



PALACE CAPITAL_{plc}

INTERIM REPORT 2013

for the 6 months ended

31 July 2013

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Palace Capital Plc

Interim results for the six months ended 31 July 2013

CHAIRMAN'S STATEMENT

I can report that for the half year ended 31 July 2013, the Company made a loss before tax of £78,821 (2012 - £65,086). The company will not be declaring a dividend.

Simultaneously with the publication of these results we have today announced the acquisition subject to shareholder approval of the Sequel Portfolio from Quintain Estates & Development PLC. This is a portfolio of 24 secondary high yielding commercial investments situated across the UK. They currently produce a net income of approximately £5.2m per annum and the effective price being paid is £39.25m which gives our Company a net yield of just over 13%.

We will be buying the corporate entity that owns a 98.5 per cent. interest in these properties plus the 1.5 per cent. owned by another party and to facilitate this acquisition we have firstly raised £23.5m of new equity with institutional and other investors and secondly we have secured a 3 year loan of £20m from Nationwide Building Society on what we consider to be reasonable terms.

There are considerable opportunities with this portfolio for active management to increase the yield and capital value and we are excited about this purchase.

This is stage two of our stated strategy which is to purchase high yielding commercial investment properties capable of active management mainly outside London. Stage one was the acquisition of Hockenhull Estates, a portfolio of nine properties in Cheshire which has performed very well in that we have extended a number of leases and currently there are no voids. In the prior interim period the Company benefited from a write back of a provision previously made for a bad debt.

The market is now looking positively at secondary commercial property outside London which, in our view, has vindicated our strategy. We are continuing to look for additional acquisitions which provide the appropriate return and we look to the future with confidence.

Stanley Davis
Chairman
2 October 2013

Palace Capital Plc
CONSOLIDATED INCOME STATEMENT
for the six months ended 31 July 2013

	<i>Notes</i>	6 months ended 31 July 2013 (unaudited)	6 months ended 31 July 2012 (unaudited)	12 months ended 31 January 2013 (audited)
		£	£	£
Revenue		91,834	104,660	199,785
Cost of sales		(2,964)	(4,204)	(5,442)
GROSS PROFIT		88,870	100,456	194,343
Administrative expenses		(113,037)	(108,452)	(225,403)
LOSS BEFORE INTEREST		(24,167)	(7,996)	(31,060)
Other interest receivable		25	33	105
Finance costs		(54,277)	(57,123)	(113,733)
LOSS BEFORE TAX		(78,419)	(65,086)	(144,688)
Taxation		(402)	-	(13,034)
LOSS FOR THE PERIOD		(78,821)	(65,086)	(157,722)
LOSS PER ORDINARY SHARE				
Basic	2	(0.25p)	(0.21p)	(0.50p)
Diluted	2	(0.25p)	(0.21p)	(0.50p)

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 July 2013

	31 July 2013 (unaudited) £	31 July 2012 (unaudited) £	31 January 2013 (audited) £
Notes			
NON-CURRENT ASSETS			
Goodwill	5,910	5,910	5,910
Investment properties	2,015,000	2,015,000	2,015,000
Tangible fixed assets	336	559	447
	<u>2,021,246</u>	<u>2,021,469</u>	<u>2,021,357</u>
CURRENT ASSETS			
Trade and other receivables	20,907	19,160	29,483
Cash and cash equivalents	9,936	96,913	38,696
	<u>30,843</u>	<u>116,073</u>	<u>68,179</u>
CURRENT LIABILITIES			
Redeemable preference shares	(65,000)	(65,000)	(65,000)
Trade and other payables	(174,427)	(103,312)	(140,507)
	<u>(239,427)</u>	<u>(168,312)</u>	<u>(205,507)</u>
NET CURRENT LIABILITIES			
	(208,584)	(52,239)	(137,328)
NON-CURRENT LIABILITIES			
Borrowings	(1,764,828)	(1,759,939)	(1,762,374)
	<u>47,834</u>	<u>209,291</u>	<u>121,655</u>
EQUITY			
Share capital	315,938	315,938	315,938
Share premium account	110,395	110,395	110,395
Convertible loan notes – equity	27,934	27,934	27,934
Share based payments	18,333	8,333	13,333
Profit and loss account	(424,766)	(253,309)	(345,945)
	<u>47,834</u>	<u>209,291</u>	<u>121,655</u>
EQUITY – attributable to the owners of the parent			
	<u><u>47,834</u></u>	<u><u>209,291</u></u>	<u><u>121,655</u></u>

Palace Capital Plc
CONSOLIDATED CASH FLOW STATEMENT
for the six months ended 31 July 2013

	<i>Notes</i>	6 months ended 31 July 2013 (unaudited) £	6 months ended 31 July 2012 (unaudited) £	12 months ended 31 January 2013 (audited) £
OPERATING ACTIVITIES				
Net cash out flow from operations	3	(15,858)	(6,470)	(7,304)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES				
		(15,858)	(6,470)	(7,304)
Interest received		25	33	105
Interest paid		(35,666)	(42,028)	(99,599)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES				
		(35,641)	(41,995)	(99,494)
TAXATION				
Corporation tax paid		(2,261)	-	-
INVESTING ACTIVITIES				
Adjustments to fixed assets		-	-	135
FINANCING ACTIVITIES				
Loan provided by a director		25,000	-	-
Bank loan repaid		-	-	(19)
NET CASH INFLOW FROM FINANCING ACTIVITIES				
		25,000	-	(19)
NET DECREASE IN CASH AND CASH EQUIVALENTS				
		(28,760)	(48,465)	(106,682)
Cash and cash equivalents at beginning of period		38,696	145,378	145,378
CASH AND CASH EQUIVALENTS AT END OF PERIOD				
		9,936	96,913	38,696

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the six months ended 31 July 2013

	Share Capital £	Share Premium £	Convertible loan equity reserve £	Share based payment reserve £	Profit and loss account £	Total equity £
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
Share based payments	-	-	-	5,000	-	5,000
Loss for the period	-	-	-	-	(92,636)	(92,636)
As at 31 January 2013	315,938	110,395	27,934	13,333	(345,945)	121,655
Share based payments	-	-	-	5,000	-	5,000
Loss for the period	-	-	-	-	(78,821)	(78,821)
As at 31 July 2013	315,938	110,395	27,934	18,333	(424,766)	47,834

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NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued) for the six months ended 31 July 2013

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 2013 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 2013 and are expected to be used in the Group Annual Report for the year ended 31 January 2014.

Statutory accounts for the year ended 31 January 2013 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 2 October 2013.

As at 31 July 2013, the Group had net current liabilities of £208,584. Included within current liabilities are redeemable preference shares of £65,000 and loan notes of £85,000. 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 has agreed to 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 SEGMENTAL ANALYSIS

	6 months ended 31 July 2013 (unaudited)	6 months ended 31 July 2012 (unaudited)	12 months ended 31 January 2013 (audited)
Revenue – operating and geographic segment			
Rents received from investment properties in the United Kingdom	91,834	104,660	199,785
Total Revenue	91,834 <u>+</u>	<u>104,660</u>	<u>199,785</u>

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NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued) for the six months ended 31 July 2013

3 LOSS PER SHARE

The loss per share for the period is calculated based upon the following information:

	6 months ended 31 July 2013 (unaudited)	6 months ended 31 July 2012 (unaudited)	12 months ended 31 January 2013 (audited)
Weighted average number of shares for basic profit/(loss) per share	31,593,733	31,593,733	31,593,733
Weighted average number of shares for diluted profit/(loss) per share	50,753,106	50,753,106	50,753,106
Loss for the period	(78,821)	(65,086)	(157,722)

In accordance with IAS 38 where there is a loss for the year, there is no dilutive effect from share options and therefore there is no difference between the basic and diluted loss per share.

4 RECONCILIATION OF OPERATING LOSS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	6 months ended 31 July 2013 (unaudited) £	6 months ended 31 July 2012 (unaudited) £	12 months ended 31 January 2013 (audited) £
Loss for the period	(78,419)	(65,086)	(144,688)
Adjustments for:			
Finance income	(25)	(33)	(105)
Finance costs	54,277	57,123	113,733
Share based payments	5,000	5,000	10,000
Operating cash flow before movements in working capital	(19,167)	(2,996)	(21,060)
Depreciation	111	246	223
Decrease in debtors	8,576	27,688	6,190
Increase/(decrease) in creditors	(5,378)	(31,408)	7,343
Net cash flow from operating activities	(15,858)	(6,470)	(7,304)