



PALACE CAPITAL_{plc}

INTERIM REPORT 2011

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Palace Capital Plc

Interim results for the six months ended 31 July 2011

CHAIRMAN'S STATEMENT

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

The half year was spent seeking a suitable potential transaction. Your Board considered a number of opportunities with the acquisition of Hockenhull Estates Limited being announced on 8 September 2011. The resolutions at the General Meeting were passed on 3 October 2011 and the acquisition completed on 5 October 2011.

The Admission Document which was posted to Shareholders on 8 September 2011 included comprehensive details on the nine properties now owned by the Group. I am pleased to inform you that managing agents have been appointed and we have set to work to actively manage the portfolio.

As stated in the admission document the Company is focusing on the UK secondary property market outside of London in order to find value. The Directors believe that, although recovery in the commercial property market outside London may be somewhat slower, the Company will secure better value away from London. The Board is reviewing opportunities in the market with the view to acquiring 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 is in a state of flux but we believe that the uncertainties the market is facing will produce a number of opportunities of which we hope to take advantage. We look to the future with confidence.

Stanley Davis
Chairman
27 October 2011

Palace Capital Plc
CONSOLIDATED INCOME STATEMENT
for the six months ended 31 July 2011

	<i>Notes</i>	6 months ended 31 July 2011 (unaudited)	6 months ended 31 July 2010 (unaudited)	12 months ended 31 January 2011 (audited)
		£	£	£
Revenue		-	-	-
Cost of sales		-	-	-
GROSS PROFIT		<u>-</u>	<u>-</u>	<u>-</u>
Administrative expenses		(20,927)	(87,848)	(116,753)
OPERATING LOSS		<u>(20,927)</u>	<u>(87,848)</u>	<u>(116,753)</u>
Share of results of joint venture – post tax		-	28,416	28,416
Profit on disposal of interest in joint venture			40,096	40,146
LOSS BEFORE INTEREST		<u>(20,927)</u>	<u>(19,336)</u>	<u>(48,191)</u>
Finance costs		(2,925)	19,900	19,900
PROFIT/(LOSS) BEFORE TAX		<u>(23,852)</u>	<u>564</u>	<u>(28,291)</u>
Taxation		-	-	-
PROFIT/(LOSS) FOR THE PERIOD		<u>(23,852)</u>	<u>564</u>	<u>(28,291)</u>
PROFIT/(LOSS) PER ORDINARY SHARE				
Basic	2	(0.33p)	0.01p	(0.40p)
Diluted	2	(0.33p)	0.01p	(0.40p)

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 July 2011

	31 July 2011 (unaudited) £	31 July 2010 (unaudited) £	31 January 2011 (audited) £
Notes			
CURRENT ASSETS			
Trade and other receivables	5,341	5,437	8,430
Cash and cash equivalents	22,698	61,809	7,148
TOTAL CURRENT ASSETS	<u>28,039</u>	<u>67,246</u>	<u>15,578</u>
CURRENT LIABILITIES			
Redeemable preference shares	(65,000)	(65,000)	(65,000)
Trade and other payable	(111,150)	(37,650)	(74,837)
TOTAL CURRENT LIABILITIES	<u>(176,150)</u>	<u>(102,650)</u>	<u>(139,837)</u>
NET CURRENT LIABILITIES	(148,111)	(35,404)	(124,259)
NON-CURRENT LIABILITIES			
Other loans	-	(60,000)	-
NET LIABILITIES	<u>(148,111)</u>	<u>(95,404)</u>	<u>(124,259)</u>
EQUITY			
Share capital	72,160	72,160	72,160
Share premium account	5,761	5,761	5,761
Retained losses	(226,032)	(173,325)	(202,180)
TOTAL EQUITY	<u>(148,111)</u>	<u>(95,404)</u>	<u>(124,259)</u>

Palace Capital Plc
CONSOLIDATED CASH FLOW STATEMENT
for the six months ended 31 July 2011

	<i>Notes</i>	6 months ended 31 July 2011 (unaudited) £	6 months ended 31 July 2010 (unaudited) £	12 months ended 31 January 2011 (audited) £
OPERATING ACTIVITIES				
Net cash out flow from operations	3	(4,450)	(89,048)	(145,081)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES		<u>(4,450)</u>	<u>(89,048)</u>	<u>(145,081)</u>
INVESTING ACTIVITIES				
Receipt from sale of joint venture undertaking		-	87,377	88,749
NET CASH INFLOW FROM INVESTING ACTIVITIES		<u>-</u>	<u>87,377</u>	<u>88,749</u>
FINANCING ACTIVITIES				
Loan provided by a director		20,000	-	-
Proceeds from issue of loan notes		-	60,000	60,000
NET CASH INFLOW FROM FINANCING ACTIVITIES		<u>20,000</u>	<u>60,000</u>	<u>60,000</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		15,550	58,329	3,668
Cash and cash equivalents at beginning of period		7,148	3,480	3,480
CASH AND CASH EQUIVALENTS AT END OF PERIOD		<u>22,698</u>	<u>61,809</u>	<u>7,148</u>

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 July 2011

	Share Capital £	Share Premium £	Retained Losses £	Total £
As at 31 January 2010	72,160	5,761	(173,891)	(95,970)
Profit for the period	-	-	564	564
As at 31 July 2010	<u>72,160</u>	<u>5,761</u>	<u>(173,325)</u>	<u>(95,404)</u>
Loss for the period	-	-	(28,855)	(28,855)
As at 31 January 2011	<u>72,160</u>	<u>5,761</u>	<u>(202,180)</u>	<u>(124,259)</u>
Loss for the period	-	-	(23,852)	(23,852)
As at 31 July 2011	<u><u>72,160</u></u>	<u><u>5,761</u></u>	<u><u>(226,032)</u></u>	<u><u>(148,111)</u></u>

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NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

for the six months ended 31 July 2011

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 2011 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 2011 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 2011 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 27 October 2011.

As at 31 July 2011, the Group had net current liabilities of £148,111. Included within current liabilities are redeemable preference shares of £65,000 and included within non-current liabilities are loan notes of £60,000 and directors loans of £20,000. 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 2011 (unaudited)	6 months ended 31 July 2010 (unaudited)	12 months ended 31 January 2011 (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	(23,852)	564	(28,291)

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NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

for the six months ended 31 July 2011

3	RECONCILIATION OF OPERATING LOSS TO NET CASH FLOW FROM OPERATING ACTIVITIES	6 months ended 31 July 2011 (unaudited) £	6 months ended 31 July 2010 (unaudited) £	12 months ended 31 January 2011 (audited) £
	Profit/(Loss) for the period	(23,852)	564	(50,890)
	Adjustments for:			
	Profit on sale of joint venture	-	(68,512)	
	Finance costs	2,925	(19,900)	5,850
	Share of results of joint venture – post tax	-	-	(39,041)
	Operating cash flow before movements in working capital	<u>(20,927)</u>	<u>(87,848)</u>	<u>(79,051)</u>
	(Increase)/decrease in debtors	3,089	10,895	(11,569)
	Increase/(decrease) in creditors	13,388	(12,095)	5,672
	Net cash flow from operating activities	<u>(4,450)</u>	<u>(89,048)</u>	<u>(84,948)</u>