



PALMER CAPITAL PARTNERS

INVESTING IN PEOPLE INVESTING IN PROPERTY

The Palmer Capital Development Fund

September 2004



Promoted by Palmer Capital Investors Limited

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PRELIMINARY MEMORANDUM

THE PALMER CAPITAL DEVELOPMENT FUND

Important Notice

This confidential preliminary memorandum (“the Memorandum”) is being circulated by Palmer Capital Investors Limited (“PCI”) to a limited number of selected recipients on a confidential basis to assist them in making an initial assessment of an investment in the proposed Palmer Capital Development Fund limited partnership and the associated Palmer Capital Development Fund unit Trust (“Unit Trust”), (together “the Fund”) or (“the Partnership”).

This Memorandum does not constitute an offer to sell or an invitation to acquire any interest in the Fund. The Memorandum is not intended to form the basis of any investment decision and should not be considered as a recommendation by PCI, which is acting as adviser to Palmer Capital Partners Limited in relation to the Fund, and is not acting for potential investors. In particular, PCI shall not be responsible for advising potential investors on investing in the Fund or providing them with the protections afforded to its customers.

PCI is authorised and regulated by the Financial Services Authority.

The Fund is a collective investment scheme as defined in the Financial Services and Markets Act 2000 (“FSMA”). The Fund has not been authorised or recognised by the Financial Services Authority. Accordingly, this Memorandum is not being distributed to, and must not be passed on to the general public in the United Kingdom.

The communication of this Memorandum to persons in the United Kingdom: (i) if made by a person who is not an authorised person under FSMA, may only be made to the following persons (each a “Permitted Recipient”); (a) persons who are “Investment Professionals”, as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 (the “Financial Promotion Order”), (b) persons falling within any of the categories of persons described in Article 49 of the Financial Promotion Order; and (ii) if made by a person who is an authorised person under FSMA, may only be made to persons who fall within one of the categories of “Investment Professionals” as defined in Article 14(5) of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemption) Order 2001; and in both cases (i) and (ii) to any other person to whom it may otherwise lawfully be made. Transmission of this Memorandum to any other person in the United Kingdom is unauthorised and may contravene FSMA.

This Memorandum is made available on the condition that it is for use only by the addressee and its advisers in connection with the potential investment in the Fund and shall not be passed on to any other person or reproduced in whole or in part. The Memorandum is intended solely to provide outline, indicative background information in relation to the Fund and the information in the Memorandum has not been independently verified. Accordingly, the contents of the Memorandum are subject to correction, completion and amendment. Subject to this, Palmer Capital Partners and PCI have taken reasonable care to ensure that the information contained within this Memorandum, which they have respectively provided, or arranged to provide, is in accordance with the facts and does not omit anything likely to affect the understanding of the information. However, PCI for itself and for Palmer Capital Partners Limited, whose agent they are, give notice that:

- (i) Neither the issue of this Memorandum nor any part of its contents is to be taken as any form of commitment on the part of Palmer Capital Partners Limited to proceed with the Fund.
- (ii) No representation or warranty, express or implied, is given as to the accuracy or completeness of the information and opinions contained in this Memorandum, or any other information supplied in connection with the Fund. Accordingly, each of PCI and Palmer Capital Partners Limited and their respective directors, members, employees and advisers, shall not be liable for direct, indirect or consequential loss or damage suffered by any person as a result of reliance on a statement or omission in this Memorandum, or in any other information supplied in connection with the Fund.

- (iii) The illustrative figures relating to forecasts and projections contained in the Memorandum must be read strictly in conjunction with the explanations, qualifications and assumptions set out in the text. Such figures involve a significant element of subjective judgement and are designed to assist investors in considering potential outcomes. Given the uncertainties inherent in the forecasts and projections, many of which are outside the control of Palmer Capital Partners such figures cannot be intended to give any assurance that a particular result or outcome will occur and the actual results may differ from those contained in this Memorandum. The assumptions on which such illustrative figures are based are considered reasonable by PCI at the time of the issue of this Memorandum, but no assurance is given that they are correct or exhaustive, or that they will continue to be so in the future.
- (iv) This memorandum is not intended to constitute legal or tax advice and potential investors must make their own independent assessment, after making such investigations as they consider necessary, of the merits of acquiring an interest in the Fund, and must rely on their own representatives and advisers, including their own legal advisers and accountants, as to the legal, tax and related matters concerning the acquisition, holding and disposal of interests in the Fund.
- (v) As with all investments, economic, legislative and other circumstances may change during the life of the Partnership.

The attention of potential investors is drawn to the risk factors that are summarised in the Cautionary Note at the end of this document.

Parties and Advisers

General Partner	Palmer Capital General Partners Limited 17 Clifford Street London W1S 3RQ
Promoter	Palmer Capital Investors Limited 17 Clifford Street London W1S 3RQ
Placement Agent	CBRE Corporate Finance Limited Kingsley House 1a Wimpole Street London W1G 0RE
Operator	Kingfisher Property Partnerships Limited 41-43 Maddox Street London W1S 2PD
Auditor	Simmons Gainsford LLP 7-10 Chandos Street Cavendish Square London W1G 9DQ
Legal Advisor	Berwin Leighton Paisner LLP Adelaide House London Bridge London EC4R 9HA
Valuer	CB Richard Ellis Limited Kingsley House 1a Wimpole Street London W1G 0RE

Key Points

Investment Rationale

The Palmer Capital Development Fund provides investors with an opportunity to invest in a range of UK property development projects undertaken by companies in which Palmer Capital Partners Limited (“PCP” or “Palmer Capital”) is a shareholder. The Fund allows investors access to development projects managed by a number of regionally and/or sector specialist development companies but via a single point of access. The Fund will be a tax efficient indirect vehicle designed to reduce individual project risk through diversification.

Description of Fund

The Fund will invest in a range of commercial property related development schemes offering the following characteristics:

- Project size of £5m to £20m in anticipated gross sale value
- Speculative and pre let commercial property development
- Developments expected to take less than 3 years from acquisition to final disposal

It is envisaged that, when fully invested, the Fund will have an interest in some 7-15 projects and will therefore benefit from a diversity of development opportunities.

Targeted Returns

The Fund will utilise the services of PCP and the development companies which PCP backs as a shareholder (“PCP Development Companies”) to identify development sites, to secure pre-lets and to purchase, develop and sell the developments at a profit.

Over the last 6 years, the PCP Development Companies have completed 20 property development projects where the end sale value has been between £5 million and £20 million. The combined cash flow generated from these projects, once it has been adjusted to reflect the strategy of using 50% debt, with 12% given to investors as a preferred return and profits split 50% to the Fund and 50% to the PCP Development Companies, (as is intended by the Fund), would have generated an IRR per project of approximately 25.0% to the Fund from the development projects.

Palmer Capital Partners

Palmer Capital is a private limited company, which commenced its current trading activities in 1992. Its main activity is to invest in small and medium sized commercial property development companies, Palmer Capital has also grown over the last ten years to become a leading UK provider of finance and advisory services to property development businesses.

Palmer Capital's philosophy has been to combine its financial substance, experience and intellectual capital with the energy, enthusiasm and market presence of property development companies. Working in partnership, Palmer Capital and the PCP Development Companies are able to identify development sites, secure finance, undertake developments and, in most cases, realise an attractive level of profit.

Palmer Capital has a strong reputation within the UK property sector and has structured joint venture arrangements with several established institutions, such as the Chubb Common Investment Fund, GE Capital, The Royal Bank of Scotland plc and Close Brothers Investments Limited.

Management Personnel

Ray Palmer, Chairman

From 1964 to 1992, Ray worked as a surveyor. He joined Lambert Smith & Partners in 1969; in 1970, he was appointed managing director and, subsequently, in 1986 was responsible for the sale of the business. Thereafter, he remained the chief executive and, following a series of acquisitions, the resulting enterprise became Lambert Smith Hampton. In 1991 he led a management buy out of this business. In 1992 he resigned to found Palmer Capital.

Christopher Digby-Bell, Chief Executive

Christopher is a solicitor of over 30 years' standing. He has been a member of the Ruling Council of the Law Society for the City of London. In 1982 he was appointed business development partner with Taylor Wessing, becoming head of commercial property in 1985 and managing partner in 1987. In 1989 he joined Frere Cholmeley Bischoff, becoming marketing partner in 1992 and international managing partner in 1995. He joined Palmer Capital in 1998.

Crispin Auden, Director

Crispin is a chartered surveyor. In 1978 he joined the investment department of Richard Ellis and in 1984 he joined property developer, Brookmount, becoming property director in 1985. In 1989 Crispin moved to manage a joint venture with London Securities PLC and built up a corporate property consultancy. In 1994 he became managing director of Summit Property and, in 1998, a director of its main venture capital group board. He joined Palmer Capital in 2000.

Alex Price, Director

After serving in the British army, Alex joined the corporate finance department of Credit Lyonnais Securities in 1997, working for a number of UK listed companies. In 2002 he joined Sabre Holdings as part of its European corporate finance team. He left to join Palmer Capital in 2003. Alex holds an MBA from London Business School.

The Development Companies

In the period 1996 to 2003, the PCP Development Companies completed 47 commercial development projects with a total finished value of over £350 million. Of these 47 projects, 20 projects had an end sales value in the range of £5 million - 20 million; such projects represent the typical size of development that the Fund intends to undertake. The investment strategy offers investors exposure to an activity that is capable of generating high returns, through a pooled fund vehicle, designed to give investors benefits from diversification.

Details of the PCP Development Companies are given below.

Wrenbridge

Tim Holmes and Peter Jarman founded Wrenbridge Land Limited (“Wrenbridge”) in 1993. Wrenbridge is based in Cambridge. Tim was previously a business space agent with DTZ Debenham Tie Leung and Peter, who is a chartered architect, was with Nicholas Grimshaw. Wrenbridge operates in East Anglia and the Midlands, specialising in distribution, industrial, office and business park developments.

Frontier

Adam Eldred and Andrew Crowther, both chartered surveyors, founded Frontier Estates Limited (“Frontier”), a Milton Keynes based development company, in 1995. Frontier has been extremely active in the industrial and warehouse sector and is also active in complex mixed use and office developments.

Opus

Richard Smith and Andrew Duncan formed Opus Land Limited (“Opus”) in 1997. They have many years of experience in the property market, being the founders of the Birmingham and Leeds based agency, Grenville Smith and Duncan. In 2001, Palmer Capital helped Opus form a joint venture with GE Capital; this has enabled Opus to purchase a number of significant investment properties which have been proactively managed, enhancing their value prior to sale. Opus is active in industrial and office development as well as more specialist areas such as the development of budget hotels.

Danescroft

David Civil formed Danescroft Commercial Development Limited (“Danescroft”) in 1996. Prior to this David had been a development surveyor with the Canary Wharf group. Danescroft’s main areas of operations are the Midlands and South of England, focusing on office and mixed use development and more specialist sectors such as day nursery development.

Thistle

Eric Petrie formed Thistle Land Limited (“Thistle”) in 2000. Eric had been the joint managing director of HBG Properties and prior to that a director at Kyle Stewart Properties for 8 years. In these roles, Eric was responsible for a wide range of developments from retail parks to industrial estates. Among the projects undertaken by Thistle are two major mixed-use projects in Watford and Hatfield, totalling over 1,000,000 sq ft. These projects are in joint venture with Frontier.

Ediston Properties

Ken Barrett and Danny O’Neill formed Ediston Properties Limited (“Ediston”) in 2003, both having previously been senior fund managers at Standard Life. The company is based in Edinburgh and specialises in the UK retail sector. In November 2003, PCP invested in Ediston. Ediston has recently brought a number of developments, including Scotland’s largest speculative deal of 2004 and remains active in identifying and purchasing UK retail opportunities as well as selective opportunistic acquisitions in other commercial property sectors.

Cubex Land

Peter Walford, Josh Roberts and Gavin Bridge formed Cubex Land Limited (“Cubex”) in July 2004, having previously worked for AWG Developments Limited in Bristol. Cubex specialise in property development projects in the south west of England and in south Wales.

Financial Analysis & Targeted Returns

The Fund will target returns to investors of in excess of 20% development profit on cost and gross IRRs on equity invested into development projects in excess of 25%. The target returns are on a project by project basis and IRRs are before Funds establishment and annual direct costs, but are after profit shares payable to development companies undertaking development projects. This target has been established by reference to an analysis of Palmer Capital Partners’ track record in the development market. The target returns reflect the returns produced by Palmer Capital Partners’ development companies on projects completed between 1999 and the end of 2003, within the Fund’s target lot size range of £5 - £20 million.

It must however be emphasised that past performance is no guarantee that future development activities will deliver similar returns.

Palmer Capital and CBRE Corporate Finance have analysed this track record by applying the capital structure proposed for the Palmer Capital Development Fund to the actual costs, timescales and realisation prices of the historic development schemes. From this, aggregate profit on cost and IRR figures have been calculated (see table of results below).

The profile of the track record analysed is as follows:-

- 20 projects completed between 1999 and end 2003
- Total end sale value of £206.2m
- Average deal size of £10.3m
- Average scheme life of 19 months
- Average project returns for Investors:-
 - **Profit on Cost - 20%**
 - **Geared IRR - 25.2%**

Track Record IRRs and Sensitivity Analysis

<i>Geared IRRs / (Loan to Value)</i>	<i>0%</i>	<i>40%</i>	<i>50%</i>	<i>60%</i>
Base Case	16.80%	22.40%	25.20%	29.20%
10% Increase in Capital Values	22.90%	32.70%	37.60%	44.90%
5% Increase in Capital Values	19.80%	27.50%	31.40%	37.10%
5% Reduction in Capital Values	13.50%	17.00%	18.70%	20.90%
10% Reduction in Capital Values	10.00%	11.20%	11.60%	11.80%
5% Increase in Construction Costs	15.00%	19.50%	21.70%	24.80%
10% Increase in Construction Costs	13.20%	16.60%	18.10%	20.30%
3 month Delay in Actual Letting/Disposal Date	14.70%	18.70%	20.60%	23.20%
6 month Delay in Actual Letting/Disposal Date	13.20%	15.90%	17.10%	18.70%

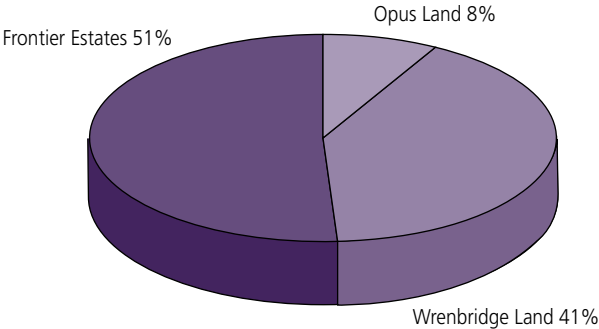
Notes:-

- Returns assume proposed Fund structure applied to historic deals
- Returns are calculated before initial Fund set up costs

The development projects which fall into the analysis relate to 9 schemes undertaken by Wrenbridge, 9 by Frontier and 2 by Opus and were distributed by the schemes' end sale values as follows:-

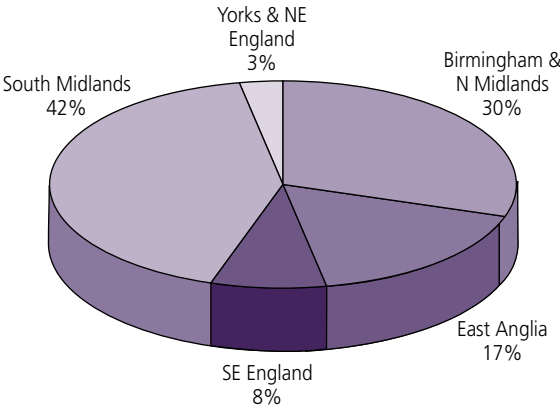
Developer	Project Sale Date					Total
	1999	2000	2001	2002	2003	
Wrenbridge	£5,354,592	£28,597,612	£7,153,000	£7,950,000	£35,389,070	£84,444,274
Frontier	£20,734,845	£13,940,953	£14,140,224	£20,042,733	£37,058,369	£105,917,124
Opus	—	—	—	£15,899,999	—	£15,899,999
Danescroft	—	—	—	—	—	—
Thistle	—	—	—	—	—	—
Ediston	—	—	—	—	—	—
Total	£26,089,437	£42,538,565	£21,293,224	£43,892,732	£72,447,439	£206,261,397

Projects by Development Company

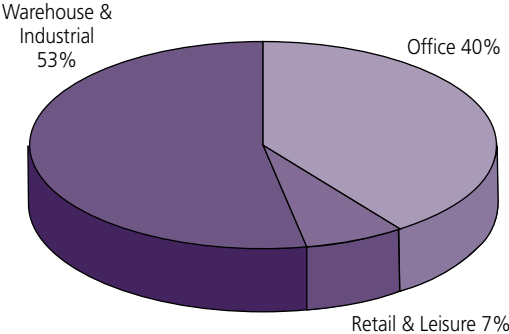


The development track record has been further analysed to show its diversification by both geographical location and use sector and this is illustrated as follows:-

Projects by Location



Projects by Use



CBRE Corporate Finance Limited (“CBRECF”) has prepared the Financial Analysis incorporated in the Memorandum entirely from information supplied to it by Palmer Capital Partners Limited. It is taken from development projects completed by 1st January 2004 by Development Companies in which PCP had shareholdings at that date. CBRECF has prepared a cash flow model from this information to replicate, as far as possible, the funding structure envisaged by the Fund. The cash flow model calculates the overall IRR and the Profit on Cost from such projects, were the projects analysed to have been undertaken by the Fund.

CBRECF has checked the financial information provided by PCP against audited accounts, or where audited accounts were not available against unaudited management accounts. Exact timing of payments and receipts was derived from information provided by PCP.

THE PALMER CAPITAL DEVELOPMENT FUND

1. Introduction

The Fund intends to raise up to £100 million of equity from investors wishing to participate in the UK property development sector through a tax efficient vehicle.

It is intended that the Fund will close in September 2004.

2. Investment Rationale

The Fund will provide investors with exposure to the UK property development market, by investing in commercial property development projects, typically with an anticipated completed value of £5 million - £20 million. It is envisaged that, when fully invested, the Fund will have an interest in 7-15 projects and will, therefore, benefit from a spread of development opportunities.

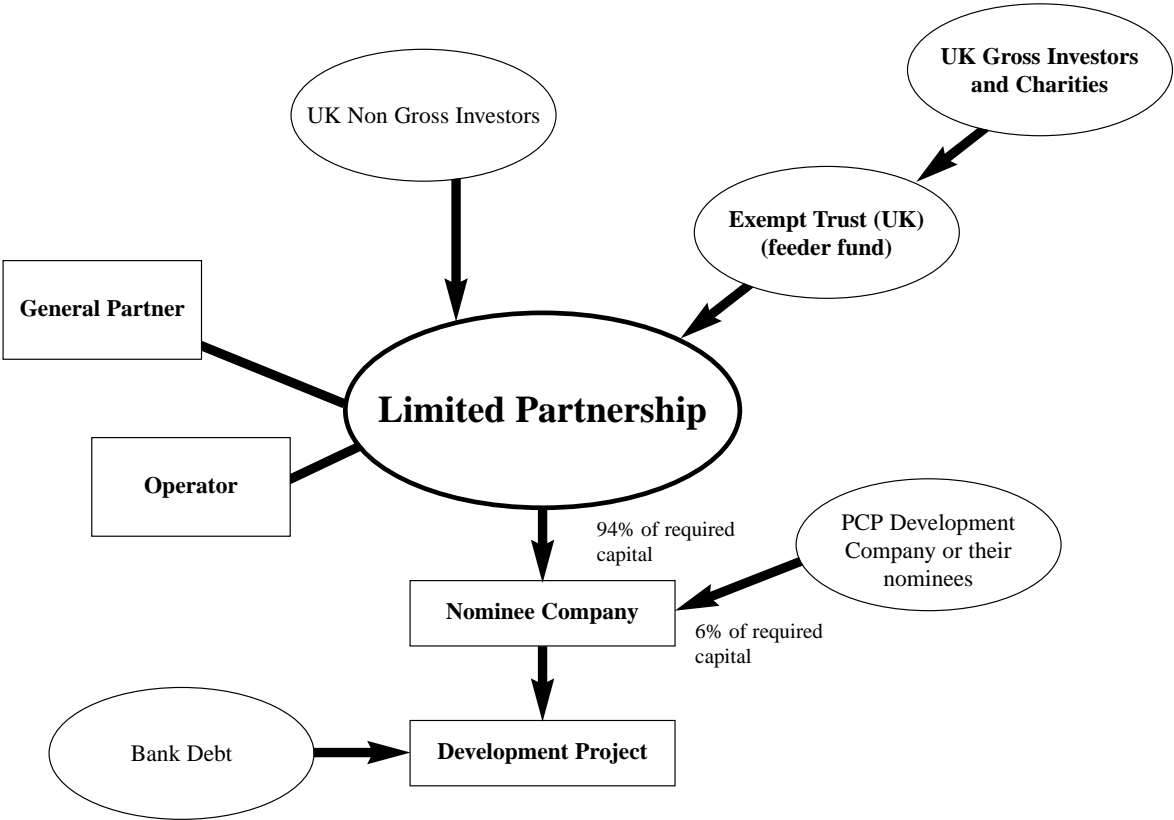
Development projects may cover the office, retail, leisure and industrial sectors of the commercial property market; mixed-use development will also be considered. All developments will be located in Great Britain. The developments may have pre-let elements to them but they may also be of a speculative nature, in which case tenants or purchasers will be sought during or post construction. It is the Fund's objective to sell all developments in the open market, either during the construction phase or once the buildings have been completed and are let to a tenant or tenants. The time taken to complete each development is expected to vary from 12 months to 3 years.

3. Investment Criteria

The intention is to broadly follow the proven development profile of all PCP Development Companies to date, albeit following the recent inclusion of Ediston and Cubex, it is anticipated the retail percentage may increase. In approving any scheme for inclusion within the Fund, the Fund will receive from the developer a report, in order to satisfy the appropriateness of the scheme for inclusion within the Fund. It is envisaged that the following criteria will be met before the Fund will consider investing into the development project:

- Size: The completed development value will be between £5m and £20m.
- Sector: Industrial, warehouse, retail, office/office parks and retail warehousing will all be included as the core sectors. In addition, residential, hotel, medical facilities and other appropriate mixed uses are anticipated to constitute a minority element of the overall development portfolio.
- Risk Profile: Retail, office, industrial warehousing and retail warehousing will be constructed on a speculative and/or a pre-let/pre-sold basis. Private and social housing land will be sold to third parties and/or developed only on a pre-let or pre-sold basis. Specialist uses such as hotel, medical facilities and nursing homes will only be constructed on a pre-let or pre-sold basis. Greenfield sites without planning consent will not be purchased. Construction will be procured in the most cost effective manner, normally on a design and build basis.
- Portfolio Balance: In the initial stages, no account of overall sector/geographic balance will be taken in assessing opportunities. Once 25% of the equity has been committed, increasing account will be taken of this consideration to ensure a reasonable spread, both by geographic and sector content, with a maximum commitment to any one PCP Development Company of 40% of the total equity.
- Profit: The development appraisal will have a minimum profit on cost of 16%.

4. Fund Structure



The Fund will be structured as an English Limited Partnership, with a UK unauthorised exempt Unit Trust as a feeder vehicle for gross investors and charities. The Partnership will develop projects in conjunction with a PCP Development Company through the use of a special purpose vehicle for each project. The special purpose vehicle will hold properties as bare trustee nominee. The special purpose vehicle will endeavour to enter into development contracts in such a way as to ring fence liability in relation to a development.

Pension funds and other UK investors exempt from capital gains tax or corporation tax on capital gains will be able to participate in the Fund by acquiring Units in the Trust which has been established for this purpose. The Trust will be a UK exempt unauthorised Unit Trust. This is a method commonly used to enable exempt UK investors to participate where their constitutions might otherwise prevent them from investing as Partners. Investors who wish to invest in the Trust will need to be satisfied that their constitutional documents permit the holding of unitised investments. The Trustee, Kingfisher Property Finance Limited, will be a Limited Partner in the Partnership. Investors in the Fund through the Trust will effectively have rights equivalent to those of the Limited Partners.

The following information is contained in the heads of terms for the Fund. The heads of terms are those agreed with principal investors on 28 July 2004, and as amended to reflect further comments/requests from those investors:

- Capital Structure
- Draw-down Policy
- Partnership Structure, Management and Corporate Governance
- Partnership Life
- Exclusivity
- Distribution of Profits

- Fees and Costs
- Valuation Policy
- Reporting to Investors
- Approval of Development Projects
- Raising of Further Funds
- Set Off of Profits
- Transfer of Interests

The heads of terms are reflected in the following legal documents, copies of which have been made available to the principal investors' legal advisors:

- 1) Unit trust deed
- 2) Limited partnership agreement
- 3) Framework agreement

APPENDIX I: TAXATION OF THE PARTNERSHIP

UK Taxation

The following is a summary of the expected UK tax treatment of the Fund and its Investors. The summary is based on professional advice received but prospective Investors should consult their own professional advisers on the taxation implications of their investment.

Taxation of Partnerships and their members

The Partnership should be treated for UK tax purposes as carrying on the business of trading in property. The Partnership itself should have no tax liability in respect of income and gains distinct from that incurred by the partners therein and should not, itself, be treated as carrying on a business. Income and gains (or losses) occurring to the Fund should be attributed to the relevant Investors for tax purposes according to the way in which they are allocated in the accounts. However, Investors will not be able to claim any loss which exceeds their capital contribution plus undrawn profits.

Investors liable to UK tax should be aware that the way in which income and capital gains are allocated in the Fund accounts may result in timing differences for UK tax purposes over the life of the Fund.

Treatment of UK Investors

Investors will bear tax by reference to so much of the Partnership's income as is attributable to them under the Partnership Agreement. As the Partnership intends to undertake a trading activity, the income attributable to Investors will be trading income. Whether an Investor receives any tax relief for its share of any management expenses will depend on its own circumstances.

Since the underlying assets should be treated as if they were directly and beneficially owned by the relevant partners in the appropriate proportions, income of the Partnership should not be taxable to the extent that they are attributable to UK Investors who are exempt from UK tax provided that the exempt Investor holds its investment via the Trust (see Appendix II). In such cases, pension funds and other exempt bodies should be able to reclaim any UK tax deducted at source.

APPENDIX II: TAXATION OF THE TRUST

The Trust is an unauthorised Unit Trust scheme for the purposes of section 469 Income and Corporation Taxes Act 1988 (“ICTA”), and the income arising to Unitholders will be treated as investment income.

Income

The Trustee would be liable to income tax on its trading income at the basic rate currently 22%, computed under normal Schedule DI rules

Income arising in the Trust, after deducting allowable property costs, will be subject to basic rate tax in force for the fiscal year in which the income arises. For the fiscal year ending 5 April 2005 the basic rate of income tax is 22%.

The Trust will be treated as distributing to Unitholders all income available for distribution (as recorded in the accounts of the Trust) regardless of whether or not this income is actually paid to the Unitholders

In accordance with section 469 ICTA, the Trust will be deemed to have withheld basic rate tax from distributions to Unitholders. To the extent that the tax (notionally) deducted from the (notional) distribution to the Unitholders is matched by the taxable profit of the Trust, no further tax will be payable by the Trustee. Unitholders, being exempt from tax under section 592 Income and Corporation Taxes Act 1988, will be entitled to reclaim the tax deemed to be deducted from distributions by the Trustee.

However, no deduction from taxable profits will be given for the costs of running the Trust itself, as opposed to the costs associated with the development projects financed by the Fund which are likely to be deductible as trading expenses. If the costs of running the Trust are met out of the Trust’s resources, on an after tax basis, that will represent a minor element of tax leakage (as the deemed annual distribution will be based on the profits available for distribution in the Trusts accounts, net of all expenses. Such leakage may, in principle, be avoided if non-deductible costs of the Trust costs are paid directly by the Investors and the Trust deed provides for this to happen, on a case by case basis.

If, on a cumulative basis, gross annual payments to Unitholders exceed the income taxable in the Trust, the difference may be assessed on the Trust. In broad terms, the tax reclaimed by the Unitholders would be expected to mirror the tax paid by the Trust.

The effective tax transparency of the Trust is achieved under section 469 ICTA. In a technical discussion paper issued on 22 July 2004 (Tax implications for authorised investment funds following the new FSA regulations) the Inland Revenue raised the possibility of repealing section 469, and sought comments on the practical implications of such a measure. The technical paper raises the repeal of section 469 for the purposes of consultation, and only as one of a number of possibilities for reform. Consequently, it is not clear that section 469 will actually be removed during the life of the Fund, but it should be noted that this structure is subject to some risk of a change of law. However, it is not clear that any such change of law would in fact be detrimental to the tax efficiency of an investment in the Fund through the Trust, and, of course, any repeal of section 469 could be accompanied by compensating measures of which the Fund could take advantage through appropriate restructuring.

Capital

As the Trust will be open only to investors who are exempt from capital gains tax or corporation tax on chargeable gains, any chargeable gain accruing to the Trust will not be chargeable to capital gains tax in accordance with Section 100 (2) TCGA 1992.

Value Added Tax

All fees quoted are exclusive of VAT payable, which will, if irrecoverable, be paid by the Trust.

Stamp Duty Reserve Tax

The issue of Units in the Trust in return for cash subscriptions should not attract Stamp Duty. Stamp Duty Reserve Tax will be payable on the transfer of all or part of a Unitholder's interest in the Trust. However, Stamp Duty Reserve Tax is not payable upon cancellation of Units in the event, for example, of the termination of the Trust following a sale of the property. If the Units are surrendered to the Trustee for cancellation, stamp duty reserve tax will be chargeable at 0.5% on the amount by which redemptions exceed issues over a two week period.

APPENDIX III: HEADS OF TERMS

Heads of Terms have been issued to potential investors in the Palmer Capital Development Fund.

They are available by request to:

Palmer Capital Investors Limited
17 Clifford Street
London
W1S 3RQ

Cautionary Note

- The attention of investors is drawn to the Important Notice on page 1 of this document and also to the principal risk factors relating to an investment in the Fund, which are set out below. Investors should be aware that this list is not an exhaustive summary.
- The historic and current performance of markets, including the UK property development market, is no guide to future trends. Illustrative figures provided in this Memorandum relating to profit on cost and IRR may not be achieved and on realisation of the investment, investors may receive less than the original amount invested.
- UK property values are affected by such factors as the level of interest rates, economic growth, employment trends and inflation. Any future downturn in the property development market in the UK could adversely affect the value of assets held by the Fund.
- Property may be considered a high risk investment offering less liquidity than other asset classes.
- Investors have no right to cancel and limited rights to redeem their investment.
- There is no established secondary market for the sale of units in the Fund and it may be difficult to dispose of units or to sell them at a particular price.
- The proposed life of the Fund is seven years. As a consequence, the Fund is not suitable for short term investment.
- No representation is or can be made as to the future performance of the Fund, or that the Fund will or can receive the level of returns illustrated in the financial model.
- The Fund is dependent upon the services provided by the General Partner and the Operator and may be affected if their services or those of any of their key employees cease to be available to the Fund.
- Any changes to tax regulations affecting the Fund or its assets may affect investment returns.
- The use of gearing through bank borrowings magnifies the increase and decrease in value of units in an investment. In addition, while it may increase the return on the Fund's capital and through this, returns to investors, it also creates a greater potential for loss. While gearing will enhance the net asset value of units when the value of the Fund's underlying assets is increasing, the opposite will occur when the underlying asset value is falling.
- The use of debt gives rise to the risk that available funds will not be sufficient to meet the required payments and the risk that existing borrowings will not be able to be refinanced or that the terms of such refinancing will not be as favourable as those of the existing borrowings.
- The requirement on the Fund (or an SPV) to repay all or part of its borrowings, arising as a result of a breach of covenant or inability to refinance, may result in assets being sold at less than their market value or at a time and in circumstances where the proceeds are reduced as a result of a significant downturn in property values or inadequate timing in which to market the interest.
- No financial services compensation scheme, or similar protection for investors, is available in respect of investors' claims.



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