



Palmaris Capital Plc

Interim Report
for the six month period
ended 31 December 2008

CHAIRMAN'S STATEMENT

Results

The interim accounts for the six months to 31 December 2008 showed a loss of £61,551 which is comparable with last year. Our net assets are £13.3 million or 8.5p per ordinary share. The only remaining investment is in Scottish Resources Group Ltd (SRG) the leading Scottish opencast coal operator and a development land regeneration company.

Scottish Resources Group

The SRG audited accounts for the year to March 2008 were released in January 2009. They showed a profit after tax of £2.34 million for the year and net assets of £30.02 million.

Although coal sales were lower at 2.9 million tonnes, compared to 3.1 million tonnes in 2007, the average sales price increased during the year resulting in coal sales increasing from £111 million to £112 million. New sales contracts have been negotiated at improved prices and the effect of these contracts will be felt primarily in 2009/10 resulting in substantial cash flow benefits. In July 2008 a long term contract was signed with Scottish Power to deliver up to 10 million tonnes of coal over a 5 year period to its Scottish power stations.

SRG appears to have performed reasonably well even although it was faced with difficult operational problems including adverse weather, geological problems and high fuel prices. The benefit of the higher sales prices is encouraging SRG to open up mothballed sites and its plan is to increase production to 4 million tonnes by 2010. Accordingly it is investing heavily in new mining equipment and ancillary plant. In the year to March 2008 £14 million was invested in asset and plant purchases including £2.2 million invested in future coal sites.

The SRG Estates division had a good year with £8 million of sales resulting in gains on disposal of £5.7 million. The Group owns some 22,000 acres of land with numerous sites capable of being developed, subject to receiving the relevant

planning permissions. The property portfolio is carried at a historic cost of some £18 million but the Red Book valuation at March 2008 was £55.6 million.

A number of renewable energy projects have been developed on its landholdings. The biomass fuel subsidiary was sold to Infinis during the year for a gross initial consideration of £5.5 million but this sale entitles SRG to further payments subject to certain planning consents, and also to long term royalty income. It is part of the Group strategy to develop energy projects on its land holdings.

SRG is due to extend and renew its overdraft facility and long-term banking loan. The SRG directors do not envisage this to be a material risk in view of the additional cash flow they expect to be generated from the higher prices which will start to be earned during the year to March 2010.

Conclusion

The current economic climate will certainly mean the short term will remain volatile for SRG. The SRG management is not expecting any improvement in the coal mining operations for the year to March 2009 primarily due to lower production volumes than expected. However, the result for the following year should be greatly improved as the higher priced contracts start to apply. The longer term supply and demand dynamics remain positive for international coal so the SRG management is cautiously optimistic about future pricing.

When the economic picture improves SRG should be well placed to develop both its coal and property businesses. This can only be beneficial for our prospects of realising our asset in the future.

T.P. Noble

Chairman

23 March 2009

UNAUDITED PROFIT AND LOSS ACCOUNT

for the period ended 31 December 2008

	(UNAUDITED) 6 MONTHS TO 31 DEC 2008 £	(UNAUDITED) 6 MONTHS TO 31 DEC 2007 £	(AUDITED) 12 MONTHS TO 30 JUNE 2008 £
Turnover	-	-	-
Cost of sales	-	-	-
Gross profit	-	-	-
Administrative expenses	(80,405)	(84,504)	(169,724)
Operating (loss)	(80,405)	(84,504)	(169,724)
Investment and other income	18,854	24,896	46,403
(Loss) on ordinary activities before taxation	(61,551)	(59,608)	(123,321)
Taxation on (loss) on ordinary activities	-	-	-
(Loss) on ordinary activities after taxation	(61,551)	(59,608)	(123,321)
(Loss) for the financial period	(61,551)	(59,608)	(123,321)
Earnings per ordinary share			
(Loss) per ordinary share	(0.04)p	(0.04)p	(0.08)p
Diluted (loss) per ordinary share	(0.04)p	(0.04)p	(0.08)p
Net assets per share			
Net assets per ordinary share	8.52p	8.60p	8.56p
Diluted net assets per ordinary share	8.52p	8.60p	8.56p

UNAUDITED BALANCE SHEET

As at 31 December 2008

	NOTES	(UNAUDITED) AS AT 31 DEC 2008 £	(UNAUDITED) AS AT 31 DEC 2007 £	(AUDITED) AS AT 30 JUNE 2008 £
Fixed assets				
Investments	1	12,880,000	12,880,000	12,880,000
		12,880,000	12,880,000	12,880,000
Current assets				
Trade debtors		2,906	2,937	2,937
Other debtors		14,729	18,220	14,339
Cash		422,901	532,375	472,609
		440,536	553,532	489,885
Creditors				
Amounts falling due within one year				
Other creditors		(33,699)	(21,431)	(21,497)
		(33,699)	(21,431)	(21,497)
Net current assets		406,837	532,101	468,388
Net assets		13,286,837	13,412,101	13,348,388
Capital and reserves				
Called up equity share capital		7,796,665	7,796,665	7,796,665
Unrealised appreciation reserve		6,440,000	6,440,000	6,440,000
Capital reserve	2	(1,217,356)	(1,217,356)	(1,217,356)
Share premium		351,500	351,500	351,500
Profit and loss account	2	(83,972)	41,292	(22,421)
Shareholders' funds		13,286,837	13,412,101	13,348,388

CASH FLOW STATEMENT

for the period ended 31 December 2008

	NOTES	(UNAUDITED) 31 DEC 2008 £	(UNAUDITED) 31 DEC 2007 £	(AUDITED) 30 JUNE 2008 £
Net cash (outflow) from operating activities	A	(68,562)	(96,908)	(178,181)
Returns on investments and servicing of finance	B	18,854	24,896	46,403
Cash (outflow) before financing		(49,708)	(72,012)	(131,778)
Capital expenditure and financial investment		-	4,881	4,881
(Decrease) in cash in the period		(49,708)	(67,131)	(126,897)

NOTES TO THE CASH FLOW STATEMENT

for the period ended 31 December 2008

A. Reconciliation of operating loss to operating cash flows

	(UNAUDITED) 31 DEC 2008 £	(UNAUDITED) 31 DEC 2007 £	(AUDITED) 30 JUNE 2008 £
Operating (loss)	(80,405)	(84,504)	(169,724)
(Increase)/decrease in debtors	(359)	1,258	5139
Increase/(decrease) in creditors	12,202	(13,662)	(13,596)
Net cash (outflow) from operating activities	(68,562)	(96,908)	(178,181)

B. Analysis of cash flows

Returns on investments and servicing of finance

Interest received	11,354	17,243	31,250
Fees and commissions received	7,500	7,653	15,153
Net cash inflow	18,854	24,896	46,403

Capital Expenditure and Financial Investment

Proceeds of sale of equity holdings	-	4,881	4,881
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C. Analysis of net funds

	1 JULY 2008 £	CASH FLOW £	31 DEC 2008 £
Cash	472,609	(49,708)	422,901

Reconciliation of net funds

	(UNAUDITED) 31 DEC 2008 £	(UNAUDITED) 31 DEC 2007 £	(AUDITED) 30 JUNE 2008 £
(Decrease) in cash in the period	(49,708)	(67,131)	(126,897)
Net funds at beginning of period	472,609	599,506	599,506
Net funds at end of period	422,901	532,375	472,609

NOTES TO THE ACCOUNTS

for the period ended 31 December 2008

1. Details of investments are as follows:

	(UNAUDITED) 6 MONTHS TO 31 DEC 2008 £	(UNAUDITED) 6 MONTHS TO 31 DEC 2007 £	(AUDITED) 12 MONTHS TO 30 JUNE 2008 £
Shares at market value or Directors' valuation			
Scottish Resources Group Ltd.	12,880,000	12,880,000	12,880,000
	12,880,000	12,880,000	12,880,000

2. The Capital Reserve and Profit and Loss Account at 31 December 2007 have been adjusted to reflect the position at 30 June 2008. This has no effect on Shareholders' Funds.

3. The calculation of the basic (loss) per ordinary share is based on the following:

	(UNAUDITED) 6 MONTHS TO 31 DEC 2008 £	(UNAUDITED) 6 MONTHS TO 31 DEC 2007 £	(AUDITED) 12 MONTHS TO 30 JUNE 2008 £
(Loss)	(61,551)	(59,608)	(123,321)
Weighted average number of ordinary shares in issue during the period	155,933,304	155,933,304	155,933,304

4. The interim financial statements are unaudited and do not constitute statutory accounts as defined in Section 240 of the Companies Act 1985 (as amended). These statements have been prepared on the basis of the accounting policies set out in the Company's 2008 Annual Report and Accounts.

The financial statements for the year ended 30 June, 2008 are an abridged statement; the full audited accounts for the year to 30 June 2008, which were unqualified, have been lodged with the Registrar of Companies.

5. Copies of the Interim Results for Palmaris Capital PLC are being posted to shareholders on 25 March, 2009 and may be obtained free of charge from the Company's registered office or from the Company's nominated adviser and broker, Noble & Company Limited, 76 George Street, Edinburgh, EH2 3BU.

23 March, 2009

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