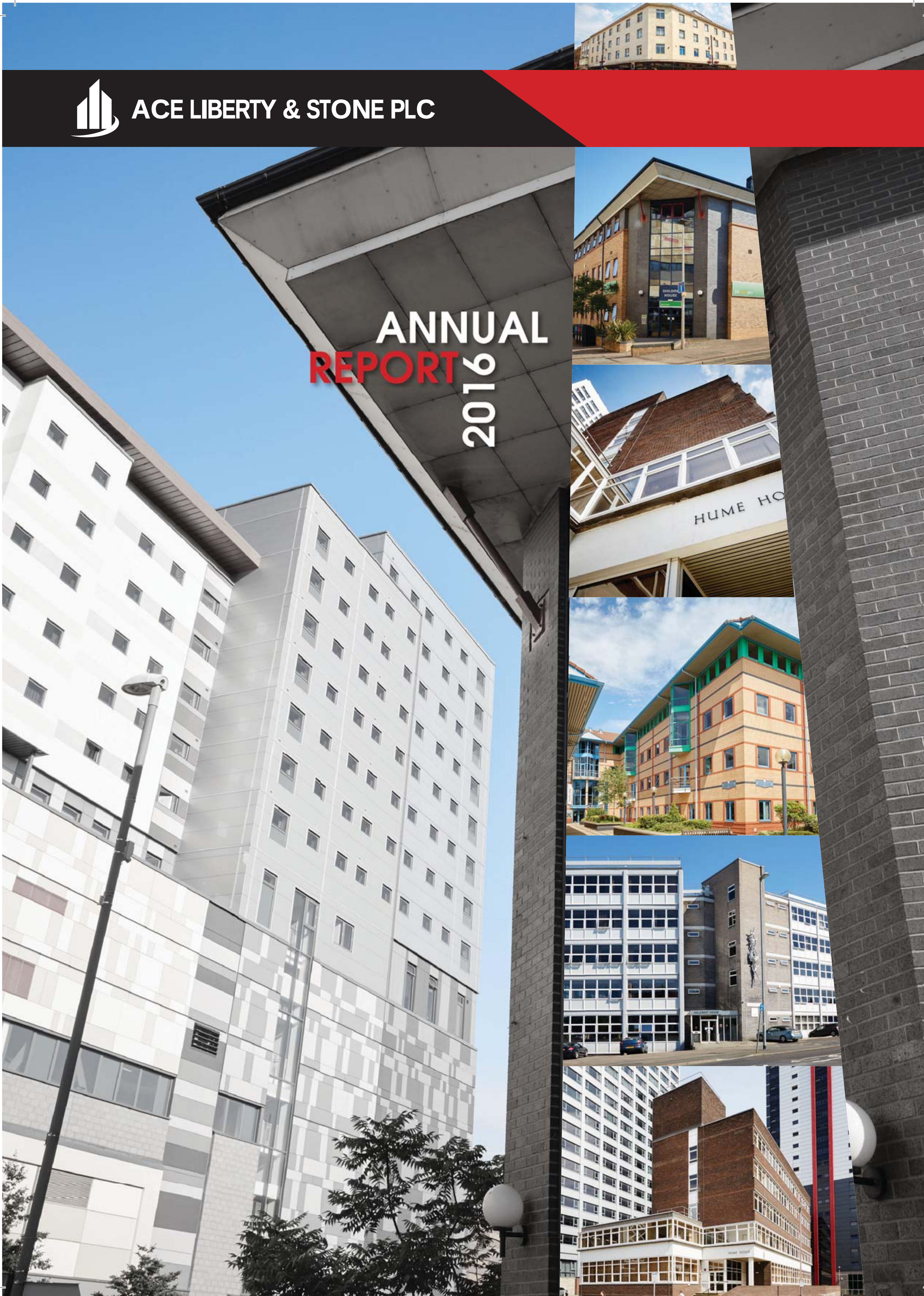
ACE LIBERTY & STONE PLC

ANNUAL REPORT 2016



ACE LIBERTY & STONE PLC

THIS DOCUMENT IS IMPORTANT. PLEASE READ IT IMMEDIATELY. If you are in any doubt about the action you should take, you are recommended to consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all of your shares in Ace Liberty & Stone Plc, please send this Document, together with the accompanying Form of Proxy at once to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the person who now holds the shares.

ACE LIBERTY & STONE PLC

Company number 06223892

NOTICE OF ANNUAL GENERAL MEETING

DIRECTORS' REPORT AND GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2016

Notice of the Annual General Meeting of the Company to be held at 12 p.m. on 28 October 2016 at Finsgate, 5-7 Cranwood Street, London EC1V 9EE is set out on pages 5 to 8 of this Document.

A Form of Proxy for use at the Annual General Meeting is enclosed, and to be valid the Form of Proxy must be completed in accordance with the instructions set out on it and returned to Share Registrars Limited of Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey, GU9 7LL, as soon as possible, but in any event not later than 12p.m. on 26 October 2016. The completion and depositing of a Form of Proxy will not preclude you from attending and voting in person at the Annual General Meeting should you wish to do so. Your attention is drawn to the notes to the Form of Proxy.

Your attention is also drawn to the letter from the Chairman of the Company which is set out on page 4 of this Document.

Photographs

Front cover and opposite
Selection from the Ace portfolio

Inside back cover
Ace Liberty & Stone plc 2015 AGM

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Company Information, Directors and Advisors

Directors:	Dr Tony Ghorayeb - Non Executive Chairman Ismail Ghandour MBA - Chief Executive Mark Thomas MRICS, IRRV - Commercial Director Ivan Minter FCA - Finance Director Keith Pankhurst – Senior Independent Director Kayssar Ghorayeb - Non Executive Director Hikmat El-Rousstom - Non Executive Director
Company Secretary:	International Registrars Limited
Registered Number:	06223892 (England and Wales)
Registered Office:	Finsgate 5-7 Cranwood Street London EC1V 9EE
Bankers:	HSBC Bank Plc 60 Queen Victoria Street London EC4A 4AB
Auditors:	RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP) 25 Farringdon Street London EC4A 4AB
Registrars:	Share Registrars Limited The Courtyard 17 West Street Farnham Surrey GU9 7DR
Brokers:	Hybridan LLP 20 Ironmonger Lane London EC2V 8EP
Solicitors:	Bracher Rawlins LLP 77 Kingsway London WC2B 6SR

Chairman's Statement

The year has seen several notable achievements. The sale of Hume House has been agreed at £3,550,000 for completion in December 2016, having been purchased for £1,670,000 in March 2014. The Group's property holdings have grown during the year from £23,964,428 to £29,488,428 and the Group also managed a very successful fundraising from existing shareholders (which was handsomely over-subscribed) of £3,500,000 in February, providing funds for the - post year-end - purchase of 1–5 Upper Market Square, Hanley valued at £9,000,000. This will take our portfolio to almost £40,000,000 by the date of the AGM. To put this in context, the consolidated balance sheet at 30 April 2013 published just three years ago showed investment properties valued at £1,271,000. The year also saw the sale of our final holding in Telephone House, Sheffield for £4,000,000 and the sale of Princegate House, Doncaster (excluding the car park, which we retain) for £850,000. Both these transactions yielded a profit for the Group.

It has been more difficult to complete transactions since the year end with the consequence that several properties which the directors were negotiating to sell have remained in the Group's ownership. In one specific instance a deal under negotiation with an overseas buyer was aborted as a direct consequence of the economic uncertainty stemming from the UK's referendum on membership of the European Union. The timing of deals has certainly hit profitability. As a result of the hiatus in transactions and the consequent uncertainty of date of sale, such properties have been included in the balance sheet at a lower value than would otherwise have been the case if we had been able to complete the planned sale after the year end. Assets held at 30 April 2016 have been valued at some £600,000 less than anticipated and this has resulted in a reduction of the year's profit before tax of the same amount. Fortunately, there are now signs that this hesitancy is weakening. The directors expect that as confidence returns and the backlog of transactions is cleared future profits will be increased by the amount by which the valuations were written down in 2016.

The results for the year show an increase in revenue from £1,201,185 for the year ended 30 April 2015 to £2,037,308 in the year under review. Because of the decision made by the directors to reduce the valuation of the Company's property portfolio at 30 April 2016, the profit before tax has dropped from £1,055,581 in the previous year to £612,334 in the year under review. Further details of the Group's performance are contained within the detailed reports.

The directors value the support of our shareholders and have continued our policy of increasing the dividend each year with a payment of 3.3% in June 2016. It is the Board's policy to continue to pay an increasing dividend unless constrained by economic conditions.

The current external circumstances do not diminish the Group's future prospects. We have actions in hand to enlarge the portfolio to our target of £50,000,000 within the next year without further shareholder investment.

Finally, on a personal note, I thank the Board for the confidence shown in my abilities by appointing me Chairman. On behalf of my colleagues I thank Keith Pankhurst for his hard work in this capacity over the past two years and I look forward to leading the Group during a period when we expect to reap further benefits from our past endeavours.

Dr Tony Ghorayeb
Chairman
Date: 4 October 2016

Corporate Governance Statement

The Board has put in place a framework for corporate governance which it believes is appropriate to the Company. The Company's ordinary shares are quoted on the ISDX Growth Market and, as such, Ace Liberty & Stone plc is not required to comply with all aspects of the UK Corporate Governance Code. However, the Board is committed to maintaining the highest standards appropriate to a company of this size and nature.

The Board

The Board currently comprises the Non-Executive Chairman, the Chief Executive, the Senior Independent Director, two non-executive and two executive directors. The directors' biographical details are shown on the Company's website. One third of the directors are subject to re-election by rotation at the Annual General Meeting each year. All newly appointed directors stand for election at the Annual General Meeting following their appointment and directors who have reached the age of seventy years retire annually.
The Board meets at least four times each year. The Board's responsibilities include approving the Company's strategy and annual budget, authorising major investments, acquisitions and capital expenditure, and monitoring the performance of the business.
The non-executive directors are all considered to be independent and have a voting majority on the Board and each committee.

Board Committees

Each committee has defined terms of reference and meets at least twice each year.

Nominations

The Nominations Committee comprises Keith Pankhurst (chairman), Kayssar Ghorayeb and Ismail Ghandour. The committee is responsible for identifying and proposing prospective candidates for directors for consideration and appointment by the Board as a whole.

Audit

The Audit Committee comprises Kayssar Ghorayeb (chairman), Keith Pankhurst and Ivan Minter. The Chief Executive and external auditor attend its meetings by invitation. The Committee reviews the audit appointment periodically, discusses the audit plan with the auditor and recommends approval of the financial statements to the Board. The committee meets with the auditor twice-yearly. Internal controls are the direct responsibility of the directors.

Remuneration

The Remuneration Committee comprises Dr Tony Ghorayeb (chairman), Kayssar Ghorayeb and Mark Thomas. It determines on behalf of the Board the remuneration package of the executive directors. The Remuneration Committee is also responsible for approving the bonus targets and payments for the Company's executive directors. In coming to these decisions the Remuneration Committee considers the overall performance of the Company and of the individual directors. Share options, which are approved at the Company's AGM, have historically been granted to compensate for the low level of salaries.

Attendance at meetings

The following is the record of directors' attendance at Full and Committee Meetings of the Board:

	Attended		Entitled to attend	
	Full Board	*Board Committees*	*Full Board*	*Board Committees*
Keith Pankhurst	5	3	5	3
Ismail Ghandour	5	1	5	1
Mark Thomas	5	2	5	2
Kayssar Ghorayeb	4	5	5	5
Ivan Minter	5	2	5	2
Dr Tony Ghorayeb	5	2	5	2
Hikmat El-Rousstom	4	-	5	-

Shareholders

At the date of this report, the following shareholders held more than 3% of the company's issued share capital:

	Shares	%
Dr Abdel-Karim El-Rousstom	167,835,109	17.09%
HSBC Global Custody Nominee (UK) Limited	140,351,959	14.29%
Dinama Holdings Limited	80,209,472	8.17%
Daniel Waylett	78,353,000	7.98%
Ismail Fadel Ghandour	44,990,198	4.58%
Bijan Daneshmand	38,607,143	3.93%
LiBank S.A.L.	37,716,357	3.84%
Dr Tony Ghorayeb	30,808,559	3.14%

The Company's website is **http://acelibertyandstone.com**

Strategic Report

Principal activity

The principal activity of the group continues to be that of property investment. The Board continues to locate properties with good covenants which offer a high yield and the opportunity to add capital value to the initial investment. In addition to properties which have the opportunity of early development, the Group holds a proportion of its portfolio in properties with longer-term tenancies in order to achieve a balanced portfolio and to protect future cash flow.
The success of this strategy rests on the directors' ability to select suitable properties and manage the project plans for enhancement. The Chief Executive and the Commercial Director have a wide range of contacts and the experience to judge market trends. The result so far has been that each commercial property sold has realised a sizable profit.

Review of business

During the year the Company acquired two commercial properties and two residential apartments. In addition, two sales have been agreed, one for completion after the year end. The Group has now established a balanced portfolio with a good level of income. During the year the directors reviewed the Group's portfolio and its earning capability. It was agreed that the portfolio should be re-balanced towards the core commercial holdings and, when opportunities arose, residential holdings should be sold and the proceeds reinvested in commercial properties. At the year end, three properties were classified as held for sale in the balance sheet.
The Board has been of the view that the growth of the commercial portfolio justifies re-arranging the existing loans into one facility covering the whole portfolio. Lengthy, detailed discussions have ensued, resulting in a new relationship with Lloyds Bank plc, which will offer greater support to the expansion of the portfolio. On 17 September 2016, a credit-approved heads of terms was signed in respect of a loan facility for £16,300,000 secured on the following properties: Hillcrest House, Leeds; King House, Luton; Fawcett House, Sunderland; Bridge House, Dudley; Shildon House, Gateshead; Marsh Mills, Plymouth; Upper Market Square, Hanley.
An overall review of business is given in the Chairman's Statement on page 3.
The Board monitors key financial performance indicators. The indicators are relatively simple, but appropriate to the circumstances of the business. For the year ended 30 April 2016 are summarised below:-

- Total property holdings (including those held for sale) were valued at £29,488,428 at the year end. (2015: £23,964,428)
- The portfolio annual rental income was £2,336,800 at 30 April 2016. (2015: £2,231,000)
- Total equity attributable to owners of the parent amounted to £17,946,575 (2015: £12,410,366).
- Rental income for the year was £2,037,308 (2015: £1,201,185).
- The group's profit for the year after taxation was £259,993 (2015: £759,022). The reduction compared to 2015 is largely due to the factors mentioned in the chairman's statement.

The Board expects to develop additional measures in proportion to the growth of the business. For example, for the current year onwards it will be useful to monitor Weighted Average Unexpired Lease Balance ("WAULB") as it is a good indication of the strength of the portfolio as well as a covenant of the Group's finance facility.
As outlined in the Chairman's Statement, recent economic uncertainty has delayed certain transactions in hand at the end of the 2016 year, but these will be resumed when conditions stabilise.

Principal risks and uncertainties

The Group's portfolio is exclusively invested in the UK and therefore it is exposed to the risks and uncertainties of the UK economy. The Directors consider that the principal risk for the Group is in respect of the valuation of the Group's investment properties. The properties are subject to fluctuating market conditions, affected by consumer confidence, the performance of the UK economy, and the liquidity in the market as well as fluctuating interest rates. These risks will also affect the Group's ability to acquire properties in the future. The group is exposed to interest rate risk. The Company has benefitted from the current, exceptionally low, interest rates, but does not expect this to continue. A small proportion of the group's loans are on fixed rates and a proportion of the new group-wide facility will be subject to hedging. Future returns are evaluated projecting higher than current rates.
There is a risk that the group will be unable to finance future acquisitions and thus inhibit growth. This is mitigated by establishing a facility with a preferred lender which is familiar with and supportive of the Group's strategy and achievements. All borrowing is undertaken at cautious assessments of, for example, loan-to-value and interest cover. Covenants have been comfortably met to date and this prudent policy will continue.
The Group plans to continue to expand the portfolio and to continue to develop its existing holdings. However, the future stability of the Group is not dependent on growth and can continue profitably at its present size.

Future developments

Certain properties are designated for early sale and some sales are in progress. During the current year, as far as is possible in the prevailing economic climate, the consolidation of the portfolio into commercial holdings will continue with the intention of increasing both immediate revenue and potential capital profits from changes of use. Transactions are currently under considerations and will be announced as they are finalised.
The directors consider that the programme of investment undertaken since the ISDX listing will continue and will result in an increase in the Group's assets in the future.
The Strategic Report was approved by the Board on 4 October 2016 and signed on its behalf by:

Ivan Minter
Director

Directors' Report

The Directors present their report with the audited consolidated financial statements for the year ended 30 April 2016.

Dividends

The Directors declared an interim dividend for the year ended 30 April 2016 of 0.033p per share (2015: 0.03p). This was paid on 6 June 2016.

Directors

The following Directors have held office since 1 May 2015:

Keith Pankhurst
Mark Thomas
Dr Tony Ghorayeb
Hikmat El-Rousstom
Ismail Ghandour
Ivan Minter
Kayssar Ghorayeb

Going concern

The Directors can report that, based on the Group's budgets and financial projections, they have satisfied themselves that the business is a going concern. The board has a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and therefore the accounts are prepared on a going concern basis.

Auditors

RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP) has expressed its willingness to continue in office and a resolution to re-appoint it will be proposed at the forthcoming Annual General Meeting.

Post balance sheet events

On 6 June 2016 the Company paid a dividend to ordinary shareholders at 3.3% of nominal share value.

On 20 June 2016, Daniel Waylett, a shareholder, advanced a short term loan of £1,000,000 to the Company at an interest rate of 0.5% per month.

On 1 July 2016, Nationwide Building Society advanced a loan of £3,396,250 to Ace (Gateshead) Limited and Ace (Plymouth) Limited secured on the freehold properties owned by those companies. This loan has subsequently been superseded by the Lloyds Bank Plc loan facility described below.

On 8 August 2016, Ace (Hanley) Limited, a 100% subsidiary of the Company exchanged contracts for the purchase of 1-5 Upper Market Square, Hanley for the sum of £9,000,000 with completion on 8 November 2016

On 18 August 2016, the Dajani family agreed that the loan of £500,000 due for repayment on 14 April 2016 should be advanced for a further period not exceeding one year at an interest rate of 0.5% per month.

On 15 September 2016, Daniel Waylett agreed to purchase the entire share capital of Ace (Sloane) Limited, the 100%-owned subsidiary of Ace Liberty & Stone plc which owns Colebrook Court, for the sum of £1,553,000, part of which consideration was provided by the settlement of the short term loan advanced on 20 June 2016.

On 17 September 2016, the Company and Lloyds Bank plc signed credit-approved heads of terms in respect of a loan facility for £16,300,000 secured on the following properties: Hillcrest House, Leeds; King House, Luton; Fawcett House, Sunderland; Bridge House, Dudley; Shildon House, Gateshead; Marsh Mills, Plymouth; Upper Market Square, Hanley.

Future developments

This information has not been included in the Directors' Report because it is shown in the Strategic Report as permitted by section s414C(11) of the Companies Act.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' Report and the 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. The directors have elected under company law and the rules of ISDX to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS101 'Reduced Disclosure Framework'.

The Group financial statements are required by law and IFRS adopted by the EU to present fairly the financial position and performance of the Group; the Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Directors' Report (continued)

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 for that period.

In preparing the group and company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs adopted by the EU and for the Company financial statements state whether applicable UK accounting standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Ace Liberty & Stone plc website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of disclosure to auditor

The Directors who were in office at the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the Directors has confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

The Directors' Report was approved by the Board on 4 October 2016 and signed on its behalf by:

Ivan Minter
Director

Independent Auditors' Report to the Members of Ace Liberty & Stone Plc

We have audited the group and parent company financial statements ("the financial statements") on pages 9 to 25. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

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

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on pages 6 to 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at **http://www.frc.org.uk/auditscopeukprivat**e

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 April 2016 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

EUAN BANKS (Senior Statutory Auditor)
For and on behalf of RSM UK AUDIT LLP (formerly BAKER TILLY UK AUDIT LLP), Statutory Auditor
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB

Date: 4 October 2016

Consolidated Statement of Comprehensive Income

	Notes	2016 £	2015 £
Revenue	4	2,037,308	*1,201,185*
Gain (loss) on disposal of investment property		-	-
Administrative expenses	5	(1,201,655)	*(887,425)*
Fair value gains (losses) on investment property		(422,823)	*1,186,983*
Fair value gains (losses) on assets held for sale		705,681	-
Finance cost	6	(539,095)	*(277,705)*
Finance income	7	32,918	*43,743*
Share-based payment charge		-	*(211,200)*
Profit before taxation	8	**612,334**	*1,055,581*
Taxation	11	(352,341)	*(296,559)*
Profit after taxation		**259,993**	*759,022*
Other comprehensive income		**-**	-
Total comprehensive income for the period		**259,993**	*759,022*
Attributable to:			
Owners of the parent		324,447	*805,786*
Non-controlling interest		(64,454)	*(46,764)*
		259,993	*759,022*
Earnings per share		**Pence**	**Pence**
Basic earnings per share attributable to equity owners of the parent	12	0.04	*0.13*
Diluted earnings per share attributable to equity owners of the parent	12	0.03	*0.12*

Consolidated and Company Statement of Financial Position

		Group		Company	
		2016	*2015*	2016	*2015*
ASSETS	*Notes*	£	*£*	£	*£*
Non-current assets					
Investment property	13	21,788,428	*23,964,428*	-	-
Investments	14	-	-	1,863,565	*1,743,140*
Other receivables	16	-	-	16,614,855	*6,224,867*
		21,788,428	*23,964,428*	18,478,420	*7,968,007*
Current assets					
Assets held for sale	15	7,700,000	-	-	-
Trade and other receivables	16	134,253	*128,301*	33,106	*4,238,524*
Cash and cash equivalents		517,632	*1,947,384*	171,276	*1,384,705*
		8,351,885	*2,075,685*	204,382	*5,623,229*
TOTAL ASSETS		**30,140,313**	*26,040,113*	**18,682,802**	*13,591,236*
EQUITY AND LIABILITIES					
Current liabilities					
Liabilities held for sale	17	2,400,055	-	-	-
Trade and other payables	18	1,394,996	*1,100,447*	282,995	*736,195*
Borrowings	19	1,333,377	*2,533,421*	500,000	*1,535,938*
		5,128,428	*3,633,868*	782,995	*2,272,133*
Non-current liabilities					
Borrowings	19	6,853,676	*8,052,269*	-	-
Other payables	18	-	*918,524*	1,284,261	-
Deferred tax	11	211,634	*364,435*	-	-
		7,065,310	*9,335,228*	1,284,261	-
Share capital	20	9,821,517	*5,238,340*	9,821,517	*5,238,340*
Share premium		7,132,802	*5,402,263*	7,132,802	*5,402,263*
Share option reserve		479,180	*479,180*	479,180	*479,180*
Other reserve		-	*462,500*	-	*462,500*
Retained earnings		513,076	*828,083*	(817,953)	*(263,180)*
Total equity attributable to owners of the parent		17,946,575	*12,410,366*	16,615,546	*11,319,103*
Non-controlling interests		-	*660,651*	-	-
Total equity		17,946,575	*13,071,017*	16,615,546	*11,319,103*
TOTAL EQUITY AND LIABILITIES		**30,140,313**	*26,040,113*	**18,682,802**	*13,591,236*

The financial statements were approved and authorised for issue by the Board on 4 October 2016 and signed on its behalf by:

Ivan Minter
Director
Company Registration number: 06223892

Consolidated Statement of Changes in Equity

	Share capital	Share premium	Share option	Other reserve	Retained earnings	Controlling interest	Non-controlling interest	Total equity
	£	£	£	£	£	£	£	£
Balance at 1 May 2014	*4,205,619*	*3,590,514*	*267,980*	-	*179,992*	*8,244,105*	*707,415*	*8,951,520*
Total comprehensive income for the year								
Profit for the year	-	-	-	-	*805,786*	*805,786*	*(46,764)*	*759,022*
Transactions with owners								
Shares issued during the year	*1,032,721*	*1,852,529*	-	-	-	*2,885,250*	-	*2,885,250*
Share issue costs	-	*(40,780)*	-	-	-	*(40,780)*	-	*(40,780)*
Share-based payments costs	-	-	*211,200*	-	-	*211,200*	-	*211,200*
Shares yet to be issued	-	-	-	*462,500*	-	*462,500*	-	*462,500*
Dividend on ordinary shares	-	-	-	-	*(157,695)*	*(157,695)*	-	*(157,695)*
	1,032,721	*1,811,749*	*211,200*	*462,500*	*(157,695)*	*3,360,475*	-	*3,360,475*
Balance at 1 May 2015	*5,238,340*	*5,402,263*	*479,180*	*462,500*	*828,083*	*12,410,366*	*660,651*	*13,071,017*
Total comprehensive income for the year								
Profit for the year	-	-	-	-	324,447	324,447	(64,454)	259,993
Transactions with owners								
Shares issued during the year	4,583,177	1,893,718	-	(462,500)	-	6,014,395	-	6,014,395
Share issue costs	-	(163,179)	-	-	-	(163,179)	-	(163,179)
Purchase of non-controlling interest	-	-	-	-	(639,454)	(639,454)	(596,197)	(1,235,651)
	4,583,177	1,730,539	-	(462,500)	(639,454)	5,211,762	(596,197)	4,615,565
Balance at 30 April 2016	**9,821,517**	**7,132,802**	**479,180**	**-**	**513,076**	**17,946,575**	**-**	**17,946,575**

Company Statement of Changes in Equity

	Share capital	Share premium	Share option	Other reserve	Retained earnings	Total equity
	£	£	£	£	£	£
Balance at 1 May 2014	*4,205,619*	*3,590,514*	*267,980*	-	*(44,865)*	*8,019,248*
Total comprehensive income for the year						
Profit for the year	-	-	-	-	*(60,620)*	*(60,620)*
Transactions with owners						
Shares issued during the year	*1,032,721*	*1,852,529*	-	-	-	*2,885,250*
Share issue costs	-	*(40,780)*	-	-	-	*(40,780)*
Share-based payments costs	-	-	*211,200*	-	-	*211,200*
Shares yet to be issued	-	-	-	*462,500*	-	*462,500*
Dividend on ordinary shares	-	-	-	-	*(157,695)*	*(157,695)*
	1,032,721	*1,811,749*	*211,200*	*462,500*	*(157,695)*	*3,360,475*
Balance at 1 May 2015	*5,238,340*	*5,402,263*	*479,180*	*462,500*	*(263,180)*	*11,319,103*
Total comprehensive income for the year						
Loss for the year	-	-	-	-	(554,773)	(554,773)
Transactions with owners						
Shares issued during the year	4,583,177	1,893,718	-	(462,500)	-	6,014,395
Share issue costs	-	(163,179)	-	-	-	(163,179)
	4,583,177	1,730,539	-	(462,500)	-	5,851,216
Balance at 30 April 2016	**9,821,517**	**7,132,802**	**479,180**	**-**	**(817,953)**	**16,615,546**

Consolidated Statement of Cash Flows

	2016	2015
	£	£
Profit before tax	612,334	*1,055,581*
Cash flow from operating activities		
Adjustments for:		
Finance income	(32,918)	*(43,743)*
Finance costs	539,095	*277,205*
Share-based payment charge – Included in administrative expenses	68,750	-
Share-based payment charge – Share options	-	*211,200*
Fair value adjustment	(282,858)	*(1,186,983)*
(Increase) / decrease in receivables	(5,952)	*311,956*
(Decrease) / increase in payables	(31,342)	*349,847*
Tax paid	(27,150)	*(44,773)*
Interest paid	(419,095)	*(277,205)*
Net cash generated by operating activities	420,864	*653,085*
Cash flows from investing activities		
Interest received	32,918	*43,743*
Purchase of investment properties	(8,756,874)	*(12,745,178)*
Sale of investment properties	4,850,000	-
Purchase of non-controlling interest in subsidiary	(1,235,650)	-
Net cash (used) by investing activities	(5,109,606)	*(12,701,435)*
Cash flows from financing activities		
Share issue, net of issue costs	4,328,716	*2,844,470*
Payment for shares to be issued	-	*462,500*
Short term loans advanced	-	*435,938*
Long term loans advanced	1,969,539	*7,702,500*
Long term loans repaid	(2,886,645)	*(470,795)*
Equity dividend paid	(152,620)	*(101,209)*
Net cash generated by financing activities	3,258,990	*10,873,404*
Net (decrease) in cash and cash equivalents	**(1,429,752)**	*(1,174,946)*
Cash and cash equivalents at the beginning of the period	**1,947,384**	*3,122,330*
Cash and cash equivalents at the end of the period	**517,632**	*1,947,384*

Notes to the Consolidated Financial Statements

1 General information

Ace Liberty & Stone Plc (the "Company") is a company that is incorporated in England and Wales whose shares are listed on the ISDX Stock Exchange. The Group's principal activity is that of property investment.

The Directors have taken advantage of the exemption available under Section 408 of the Companies Act 2006 and have not produced the Company's individual profit and loss account. The company loss before taxation is £379,894 (2015: loss £60,620).

2 Basis of presentation and significant accounting policies

The principal accounting policies applied in the preparation of the group and parent company's financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of presentation

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as adopted for use in the European Union (EU) and issued by the International Accounting Standards Board (IASB). The consolidated financial statements are presented in Sterling, the group and parent company's functional currency. The financial statements have been prepared on a going concern basis under the historical cost convention, except as otherwise described in the accounting policies.

IFRS requires management to make certain critical accounting estimates and to exercise judgement in the process of applying the group's accounting policies. These estimates are based on the directors' extensive knowledge and past experience derived from their professional property activities and supported by independent professional advice.

The financial statements for the Company have been prepared in accordance with Financial Reporting Standard 101 by applying the recognition and measurement requirements of International Financial Reporting Standards as adopted by the EU ("IFRS"), amended where necessary in order to comply with Companies Act 2006. The Company has notified shareholders of this disclosure.

Transition to FRS 101

In transition to FRS 101, the Company has applied International Financial Reporting Standard 1 'First Time Adoption of International Financial Reporting Standards' (IFRS 1) subject to the exemptions available under FRS 101 and listed below.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel

As the consolidated financial statements include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share based payments;
- The disclosures required by IFRS 7 and IFRS 13 regarding financial instrument disclosures have not been provided apart from those which are relevant for the financial instruments which are held at fair value and are not either held as part of trading portfolio or derivatives.

There were no changes required to accounting policies and no effect on the comparative period following the transition to FRS101.

2.2 Standards, amendments and interpretations to published standards not yet effective

The following standards and interpretations (and amendments thereto) have been issued by the International Accounting Standards Board and its International Financial Reporting Interpretations Committee (IFRIC) which are not yet effective and have not been adopted, many of which are either not relevant to the Group or have no impact on the financial statements of the Group.

	Effective Dates
IAS 1 (Amended), 'Disclosure Initiative'	1 January 2016
IAS 7 (Amended), 'Statement of Cash Flows'	1 January 2017
IFRS 9 'Financial Instruments'	1 January 2018
IFRS 15 'Revenue for Contracts with Customers'	1 January 2018
IFRS 16 'Leases'	1 January 2019

The effective dates stated above are those given in the original IASB/IFRIC standards and interpretations. As the Group prepares it financial statements in accordance with IFRS as adopted by the European Union, the application of new standards and interpretations will be subject to their having been endorsed for use in the EU via the EU Endorsement mechanism.

Notes to the Consolidated Financial Statements (continued)

2.3 Basis of consolidation

Subsidiaries
The financial statements incorporate the financial statements of the Company and entities controlled by the Company made up to the year ended 30 April 2016. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the financial statements from the date that control commences until the date that control ceases.

Until the current year, Ace Liberty & Stone Plc owned 38% of Radcliff Property Limited ("Radcliff"), the remaining 62% owned by Fineous Limited ("Fineous"). The directors of Ace Liberty & Stone plc managed the property owned by Radcliff and made all decisions normally taken by the owner without reference to the director of Fineous. Such decisions covered negotiations with tenants, arranging loan finance and disposal of the property, as well as control of Radcliff's bank account. Accordingly, the directors considered that the Company exercised control over Radcliff under the provisions of IFRS 10 and consolidated its results.
In the current year, following the sale of Telephone House, the Group purchased Fineous's stake in Radcliff and now owns 100% of the share capital.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to profit or loss in the period of acquisition. The interest of non-controlling shareholders is stated at the non-controlling interest's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the non-controlling interest in excess of the non-controlling interest's share of the net assets of the relevant subsidiary are allocated against the interests of the parent in the net assets of the relevant subsidiary.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-Group transactions, balances, income, expenses and unrealised gains are eliminated when preparing the financial information. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2.4 Foreign currency

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in pounds sterling which is the presentation currency for the consolidated and company financial statements. The functional currency of the Company is pounds sterling.

2.5 Financial assets

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determined payments that are not quoted in an active market and do not qualify as trading assets. Such assets are carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in the consolidated statement of comprehensive income when the loans or receivables are derecognised or impaired, as well as through the amortisation process.
Amounts due from subsidiaries
It is the Group's strategy to hold the ownership of its properties in wholly-owned subsidiaries, partly financed by secured loans. The parent company then advances the balance of the cost and any further amount necessary for working capital by means of short- and long-term loans. Repayment of the short-term loans is then effected periodically as permitted by the subsidiary's cash flow. The parent charges interest at a commercial rate, currently 6% p.a., on the outstanding balances.

2.6 Cash and Cash Equivalents

These include cash in hand and deposits held at call with banks.

2.7 Trade and other receivables

Trade and other receivables are recognised by the Group and carried at the original invoice amount less an allowance for any uncollectable or impaired amounts. Other receivables are initially recognised at fair value. Provision is made for impairment when the collection of the full amount is no longer probable.

2.8 Trade and other payables

These are initially recognised at fair value and then carried at amortised cost. These arise principally from the receipt of goods and services.

2.9 Key accounting estimates and judgements

The preparation of consolidated financial statements under IFRS requires management to make estimates and assumptions that may affect the application of accounting policies and the reported assets and liabilities, income and expenses. Although management believes that the assumptions and estimates are reasonable, the actual results may differ from the estimates.

The most significant estimates made in preparing these accounts relate to the valuation of the Group's investment properties. The fair value of the investment property is determined by independent property valuation experts to be the estimated amount for which a property should exchange on the date of the valuation in an arm's length transaction. Properties have been valued on an individual basis. The valuation experts use recognised valuation techniques and the valuations have been prepared in accordance with the Royal Institution of Chartered Surveyors ("RICS") Valuation – Professional Standards January 2014 ("the Red Book"). Factors reflected include current market conditions, annual rentals, lease length and location.

Notes to the Consolidated Financial Statements (continued)

2.10 Taxation

The tax expense represents the sum of the tax currently payable. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated statement of comprehensive income 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 consolidated statement of financial position date.

2.11 Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that the group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.
Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on difference tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.12 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. All such revenue is reported net of discounts and value added and other sales taxes.

Revenue represents rental income from investment properties and, for the Company only, management fees charged to subsidiary companies. Rental income from investment property leased out under operating leases is recognised in the consolidated statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of rental income.

2.13 Finance income and cost

Finance income

Finance income includes interest income from bank deposits and, in respect of the Company only, interest charged on amounts due from subsidiaries.

Finance cost

Finance cost is recognised as interest accrues, using the effective interest method, on the net carrying amount of the financial liability.

2.14 Investment property

Investment properties are properties held for long-term rental yields. Investment properties are carried in the balance sheet at fair value, representing open market value determined annually by directors or independent valuation, completed by a recognised firm of Chartered Surveyors. Gains or losses arising from changes in fair value of investment property are included in the income statement for the period in which they arise.

Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather through continuing use. Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs of sale.

2.15 Borrowings

Borrowings other than bank overdrafts are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the consolidated statement of comprehensive income over the period of the borrowings, using the effective interest method. The costs of arranging each loan is written off over the period of the loan up to a maximum period of five years. The unamortised balance is shown against the relevant borrowing at the balance sheet date.

2.16 Convertible Loans

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Notes to the Consolidated Financial Statements (continued)

2.17 Share based payments

The Company has applied the requirements of IFRS 2 Share Based Payment. For all grants of share options, the fair value as at the date of grant is calculated using an option pricing model and the corresponding expense is recognised over the vesting period. The share based payments expense is recognised as a staff cost shown separately in the income statement and the associated credit entry is made directly to reserves.

Shares issued in payment for services where the cost of service can be reliably measured (i.e. for the settlement of third party invoices) are issued at the fair value of the service received. Where shares have been issued to acquire assets, the shares are valued with reference to the fair value of the assets acquired.

2.18 Other reserves

This represents value received for shares which have yet to be issued.

3 Going concern

In the opinion of the directors, based on the Group's budgets and financial projections, they have satisfied themselves that the business is a going concern. The board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and therefore the accounts are prepared on a going concern basis.

	Group	
	2016	**2015**
	£	**£**
4 Revenue		
Revenue comprises the following		
Rental income	2,037,308	*1,201,185*
The Group's aggregate minimum future lease receipts at current annual rents are as follows:		
Up to one year	2,060,533	*1,950,625*
More than one year but less than five years	5,943,917	*5,842,250*
More than five years	5,306,667	*9,471,000*
	13,311,117	*17,263,875*

All revenue arises from the Group's UK operations, net of VAT.

The Company interprets IFRS8.34 to mean that revenue derived from separate UK Government Departments should be considered as deriving from one customer. This comprises 65% (2015: 61%) of the Group's income. City councils represent 13% (2015: 12%). The Group's income derives overwhelmingly from the ownership of commercial properties in the United Kingdom and the directors manage and report upon activity as one segment.

5 Administrative expenses

Directors' fees	290,912	*160,567*
Operating expenses of investment properties	235,338	*211,970*
Legal and professional fees	491,969	*430,658*
Other costs	183,436	*84,230*
	1,201,655	*887,425*

6 Finance cost

Loan interest	**539,095**	*277,705*

7 Finance income

Bank and other interest	**32,918**	*43,743*

8 Profit before tax

Profit before tax is stated after charging / (crediting) the following:		
Operating lease rentals – land and buildings	12,568	*4,224*
Foreign exchange gains and losses	-	*(32,762)*
Auditors' remuneration:		
Audit of parent and consolidation	28,000	*22,000*
Audit of subsidiaries	27,000	*15,000*
Other services – tax compliance	47,100	*19,500*
Total fees payable to the auditor	**102,100**	*56,500*

9 Staff costs

There were no employees other than the directors.

Notes to the Consolidated Financial Statements (continued)

10 Directors' remuneration

	Group and Company	
	2016	2015
Director's fee	£	£
Keith Pankhurst	3,000	-
Ismail Ghandour	107,000	*73,000*
Mark Thomas	31,000	*19,567*
Ivan Minter	118,000	*68,000*
Dr Tony Ghorayeb	3,000	-
Kayssar Ghorayeb	8,000	-
Hikmat El-Rousstom	116,679	-
	386,679	*160,567*

Directors' total remuneration above includes £113,679 payable to Hikmat El-Rousstom in relation to share issue costs. These costs were deducted from Share Premium and are therefore not included in the Directors' Fees charged to the Consolidated Statement of Comprehensive Income.

	Group and Company			
	2016		2015	
Share options granted in the year	Shares	£	Shares	£
Keith Pankhurst	-	-	*3,000,000*	*14,400*
Ismail Ghandour	-	-	*18,000,000*	*86,400*
Mark Thomas	-	-	*5,000,000*	*24,000*
Ivan Minter	-	-	*6,000,000*	*28,800*
Dr Tony Ghorayeb	-	-	*3,000,000*	*14,400*
Kayssar Ghorayeb	-	-	*3,000,000*	*14,400*
Hickmat El-Rousstom	-	-	*5,000,000*	*24,000*
	-	**-**	*43,000,000*	*206,400*

There were no pension payments in respect of either year

11 Taxation

	Group	
	2016	2015
Current Tax	£	£
UK corporation tax	505,142	*13,936*
Total current tax charge	**505,142**	*13,936*
Deferred tax		
Origination and reversal of timing differences	(152,801)	*282,623*
Total deferred tax charge	**(152,801)**	*282,623*
Total tax charge for period	**352,341**	*296,559*
Reconciliation of current tax charge		
Profit on ordinary activities before tax	**612,334**	*1,055,581*
Tax on profit on ordinary activities at 20.00%	122,467	*220,510*
Effects of:		
(Income)/expenditure not taxable/deductible for tax purposes	(27,890)	*10,963*
Tax on losses not recognised	35,049	*31,530*
Utilisation of unrecognised losses brought forward	(63,803)	-
Other timing differences	(14,915)	*(10,564)*
Prior year adjustment	15,085	-
Timing differences on property valuations	286,348	-
Share options	-	*44,120*
	352,341	*296,559*

Notes to the Consolidated Financial Statements (continued)

11 Taxation (continued)

	Group	
	2016	**2015**
Movement on deferred tax	**£**	**£**
Balance at 1 May 2015	364,435	*81,812*
Charge for the period	(152,801)	*282,623*
Balance at 30 April 2016	**211,634**	*364,435*

A potential deferred tax asset of approximately £330,332 (2015: £330,332) has not been recognized in the financial statements on the grounds of the uncertainty over its recoverability in the foreseeable future. The deferred tax arises due to other timing differences carried forward of £1,651,660 (2015: £1,651,660).

Deferred tax liability

The deferred tax liability comprises the following:

Other short term timing differences	211,634	*364,435*
	211,634	*364,435*

12 Earnings per share

The calculations of earnings per share are based on the following earnings and numbers of shares.

	2016	**2015**
	£	**£**
Profit for the period attributable to equity owners	**324,447**	*805,786*
	No. of shares	**No. of shares**
Weighted average number of shares		
For basic earnings per share	852,987,944	*637,840,374*
Dilutive effect of share options	102,333,333	*58,333,333*
For diluted earnings per share	**955,321,277**	*696,173,707*
Earnings per share	**pence**	**pence**
Basic	0.04	*0.13*
Diluted	0.03	*0.12*

The 2015 Earnings per Share and Diluted Earnings per Share have been restated due to the Open Offer rights issue of shares that took place on 26 February 2016 at 1p per share, being a discount on the market value of 4p per share. The restatement has been performed as required by IAS 33 paragraph 64.

	£	**£**
Dividends declared during the year – per share	-	*0.030*
Dividends declared during the year – total	-	*157,695*

There were no dividends declared and approved prior to the end of the year for inclusion in the Financial Statements. However, a dividend of £324,109 was approved after the year end, being equal to 0.033p per share.

13 Investment property	**£**	**£**
Valuation at 1 May	23,964,428	*10,032,267*
Purchases during the year at cost	5,596,823	*12,745,178*
Sales during the year at valuation	(4,850,000)	-
Transfer to assets held for sale	(2,500,000)	-
Fair value (loss) gain	(422,823)	*1,186,983*
Valuation at 30 April	**21,788,428**	*23,964,428*

The Group's investment properties have been recognised at fair value. The directors, who are qualified and experienced in property valuation, continuously monitor the values of properties held by group companies by comparison with other properties on the open market, and record the changes in fair value. External valuations are performed by valuers selected by the directors based upon their knowledge, independence and reputation for valuing assets such as those held by the Group. The directors' valuation is at fair value. The two executive directors, one of whom is a Chartered Surveyor, are qualified to assess the valuation of properties by reason of their career experience. The remaining directors have considerable corporate management experience and are competent to challenge issues both within and outside their specific professional qualifications.

The methods of fair value measurement are classified into a hierarchy based on the reliability of the information used to determine the valuation as follows:

- Level 1: valuation based on inputs on quoted market prices in active markets.
- Level 2: valuation based on inputs other than quoted market prices included in level 1 that maximise the use of observable data directly or from market prices or indirectly from derived market prices.
- Level 3: where one or more inputs to valuations are not based on observable data.

Notes to the Consolidated Financial Statements (continued)

13 Investment property (continued)

Class of property		Valuation technique	Fair value
			£
Freehold - external valuation	Level 2	Market value	17,738,428
Freehold – directors' valuation	Level 2	Market value	50,000
Leasehold over 50 years - external valuation	Level 2	Market value	4,000,000
			21,788,428

The directors believe that the open market value of the investment properties as at 30 April 2016 is £21,788,428 (2015: *£23,964,428*). Market value is considered by the directors to be the expected cash proceeds on disposal of the properties on an arms-length basis.
The historical cost of investment properties held by the Group is £21,173,551. (2015: *£21,681,608*).

14 Investments

	Company	
	2016	**2015**
	£	**£**
Cost at 1 May 2015	1,743,140	*1,742,740*
Companies formed during year	400	*400*
Acquisition of non-controlling interest in Radcliff Property Limited	1,235,025	-
Impairment	(1,115,000)	-
Cost at 30 April 2016	**1,863,565**	*1,743,140*

On 1 November 2015, Ace Liberty & Stone acquired the majority non-controlling interest in Radcliff Property Limited from Fineous limited for a consideration of £1,235,025. The sale agreement allows Ace to benefit from future receipts of rights arising from past ownership of the property up to a limit of £1,000,000. Thereafter the benefit is shared equally with Fineous Limited.

Holdings of more than 20%

The Company holds more than 20% of the share capital of the following companies:

Subsidiary Undertaking	Nature of business	Country of registration or incorporation	Shares Held	
Silverdale Limited	Investment	BVI	Ordinary	100
Hilcott Overseas Limited	Investment	England and Wales	Ordinary	100
Radcliff Property Limited	Investment	Anguilla	Ordinary	100
Ace (Leeds) Limited	Investment	England and Wales	Ordinary	100
Ace (Doncaster) Limited	Investment	England and Wales	Ordinary	100
Ace (Hulme) Limited	Investment	England and Wales	Ordinary	100
Ace (Luton) Limited	Investment	England and Wales	Ordinary	100
Ace (Barnsley) Limited	Investment	England and Wales	Ordinary	100
Ace (Sunderland) Limited	Investment	England and Wales	Ordinary	100
Ace (Dudley) Limited	Investment	England and Wales	Ordinary	100
Ace (Gateshead) Limited	Investment	England and Wales	Ordinary	100
Ace (Plymouth) Limited	Investment	England and Wales	Ordinary	100
Ace (Chelsea) Limited	Investment	England and Wales	Ordinary	100
Ace (Sloane) Limited	Investment	England and Wales	Ordinary	100

The principal place of business for all subsidiaries is the United Kingdom.

Notes to the Consolidated Financial Statements (continued)

15 Non-current assets held for sale	Group 2016 £
Fair value at 1 May 2015	-
Additions at cost	4,494,319
Transfer from investment property	2,500,000
Overall fair value gain	705,681
Fair value at 30 April 2016	**7,700,000**
This consists of:	
Hume House, Leeds, sold with completion on or before 31 December 2016	3,550,000
Colebrook Court, purchased 31 March 2016	1,400,000
Oscar Court, purchased 26 February 2016	2,750,000
	7,700,000

Hume House, Leeds was purchased by the Company's subsidiary Ace (Hulme) Limited on 27 March 2014 for £1,675,000. Contracts were exchanged for the sale of the property for £3,550,000 on 8 January 2016. Colebrook Court and Oscar Court were purchased partly by the issue of ordinary shares in the Company with the intention of re-selling. Colebrook Court was sold on 15 September for £1,553,000.

16 Trade and other receivables	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Trade receivables	93,198	*70,138*	-	-
Other receivables	25,831	*23,483*	17,882	*4,233,858*
Amounts due from subsidiary companies	-	-	16,614,855	*6,224,867*
Prepayments and accrued income	15,224	*34,680*	15,224	*4,666*
	134,253	*128,301*	**16,647,961**	*10,463,391*
Current	134,253	*128,301*	33,106	*4,238,525*
Non-current	-	-	16,615,855	*6,224,867*
	134,253	*128,301*	**16,647,961**	*10,463,391*

The directors consider that the carrying amount of financial assets approximates to their fair value.

17 Non-current liabilities held for sale	Group 2016 £
Secured loan on Hume House, Leeds	630,345
Secured loan on Flat G, Oscar Court	1,769,710
	2,400,055

The liabilities held for sale are secured on the properties to which they relate and will be repaid once the assets are disposed of. The liabilities bear interest at rates between 3.4% and 5.25%.

18 Trade and other payables	Group		Company	
	2016	*2015*	2016	*2015*
	£	£	£	£
Trade payables	121,748	*138,633*	-	-
Taxation and social security	567,157	*43,203*	157,578	-
Other payables	197,018	*1,013,510*	-	-
Amounts due to subsidiary companies	-	-	1,284,261	*335,100*
Accruals and deferred income	509,073	*823,625*	125,417	*401,095*
	1,394,996	*2,018,971*	**1,567,256**	*736,195*
Current	1,394,996	*1,100,447*	282,995	*736,195*
Non-current	-	*918,524*	1,284,261	-
	1,394,996	*2,018,971*	**1,567,256**	*736,195*

All of these liabilities are held at amortised cost. The directors consider that the carrying amount of financial liabilities approximates their fair value.

Notes to the Consolidated Financial Statements (continued)

19 Borrowings

	Group		Company	
	2016	*2015*	2016	*2015*
	£	£	£	£
Other loans	500,000	*435,938*	500,000	*435,938*
Bank loans	7,687,053	*10,152,752*	-	*1,100,000*
	8,187,053	*10,588,690*	**500,000**	*1,535,938*
Current	1,333,377	*2,533,421*	500,000	*1,535,938*
Non-current	6,853,676	*8,052,269*	-	-
	8,187,053	*10,585,690*	**500,000**	*1,535,938*

All of these liabilities are held at amortised cost. The directors consider that the carrying amount of financial liabilities approximates their fair value.

Details of security and interest rates

On 4 April 2016 the Company's subsidiary, Ace (Chelsea) Limited, drew down a loan of £1,790,000 from Byblos Bank. Interest is charged at a rate of 3% per annum above the Bank's lending rate. The loan is repayable by 11 quarterly instalments and a bullet payment three years from the drawdown date. Full repayment is due three years from the drawdown date.

During the year the Company's subsidiary, Ace (Sunderland) Limited, drew down an additional £200,000 from Svenska Handelsbanken AB (publ) on 11 June 2015, leading to a total facility of £2,560,000. Interest is charged at a rate of 2.65% per annum over LIBOR. The loan is repayable by instalments with a final payment due on 4 December 2019.

During the year ended 30 April 2016 the Company repaid loans totalling £1,100,000 borrowed in previous years from LiBank (Levant Investment Bank) s.a.l. A convertible loan of £500,000 borrowed from Dinama Holdings Limited in April 2015 was converted into ordinary shares at the contracted price of 2.75p on 13 January 2016.

Each bank loan is secured by a first charge on one of the Group's properties and by a guarantee from the ultimate parent company. Interest rate on loans was in the range 1.85% to 5.75%.

20 Share capital

	Group and Company	
	2016	2015
	£	£
Allotted, issued and fully paid up capital		
928,151,750 (2015: *523,834,066*) ordinary shares of £0.01 each	**9,821,517**	*5,238,340*

	Shares	Shares
Shares in issue at 1 May 2015	523,834,066	*420,561,989*
Shares issued during year ended 30 April 2016	458,317,684	*103,272,077*
Shares in issue at 30 April 2016	**982,151,750**	*523,834,066*

During the year the Company issued 458,317,684 new ordinary shares as follows:

	Shares	**£**
Cash subscriptions at 2.75p	32,616,909	896,966
Property acquisitions at 3p	23,125,000	693,750
Property acquisitions at 2.6p	24,666,666	640,000
Settlement of invoices at 2.75p	1,818,191	50,000
Settlement of invoices at 2.32p	4,909,100	113,679
Conversion of loan from Dinama Holdings Limited at 2.75p	21,181,818	582,500
Open Offer to shareholders at 1p	350,000,000	3,500,000
	458,317,684	6,476,895

The Open Offer to existing shareholders was approved by the Board on 4 February 2016 on the basis that each shareholder on the register at the qualifying date was entitled to subscribe for one new ordinary share of 1p for each two shares held. In addition, each shareholder could apply for an excess allocation of shares up to the same number. The offer was limited to 350,000,000 shares in total. Shareholders applied for 439,640,943 shares which necessitated scaling back the excess applications proportionately. The share issue was approved on 26 February 2016 and trading in the new shares commenced on the same day.

Notes to the Consolidated Financial Statements (continued)

20 Share capital (continued)

Shares were issued as part consideration for the purchases, during the year to 30 April 2016, of properties included in the Company's subsidiaries Ace (Chelsea) Limited and Ace (Sloane) Limited and included in the Group's Statement of Financial Position as non-current assets held for sale. The fair value of the properties acquired was determined by valuations of the properties performed by third party expert valuers.

Shares were issued as consideration for a number of invoices received from third parties. The value of the services provided was determined by the amount charged on those invoices by the supplier.

The fair value of the shares issued in the above transactions was determined by the Directors, with reference to cash subscriptions that have occurred prior to these transactions.

Share Options

Share options are granted to directors and officers of the Group. Options are not conditional on the employee's performance and there is no service condition attached to the awards. They are exercisable immediately and the exercise price is factored into the fair value at grant. The weighted average fair value of options granted in the year was determined using the Black-Scholes option pricing model. The Black-Scholes model is considered to apply the most appropriate valuation method due to the relatively short contractual lives of the options and the requirement to exercise within a short period after the employee becomes entitled to the shares (the "vesting date"). The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2016		2015	
	Weighted average exercise price in £ per share option	**Options**	**Weighted average exercise price in £ per share option**	**Options**
At 1 May 2015	£0.02386	102,333,333	*£0.02340*	*58,333,333*
Granted	-	-	*£0.02475*	*44,000,000*
At 30 April 2016	**£0.02386**	**102,333,333**	*£0.02386*	*102,333,333*

Of the 102,333,333 outstanding options (2015: 102,333,333 options), 102,333,333 options (2015: 102,333,333 options) were exercisable. Share options outstanding at the end of the year have the following expiry date and exercise prices:

Grant - expiry	**Expiry date**	**Exercise price in £ per share options**	**Share options**	
			2016	**2015**
2013 - 2020	31-Oct-2020	£0.02340	58,333,333	*58,333,333*
2015 - 2022	20-Apr-2022	£0.02475	44,000,000	*44,000,000*

21 Financial instruments

In common with other businesses, the Group is exposed to the risk that arises from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information is found throughout these consolidated financial statements.

21.1 Financial instruments recognised in the consolidated statement of financial position

All financial instruments are recognised initially at their fair value and subsequently measured at amortised cost:

	Group	
	2016	**2015**
Loans and receivables	**£**	**£**
Cash and cash equivalents	517,632	*1,947,384*
Trade and other receivables	119,029	*93,621*
	636,661	*2,041,005*
Other financial liabilities		
Borrowings	10,587,108	*10,588,690*
Trade and other payables	885,930	*1,975,768*
	11,464,038	*12,564,458*

Fair values of financial assets and liabilities.

The fair value of trade debtors and creditors included in net current assets is equivalent to the balance sheet carrying values. All of the Group's borrowings are held at amortised cost.

Notes to the Consolidated Financial Statements (continued)

21.2 Financial risk management objectives and policies

Credit risk

At the balance sheet date there were no significant concentrations of credit risk. The Group trades only with recognised, credit worthy customers. All customers who wish to trade on credit are subject to credit verification checks and customer balances are checked regularly to ensure that the risk of exposure to bad debts is minimised.

The Group's cash balances are all held with major banking institutions. The majority of trade receivables are due from credit worthy customers or financial institutions and are automatically settled within a few days of arising.

Liquidity risk

Responsibility for liquidity risk management rests with the board which has formulated liquidity management tools to service this requirement. Management of liquidity risk is achieved by monitoring budgets, forecasts and actual cash flows. The Group's policy is to minimise refinancing risk and to match loan maturities with the expected period of rental income for each property.

The table below analyses the Group's financial liabilities (excluding Trade and other payables) into maturity groupings:

	Under 1 year	1 - 5 years	0ver 5 years	2016 Total
	£	£	£	£
Mortgages secured on investment properties	703,765	6,566,006	417,282	**7,687,053**
Liabilities held for sale	2,400,055	-	-	**2,400,055**
Short term loans	500,000	-	-	**500,000**
	3,603,820	**6,566,006**	**417,282**	**10,587,108**

Market risk

The Group's main exposure to market risk is through interest rates. The Group enters into no derivative transactions.

Interest rate risk

The Group is subject to interest rate risk as its bank balances and some borrowings are subject to interest at a floating rate. The interest rate on bank balances at 30 April 2016 was in the range 0% to 0.05%. Interest rate on loans at the same date was in the range 1.85% to 5.75%. Of the Group's borrowings at 30 April 2016, £1,927,767 is at rates fixed for the duration of the loan or a minimum period of three years. The directors monitor interest rates closely and evaluate the return from property purchases using a cost of financing significantly above current market rates.

Fair value risk

In view of the above interest arrangement it is thought that fair value risk is minimal and that financial instruments are stated in the consolidated statement of financial position at value not significantly different from their fair value.

21.3 Capital Structure

The Group sets the amount of capital in proportion to risk and monitors this in accordance with economic conditions and the risk profile of underlying assets. Capital consists of share capital, share premium account, share option reserve, other reserve and retained earnings, but excluding non-controlling interests. The Group monitors its debt to equity ratio which was calculated as follows.

The movement in the year was the result of the Group successfully investing its cash balances in suitable properties.

	2016	2015
	£	£
Total debt	10,578,108	*10,588,690*
Less cash and cash equivalents	(517,632)	*(1,947,384)*
Net debt	**10,069,476**	*8,641,384*
Total equity	**17,946,575**	*12,410,366*
Debt to equity	**56%**	*70%*

21.4 Financial assets

Financial assets are disclosed in notes 16 and 21.1.The Group's principal financial assets are bank balances and trade and other receivables. The directors have a policy of only acquiring properties which have tenants with a high credit rating to minimise the risk of non payment. Short term cash deposits are placed only with banks with a high credit rating.

Notes to the Consolidated Financial Statements (continued)

22 Related party transactions

	2016 £	2015 £
Hind Property Company Limited is a related party by reason of common directors.		
The following amounts are included in the Group Statement of Financial Position at 30 April:		
Trade and other receivables	**70,171**	-
Trade and other payables	**-**	*17,194*
Included within the Group's income statement are the following amounts charged by Hind Property Company Limited:		
Property management fees	**32,056**	*46,030*
LiBank (Levant Investment Bank) s.a.l. is a related party by reason of common directors.		
The following amounts are included in the Group Statement of Financial Position at 30 April:		
Borrowings	**-**	*1,100,000*
Cash and cash equivalents	**32,693**	*1,102,173*
Included in Share Premium account in the Group Statement of Financial Position are the following amounts charged by LiBank (Levant Investment Bank) s.a.l.:		
Fund raising fees	**-**	*40,780*
Included within the Group's income statement are the following amounts charged by LiBank (Levant Investment Bank) s.a.l.:		
Professional fees	**-**	*143,120*
Interest on loans	**37,812**	*40,974*
Included within the Group's income statement are the following amounts received from LiBank (Levant Investment Bank) s.a.l.:		
Bank Interest	**26,770**	*49,333*
Fineous Limited is a related party by reason of its shareholding in Radcliff Property Limited.		
The following amounts are included in the Group Statement of Financial Position at 30 April:		
Trade and other payables	**-**	*1,076,926*
Included within the Group's income statement are the following amounts charged by Fineous Limited:		
Interest on loans	**27,555**	*55,109*
During the year Ace Liberty & Stone plc purchased 63% of the issued share capital of Radcliff from Fineous Limited for £235,025		
Maybridge Commercial Limited is a related party by reason of common directors.		
There are no amounts included in the Group Statement of Financial Position at 30 April.		
Included within the Group's income statement are the following amounts charged by Maybridge Commercial Limited:		
Professional fees	**122,600**	-
Dr Tony Ghorayeb is a related party because of his directorship in Ace Liberty & Stone plc. As part consideration for the purchase Ace Liberty & Stone issued 24,666,666 ordinary shares to Dr Ghorayeb at 3p. There are no outstanding balances related to Dr Tony Ghorayeb included in Group Statement of Financial Position.		
The following amounts are included in the Group Statement of Financial Position at 30 April. This was also the total amount invoiced during the year and included in the Group income statement. One of the tenants of flat 2 Colebrook Court is one of the sons of Dr Ghorayeb.		
Income received in advance	**2,200**	-
Bijan Daneshmand is a related party because of his shareholding in Ace Liberty & Stone plc.		
During the year Ace (Chelsea) Limited purchased Flat G Oscar Court from Bijan Daneshmand for £2,750,000.		
As part consideration for the purchase Ace Liberty & Stone issued 23,125,000 ordinary shares to Bijan Daneshmand at 3p.		
There are no amounts relating to Bijan Daneshmand included in the Group Statement of Financial Position at 30 April.		
Dinama Holdings Limited is a related party because of its shareholding in Ace Liberty & Stone plc.		
The following amounts are included in the Group Statement of Financial Position at 30 April:		
Other reserve	**-**	*462,500*

During the year Dinama Holdings Limited exercised its right to convert its short term loan of £500,000 into Ordinary Shares at 2.75p per share

Notes to the Consolidated Financial Statements (continued)

23 Other financial commitments

As at 30 April 2016 the Group was not committed to make any payments during the next year in respect of non-cancellable operating Leases.

24 Post balance sheet events

On 6 June 2016 the Company paid a dividend to ordinary shareholders at 3.3% of nominal share value.

On 20 June 2016, Daniel Waylett, a shareholder, advanced a short term loan of £1,000,000 to the Company at an interest rate of 0.6% per month.

On 1 July 2016, Nationwide Building Society advanced a loan of £3,396,250 to Ace (Gateshead) Limited and Ace (Plymouth) Limited secured on the freehold properties owned by those companies.

On 8 August 2016, Ace (Hanley) Limited, a 100% subsidiary of the Company exchanged contracts for the purchase of 1-5 Upper Market Square, Hanley for the sum of £9,000,000 with completion on 8 November 2016.

On 18 August 2016, the Dajani family agreed that the loan of £500,000 due for repayment on 14 April 2016 should be advanced for a further period not exceeding one year at an interest rate of 0.5% per month.

On 15 September 2016, Daniel Waylett agreed to purchase the entire share capital of Ace (Sloane) Limited, the 100%-owned subsidiary of Ace Liberty & Stone plc which owns Colebrook Court, for the sum of £1,553,000, part of which consideration was provided by the cancellation of the short term loan advanced on 20 June 2016.

On 17 September 2016, the Company and Lloyds Bank plc signed credit-approved heads of terms in respect of a loan facility for £16,300,000 secured on the following properties: Hillcrest House, Leeds; King House, Luton; Fawcett House, Sunderland; Bridge House, Dudley; Shildon House, Gateshead; Marsh Mills, Plymouth; Upper Market Square, Hanley.

Expected timetable of principal events

Publication of this Document	5 October 2016
Latest time and date for receipt of Form of Proxy	12 p.m. on 26 October 2016
Annual General Meeting	12 p.m. on 28 October 2016

If any of the details contained in the timetable above should change, the revised times and dates will be notified to Shareholders by means of a Regulatory News Service announcement.

All references to time in this Document are to London time.

Definitions

The following definitions apply throughout this Document and the accompanying Form of Proxy unless the context requires otherwise:

"**Act**"	Companies Act 2006
"**Board**" or "**Directors"**	the Directors of the Company, whose names are set out on page 2 of this Document
"**Company**"	Ace Liberty & Stone Plc
"**Annual General Meeting**" or "**AGM**"	the Annual General Meeting of the Company convened for 12 p.m. on 28 October 2016 to approve the Resolutions, or any adjournment of the Annual General Meeting.
"**Employee Share Scheme**"	The share scheme described in the Letter from the Chairman on page 4 of this Document;
"**Form of Proxy**"	the form of proxy for use by Shareholders at the Annual General Meeting
"**Ordinary Shares**"	ordinary shares of 1p each in the capital of the Company
"**Resolutions**"	the resolutions as set out in the notice of the Annual General Meeting on page 6 of this Document
"**Shareholders**"	the holders of Ordinary Shares

Letter from the Chairman

ACE LIBERTY & STONE PLC

(incorporated and registered in England and Wales with registered number 06223892)

5 October 2016

To Shareholders and, for information only, to the holders of options over Ordinary Shares.

Dear Shareholder,

There is attached to this Document the Notice convening an Annual General Meeting of the Company to be held on 28 October 2016.

The business of the AGM is set out in the Notice of AGM. The ordinary business of the AGM is the approval of the accounts of the Company for the year ended 30 April 2016 and the consolidated accounts of the Company and its subsidiaries for the same period, the reappointment of Ivan Minter and Kayssar Ghorayeb who retire by rotation at this AGM, and the re-appointment of RSM UK Audit LLP as auditors.

SPECIAL BUSINESS

Resolution 5 – Employee Share Scheme

The Board of directors have considered an employee share incentive scheme (**Employee Share Scheme**) under which the senior management will be offered the opportunity to take up shares in the Company by way of options which are to be exercisable on the achievement of certain targets and/or trigger events to be determined in each case by the Board. To facilitate this scheme, the Board proposes to establish an Employee Benefit Trust (**EBT**) to which the Company will allot shares (as set out in the description of Resolution 7 below) in order that that the EBT holds a sufficient number of shares to fulfil the exercise of any of the employee's option agreements.

The Employee Share Scheme will be the subject of a resolution that will be presented at the AGM to be approved by the shareholders by way of an ordinary resolution.

Resolution 6 - To authorise the Directors pursuant to section 551 of the Companies Act 2006

The Act requires that the authority of the Directors to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company should be subject to the approval of Shareholders in general meeting or to an authority set out in the Company's Articles of Association.

Resolution 6 will be proposed at the AGM, as an ordinary resolution to authorise the Directors to allot unissued shares of the Company up to a total nominal value of £4,900,000. This authority will expire at the next annual general meeting or, if later, 15 months after the passing of the resolution.

Resolution 7 – To disapply the statutory pre-emption rights under section 561 of the Companies Act 2006

The Act requires that any equity securities issued wholly or partly for cash must be offered to existing Shareholders in proportion to their existing holdings unless otherwise approved by Shareholders in general meeting or accepted under the Company's articles of association. Accordingly, a special resolution (this resolution 7) will be proposed at the AGM, subject to the passing of resolution 6, to vary the Directors' authority to allot equity securities for cash other than on a pro rata basis. This authority will expire at the next annual general meeting or, if later, 15 months after the passing of the resolution.

The Act requires that any equity securities issued wholly or partly for cash must be offered to existing Shareholders in proportion to their existing holdings unless otherwise approved by Shareholders in general meeting or excepted under the Company's Articles of Association. Accordingly, a special resolution (resolution 7) will be proposed at the AGM, subject to the passing of resolution 6, to vary the Directors' authority to allot equity securities for cash other than on a pro rata basis. The disapplication of statutory pre-emption rights is subject to limitations. In the case of shares to be issued or in respect of which options and other rights may be granted under the Employee Share Scheme the number of Ordinary Shares that may be allotted without invoking the statutory pre-emption rights is up to an aggregate nominal amount of £98,000, i.e. up to 9,800,000 Ordinary Shares which represents about one per cent. of the present issued share capital. In the case of shares to be issued or for which rights might be granted for placings and other issues, the shares that may be allotted without being offered by way of rights to existing shareholders under the statutory pre-emption rights is to be up to an aggregate nominal amount of £4,802,000 which would provide for up to 480,200,000 new Ordinary Shares which represents about 50 per cent. of the present issued share capital. This authority will expire on the date falling eighteen months after the passing of this resolution or the date of the annual general meeting to be held in 2017, whichever is the earlier.

ACTION TO BE TAKEN

The Form of Proxy for use by Shareholders at the Annual General Meeting is enclosed. If you are unable to be present at the Annual General Meeting, please complete and sign the Form of Proxy and return it to the Company's registrars, Share Registrars Limited of Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey, GU9 7LL, to be received as soon as possible, and in any event by no later than12 p.m. 26 October 2016.

You are entitled to appoint a proxy to attend and to exercise all or any of your rights to vote and to speak at the Annual General Meeting instead of you. However, the completion and return of the Form of Proxy will not prevent you from attending the Annual General Meeting and voting in person if you wish to do so. Your attention is drawn to the notes to the Form of Proxy.

Yours sincerely

Dr Tony Ghorayeb

Chairman

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that an Annual General Meeting of Ace Liberty & Stone Plc (incorporated and registered in England and Wales with registered number 06223892) (the **"Company"**) will be held at 12 p.m. on 28 October 2016 at Finsgate, 5-7 Cranwood Street, London EC1V 9EE (the **"Meeting"**) to consider and if thought fit, to pass resolutions 1 to 6 as ordinary resolutions of the Company and resolution 7 as a special resolution of the Company.

ORDINARY BUSINESS

As Ordinary Resolutions

1. To receive and adopt the statement of accounts for the year ended 30 April 2016, together with the reports of the directors and the auditors thereon and the consolidated accounts of the Company and its subsidiaries for the same period.
2. That Ivan Minter, a Director retiring by rotation in accordance with the Company's Articles of Association, be and is hereby re-elected as a Director of the Company.
3. That Kayssar Ghorayeb, a Director retiring by rotation in accordance with the Company's Articles of Association, be and is hereby re-elected as a Director of the Company.
4. To re-appoint RSM UK Audit LLP Chartered Accountants as auditors of the Company and to authorise the Directors to fix the remuneration of RSM UK Audit LLP Chartered Accountants.

SPECIAL BUSINESS

As Ordinary Resolutions

5. That the creation and implementation of the Employee Share Scheme (as defined in the Circular) be and it is hereby approved.

6. That in accordance with Section 551 of the Companies Act 2006, the Directors be generally and unconditionally authorised to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company (**"Rights"**) up to an aggregate nominal amount of £4,900,000 provided that this authority shall, unless renewed, varied or revoked by the Company, expire on the earlier of the conclusion of the Annual General Meeting of the Company to be held in 2017 or the date falling fifteen months after the passing of this Resolution save that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted or Rights to be granted and the Directors may allot shares or grant Rights in pursuance of such offer or agreement notwithstanding that the authority conferred by this Resolution has expired.

   This authority is in substitution for all previous authorities conferred on the Directors in accordance with Section 551 of the Companies Act 2006, but without prejudice to any allotment of shares or grant of Rights already made or offered or agreed to be made pursuant to such authorities.

As a Special Resolution

7. That, the Directors be and they are hereby empowered (in substitution for and to the exclusion of any other existing powers save to the extent that the same have been previously exercised) pursuant to Section 551 of the Companies Act 2006 to allot equity securities (within the meaning of Section 560 of the Companies Act 2006) of the Company for cash pursuant to the authority conferred on them by Resolution 6 and to allot relevant securities as if Section 561(1) of the Companies Act 2006 did not apply to any such allotment, provided that the disapplication of the statutory pre-emption rights is limited to:

   (a) subject to the Resolution 5 being passed, up to an aggregate nominal amount of £98,000 in respect of Ordinary Shares which may be issued, in respect of which Rights may be granted to employees and officers of the company and its subsidiaries pursuant to the Employee Share Scheme; and

   (b) up to an aggregate nominal amount of £4,802,000 in respect of Ordinary Shares which may be issued or in respect of which Rights may be granted otherwise than by way of rights issue in accordance with the statutory pre-emption rights.

   This power shall (unless previously revoked or varied by the Company in General Meeting) expire eighteen months after the date of the passing of this Resolution or at the conclusion of the Annual General Meeting of the Company to be held in 2017 whichever first occurs save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

Dated: 5 October 2016

By order of the Board

International Registrars Limited

Secretary

Registered office: Finsgate, 5-7 Cranwood Street, London EC1V 9EE

Notice of Annual General Meeting (continued)

Notes:

1. As a member of the Company you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

2. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out below and in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.

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

   To be valid, a form of proxy and the power of attorney or other written authority, if any, under which it is signed, or an office or notarially certified copy in accordance with the Powers of Attorney Act 1971 of such power or written authority, must be delivered to Share Registrars Limited of Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey, GU9 7LL, no later than 12 p.m. on 26 October 2016 (or 48 hours before the time fixed for any adjourned meeting or, in the case of a poll taken more than 48 hours after it was demanded, not less than 24 hours before the time appointed for taking the poll at which the proxy is to attend, speak and vote provided that in calculating such periods no account shall be taken of any part of a day that is not a working day and where the poll is not taken forthwith but is taken not more than 48 hours after it was demanded, at the meeting at which the poll was demanded).

4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy complete and submit more than one proxy form and make it clear how many shares the proxy has voting rights over. Failure to specify the number of shares each proxy appointment relates to or specifying a number of shares in excess of those held by you on the record date will result in the proxy appointment being invalid.

5. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

6. Use of the proxy form does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

7. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to the registrars of the Company, Share Registrars Limited of Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey, GU9 7LL (in the case of a member which is a company, the revocation notice must be executed in accordance with note 10 below).

   Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by the registrars of the Company no later than 48 hours before the time fixed for the holding of the Meeting or any adjourned meeting (or in the case of a poll before the time appointed for taking the poll) at which the proxy is to attend, speak and vote.

   If you attempt to revoke your proxy appointment but the revocation is received after the time specified then your proxy appointment will remain valid.

8. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

9. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

10. In the case of a member which is a company, the form of proxy must be executed pursuant to the terms of section 44 of the Companies Act 2006 or under the hand of a duly authorised officer or attorney.

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

12. Except as provided above, members who have general queries about the Meeting should call Share Registrars Limited on 01252 2821390 (no other methods of communication will be accepted).

13. You may not use any electronic address provided either in this notice of annual general meeting or any related documents (including the Chairman's letter and proxy form) to communicate with the Company for any purposes other than those expressly stated.

Form of proxy for use at the Annual General Meeting of Ace Liberty & Stone plc

to be held at 12 p.m. on 28 October 2016 at Finsgate, 5-7 Cranwood Street, London EC1V 9EE (the **"Meeting"**)

I/We being (a) member(s) of Ace Liberty & Stone Plc (the "**Company**") hereby appoint the Chairman of the Meeting or (see note 3 overleaf):-

……

as my/our proxy to attend, speak and vote on my/our behalf at the Meeting and at any adjournment of the Meeting. I/We direct my/our proxy to vote on the following resolutions as I/we have indicated by marking the appropriate box with an 'X':-

ORDINARY BUSINESS	RESOLUTION	FOR	AGAINST	WITHHELD
Resolution 1 (Ordinary)	To consider and adopt the statement of accounts for the year ended 30 April 2016 and the reports of the directors and auditors thereon and the consolidated accounts of the Company and its subsidiaries for the same period			
Resolution 2 (Ordinary)	To re-elect Ivan Minter as a director of the Company			
Resolution 3 (Ordinary)	To re-elect Kayssar Ghorayeb as a director of the Company			
Resolution 4 (Ordinary)	To re-appoint RSM UK Audit LLP Chartered Accountants as auditors of the Company			
Resolution 5 (Ordinary)	To authorise the creation and implementation of the Employee Share Scheme			
Resolution 6 (Ordinary)	To authorise the directors to allot relevant equity securities up to a maximum nominal amount set out in and in accordance with the terms set out in the Notice of the General Meeting			
Resolution 7 (Special)	Subject to, and conditional upon, resolution 6 being passed, to empower the directors to allot relevant equity securities pursuant to section 570 of the Companies Act 2006			

If no indication is given, my/our proxy will vote or abstain from voting at his/her discretion and I/we authorise my/our proxy to vote (or abstain from voting) as he/she thinks fit in relation to any other matter which is properly put before the Meeting (including any resolution to adjourn the Meeting).

Date……………………………………………Signed……………………………………………………………………………

(Please complete in BLOCK CAPITALS including initials and surnames of joint holders if applicable).

Name in full……

Address……

………

Joint Holders……

PLEASE RETURN TO THE ADDRESS PER NOTE 6 OVERLEAF

Form of proxy for use at the Annual General Meeting of Ace Liberty & Stone Plc (continued)

Notes

1. As a member of the Company you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at a general meeting of the Company. You can only appoint a proxy using the procedures set out in these notes.

2. Use of this form does not preclude a member attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

3. A proxy need not be a member of the Company but must attend the Meeting to represent you. To appoint as your proxy a person other than the Chairman of the Meeting, the words "the Chairman of the Meeting" should be struck out and the name and address of the other person be inserted in block capitals in the space provided. If you sign and return this proxy form with no name inserted in the space provided, the Chairman of the Meeting will be deemed to be your proxy. Where you appoint as your proxy someone other than the Chairman, you are responsible for ensuring that they attend the Meeting and are aware of your voting intentions.

4. The manner in which the proxy is to vote should be indicated by marking the appropriate box with an ‘X’. To abstain from voting on a resolution, select the relevant “Vote withheld” box. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

5. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy complete and submit more than one proxy form and make it clear how many shares the proxy has voting rights over. Failure to specify the number of shares each proxy appointment relates to or specifying a number of shares in excess of those held by the member on the record date will result in the proxy appointment being invalid.

6. To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority must be in writing and delivered to Share Registrars Limited of Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey, GU9 7LL, no later than 12 p.m. on 26 October 2016 (or 48 hours before the time fixed for any adjourned meeting or in the case of a poll to be taken more than 48 hours after it is demanded, not less than 24 hours before the time appointed for taking the poll at which the proxy is to attend, speak and to vote provided that in calculating such periods no account shall be taken of any part of a day that is not a working day and where the poll is not taken forthwith but is taken not more than 48 hours after it was demanded, at the meeting at which the poll was demanded).

7. In the case of a member which is a company, the form of proxy must be executed pursuant to the terms of section 44 of the Companies Act 2006 or under the hand of a duly authorised officer or attorney.

8. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

9. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

10. For details of how to revoke your proxy appointment see the notes to the notice of Meeting.

11. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders registered on the Company’s register of members at 12 p.m. on 26 October 2016 (or in the case of adjournment 48 hours before the time of the adjourned meeting) will be entitled to attend and vote at the meeting. Changes to the register of members after that time will be disregarded in determining the rights of any person to attend or vote at the meeting.

ACE LIBERTY & STONE PLC

ANNUAL REPORT 2016

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