



PALACE CAPITAL_{plc}

INTERIM REPORT 2012

for the 6 months ended

31 July 2012

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Palace Capital plc

Interim results for the six months ended 31 July 2012

CHAIRMAN'S STATEMENT

I can report that for the half year ended 31 July 2012 your company made a loss before tax of £65,086 (2011 - £23,852). The company will not be declaring a dividend.

We have spent some considerable time actively managing the nine properties within the Hockenhull Estates Ltd portfolio, acquired last October. We have successfully renewed the lease at an increased rental with Countrywide Estate Agents at 45 High Street, Nantwich, Cheshire. We worked with the Administrator of our former tenant, Connexions Ltd, at 23-25, Market Street, Crewe, Cheshire, resulting in the lease being assigned to Cheshire East Council who has become our direct tenant.

The half year was also spent seeking a significant and suitable acquisition in order to grow the company. We are evaluating a number of opportunities but will not pursue those which do not provide the required return that we can recommend to shareholders. However we are leaving no stone unturned in trying to secure an appropriate transaction.

The Company is focusing on the UK secondary property market mainly outside of London in order to find value. We are seeking to acquire further property companies that own secondary commercial investments, commercial property portfolios and property backed businesses in order to enhance shareholder value. The secondary property market continues to be in a state of flux but we believe that the uncertainties the market is facing will produce a number of opportunities of which we believe we can take advantage. We look to the future with confidence.

Stanley Davis
Chairman
28 September 2012

Palace Capital plc
CONSOLIDATED INCOME STATEMENT
for the six months ended 31 July 2012

	<i>Notes</i>	6 months ended 31 July 2012 (unaudited)	6 months ended 31 July 2011 (unaudited)	12 months ended 31 January 2012 (audited)
		£	£	£
Revenue		104,660	-	55,400
Cost of sales		4,204	-	-
GROSS PROFIT		<u>100,456</u>	<u>-</u>	<u>55,400</u>
Administrative expenses		(108,452)	(20,927)	(141,647)
Costs of acquisition		-	-	(53,033)
Gains on revaluation of investment property portfolio		-	-	197,500
PROFIT/(LOSS) BEFORE INTEREST		<u>(7,996)</u>	<u>(20,927)</u>	<u>58,220</u>
Other interest receivable		33	-	27
Finance costs		(57,123)	(2,925)	(44,863)
PROFIT/(LOSS) BEFORE TAX		<u>(65,086)</u>	<u>(23,852)</u>	<u>13,384</u>
Taxation		-	-	573
PROFIT/(LOSS) FOR THE PERIOD		<u>(65,086)</u>	<u>(23,852)</u>	<u>13,957</u>
PROFIT/(LOSS) PER ORDINARY SHARE				
Basic	2	(0.21p)	(0.33p)	0.09p
Diluted	2	(0.21p)	(0.33p)	0.05p

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 July 2012

	31 July 2012 (unaudited) £	31 July 2011 (unaudited) £	31 January 2012 (audited) £
Notes			
NON-CURRENT ASSETS			
Goodwill	5,910	-	5,910
Investment properties	2,015,000	-	2,015,000
Tangible fixed assets	559	-	805
	<u>2,021,469</u>	<u>-</u>	<u>2,021,715</u>
CURRENT ASSETS			
Trade and other receivables	19,160	5,341	46,848
Cash and cash equivalents	96,913	22,698	145,378
	<u>116,073</u>	<u>28,039</u>	<u>192,226</u>
CURRENT LIABILITIES			
Redeemable preference shares	(65,000)	(65,000)	(65,000)
Trade and other payables	(103,312)	(111,150)	(122,079)
	<u>(168,312)</u>	<u>(176,150)</u>	<u>(187,079)</u>
NET CURRENT ASSETS/(LIABILITIES)	(52,239)	(148,111)	5,147
NON-CURRENT LIABILITIES			
Borrowings	(1,759,939)	-	(1,757,485)
NET ASSETS/(LIABILITIES)	<u>209,291</u>	<u>(148,111)</u>	<u>269,377</u>
EQUITY			
Share capital	315,938	72,160	315,938
Share premium account	110,395	5,761	110,395
Convertible loan notes – equity	27,934	-	27,934
Share based payments	8,333	-	3,333
Profit and loss account	(253,309)	(226,032)	(188,223)
EQUITY – attributable to the owners of the parent	<u>209,291</u>	<u>(148,111)</u>	<u>269,377</u>

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CONSOLIDATED CASH FLOW STATEMENT
for the six months ended 31 July 2012

	<i>Notes</i>	6 months ended 31 July 2012 (unaudited) £	6 months ended 31 July 2011 (unaudited) £	12 months ended 31 January 2012 (audited) £
OPERATING ACTIVITIES				
Net cash out flow from operations	3	(6,470)	(4,450)	(145,081)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES				
		(6,470)	(4,450)	(145,081)
Interest received		33	-	27
Interest paid		(42,028)	-	(17,361)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES				
		(41,995)	(4,450)	(17,334)
TAXATION				
Corporation tax paid		-	-	(28,148)
INVESTING ACTIVITIES				
Payments to acquire subsidiary undertaking		-	-	(1,783,395)
Payments to acquire fixed assets		-	-	(805)
NET CASH INFLOW FROM INVESTING ACTIVITIES				
		-	-	(1,784,200)
FINANCING ACTIVITIES				
Loan provided by a director		-	20,000	577,500
Bank loan		-	-	1,200,000
Proceeds from issue of loan notes		-	-	348,412
NET CASH INFLOW FROM FINANCING ACTIVITIES				
		-	20,000	2,125,912
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS				
		(48,465)	15,550	138,230
Cash and cash equivalents at beginning of period		145,378	7,148	7,148
CASH AND CASH EQUIVALENTS AT END OF PERIOD				
		96,913	22,698	145,378

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 July 2012

	Share Capital £	Share Premium £	Convertible loan equity reserve £	Share based payment reserve £	Profit and loss account £	Total equity £
As at 31 January 2011	72,160	5,761	-	-	(202,180)	(124,259)
Loss for the period	-	-	-	-	(23,852)	(23,852)
As at 31 July 2011	72,160	5,761	-	-	(226,032)	(148,111)
Issue of new shares	243,778	104,634	-	-	-	348,412
Share based payments	-	-	-	3,333	-	3,333
Issue of convertible loans	-	-	27,934	-	-	27,934
Profit for the period	-	-	-	-	37,809	37,809
As at 31 January 2012	315,938	110,395	27,934	3,333	(188,223)	269,377
Share based payments	-	-	-	5,000	-	5,000
Loss for the period	-	-	-	-	(65,086)	(65,086)
As at 31 July 2012	315,938	110,395	27,934	8,333	(253,309)	209,291

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NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

for the six months ended 31 July 2012

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 2012 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 2012 and are expected to be used in the Group Annual Report for the year ending 31 January 2013.

Statutory accounts for the year ended 31 January 2012 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 28 September 2012.

As at 31 July 2012, the Group had net current liabilities of £52,239. Included within current liabilities are redeemable preference shares of £65,000 and 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, Stanley Davis and Neil Sinclair 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 2012 (unaudited)	6 months ended 31 July 2011 (unaudited)	12 months ended 31 January 2012 (audited)
Weighted average number of shares for basic profit/(loss) per share	31,593,733	7,215,956	15,297,356
Weighted average number of shares for diluted profit/(loss) per share	63,086,439	7,215,956	25,737,404
Profit/(Loss) for the period	(65,086)	(23,852)	13,384

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NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

for the six months ended 31 July 2012

3	RECONCILIATION OF OPERATING LOSS TO NET CASH FLOW FROM OPERATING ACTIVITIES	6 months ended 31 July 2012 (unaudited) £	6 months ended 31 July 2011 (unaudited) £	12 months ended 31 January 2012 (audited) £
	Profit/(Loss) for the period	(65,086)	(23,852)	13,384
	Adjustments for:			
	Finance income	(33)	-	(27)
	Finance costs	57,123	2,925	44,863
	Gain on revaluation of investment property portfolio	-	-	(197,500)
	Share based payments	5,000	-	3,333
	Operating cash flow before movements in working capital	<u>(2,996)</u>	<u>(20,927)</u>	<u>(135,947)</u>
	Depreciation	246	-	-
	(Increase)/decrease in debtors	27,688	3,089	(15,493)
	Increase/(decrease) in creditors	(31,408)	13,388	(6,560)
	Net cash flow from operating activities	<u><u>(6,470)</u></u>	<u><u>(4,450)</u></u>	<u><u>(158,000)</u></u>