinary share</b>		
Basic	251p	260p
Diluted	251p	260p
EPRA NTA	251p	262p

## 8. Dividends

	Payment date	Dividend per share	2025 £'000	2024 £'000
<b>2025</b>				
Interim dividend	27 December 2024	3.75	1,083	–
Interim dividend	25 October 2024	3.75	1,083	–
		7.50	2,166	–
<b>2024</b>				
Final dividend	25 August 2024	3.75	1,084	–
Interim dividend	19 April 2024	3.75	1,408	–
Interim dividend	29 December 2023	3.75	–	1,409
Interim dividend	13 October 2023	3.75	–	1,408
		15.00	2,492	2,817
<b>2023</b>				
Final dividend	04 August 2023	3.75	–	1,583
Interim dividend	14 April 2023	3.25	–	1,645
		7.00	–	3,228
Dividends reported in the Group Statement of Changes in Equity			4,658	6,045
			2025 £'000	2024 £'000
July 2025 interim dividend in respect of year end 31 March 2025: 3.75p (2024 final dividend: 3.75p)			1,083	1,408
April 2025 interim dividend in respect of year end 31 March 2025: 3.75p (2024 interim dividend: 3.75p)			1,083	1,408

	2025 £'000	2024 £'000
	<b>2,166</b>	2,816

Final dividends on ordinary shares are subject to approval at the Annual General Meeting. Such dividends are not recognised as a liability as at 31 March 2025.

## 9. Property portfolio

	Freehold investment properties £'000	Leasehold investment properties £'000	Total investment properties £'000
At 31 March 2023	163,978	12,526	176,504
Additions – refurbishments	1,544	–	1,544
Loss on revaluation of investment properties	(15,383)	–	(15,383)
Disposals	(76,294)	(12,526)	(88,820)
At 31 March 2024	73,845	–	73,845
Additions – refurbishments	<b>175</b>	–	<b>175</b>
Loss on revaluation of investment properties	<b>(2,868)</b>	–	<b>(2,868)</b>
Transfer to assets held for sale	<b>(9,412)</b>	–	<b>(9,412)</b>
Disposals	<b>(28,377)</b>	–	<b>(28,377)</b>
At 31 March 2025	<b>33,363</b>	–	<b>33,363</b>

	Total investment properties £'000	Trading properties £'000	Assets held for sale £'000	Total property portfolio £'000
At 1 April 2023	176,504	11,055	–	187,559
Additions – refurbishments	1,544	–	–	1,544
Additions – trading property	–	90	–	90
Loss on revaluation of properties	(15,383)	–	–	(15,383)
Disposals	(88,820)	(3,019)	–	(91,839)
At 1 April 2024	73,845	8,126	–	81,971
Additions – refurbishments	<b>175</b>	–	–	<b>175</b>
Additions – trading property	–	<b>63</b>	–	<b>63</b>
Loss on revaluation of properties	<b>(2,868)</b>	–	–	<b>(2,868)</b>
Transfer to assets held for sale	<b>(9,412)</b>	–	<b>9,412</b>	–
Impairment of trading properties	–	<b>(61)</b>	–	<b>(61)</b>
Disposals	<b>(28,377)</b>	<b>(3,788)</b>	–	<b>(32,165)</b>
<b>At 31 March 2025</b>	<b>33,363</b>	<b>4,340</b>	<b>9,412</b>	<b>47,115</b>

The property portfolio has been independently valued at fair value. The valuations have been prepared in accordance with the RICS Valuation – Global Standards July 2017 (“the Red Book”) and incorporate the recommendations of the International Valuation Standards and the RICS valuation – Professional Standards UK January 2014 (Revised April 2015) which are consistent with the principles set out in IFRS 13. At 31 March 2025, the Group’s freehold properties were externally valued by CBRE, a Royal Institution of Chartered Surveyors (“RICS”) registered independent valuer.

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

In addition to the loss on revaluation of investment properties included in the table above, realised gains of £1,502,000 (2024: £2,298,000) relating to investment properties disposed of during the year were recognised in profit or loss.

The Group developed a mixed-use scheme at Hudson Quarter, York. Part of the scheme consists of commercial units which the Group holds for leasing or has let. As a result of achieving practical completion in April 2021, the commercial element of the scheme is classified as investment properties.

# Notes to the Consolidated Financial Statements

continued

## 9. Property portfolio continued

A reconciliation of the valuations carried out by the independent valuers to the carrying values shown in the Statement of Financial Position was as follows:

	2025 £'000	2024 £'000
Property portfolio valuation	53,235	88,670
Less trading properties at lower of cost and net realisable value	(4,340)	(8,126)
Less lease incentive balance included in accrued income on investment properties	(5,657)	(6,250)
Less assets held for sale	(9,412)	–
Less lease incentive balance included in accrued income on assets held for sale	(463)	–
Less fair value uplift on trading properties	–	(449)
Carrying value of investment properties	33,363	73,845

The valuations of all investment property held by the Group is classified as Level 3 in the IFRS 13 fair value hierarchy as they are based on unobservable inputs. There have been no transfers between levels of the fair value hierarchy during the year.

### Valuation process

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

In addition, the valuation reports are based on assumptions and valuation models used by the independent valuers. The assumptions are typically market related, such as yields and discount rates, and are based on their professional judgement and market observations. Each property is considered a separate asset, based on its unique nature, characteristics and the risks of the property. Only one investment property in the property portfolio was valued on a residual basis.

The Head of Investment, responsible for the valuation process verifies all major inputs to the external valuation reports, assesses the individual property valuation changes from the prior year valuation report and holds discussions with the independent valuers.

When this process is complete, the valuation report is recommended to the Audit & Risk Committee, which considers it as part of its overall responsibilities.

The assumptions made in the valuation of the Group's investment properties are:

- The amount and timing of future income streams;
- Anticipated maintenance costs and other landlord's liabilities; and
- An appropriate yield



## Valuation technique

The valuations reflect the tenancy data supplied by the Group along with associated revenue costs and capital expenditure. The fair value of the investment portfolio has been derived from capitalising the future estimated net income receipts at capitalisation rates reflected by recent arm's length sales transactions. The residential assets reflect the trading properties held at 31 March 2025 as the Group's entire property portfolio was valued.

31 March 2025	Significant unobservable inputs			
	Office	Leisure	Residential	Total
Fair value of property portfolio	30,670,000	18,225,000	4,340,000	53,235,000
Area (sq ft)	206,851	277,101	n/a	483,952
Gross Estimated Rental Value	4,147,659	2,973,438	n/a	7,121,097
Net Initial Yield				
Minimum	4.8%	13.2%	n/a	4.8%
Maximum	10.3%	14.2%	n/a	14.2%
Weighted average	7.0%	13.8%	n/a	9.6%
Reversionary Yield				
Minimum	9.0%	12.3%	n/a	9.0%
Maximum	16.2%	17.5%	n/a	17.5%
Weighted average	12.7%	15.5%	n/a	13.5%
Equivalent Yield				
Minimum	8.8%	12.2%	n/a	8.8%
Maximum	12.7%	16.0%	n/a	16.0%
Weighted average	10.6%	13.7%	n/a	12.2%

31 March 2024	Significant unobservable inputs				Total
	Office	Leisure	Retail	Residential	
Fair value of property portfolio	55,035,000	21,550,000	3,510,000	8,575,000	88,670,000
Area (sq ft)	374,129	304,319	27,019	n/a	705,467
Gross Estimated Rental Value	6,897,920	3,367,812	346,000	n/a	10,611,732
Net Initial Yield					
Minimum	2.8%	13.2%	8.5%	n/a	2.8%
Maximum	12.3%	13.7%	8.5%	n/a	13.7%
Weighted average	5.4%	13.4%	8.5%	n/a	8.0%
Reversionary Yield					
Minimum	9.1%	10.7%	8.3%	n/a	8.3%
Maximum	15.2%	19.3%	8.3%	n/a	19.3%
Weighted average	11.8%	15.0%	8.3%	n/a	13.0%
Equivalent Yield					
Minimum	8.6%	12.4%	8.4%	n/a	8.4%
Maximum	11.8%	13.2%	8.4%	n/a	13.2%
Weighted average	9.7%	12.8%	8.4%	n/a	11.7%

The "other" sector includes Residential, Retail and Retail Warehousing sectors.

The following descriptions and definitions relate to valuation techniques and key unobservable inputs made in determining fair values:

### Market comparable method

Under the market comparable method (or market comparable approach), a property's fair value is estimated based on comparable transactions in the market.

### Unobservable input: estimated rental value

The rent at which space could be let in the market conditions prevailing at the date of valuation (range: £516,751 to £1,928,634 per annum).

Rental values are dependent on a number of variables in relation to the Group's property. These include: size, location, tenant, covenant strength and terms of the lease.

# Notes to the Consolidated Financial Statements

continued

## 9. Property portfolio continued

### Unobservable input: net initial yield

The net initial yield is defined as the initial gross income as a percentage of the market value (or purchase price as appropriate) plus standard costs of purchase.

### Sensitivities of measurement of significant unobservable inputs

As set out within accounting estimates and judgements above, the Group's property Portfolio Valuation is open to judgements inherently subjective by nature.

Unobservable input	Impact on fair value measurement of significant increase in input	Impact on fair value measurement of significant decrease in input
Gross Estimated Rental Value	Increase	Decrease
Net Initial Yield	Decrease	Increase
Reversionary Yield	Decrease	Increase
Equivalent Yield	Decrease	Increase

	-5% in passing rent (£m)	+5% in passing rent (£m)	+0.25% in net initial yield (£m)	-0.25% in net initial yield (£m)
<b>(Decrease)/increase in the fair value of investment properties as at 31 March 2025</b>	<b>(2.43)</b>	<b>2.46</b>	<b>(1.23)</b>	<b>1.33</b>
(Decrease)/increase in the fair value of investment properties as at 31 March 2024	(4.00)	4.00	(2.53)	2.70

### Assets held for sale

	2025 £'000	2024 £'000
Assets held for sale	9,875	–
	9,875	–

Assets held for sale consist of the commercial offices of Hudson Quarter, York. In accordance with the Group's accounting policy, these properties are classified as held for sale at 31 March 2025. The office has been valued by CBRE based on based on information provided by the Group such as current rents, terms and conditions of lease agreements, service charges and capital expenditure. The valuation has been held in the financial statements at a lower of their carrying value immediately prior to being classified as held for sale and fair value less costs to sell.

Assets held for sale includes £463,000 of lease incentives which will be released on sale of the asset. Since year end the asset was sold for £10,000,000.

## 10. Trading property

	Total £'000
At 1 April 2023	11,055
Costs capitalised	90
Disposal of trading properties	(3,019)
At 1 April 2024	8,126
Costs capitalised	63
Impairment of trading properties	(61)
Disposal of trading properties	(3,788)
<b>At 31 March 2025</b>	<b>4,340</b>

The Group developed a large mixed-use scheme at Hudson Quarter, York. Part of the approved scheme consists of residential units which the Group is in the process of selling. As a result, the residential element of the scheme is classified as trading property.

## 11. Property, plant and equipment

	Right of use asset £'000
At 1 April 2023	658
Additions	57
Written off during the year	(32)
At 1 April 2024	683
Additions	–
Written off during the year	–
<b>At 31 March 2025</b>	<b>683</b>
<b>Depreciation</b>	
At 1 April 2023	526
Provided during the year	119
At 1 April 2024	645
Provided during the year	38
<b>At 31 March 2025</b>	<b>683</b>
<b>Net book value at 31 March 2025</b>	<b>–</b>
Net book value at 31 March 2024	38

## 12. Trade and other receivables

	2025 £'000	2024 £'000
<b>Current</b>		
Gross amounts receivable from tenants	1,883	1,979
Less: expected credit loss provision	(1,066)	(653)
Net amount receivable from tenants	817	1,326
Other taxes	38	165
Other debtors	425	904
Accrued income	636	625
Prepayments	285	332
	<b>2,201</b>	<b>3,352</b>
<b>Non-current</b>		
Accrued income	5,021	5,625
	<b>5,021</b>	<b>5,625</b>
<b>Total trade and other receivables</b>	<b>7,222</b>	<b>8,977</b>

As at 31 March 2025 the lifetime expected credit loss provision for trade receivables and contract assets is as follows:

	Current £'000	More than 30 days past due £'000	More than 60 days past due £'000	More than 90 days past due £'000	Total £'000
Expected loss rate	17%	12%	100%	95%	
Gross carrying amount	915	9	49	910	1,883
Loss provision	154	1	49	862	1,066

### Changes to credit risk management

Impairment calculations have been carried out on trade receivables using the IFRS 9 simplified approach, using 12 months of historic rental payment information, and adjusting risk profiles based on forward-looking information. In addition, the Group has reviewed its register of tenants at higher risk, particularly in the leisure and retail sectors, those in administration or CVA and the top 20 tenants by size with the remaining tenants considered on a sector by sector basis.

# Notes to the Consolidated Financial Statements

continued

## 12. Trade and other receivables continued

### Concentration of credit risk

The credit risk in respect of trade receivables is not concentrated as the Group operates in many different sectors and locations around the UK, and has a wide range of tenants from a broad spectrum of business sectors. 76% of the ECL provision relates to tenants in the leisure sector.

### How forward looking information was incorporated

In calculating the ECL provision, the Group used forward looking information when assessing the risk profiles of each tenant, most notably around the assessment over the likelihood of tenants having the ability to pay rent as demanded, as well as the likelihood of rent deferrals and rent frees being offered to tenants.

### Key sources of estimation uncertainty

The Group's risk profile rates form a key part when calculating the ECL provision. Default rates were applied to each tenant based on the ageing of the outstanding receivable. Tenants were classified as either low (default range of 0.5% - 8%), medium (default range of 20% - 50%), high (default range of 65% - 80%), or extremely high risk (set default range of 100%), with default rates applied to each risk profile. These rates have been calculated by using historic and forward-looking information and is inherently subjective.

A sensitivity analysis performed to determine the impact on the Group Statement of Comprehensive Income from a 10% increase in each of the risk profile rates would result in a decrease in profit by £94,000.

The Group does not hold any material collateral as security.

As at 31 March 2024 the lifetime expected credit loss provision for trade receivables and contract assets was as follows:

	Current £'000	More than 30 days past due £'000	More than 60 days past due £'000	More than 90 days past due £'000	Total £'000
Expected loss rate	9%	4%	4%	58%	
Gross carrying amount	603	287	76	1,013	1,979
Loss provision	53	13	3	584	653

Movement in the expected credit loss provision was as follows:

	2025 £'000	2024 £'000
Brought forward	653	653
Provisions released	(66)	(146)
Provisions increased	480	146
	<b>1,066</b>	653

## 13. Cash and cash equivalents

All of the Group's cash and cash equivalents at 31 March 2025 and 31 March 2024 are in sterling.

	2025 £'000	2024 £'000
Cash and cash equivalents	<b>22,222</b>	19,766

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

## 14. Trade and other payables

	2025 £'000	2024 £'000
Trade payables	86	50
Other taxes	918	480
Other payables	763	1,138
Deferred rental income	1,206	1,694
Accruals	304	704
	<b>3,277</b>	<b>4,066</b>

The deferred rental income in the year ended 31 March 2024 of £1,694,000 was recognised as income in the year to 31 March 2025.

The Directors consider that the carrying amount of trade and other payables measured at amortised cost approximates to their fair value.

## 15. Borrowings

	2025 £'000	2024 £'000
<b>Current liabilities</b>		
Bank loans	–	318
Unamortised lending costs	–	–
	–	318
<b>Non-current liabilities</b>		
Bank loans	–	7,993
Unamortised lending costs	–	(60)
	–	7,933
<b>Total borrowings</b>		
Bank loans	–	8,311
Unamortised lending costs	–	(60)
	–	8,251

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

	2025 £'000	2024 £'000
Within one year	–	318
From one to two years	–	318
From two to five years	–	7,675
	–	8,311

## Facility and arrangement fees

### As at 31 March 2024

Secured Borrowings	All in cost	Maturity date	Total Facility £'000	Unused loan facilities £'000	Facility drawn £'000	Unamortised facility fees £'000	Loan Balance £'000
Scottish Widows	2.90%	July 2026	8,311	–	8,311	(60)	8,251
			8,311	–	8,311	(60)	8,251

During the year, the Group repaid the debt facility with Scottish Widows in full. The balance at 31 March 2024 was £8,311,000.

The fair value of borrowings held at amortised cost at 31 March 2025 was £Nil (2024: £8,857,000). The difference in the fair value and carrying value of borrowings reflects the valuation of the fixed rate debt being higher than its carrying value. This is a level 2 fair value valuation of the fixed rate debt and was determined by an independent third party. The valuation is based on a net present value of the difference between the contracted rate and the valuation rate when applied to the projected balances for the period from the reporting date to the contracted expiry date.

# Notes to the Consolidated Financial Statements

continued

## 16. Gearing and loan to value ratio

The calculation of gearing is based on the following calculations of net assets and net (cash)/debt:

	2025 £'000	2024 £'000
EPRA net asset value (note 7)	72,536	98,280
Borrowings (net of unamortised issue costs)	–	8,251
Lease liabilities for investment properties	–	–
Cash and cash equivalents	(22,222)	(19,766)
Net cash	(22,222)	(11,515)
NAV gearing	Nil	Nil

The calculation of bank loan to property value is calculated as follows:

	2025 £'000	2024 £'000
Fair value of investment properties	39,020	80,095
Fair value of assets held for sale	9,875	–
Fair value of trading properties	4,340	8,575
Fair value of property portfolio	53,235	88,670
Borrowings	–	8,311
Cash at bank	(22,222)	(19,766)
Net cash	(22,222)	(11,455)
Loan to value ratio	Nil	Nil

## 17. Reconciliation of liabilities to cash flows from financing activities

	Bank borrowings £'000
Balance at 1 April 2023	63,674
Cash flows from financing activities:	
Bank borrowings repaid	(56,022)
Loan arrangement fees paid	(73)
Non-cash movements:	
Amortisation of loan arrangement fees	213
Debt termination costs	459
Balance at 1 April 2024	8,251
<b>Cash flows from financing activities:</b>	
Bank borrowings repaid	<b>(8,311)</b>
<b>Non-cash movements:</b>	
Amortisation of loan arrangement fees	<b>25</b>
Debt termination costs	<b>35</b>
<b>Balance at 31 March 2025</b>	<b>–</b>

## 18. Leases

Operating lease receipts in respect of rents on investment properties are receivable as follows:

	2025 £'000	2024 £'000
Within one year	5,129	7,610
From one to two years	4,971	7,802
From two to three years	4,654	7,385
From three to four years	4,360	5,849
From four to five years	4,166	4,741
From five to 25 years	25,762	30,580
	49,042	63,967

Lease liabilities are classified as follows:

	2025 £'000	2024 £'000
Lease liabilities for right of use asset	–	39
	–	39

Lease obligations in respect of rents payable on right of use assets were payable as follows:

	2025			2024
	Lease payments £'000	Interest £'000	Present value of lease payments £'000	Present value of lease payments £'000
Within one year	–	–	–	39

The net carrying amount of the leasehold properties is shown in note 9.

The Group has over 40 leases granted to its tenants. These vary depending on the individual tenant and the respective property and demise and vary considerably from short-term leases of less than one year to longer-term leases of over 10 years.

A number of these leases contain rent free periods. Standard lease provisions include service charge payments and recovery of other direct costs.

## 19. Share capital

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

	2025 £'000	2024 £'000
28,892,535 ordinary shares of 10p each (2024: 37,560,295)	2,889	3,756
	2,889	3,756

Reconciliation of movement in ordinary share capital

	2025 £'000	2024 £'000
At start of year	3,756	4,639
Treasury shares cancelled in the year	(867)	(883)
<b>At end of year</b>	<b>2,889</b>	<b>3,756</b>

Movement in ordinary authorised share capital	Number of ordinary shares purchased and cancelled	Total number of shares
As at 31 March 2023		46,388,515
	27 March 2024	(8,828,220)
As at 31 March 2024		37,560,295
	17 July 2024	(8,667,760)
<b>As at 31 March 2025</b>		<b>28,892,535</b>

Movement in treasury shares	Number of ordinary shares purchased and cancelled	Total number of shares
As at 31 March 2024		–
Shares repurchased and transferred to Treasury	16 July 2024	8,667,760
Cancellation of treasury shares	17 July 2024	(8,667,760)
<b>As at 31 March 2025</b>		<b>–</b>
<b>Total number of shares excluding the number of shares held in treasury at 31 March 2025</b>		<b>28,892,535</b>

### Year ended 31 March 2025

On 16 July 2024, 8,667,760 shares were purchased by the Group on the open market and transferred into treasury reserves.

On 17 July 2024, 8,667,760 shares were cancelled by the Group.

# Notes to the Consolidated Financial Statements

continued

## 19. Share capital continued

### Shares held in Employee Benefit Trust

	2025 No. of shares	2024 No. of shares
<b>Authorised, issued and fully paid share capital is as follows:</b>		
Brought forward	5,770	1,914
Shares exercised under deferred bonus share scheme	–	(13,521)
Shares exercised under employee LTIP scheme	–	(42,440)
Shares purchased by EBT	–	59,817
Shares sold from EBT	(5,770)	–
<b>At end of year</b>	<b>–</b>	<b>5,770</b>

	2025 No. of options	2024 No. of options
<b>Share options:</b>		
<b>Reconciliation of movement in outstanding share options</b>		
At start of year	169,287	537,877
LTIPs exercised in the year	–	(68,612)
Lapsed in the year	(169,287)	(290,147)
Deferred bonus share options exercised	–	(9,831)
<b>At end of year</b>	<b>–</b>	<b>169,287</b>

As at 31 March 2025, the Company had the following outstanding unexpired options:

Description of unexpired share options	2025		2024	
	No. of options	Weighted average option price	No. of Options	Weighted average option price
Employee benefit plan	–	0p	169,287	0p
Deferred bonus share scheme issued	–	0p	–	0p
<b>Total</b>	<b>–</b>	<b>0p</b>	<b>169,287</b>	<b>0p</b>
Exercisable	–	0p	–	0p
Not exercisable	–	0p	169,287	0p

The weighted average remaining contractual life of share options at 31 March 2024 was 0.6 years.

## 20. Share-based payments

### Employee benefit plan

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

	Number of options	Exercise price	Average share price at date of exercise	Grant date	Vesting date
Outstanding at 31 March 2023	537,877	0p			
Deferred bonus share options exercised	(9,831)	0p	254.5p	18 August 2022	18 August 2023
Exercised during the year (LTIP 2020)	(68,612)	0p	226.5p	14 October 2020	14 October 2023
Lapsed in the year (LTIP 2020)	(236,175)	0p			
Lapsed in the year (LTIP 2021)	(53,972)	0p			
Outstanding at 31 March 2024	169,287	0p			
Lapsed in the year (LTIP 2021)	(169,287)	0p			
<b>Outstanding at 31 March 2025</b>	<b>–</b>	<b>0p</b>			

### LTIP 2021

The options are awarded to employees on achievements against targets on two separate measures over the three-year period. For directors, the options are subject to a two-year holding period following vesting. Half the options will be awarded based on the first target and half based on the achievement of the second.



Total property return growth is calculated as Total Property Return of the Company over the Performance Period beginning on 31 March 2021 and ending on 31 March 2024, using the Total Property Return ("TPR") as calculated by MSCI for the Group as compared with the TPR for the MSCI IPD Index (the "Comparator") over the same period. The TPR for the Group and the Comparator will be its percentage increase over the three-year Performance Period.

Total Shareholder return (TSR) measures the total Shareholder return (price rise plus dividends) over the period from 16 November 2021 to 15 November 2024. The percentage of the TSR metric will be adjusted downwards according to the Company's share price discount to net asset value at the time of vesting. Share Price Discount will be calculated with reference to the closing share price on 15 November 2024 and EPRA Net Tangible Assets as at 30 September 2024. The base price is £2.44 per share which was the market price at the grant date.

Annualised TSR over the TSR performance period	Vesting %	TPR equivalent total over performance period	Vesting %
<5%	0	<0.5%	0
Equal to 5%	20	Equal to 0.5%	20
Between 5% and 9%	20–100	Between 0.5% and 2.5%	20–100
Equal to 9%	100	Equal to 2.5%	100

The fair value of grants was measured at the grant date using a Black–Scholes pricing model for the TPR tranche and using a Monte Carlo pricing model for the TSR tranche, taking into account the terms and conditions upon which the instruments were granted. The services received and a liability to pay for those services are recognised over the expected vesting period. The main assumptions of both the Black–Scholes and Monte Carlo pricing models are as follows:

	Monte Carlo TSR Tranche	Black-Scholes PV Tranche
Grant date	16 November 2021	16 November 2021
Share price	£2.44	£2.44
Exercise price	0p	0p
Term	5 years	5 years
Expected volatility	38.03%	38.03%
Expected dividend yield	0.00%	0.00%
Risk free rate	0.59%	0.59%
Time to vest (years)	3.0	3.0
Expected forfeiture p.a.	0%	0%
Fair value per option	£1.28	£2.44

The expense recognised for employee share-based payment received during the period is shown in the following table:

	2025 £'000	2024 £'000
LTIP 2020	–	51
LTIP 2021	57	86
Total expense arising from share-based payment transactions	57	137

## 21. Related party transactions

Dividend payments made to Directors amounted to £Nil (2024: £2,306) during the year. See note 4 for further details of key management remuneration.

## 22. Capital commitments

The obligation for capital expenditure relating to the enhancement of investment properties entered into by the Group amounted to £2,352,984 (2024: £176,608).

## 23. Post balance sheet events

On 11 April 2025 the Group completed on the disposal of Hudson Quarter, York for a total consideration of £10 million.

# Notes to the Consolidated Financial Statements

continued

## 24. Financial risk management

The Group's principal financial liabilities are loans. The Group has rent and other receivables, trade and other payables and cash and short-term deposits that arise directly from its operations. The Group is exposed to market risk (including real estate risk), credit risk and liquidity risk.

The Group's senior management oversee the management of these risks, and the Board of Directors 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:

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.

### Capital risk management

The Group considers its capital to comprise its share capital, share premium, other reserves, capital reduction reserves and retained earnings which amounted to £72,504,000 (2024: £97,774,000). 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. Within the subsidiaries of the Group, the business has covenanted to maintain a specified leverage ratio and a net interest expense coverage ratio, all the terms of which have been adhered to during the year.

### Market risk

Market risk arises from the Group's use of interest bearing, and tradable instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk) or other market factors.

### Interest rate risk

The interest rate exposure profile of the Group's financial assets and liabilities as at 31 March 2025 and 31 March 2024 were:

	Nil rate assets and liabilities £'000	Floating rate assets £'000		Total £'000
<b>As at 31 March 2025</b>				
Trade and other receivables	1,242	–		1,242
Cash and cash equivalents	–	22,222		22,222
Trade and other payables	(2,361)	–		(2,361)
	(1,119)	22,222		21,103
	Nil rate assets and liabilities £'000	Floating rate assets £'000	Fixed rate liability £'000	Total £'000
<b>As at 31 March 2024</b>				
Trade and other receivables	2,230	–	–	2,230
Cash and cash equivalents	–	19,766	–	19,766
Trade and other payables	(2,457)	–	–	(2,457)
Bank borrowings	–	–	(8,251)	(8,251)
Lease liabilities	–	–	(39)	(39)
	(227)	19,766	(8,290)	11,249

The Group has loans amounting to £Nil (2024: £Nil) which have interest payable at rates linked to the SONIA interest rates or bank base rates. A change in SONIA will have no impact.

The Directors regularly review the Group's position with regard to interest rates in order to minimise its risk.

## Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group has its cash held on deposit with two large banks in the United Kingdom. At 31 March 2025 the cash balances of the Group were £22,222,000 (2024: £19,766,000). The concentration of credit risk held with Barclays Bank plc, the largest of these banks, was £21,859,000 (2024: £19,262,000).

Credit risk also results from the possibility of a tenant in the Group's property portfolio defaulting on a lease. The largest tenant by contractual income amounts to 20.7% (2024: 14.8%) of the Group's anticipated income. The Directors assess a tenant's creditworthiness prior to granting leases and employ professional firms of property management consultants to manage the portfolio to ensure that tenants debts are collected promptly and the Directors in conjunction with the property managers take appropriate actions when payment is not made on time.

The carrying amount of financial assets (excluding cash balances) 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. The carrying amount of these assets at 31 March 2025 was £1,242,000 (2024: £2,230,000). The details of the provision for expected credit loss are shown in note 12.

## Liquidity risk management

The Group's policy is to hold cash and obtain loan facilities at a level sufficient to ensure that the Group has available funds to meet its medium-term capital and funding obligations. 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 working capital model. 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 tables below summarise the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	On demand £'000	0-1 years £'000	1-2 years £'000	Total £'000	
<b>As at 31 March 2025</b>					
Trade and other payables	1,152	–	1,209	2,361	
	1,152	–	1,209	2,361	
	On demand £'000	0-1 years £'000	1-2 years £'000	2-5 years £,000	Total £'000
As at 31 March 2024					
Interest bearing loans	–	550	541	7,735	8,826
Trade and other payables	1,892	–	–	565	2,457
	1,892	550	541	8,300	11,283

# Company Statement of Financial Position

## as at 31 March 2025

	Note	2025 £000	2024 £'000
<b>Fixed assets</b>			
Investments in subsidiaries	2	<b>86,317</b>	94,382
		<b>86,317</b>	94,382
<b>Current assets</b>			
Trade and other receivables	3	<b>27,000</b>	30,602
Cash at bank and in hand		<b>21,180</b>	11,483
		<b>48,180</b>	42,085
<b>Total assets</b>		<b>134,497</b>	136,467
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	4	<b>(87,286)</b>	(63,616)
<b>Net current liabilities</b>		<b>(39,106)</b>	(21,531)
<b>Non-current liabilities</b>			
Short term incentive plan provision		<b>(1,209)</b>	(565)
<b>Total assets less current liabilities</b>		<b>46,002</b>	72,286
<b>Equity</b>			
Called up share capital	5	<b>2,889</b>	3,756
Treasury shares		<b>–</b>	–
Merger reserve		<b>3,503</b>	3,503
Capital redemption reserve		<b>2,090</b>	1,223
Capital reduction reserve		<b>63,182</b>	89,931
Accumulated losses		<b>(25,662)</b>	(26,127)
Equity – attributable to the owners of the Parent		<b>46,002</b>	72,286

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The Company's profit after tax for the year was £408,000 (2024: £8,671,000 loss).

The financial statements were approved by the Board of Directors and authorised for issue on 4 June 2025 and are signed on its behalf by:

**Steven Owen**  
Executive Chairman

# Company Statement of Changes in Equity

## as at 31 March 2025

	Share Capital £'000	Treasury Share Reserve £'000	Other Reserves £'000	Capital Reduction Reserve £'000	(Accumulated Losses) £'000	Total Equity £'000
At 31 March 2023	4,639	(7,343)	3,843	118,477	(17,320)	102,296
Total comprehensive loss for the year	–	–	–	–	(8,671)	(8,671)
Transactions with Equity Holders						
Share-based payments	–	–	–	–	137	137
Exercise of share options	–	161	–	–	(273)	(112)
Dividends	–	–	–	(6,045)	–	(6,045)
Share buyback	–	(15,179)	–	–	–	(15,179)
Shares purchased by employee benefits trust	–	(140)	–	–	–	(140)
Cancellation of treasury shares	(883)	22,501	883	(22,501)	–	–
At 31 March 2024	3,756	–	4,726	89,931	(26,127)	72,286
Total comprehensive profit for the year	–	–	–	–	408	408
Transactions with Equity Holders						
Share-based payments	–	–	–	–	57	57
Dividends	–	–	–	(4,658)	–	(4,658)
Share buyback	–	(22,091)	–	–	–	(22,091)
Cancellation of treasury shares	(867)	22,091	867	(22,091)	–	–
<b>At 31 March 2025</b>	<b>2,889</b>	<b>–</b>	<b>5,593</b>	<b>63,182</b>	<b>(25,662)</b>	<b>46,002</b>

Treasury shares represents the consideration paid for shares bought back on the open market. On 17 July 2024 all shares held in Treasury were cancelled.

Other reserves comprise the merger reserve and the capital redemption reserve.

The merger reserve represents the excess over nominal value of the fair value consideration for the acquisition of subsidiaries satisfied by the issue of shares in accordance with S612 of the Companies Act 2006.

The capital redemption reserve represents the nominal value of cancelled preference share capital redeemed.

The capital reduction reserve represents distributable profits generated as a result of the share premium reduction.

# Notes to the Company Financial Statements

## Accounting policies

Palace Capital plc is a company incorporated in England and Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the Group's operations and its principal activities are set out in the Strategic Report. The financial statements of the Company have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Company's management to exercise judgement in applying the Company's accounting policies (as detailed below). The Statement of Financial Position heading relating to the Company's investments and property, plant and equipment is in accordance with the balance sheet formats of the Companies Act 2006. Assets are classified in accordance with the definitions of fixed and current assets in the Companies Act instead of the presentation requirements of IAS 1 Presentation of Financial Statements

## Dividends revenue

Revenue is recognised when the Company's right to receive payment is established, which is generally when Shareholders of the paying company approve the payment of the dividend.

## Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

## 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 balances are recognised in respect of timing differences that have originated but not reversed on the balance sheet date. 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.

Deferred tax balances are not recognised in respect of permanent differences between the fair value of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

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.

## Trade and other receivables

Trade and other receivables and intercompany receivables are recognised and carried at the original transaction value. A provision for impairment is established where there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables concerned.

## 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 Company 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 Company 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.

### Equity instruments

Equity instruments issued by the Company are recorded at the fair value of proceeds received, net of direct issue costs.

### Parent company disclosure exemptions

In preparing the separate financial statements of the Parent Company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- no cash flow statement has been presented for the Parent Company;
- disclosures in respect of the Parent Company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the Group as a whole;
- disclosures in respect of the Parent Company's share-based payment arrangements have not been presented as equivalent disclosures have been provided in respect of the Group as a whole; and
- disclosure has been given for the aggregate remuneration of the key management personnel of the Parent Company as their remuneration is included in the totals for the Group as a whole.

## Judgements in applying accounting policies and key sources of estimation uncertainty

### Investments and loans to subsidiary undertakings (see note 2)

The most critical estimates, assumptions and judgements relate to the determination of carrying value of unlisted investments in the Company's subsidiary undertakings and the carrying value of the loans that the Company has made to them. The nature, facts and circumstance of the investment or loan are taken into account in assessing whether there are any indications of impairment.

Provisions provided in the year reflect the reduction in net asset value of subsidiaries for the year ended 31 March 2025. The carrying value of the subsidiaries represents the net asset value (NAV) of the subsidiary as at 31 March 2025. The NAV of the subsidiaries are affected by the fair value of the Group's investment property.

## 1. Profit for the financial period

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.

# Notes to the Company Financial Statements

continued

## 2. Investments in subsidiaries

Cost:	Investments in subsidiaries £'000
At 1 April 2023	180,956
Additions	8,851
Disposals	(12,521)
At 1 April 2024	177,286
Additions	–
Disposals	(10,766)
<b>At 31 March 2025</b>	<b>166,520</b>
<b>Provision for impairment:</b>	
At 1 April 2023	76,226
Provided during the year	8,341
Disposals	(1,663)
At 1 April 2024	82,904
Provided during the year	1,242
Reversal of impairment	(2,082)
Disposals	(1,861)
<b>At 31 March 2025</b>	<b>80,203</b>
<b>Net book value at 31 March 2025</b>	<b>86,317</b>
Net book value at 31 March 2024	94,382

During the year a subsidiary, Palace Capital (Manchester) Limited, was disposed of which resulted in a reversal of an impairment previously recognised of £1,861,000.

The Group comprises a number of companies; all subsidiaries included within these financial statements are noted below:

Subsidiary undertaking:	Class of share held	% shareholding	Principal activity
Palace Capital (Leeds) Limited	Ordinary	100	Property Investments
Palace Capital (Northampton) Limited	Ordinary	100	Property Investments
Palace Capital (Properties) Limited	Ordinary	100	Property Investments
Palace Capital (Developments) Limited	Ordinary	100	Property Investments
Palace Capital (Halifax) Limited	Ordinary	100	Property Investments
Palace Capital (Signal) Limited	Ordinary	100	Property Investments
Property Investment Holdings Limited	Ordinary	100	Property Investments
Palace Capital (Dartford) Limited	Ordinary	100	Property Management
Palace Capital (Newcastle) Limited	Ordinary	100	Property Investments
Palace Capital (York) Limited	Ordinary	100	Property Investments
<b>Associated Company:</b>			
Clubcourt Limited*	Ordinary	40	Property Management

\* Held indirectly

The results of the associated companies are immaterial to the Group.

The registered addresses for the subsidiaries across the Group are consistent based on their country of incorporation and are as follows: Thomas House, 84 Eccleston Square, London, SW1V 1PX

On 17 April 2024 the 21.4% holding in HBP Services Limited was transferred following the sale of Sandringham House, Harlow.

On 22 July 2024 the 100% holding in Palace Capital (Manchester) Limited was disposed of.



### 3. Trade And Other Receivables

	2025 £,000	2024 £'000
Amounts owed by subsidiary undertakings	25,460	28,581
Trade debtors	1,148	1,582
Other debtors	43	39
Accrued interest on amounts owed by subsidiary undertakings	275	309
Prepayments	74	91
	<b>27,000</b>	30,602

Trade debtors represent amounts owed from subsidiary undertakings in relation to management charges.

All amounts that fall due for repayment within one year and are presented within current assets as required by the Companies Act. The amounts owed by subsidiary undertakings are repayable on demand with no fixed repayment date, although it is noted that a significant proportion of the amounts may not be sought for repayment within one year depending on activity in the subsidiary undertakings.

A loan amounting to £4,705,009 remains outstanding at 31 March 2025 (2024: £8,761,009) from Palace Capital (Developments) Limited. No interest is charged on this loan. This loan is repayable on demand.

A loan amounting to £2,726,552 remains outstanding at 31 March 2025 (2024: £142,417) from Palace Capital (Halifax) Limited. No interest is charged on this loan. This loan is repayable on demand.

A loan amounting to £6,936,713 remains outstanding at 31 March 2025 (2024: £7,363,467) from Palace Capital (Northampton) Limited. No interest is charged on this loan. This loan is repayable on demand.

A loan amounting to £Nil remains outstanding at 31 March 2025 (2024: £Nil) from Palace Capital (Manchester) Limited. No interest is charged on this loan. This loan was repaid as part of the disposal of the holding in Palace Capital (Manchester) Limited.

A loan amounting to £11,091,265 remains outstanding at 31 March 2025 (2024: £12,313,905) from Palace Capital (Newcastle) Limited. No interest is charged on this loan. This loan is repayable on demand.

### 4. Creditors: amounts falling due within one year

	2025 £,000	2024 £'000
Trade creditors	38	123
Amount owed to subsidiary undertaking	86,769	62,824
Other taxes	177	246
Accruals and deferred income	302	423
	<b>87,286</b>	63,616

A loan amounting to £43,643,348 remains outstanding at 31 March 2025 (2024: £30,280,243) to Palace Capital (Signal) Limited. No interest is charged on this loan. This loan is repayable on demand.

A loan amounting to £17,892,314 remains outstanding at 31 March 2025 (2024: £11,280,188) to Property Investment Holdings Limited. No interest is charged on this loan. This loan is repayable on demand.

A loan amounting to £78,205 remains outstanding at 31 March 2025 (2024: £76,508) to Palace Capital (York) Limited. No interest is charged on this loan. This loan is repayable on demand.

A loan amounting to £2,538,767 remains outstanding at 31 March 2025 (2024: £2,601,593) to Palace Capital (Leeds) Limited. No interest is charged on this loan. This loan is repayable on demand.

A loan amounting to £22,616,423 remains outstanding at 31 March 2025 (2024: £18,585,423) to Palace Capital (Properties) Limited. No interest is charged on this loan. This loan is repayable on demand.

# Notes to the Company Financial Statements

continued

## 5. Share capital

The details of the Company's share capital are provided in note 19 of the notes to the Consolidated Financial Statements.

## 6. Leases

Operating lease payments in respect of rents on leasehold properties occupied by the Company are payable as follows:

	2025 £'000	2024 £'000
Within one year	40	40
	40	40

## 7. Post balance sheet events

There are no post balance sheet events.

# Officers and Professional Advisors

## Directors

Steven Owen Executive Chairman  
Mark Davies Independent Non-Executive Director

## Secretary

Phil Higgins

## Registered office

Thomas House  
84 Eccleston Square  
London  
SW1V 1PX

## Registered number

05332938 (England and Wales)

## Auditor

**BDO LLP**

55 Baker Street London W1U 7EU

## Registrar

**Equiniti Limited** Aspect House Spencer Road West Sussex BN99 6DA

## Broker

**Numis Securities Limited**

45 Gresham Street London EC2V 7BF

# Glossary

**Adjusted EPS:** Is adjusted profit before tax less corporation tax charge on recurring earnings (excluding deferred tax movements) divided by the average basic number of shares in the period.

**Adjusted profit before tax:** Is the IFRS profit before taxation excluding investment property revaluations, gains/losses on disposals, acquisition costs, fair value movement in derivatives, share-based payments and exceptional items.

**Balance sheet gearing:** Is the balance sheet net debt divided by IFRS net assets.

**Dividend cover:** Is the Adjusted profit before tax plus trading profit divided by dividends paid in the period, expressed as a percentage.

**Employee Benefit Trust (EBT):** the Employee Benefit Trust, administrator of the Company's share plans.

**Expected credit loss (ECL):** In accordance with IFRS 9, the risk of recoverability of our rental arrears are assessed. This is done using a probability weighted estimate of credit losses, being the difference between the cash flows that are due in accordance with the contract and the cash flows that the Group expects to receive.

**EPRA:** Is the European Public Real Estate Association.

**EPRA cost ratio (including direct vacancy costs):** Is a proportionally consolidated measure of the ratio of net overheads and operating expenses against gross rental income (with both amounts excluding ground rents payable). Net overheads and operating expenses relate to all administrative and operating expenses, net of any service fees, recharges or other income specifically intended to cover overhead and property expenses.

**EPRA cost ratio (excluding direct vacancy costs):** Is the ratio calculated above, but with direct vacancy costs removed from the net overheads and operating expenses balance.

**EPRA diluted EPS:** Is EPRA earnings divided by the average diluted number of shares in the period.

**EPRA earnings:** Is the IFRS profit after taxation excluding investment property revaluations, gains/losses on disposals and changes in fair value of financial derivatives.

**EPRA EPS:** Is EPRA earnings divided by the average basic number of shares in the period.

**EPRA net assets (EPRA NAV):** Are the balance sheet net assets according to the definitions of the various NAV measures defined in the EPRA Best Practice Recommendations that came into effect for accounting periods starting 1 January 2020.

**EPRA net tangible assets (EPRA NTA):** Is the NAV adjusted to reflect the fair value of trading properties and to exclude deferred taxation and derivatives.

**EPRA NTA per share:** Is EPRA NTA divided by the diluted number of shares at the period end.

**EPRA occupancy rate:** Is the ERV of occupied space divided by ERV of the whole portfolio, excluding developments and residential property.

**EPRA topped-up net initial yield:** Is the current annualised rent, net of costs, topped up for contracted uplifts, where these are not in lieu of rental growth, expressed as a percentage of capital value.

**EPRA vacancy rate:** Is the ERV of vacant space divided by ERV of the whole portfolio, excluding developments and residential property.

**Equivalent yield:** Is the net weighted average return a property will produce based upon the timing of the income received. In accordance with usual practice, the equivalent yields (as determined by the external valuers) assume rent received annually in arrears.

**Estimated rental value (ERV):** Is the external valuers' opinion as to the open market rent which, on the date of valuation, could reasonably be expected to be obtained on a new letting or rent review of a property.

**IAS/IFRS:** Is the International Financial Reporting Standards issued by the International Accounting Standards Board and adopted by the UK.

**Interest cover ratio (ICR):** Is the number of times net interest payable is covered by underlying profit before net interest payable and taxation.

**Investment Property Databank (IPD):** A wholly-owned subsidiary of MSCI producing an independent benchmark of property returns and the Group's portfolio returns.

**Key Performance Indicators (KPIs):** Are the most critical metrics that measure the success of specific activities used to meet business goals – measured against a specific target or benchmark, adding context to each activity being measured.

**Like-for-like net rental income:** Is the change in net rental income on properties owned throughout the current and previous periods under review. This growth rate includes revenue recognition and lease accounting adjustments but excludes properties held for development in either period, properties with guaranteed rent reviews, asset management determinations and surrender premiums.

**Like-for-like valuation:** Is the change in the fair value of properties owned throughout the entire year.

This excludes properties acquired during the year and disposed of during the year, but includes capital expenditure spent on the properties.

**Loan to value (LTV):** Is the ratio of principal value of gross debt less cash, short-term deposits and liquid investments to the aggregate fair value of properties and investments.

**MSCI Inc. (MSCI IPD):** Is a company that produces independent benchmarks of property returns. The Group measures its performance against both the Central London Offices Index and the UK All Property Index.

**Net asset value (NAV) per share:** Is the equity attributable to owners of the Group divided by the number of ordinary shares in issue at the period end.

**Net initial yield (NIY):** Is the current annualised rent, net of costs, expressed as a percentage of capital value, after adding notional purchaser's costs.

**Net rental income:** Is the rental income receivable in the period after payment of net property outgoings. Net rental income will differ from annualised net rents and passing rent due to the effects of income from rent reviews, net property outgoings and accounting adjustments for fixed and minimum contracted rent reviews and lease incentives.

**Net reversionary yield (NRY):** Is the anticipated yield, which the initial yield will rise to once the rent reaches the estimated rental value.

**Passing rent:** Is the gross rent, less any ground rent payable under head leases.

**Peer Group:** A selection of small/medium sized property companies within the listed real estate sector with a diversified portfolio.

**Proforma:** A method of calculating financial results using certain projections or presumptions.

**Property Portfolio:** The total fair value of all investment properties and trading properties as determined by the independent valuer, CBRE.

**Portfolio Valuation:** The value of the Company's property portfolio, including all investment and trading properties as valued by our independent valuer, CBRE.

**Property Income Distribution (PID):** A dividend received by a Shareholder of the principal company in respect of profits and gains of the Property Rental Business of the UK resident members of the REIT Group or in respect of the profits or gains of a non-UK resident member of the REIT Group.

**Real Estate Investment Trust (REIT):** A UK Real Estate Investment Trust must be a company listed on a recognised stock exchange with at least three-quarters of its profits and assets derived from a qualifying property rental business. Income and capital gains from the property rental business are exempt from tax but the REIT is required to distribute at least 90% of those profits to Shareholders. Tax is payable on profits from non-qualifying activities of the residual business.

**SONIA:** Is the Sterling Overnight Index Average, the interest rate charged by one bank to another for lending money.

**Tenant (or lease) incentives:** Are any incentives offered to occupiers to enter into a lease. Typically the incentive will be an initial rent free period, or a cash contribution to fit-out or similar costs. Under accounting rules the value of lease incentives given to tenants is amortised through the Income Statement on a straight-line basis to the lease expiry.

**Total Accounting Return (TAR):** Is the increase or decrease in EPRA NAV per share plus dividends paid in the year, and this can be expressed as a percentage of EPRA NAV per share at the beginning of the period.

**Total Expense Ratio:** Is calculated as total administrative costs for the year divided by total asset value in the year.

**Total Property Return (TPR):** Total property return is a performance measure calculated by the MSCI IPD and defined in the MSCI Global Methodology Standards for Real Estate Investment as "the percentage value change plus net income accrual, relative to the capital employed".

**Total Shareholder Return (TSR):** Is calculated as the movement in the share price for the period plus dividends paid in the year, divided by opening share price

**Weighted average debt maturity:** Is measured in years when each tranche of Group debt is multiplied by the remaining period to its maturity and the result is divided by total Group debt in issue at the period end.

**Weighted average interest rate:** Is the loan interest per annum at the period end, divided by total debt in issue at the period end.

**Weighted average unexpired lease term (WAULT):** Is the average lease term remaining to first break, or expiry, across the portfolio weighted by rental income. This is also disclosed assuming all break clauses are exercised at the earliest date, as stated.



The production of this report supports the work of the Woodland Trust, the UK's leading woodland conservation charity. Each tree planted will grow into a vital carbon store, helping to reduce environmental impact as well as creating natural havens for wildlife and people.



**PALACE CAPITAL** plc

**CONTACT**

Palace Capital plc,  
Thomas House,  
84 Eccleston Square, London,  
SW1V 1PX

**[palacecapitalplc.com](https://www.palacecapitalplc.com)**

E: [info@palacecapitalplc.com](mailto:info@palacecapitalplc.com)