EDISON

Palace Capital

Trading update

Earnings deferred to unlock potential

Real estate

Palace Capital (PCA) has confirmed that FY19 independent property valuations are marginally up on the prior year, although adjusted earnings will be lower than previously expected. This is due to the deferral of some near-term lettings, as part of its asset management-driven total return strategy. Management has reiterated its commitment to the current level of dividends, expecting these and other asset management initiatives, including the flagship Hudson Quarter development in York, to deliver future income and capital growth.

Year end	Net rental income (£m)	Adj. PBT* (£m)	Adj. EPS* (p)	EPRA NAV/ share (p)**	P/NAV (x)	DPS (p)	Yield (%)
03/17	12.2	6.7	22.2	443	0.64	18.5	6.5
03/18	14.9	8.5	21.2	414	0.68	19.0	6.7
03/19e	15.9	8.6	15.9	411	0.69	19.0	6.7
03/20e	18.6	11.2	20.8	415	0.68	19.0	6.7

Note: *Adjusted earnings: in addition to EPRA adjustments for revaluation gains, profits or losses on disposals of investment properties and surrender gains on early lease terminations, this adjusts for share-based payments and Main Market listing costs. **EPRA NAV is fully diluted.

Asset management limiting near-term earnings…

Palace has held off letting some of its vacant space in order to enhance medium-term returns through refurbishment and redevelopment. As a result, the company says that FY19 adjusted earnings will be "slightly below expectations". We have reduced FY19e adjusted EPS by c 9% to 15.9p and while FY20e adjusted earnings increase due to a favourable lease surrender settlement, FY21e is also reduced. We believe our estimates are conservative, capturing little or none of the upside that management expects from asset management initiatives (due to the difficulty in forecasting this and no contribution from the Hudson Quarter development, which is expected to complete by the end of FY21. In view of this upside potential, the strong cash position and comfortable c 33% LTV, management has reiterated its commitment to the current level of DPS.

…but should enhance total return

Palace is not a REIT and while it seeks to generate returns by growing recurring income, it also has a parallel focus on increasing capital values. It has built a strong track record of value creation over several years, primarily driven by corporate acquisitions, which additionally benefit from lower stamp duty and provide the potential to benefit from acquired tax losses and capital allowances. NAV total return in the five years from September 2013 (H114) to the end of H119 is 126.1% – a compound 17.7% pa. Strong reversionary potential and a range of opportunities to further reposition and grow the portfolio are positive indicators for future returns.

Valuation: Significant potential

The yield is approaching 7% and management has committed to the current level of DPS despite a near-term earnings cover shortfall. The discount to EPRA NAV is c 30%. Asset management initiatives to capture reversionary potential and progress with Hudson Quarter are potential triggers for a re-rating.

15 May 2019

Price	**283p**
Market cap	**£130m**

Net debt (£m) as at 30 September 2018	86.1
Net LTV as at 30 September 2018	30.3%
Shares in issue	45.9m
Free float	95%
Code	PCA
Primary exchange	LSE
Secondary exchange	N/A

Share price performance

%	1m	3m	12m
Abs	1.6	(7.9)	(17.8)
Rel (local)	4.1	(8.8)	(12.3)
52-week high/low		364p	278p

Business description

Palace Capital is a UK property investment company listed on the Main Market of the LSE. It is not sector-specific and looks for opportunities where it can enhance the long-term income and capital value through asset management and strategic capital development in locations outside London.

Next event

FY19 results	4 June 2019

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Edison profile page

Palace Capital is a research client of Edison Investment Research Limited

Significant operational developments

There have been several significant developments since the interim results, most notably including non-core disposals and accretive reinvestment, leasing events and progress with the Hudson Quarter development in York. We review these in brief below and discuss our forecast revisions in the financial section that follows.

Residential disposal completed

The £18.2m disposal of 50 of non-core residential assets acquired as part of the October 2017 Warren portfolio that was agreed in November 2018 has now fully completed and since year-end two additional properties have been sold for £0.8m. Including sales earlier in FY19, 55 of the 65 residential properties acquired have now been sold, with just 10 remaining, of which the company has previously indicated an interest in retaining two. Proceeds of more than £20m have been generated by the disposals at a blended average 98% of book value. The gross rental yield on the residential assets was less than 4%, and disposal frees capital for recycling into the commercial portfolio where yields are significantly higher (H119 net initial yield of 5.7%).

Acquisition of Derby House, Liverpool

In December 2018 Palace acquired the freehold of the recently refurbished One Derby Square in Liverpool for £13.98m (before costs), reflecting a 6.75% net initial yield. The property was 96% let at acquisition to a range of tenants including Prêt a Manger, Tesco, Medicash, Reed Specialist Recruitment and Brook Street. The acquisition is in line with PCA's strategy to focus on city centre locations in university towns and regional cities with a positive supply-demand position and the company sees a significant further opportunity for active management to capture reversionary potential and enhance the future capital value.

Hudson Quarter development progress

At the Hudson Quarter development in York, demolition has been completed, a £35m construction contract has been signed, and the contractor is on site. As an indication of the profile of the development and the sensitivity of the site, within the city walls and just a minute's walk from the York railway station, the Archbishop of York recently officiated at the commencement of building works. The scheme, which comprises three residential buildings and an office building, will provide 127 flats, 5,000 sq ft of retail/restaurant space, 34,500 sq ft of offices, and car parking. Construction is expected to take around two years. Marketing of the scheme will be formally launched on 20 June 2019, when the first batch of apartments will be offered for sale. York was recently voted by *The Sunday Times* as the best place in the UK to live (2018), and the company reports strong early interest. Palace also expects Hudson Quarter to indirectly benefit from a complementary proposed development, in which Palace has no financial interest or ownership, at York railway station, known as York Central. Outline planning consent was granted in March 2019 for 2,500 homes and 932,00 sq ft of offices. In February 2019, a £26.5m loan facility was signed with Barclays Bank to part-finance the development, alongside existing cash resources. The terms have not been disclosed but management describes the facility as being "on very competitive terms".

Palace also reports a strong pipeline of development opportunities, within the existing portfolio, in core city centre locations. In High Street, Weybridge, Surrey, the company has secured a resolution to grant planning consent for the development of three retail units and 28 apartments, subject to a Section 106 agreement, and hopes to be able to secure formal planning approval later this year.

Active leasing and positive lease surrender

During FY19, 37 leases and rent reviews were completed at an average of 14% ahead of estimated rental value (ERV), or an uplift of £0.8m on the previous passing rent of £3.4m.

Since the year end, a lease surrender has been agreed with the tenant of Priory House in Birmingham, which is expected to complete on 31 May 2019, under which the company will receive a significant cash sum upfront in respect of the remaining lease term, which runs to December 2027. Palace acquired the leasehold to the property in October 2013 as part of the Sequel portfolio acquisition from Quintain. The tenant vacated the building in 2012 but has continued to pay the £322k annual rent. Under the surrender agreement, Palace will receive £2.85m, effectively all the rent due until the lease expiry, allowing it to move forward with a business plan for the property, and boosting its cash resources. All options to maximise the value of the asset, £2.2m as at 30 September 2018, are currently being assessed, including a potential refurbishment or development in conjunction with the freeholder, or alternatively a sale of Palace's freehold interest.

Financials

Palace operates a total return model

Palace is not a REIT and operates a total return model, carefully targeting properties at attractive prices that provide an opportunity for active asset management strategies, including refurbishment and development, to unlock potential and grow sustainable cash returns. This means that unlike most REITs it is not always focused on maximising near-term portfolio income. By operating this total return strategy, Palace has built a strong track record of value creation over several years, primarily driven by corporate acquisitions that additionally benefit from lower stamp duty and provide the potential to benefit from acquired tax losses and capital allowances. NAV total return in the five years from September 2013 (H114) to end-H119 is 126.1% or a compound 17.7% pa. We have begun the analysis at H114 because this corresponds to the acquisition of the Sequel portfolio, Palace's first transformational acquisition. The negative total return in FY18 resulted from the share issuance to fund the RT Warren portfolio and captures none of the future asset management-driven value creation that management hopes to achieve from this, its largest portfolio acquisition to date.

Exhibit 1: EPRA NAV total return history

(p unless stated otherwise)	H214	FY15	FY16	FY17	FY18	H119	Cumulative H214–H119
Opening EPRA NAV per share	218	341	388	414	443	414	218
Closing NAV per share	341	388	414	443	414	421	421
Dividend per share paid	2.5	8.50	14.00	18.00	19.00	9.50	72
NAV total return (%)	57.8%	16.0%	10.5%	11.2%	-2.1%	4.0%	126.1%
Compound annual average return (%)							17.7%

Source: Palace Capital data, Edison Investment Research

For FY19, management indicates that having taken a strategic decision to hold back on near-term letting of some vacant space in order to enhance medium-term returns through refurbishment and development, adjusted earnings for the year that ended 31 March 2019 (FY19) will be slightly below expectations. However, it expects to be able to enhance total returns over time while improving the overall quality of the portfolio. Given this expectation, and backed by a solid cash position, the board has reaffirmed its commitment to maintaining the current level of dividend payments despite the near-term dip in income, although our forecasts suggest that the dividend may not be fully covered by adjusted earnings, on a recurring basis, until completion of the Hudson Quarter development, expected in early calendar 2021/late FY21.

Material earnings adjustments

Refurbishment development activity, and the potential for value creation, is a core element of the Palace strategy, but can be difficult to forecast with accuracy, both in terms of timing and impact. This is particularly the case in respect of a significant development project such as Hudson Quarter (see below) but is also true for smaller projects. The nearer-term income effects of the letting deferral and lease surrender are easier to model and have a noticeable impact on our forecasts, both positive and negative (Exhibit 2), but we would not consider this to provide an accurate reflection of potential value creation over time.

Palace has indicated that end-FY19 gross passing rent, excluding the non-core residential assets held for sale and now mostly disposed of, was £17.7m. After the deduction of non-recoverable direct property costs of £1.9m the net effective rent was £15.8m, c £0.5m lower than we had assumed. This is the main driver of our FY19 forecast revision.

The additional one-off £2.85m of lease surrender income lifts our FY20 forecast, although this is partly offset by the lower starting base of net contracted income, and our no longer assuming any acquisitions in FY20. We had previously assumed a notional c £5.2m acquisition, adding just over £400k in annual gross income, but we now anticipate that given more uncertain market conditions Palace will be even more selective and perhaps more inclined to focus on its internal asset management opportunities.

FY21 sees no benefit from the lease surrender income and carries the full impact of the forgone recurring rental income.

Exhibit 2: Forecast revisions

	Net rental income (£m)			Adjusted PBT (£m)			Adjusted EPS (p)			EPRA NAV (p)			DPS (p)		
	Old	New	Change (%)	Old	New	Change (%)	Old	New	Change (%)	Old	New	Change (%)	Old	New	Change (%)
03/19e	16.5	15.9	(3.9)	9.5	8.6	(9.3)	17.6	15.9	(9.3)	414	411	(0.9)	19.0	19.0	0.0
03/20e	17.0	18.6	9.6	9.5	11.2	17.8	17.7	20.8	17.8	419	415	(0.9)	19.0	19.0	0.0
03/21e	17.5	16.0	(8.5)	9.8	8.5	(13.2)	18.1	15.7	(13.2)	425	419	(1.4)	19.0	19.0	0.0

Source: Edison Investment Research

More specifically, our revised forecasts include the following key assumptions:

- We have included the completed disposal of non-core residential assets and the acquisition of Derby House, Liverpool, but assumed no further portfolio acquisitions or disposals. The sales of the residential assets crystallise a c £3m deferred tax liability assumed on acquisition. There is no impact on IFRS net assets, but the EPRA deferred tax add-back will reduce.
- We have allowed for 1.0% pa like-for-like rental growth through to the end of FY21, with a c 0.5% pa reduction in voids. We note that this captures only a small part of the reversionary potential in the existing portfolio, with an ERV at 31 March 2019 of £21.5m compared with the £17.7m contracted rent roll.
- The trading statement indicates a marginal increase in the underlying property valuation in FY19 compared with FY18, which implies some negative revaluation in H219, reflected in our forecasts. For FY20 and FY21, we assume modest positive revaluation in line with the assumed rental growth, implying no change in yields.
- During the forecast period, the Hudson Quarter development (see below), due for completion in early calendar 2021/late FY21, has no impact on forecast income, and we assume no impact on capital values, although positive revaluation is possible as pre-sales of residential units progress and as the project approaches practical completion. With the development loan interest capitalised, there is only a modest impact on net interest expense in relation to the non-development loan funding. The primary impact is on LTV as a result of the development funding taken on during the construction phase, partly offset by deposits on re-sales of residential units. We forecast group LTV to increase to a little under 40% during the forecast period, but to then

reduce to less than 30% after FY21 as a result of full and completed divestment of the residential assets and recognition of development gains. The LTV may peak at a lower level than we forecast if the Hudson Quarter valuation benefits from revaluation ahead of completion. We have assumed that 10%, 40% and 80% of the residential units are pre-sold by end-FY19, end-H120 and end-FY20, respectively, and that Palace receives up to £3.9m by way of deposits paid on pre-sold units at the point of contract exchange. We do not expect any residential sales to complete until after practical completion. Post-completion (and beyond our forecast period), we expect the retention of the Hudson Quarter office building to contribute to recurring rental income.

- During the timeframe of our forecast period, we think it likely that PCA may bring forward other development projects from within the existing portfolio, although none is assumed. We would expect any commercial asset development to be balanced with the desire to maintain and grow core income.

Hudson Quarter progressing

The Hudson Quarter development has the potential to add materially to our forecast NAV and adjusted earnings when complete. Our expectations can be found in detail in our update note in December and the only change that we have made to these is to slightly reduce the capital development loan interest, having previously assumed a larger facility to fully fund the construction. Palace is yet to provide any firm guidance on the financial impact of the Hudson Quarter development but our assumptions are based on discussion with management and industry observations We forecast the full development cost to be c £54m, including the £16.8m site value at 30 September 2018, construction costs of £35m in line with the construction contract, and capitalised development loan costs. The impact on NAV will reflect the development gain on completion or the gross development value of the completed assets compared with the £54m development cost. Construction cost risk should be minimised under the construction contract such that the main uncertainty is market conditions at or nearer to the point of completion/sale. As we have commented on elsewhere, market fundamentals for York are currently positive. We show a range of potential outcomes in Exhibit 3, and note that a 20% development profit margin, the level that we think would be a target for management, would lift our forecast FY21 EPRA NAV by 5% or 20p.

Exhibit 3: FY21e NAV sensitivity to assumed Hudson Quarter GDV

Development profit margin (%)	5%	10%	15%	20%	25%	30%
Gross development value, GDV (£000s)	56,467	59,155	61,844	64,533	67,222	69,911

Source: Edison Investment Research

Our expectation is that Palace will sell the residential assets and retain the office development to provide recurring rental income, which our analysis suggest could be c £1.0m pa. The potential impact on FY21e NAV, adjusted earnings and LTV, assuming a 20% development profit margin, is summarised in Exhibit 4. In addition to lifting forecast EPRA NAV by 5%, this scenario would reduce LTV by more than 11 percentage points to less than 30% and enhance adjusted earnings per share by 19% to 18.6p.

Exhibit 4: Illustrative impact of combined Hudson Quarter at 20% development margin

£000s unless stated otherwise	Pro forma	Existing	Uplift
Income account			
FY21e adjusted PBT	8,473		
Add commercial income	963		
Interest saving	626		
PBT	10,062	8,473	
Tax rate	15.0%	15.0%	
Tax	(1,509)	(1,271)	
Net adjusted earnings	8,552	7,202	
Fully diluted adjusted EPS	**18.6**	**15.7**	**19%**
Balance sheet			
Development profit	10,756		
Deferred tax payment on part sale	(1,275)		
EPRA NAV	201,903	192,422	
Diluted EPRA NAV per share	**439**	**419**	**5%**
LTV	**29.3%**	**39.8%**	**-10.6pp**

Source: Edison Investment Research

Clearly, there are risks attached to our analysis and to development activity in general. We have been explicit about the assumptions that we have made, but the actual outcome could differ materially from what we have assumed, especially at planned completion in 2021, when market conditions may have shifted. Development activity runs risks of cost overrun or delay and the development activity is being undertaken on a ‘speculative’ basis. However, we expect PCA to target pre-sales of residential space and pre-letting of commercial space well ahead of completion.

Valuation

Palace’s strong track record of total returns is shown in Exhibit 1 above. The shares are trading at a c 30% discount to EPRA NAV and provide an almost 7% dividend yield, albeit less than fully covered on a recurring basis during the forecast period to end-FY21, excluding the lease surrender payment in the current year. Exhibit 5 compares the valuation and share price performance of Palace with a peer group of UK commercial real estate investment companies with a strong regional focus. Many of these are REITs and correspondingly give more focus to recurring income returns compared with Palace’s total return strategy. Due to the continuing search for sustainable income, and perhaps due to concerns about the maturity of the economic and commercial property cycle, those companies with an income focus have seen stronger share price performance. As a result, Palace is now trading at a considerable P/NAV discount to the peer group and a yield premium.

Given the strong track record of total return generation and the potential to drive further returns from the existing portfolio, the Palace valuation continues to appear undemanding. As more detail about the potential returns from the Hudson Quarter and the company’s other asset management plains aimed at capturing the significant reversionary potential in the portfolio emerge this may serve as a catalyst for a re-rating of the shares.

Exhibit 5: Peer comparison

	Price (p)	Market cap. (£m)	P/NAV* (x)	Yield* (%)	Share price performance 1 month	3 months	12 months	From 12M high
Circle Property	197	56	0.72	3.0	0%	6%	25%	-23%
Custodian REIT	117	466	1.08	5.6	1%	2%	-1%	-5%
Mucklow	553	350	0.97	4.2	6%	9%	-3%	-4%
Picton	96	517	1.04	3.6	4%	8%	8%	-1%
Real Est Inv	55	103	0.80	6.4	2%	7%	-1%	-11%
Regional REIT	109	408	0.95	7.4	3%	8%	8%	0%
Schroder REIT	59	305	0.85	4.3	0%	1%	-4%	-13%
UK Commercial Property Trust	92	1194	0.98	4.0	4%	6%	3%	0%
F&C Com Prop	119	953	0.86	5.0	1%	-4%	-17%	-23%
BMO Real Estate Investments	94	226	0.89	5.3	0%	2%	-11%	-13%
Average			**0.91**	**4.9**	**2%**	**4%**	**1%**	**-9%**
Palace Capital	**285**	**131**	**0.68**	**6.7**	**0%**	**-8%**	**-17%**	**-22%**
UK property index	1,715			4.0	-1%	2%	-7%	-8%
FTSE All-Share Index	3,968			4.7	-3%	0%	-6%	-9%

Source: Company data, Refinitiv. Note: Prices at 15 May 2019. *Last reported EPRA NAV per share and trailing 12-month DPS declared.

Exhibit 6: Financial summary

Year end 31 March (£000s)	2014	2015	2016	2017	2018	2019e	2020e	2021e
PROFIT & LOSS	**IFRS**	**IFRS**	**IFRS**	**IFRS**	**IFRS**	**IFRS**	**IFRS**	**IFRS**
Rental & other income	3,252	8,637	14,593	14,266	16,733	18,060	20,424	17,742
Non-recoverable property costs	(648)	(1,200)	(1,624)	(2,055)	(1,824)	(2,201)	(1,800)	(1,750)
Net rental income	2,604	7,437	12,969	12,211	14,909	15,859	18,624	15,992
Administrative expenses before share-based payments	(649)	(1,439)	(2,048)	(2,915)	(4,185)	(3,585)	(3,500)	(3,570)
Operating Profit (before capital items)	1,955	5,998	10,921	9,296	10,724	12,274	15,124	12,422
Revaluation of investment properties	19,501	9,769	3,620	3,101	5,738	2,040	2,834	3,087
Costs of acquisitions/profits on disposals	270	(461)	(525)	3,191	274	(689)	0	0
Operating Profit	21,725	15,306	14,016	15,588	16,736	13,625	17,958	15,508
Net Interest expense	(573)	(1,398)	(2,264)	(3,011)	(3,432)	(3,917)	(4,105)	(4,148)
Profit Before Tax	21,153	13,909	11,752	12,577	13,304	9,708	13,853	11,360
Taxation	81	107	(953)	(3,191)	(773)	(1,708)	(1,683)	(1,271)
Profit After Tax (FRS 3)	21,234	14,015	10,799	9,386	12,531	8,000	12,170	10,089
EPRA adjustments:								
Revaluation of investment properties	(19,501)	(9,769)	(3,620)	(3,101)	(5,738)	(2,040)	(2,834)	(3,087)
Costs of acquisitions/profits on disposals	(270)	461	525	(3,191)	(274)	689	0	0
Deferred tax charge	0	0	0	2,200	(299)	441	0	0
Other adjustments	0	0	0	155	308	0	0	0
EPRA earnings	1,463	4,707	7,704	5,449	6,528	7,090	9,336	7,002
Adjusted for:								
Non-recurring items	0	0	(3,172)	0	698	0	0	0
Share-based payments	12	114	110	237	174	213	200	200
Adjusted earnings	1,475	4,821	4,642	5,686	7,400	7,303	9,536	7,202
Company adjusted PBT	1,394	4,714	5,595	6,677	8,472	8,570	11,219	8,473
Average fully diluted number of shares outstanding (000s)	5,264	17,489	24,618	25,738	34,980	45,932	45,951	45,951
Basic EPS - FRS 3 (p)	403.4	80.1	43.9	36.5	35.8	17.4	26.5	22.0
Fully diluted EPRA EPS (p)	29.1	26.9	31.3	21.2	18.7	15.4	20.3	15.2
Fully diluted adjusted EPS (p)	31.4	28.3	18.9	22.2	21.2	15.9	20.8	15.7
Dividend per share declared (p)	4.5	13.0	16.0	18.5	19.0	19.0	19.0	19.0
EPRA dividend cover (x)	6.47	2.07	1.96	1.14	0.98	0.81	1.07	0.80
BALANCE SHEET								
Fixed Assets	60,086	104,470	175,738	183,959	253,984	277,280	302,376	326,655
Investment properties	59,440	102,988	174,542	183,916	253,863	277,177	302,273	326,552
Goodwill	6	6	0	0	0	0	0	0
Other non-current assets	640	1,475	1,196	43	121	103	103	103
Current Assets	7,060	15,653	11,903	13,692	46,292	35,600	20,741	15,798
Debtors	1,937	3,375	3,327	2,511	5,551	4,650	6,423	4,826
Assets held for sale				0	21,708	11,708	2,908	2,908
Cash	5,123	12,279	8,576	11,181	19,033	16,390	8,558	5,212
Other current assets	0	0	0	0	0	2,852	2,852	2,852
Current Liabilities	(4,171)	(3,487)	(9,048)	(8,197)	(11,520)	(14,649)	(18,389)	(18,884)
Creditors	(2,971)	(3,087)	(6,815)	(6,161)	(8,834)	(8,525)	(12,265)	(12,760)
Short term borrowings	(1,200)	(400)	(2,233)	(2,036)	(2,686)	(6,124)	(6,124)	(6,124)
Long Term Liabilities	(18,599)	(36,620)	(71,778)	(79,895)	(105,457)	(115,175)	(117,987)	(135,222)
Long term borrowings	(17,384)	(35,407)	(69,711)	(75,758)	(97,157)	(108,012)	(112,324)	(129,559)
Deferred tax	0	0	0	(2,187)	(6,531)	(5,472)	(3,972)	(3,972)
Other long term liabilities	(1,215)	(1,214)	(2,067)	(1,950)	(1,769)	(1,691)	(1,691)	(1,691)
Net Assets	44,376	80,016	106,815	109,559	183,299	183,056	186,742	188,346
EPRA net assets	44,370	80,010	106,924	111,759	190,011	188,632	190,818	192,422
Basic NAV/share (p)	357	396	414	436	400	399	407	411
Diluted EPRA NAV/share (p)	341	388	414	443	414	411	415	419
CASH FLOW								
Operating Cash Flow	1,297	4,388	12,287	10,294	9,899	12,563	17,316	14,740
Net Interest	(390)	(1,593)	(3,421)	(2,516)	(2,704)	(3,511)	(3,805)	(3,848)
Tax	(13)	(15)	(158)	(1,047)	(395)	(2,121)	(3,183)	(1,271)
Net cash from investing activities	2,532	(2,922)	(50,012)	(3,352)	(67,725)	(14,406)	(12,700)	(20,042)
Ordinary dividends paid	0	(1,766)	(3,221)	(4,617)	(6,744)	(8,710)	(8,710)	(8,710)
Debt drawn/(repaid)	(21,266)	(10,600)	21,272	6,467	7,066	13,907	3,250	15,785
Proceeds from shares issued	23,009	19,664	19,114	29	67,651	0	0	0
Other cash flow from financing activities	(84)	(2)	(2)	(2,897)	0	(30)	0	0
Net Cash Flow	5,085	7,155	(4,141)	2,361	7,048	(2,308)	(7,832)	(3,346)
Opening balance sheet cash	39	5,123	12,278	8,576	10,937	17,985	15,677	7,845
Restricted cash	0	0	0	244	1,048	713	713	713
Other items (including cash assumed on acquisition)	0	0	439	0	0	0	0	0
Closing balance sheet cash	5,123	12,278	8,576	11,181	19,033	16,390	8,558	5,212
Closing balance sheet debt	18,294	35,807	71,944	77,794	99,843	114,136	118,448	135,683
Unamortised debt costs	239	399	734	936	1,107	1,239	939	639
Closing net debt/(cash)	12,931	23,130	62,634	65,677	79,703	96,507	108,951	129,832
Net LTV (exc restricted cash & adjusted for unamortised debt costs)	23.0%	23.3%	37.0%	36.9%	30.0%	34.3%	36.4%	39.8%

Source: Palace Capital data, Edison Investment Research

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