

Palace Capital Plc
(Formerly Leo Insurance Services PLC)

Interim results for the six months ended 31 July 2010

CHAIRMAN'S STATEMENT

This is my first opportunity to communicate with you since my appointment as Chairman on 30 July last. On that date your Managing Director, Neil Sinclair, Andrew Perloff and I completed the acquisition of 29.9% of the ordinary share capital of this company when the name was changed from Leo Insurance Services plc to Palace Capital plc subsequent to a General Meeting.

In the half year to 31 July 2010, the Group made a consolidated profit of £564 (loss of £26,330) with earnings per share of 0.01p. There is no dividend.

On 30 July 2010 the Company sold its investment in Grafton Insurance Services Ltd a brokerage specialising in property assurance where the main asset was its long term contract with Safeland plc.

The holders of the preference shares have waived all rights to dividends accrued prior to 31 July 2010.

A new investing policy was approved to generate shareholder value through making property related investments in property backed businesses, distressed properties, private property companies and property services businesses.

We are looking at a number of opportunities and I will be in touch with you hopefully in the near future as shareholder approval will be required in respect of any suitable acquisition. The Company must make a relevant acquisition or implement its Investing Policy by 30 July 2011, otherwise trading in the Company's shares on AIM will be suspended in accordance with AIM Rule 40. If following suspension of the Ordinary Shares in accordance with AIM Rule 40, the Ordinary Shares have not been readmitted to trading within six months, the admission of the Ordinary Shares to trading on AIM will be cancelled

As noted in Note 1 to the Interim Financial Information, the directors have agreed to continue to support the Company and, if and when necessary, will provide funds on an interest free basis. Arbuthnot Securities Limited, the Company's nominated adviser, considers that the terms of the transaction are fair and reasonable in so far as the Company's shareholders are concerned.

Stanley Davis
Chairman

25th October 2010

Palace Capital Plc
CONSOLIDATED INCOME STATEMENT
for the six months ended 31 July 2010

	<i>Notes</i>	6 months ended 31 July 2010 (unaudited)	6 months ended 31 July 2009 (unaudited)	12 months ended 31 January 2010 (audited)
		£	£	£
Revenue		-	-	-
Cost of sales		-	-	-
GROSS PROFIT		<u>-</u>	<u>-</u>	<u>-</u>
Administrative expenses		(87,848)	(38,569)	(79,051)
OPERATING LOSS		<u>(87,848)</u>	<u>(38,569)</u>	<u>(79,051)</u>
Income from and profit on disposal of interest in joint venture		68,512	15,133	34,061
LOSS BEFORE INTEREST		<u>(19,336)</u>	<u>(23,436)</u>	<u>(44,990)</u>
Finance costs		19,900	(2,894)	(5,850)
PROFIT/(LOSS) BEFORE TAX		<u>564</u>	<u>(26,330)</u>	<u>(50,840)</u>
Taxation		-	-	-
PROFIT/(LOSS) FOR THE PERIOD		<u>564</u>	<u>(26,330)</u>	<u>(50,840)</u>
PROFIT/(LOSS) PER ORDINARY SHARE				
Basic	2	0.01p	(0.36p)	(0.70p)
Diluted	2	0.01p	(0.36p)	(0.70p)

Palace Capital Plc
CONSOLIDATED BALANCE SHEET
31 July 2010

	Notes	31 July 2010 (unaudited) £	31 July 2009 (unaudited) £	31 January 2010 (audited) £
NON CURRENT ASSETS				
Interest in joint ventures	4	-	34,309	20,237
CURRENT ASSETS				
Trade and other receivables		5,437	17,828	14,960
Cash and cash equivalents		61,809	3,041	3,480
TOTAL CURRENT ASSETS		<u>67,246</u>	<u>20,869</u>	<u>18,440</u>
CURRENT LIABILITIES				
Redeemable preference shares		(65,000)	(65,000)	(65,000)
Trade and other payable		(37,650)	(61,636)	(69,645)
TOTAL CURRENT LIABILITIES		<u>(102,650)</u>	<u>(126,636)</u>	<u>(134,645)</u>
NET CURRENT LIABILITIES		(35,404)	(105,767)	(116,205)
NON-CURRENT LIABILITIES				
Other loans		(60,000)	-	-
NET LIABILITIES		<u>(95,404)</u>	<u>(71,458)</u>	<u>(95,968)</u>
EQUITY				
Share capital		72,160	72,160	72,160
Share premium account		5,761	5,761	5,761
Retained losses		(173,325)	(149,379)	(173,889)
TOTAL EQUITY		<u>(95,404)</u>	<u>(71,458)</u>	<u>(95,968)</u>

Palace Capital Plc
CONSOLIDATED CASH FLOW STATEMENT
for the six months ended 31 July 2010

	<i>Notes</i>	6 months ended 31 July 2010 (unaudited) £	6 months ended 31 July 2009 (unaudited) £	12 months ended 31 January 2010 (audited) £
OPERATING ACTIVITIES				
Net cash out flow from operations	3	(89,048)	(52,387)	(84,948)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES		<u>(89,048)</u>	<u>(52,387)</u>	<u>(84,948)</u>
INVESTING ACTIVITIES				
Receipt from sale of joint venture undertaking		87,377	-	-
Dividends received from joint venture undertaking		-	-	33,000
NET CASH INFLOW FROM INVESTING ACTIVITIES		<u>87,377</u>	<u>-</u>	<u>33,000</u>
FINANCING ACTIVITIES				
Proceeds from issue of loan notes		60,000	-	-
NET CASH INFLOW FROM FINANCING ACTIVITIES		<u>60,000</u>	<u>-</u>	<u>-</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		58,329	(52,387)	(51,948)
Cash and cash equivalents at beginning of period		3,480	55,428	55,428
CASH AND CASH EQUIVALENTS AT END OF PERIOD		<u>61,809</u>	<u>3,041</u>	<u>3,480</u>

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the six months ended 31 July 2010

	Share Capital £	Share Premium £	Retained Losses £	Total £
As at 31 January 2009	72,160	5,761	(123,049)	(45,128)
Loss for the period	-	-	(26,330)	(26,330)
As at 31 July 2009	<u>72,160</u>	<u>5,761</u>	<u>(149,379)</u>	<u>(71,458)</u>
Loss for the period	-	-	(24,510)	(24,512)
As at 31 January 2010	<u>72,160</u>	<u>5,761</u>	<u>(173,891)</u>	<u>(95,968)</u>
Profit for the period	-	-	564	564
As at 31 July 2010	<u><u>72,160</u></u>	<u><u>5,761</u></u>	<u><u>(173,325)</u></u>	<u><u>(95,404)</u></u>

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NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

for the six months ended 31 July 2010

1 BASIS OF PREPARATION

The financial information contained in this interim report does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The figures for the period ended 31 January 2010 have been extracted from the audited statutory accounts. The interim results, which have not been audited or reviewed by the company's auditors, have been prepared in accordance with applicable International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). These standards are also collectively referred to as "IFRS".

The accounting policies and methods of computations used are consistent with those used in the Group Annual Report for the year ended 31 January 2010 and are expected to be used in the Group Annual Report for the year ended 31 January 2011.

Statutory accounts for the year ended 31 January 2010 were prepared and filed with the Registrar of Companies and received an unqualified audit report.

The interim report was approved by the Board of Directors on 25th October 2010.

As at 31 July 2010, the Group had net current liabilities of £95,404. Included within current liabilities are redeemable preference shares of £65,000 and included within non-current liabilities are loan notes of £60,000. These amounts are due to directors of the company Stanley Davis and Neil Sinclair or entities controlled by them and Andrew Perloff, who have given undertakings to the group that these amounts will only be payable when there are adequate cash resources within the group so that the group can continue to meet its liabilities as they fall due for the foreseeable future. In addition, the directors will continue to support the company and if and when necessary will provide funds on an interest free basis. With these undertakings, and after considering the group's cash flow forecasts, the directors have prepared these interim results on the going concern basis.

Copies of this statement are available to the public for collection at the company's Registered Office at 41 Chalton Street, London, NW1 1JD and on the Company's website, www.palacecapitalplc.com.

2 PROFIT/(LOSS) PER SHARE

The profit/(loss) per share for the period is calculated based upon the following information:

	6 months ended 31 July 2010 (unaudited)	6 months ended 31 July 2009 (unaudited)	12 months ended 31 January 2010 (audited)
Weighted average number of shares for basic profit/(loss) per share	7,215,956	7,215,956	7,215,956
Weighted average number of shares for diluted profit/(loss) per share	7,215,956	7,215,956	7,215,956
Profit/(Loss) for the period	564	(26,330)	(50,840)

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NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

for the six months ended 31 July 2010

3	RECONCILIATION OF OPERATING LOSS TO NET CASH FLOW FROM OPERATING ACTIVITIES	6 months ended 31 July 2010 (unaudited) £	6 months ended 31 July 2009 (unaudited) £	12 months ended 31 January 2010 (audited) £
	Profit/(Loss) for the period	564	(26,330)	(50,890)
	Adjustments for:			
	Profit on sale of joint venture	(68,512)		
	Finance costs	(19,900)	2,894	5,850
	Share of results of joint venture – post tax	-	(15,133)	(39,041)
	Operating cash flow before movements in working capital	<u>(87,848)</u>	<u>(38,569)</u>	<u>(79,051)</u>
	(Increase)/decrease in debtors	10,895	(14,437)	(11,569)
	Increase/(decrease) in creditors	(12,095)	619	5,672
	Net cash flow from operating activities	<u><u>(89,048)</u></u>	<u><u>(52,387)</u></u>	<u><u>(84,948)</u></u>

4 INTERESTS IN JOINT VENTURE

During the period the Group sold its 50 per cent. investment in Grafton Insurance Services Limited, a joint venture via the ownership of 100% of the “B” ordinary shares. The principal activity of the joint venture was that of a property insurance broker.