

PALACE INTERNATIONAL LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

PALACE INTERNATIONAL LIMITED

COMPANY INFORMATION

Directors	D E Glass G J Glass N D Glass
Company secretary	N D Glass
Registered number	03134942
Registered office	Hatchwood Place Farnham Road Odiham Hampshire RG29 1AB
Independent auditor	Shaw Gibbs (Audit) Limited Statutory Auditor Wey Court West Union Road Farnham Surrey GU9 7PT

PALACE INTERNATIONAL LIMITED

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PALACE INTERNATIONAL LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The Company's activities and operations in 2022 grew significantly over the year with the addition of new customers and a return to a full 12 months of normal trading without a Covid deficit. The company continues to be an essential supplier to many companies and operators of essential industrial equipment as well as global aviation and marine operators. Sample numbers grew to a new to a new high as did gross average revenue per sample. Gross revenue per employee also increased but more substantially and this is a good indication of increased productivity and a dividend from the company's investment in new and more automated equipment.

The company continued to invest in the latest technology and automation available within the industry to ensure that opportunities for further efficiencies are not missed. The Directors believe that well trained and highly skilled staff remain core to its future progression and growth. The entire team has ensured that the Company has delivered performance in line with the projections and expectations for the year and continued to achieve or exceed its targeted commitments to customers.

The main challenges in 2022 were related to the increased cost and availability of chemicals and raw materials as well as significantly escalating utility prices, in particular electricity. Like much of the UK our core energy prices rose substantially from 2021 to 2022. This was mitigated towards the end of the year by a new deal for the near to medium term but the cost going forward remains more than double the pre-pandemic levels.

Spectro's laboratory analysis is endorsed by key Original Equipment Manufacturers (OEMs), service providers, operators and end users in our fields of expertise. This recognition remains a central aspect of our offering and through the breadth of these endorsements defines Spectro as an independent laboratory trusted by internationally renowned businesses. Our accreditation by UKAS to ISO/IEC 17025:2005 underpins the quality of the analysis reports and provides assurance to our clients of the standards of service expected by them. The focus on independence, quality and service is central to the recognition within the market place of Spectro as a leading authority that adds value beyond the analysis data that we supply to our clients.

Jet-Care, like Spectro, is positioned as a premium, independent, service provider. Program development continues in order to diversify the Company's performance trend monitoring offering across a wider range of engine types and airframes, with further development ongoing to broaden the services into new markets and to analyse more diverse sources of data. The Company continues to market these services to operators and maintenance and repair organisations as well as other stakeholders. The development of the programs and further tools within both the core programs and reports, together with the use of the company's unique reporting and analysis site, webECHO, gives clients greater information to hand and access to their engine performance analysis data, 24 hours a day, 365 days a year.

This report was approved by the board and signed on its behalf.

G J Glass

Director

Date: 31 January 2024

PALACE INTERNATIONAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their report and the financial statements for the year ended 31 December 2022.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activities

The principal activities of the company for the year under review were those of the analysis of oil, lubricant, hydraulic fuel, debris and chip samples from the aviation, marine and industrial sectors and the provision of engine performance monitoring services for jet engines.

Results and dividends

The loss for the year, after taxation, amounted to £380,835 (2021 - loss £822,105).

A total dividend of £125,000 (2021 - £175,000) was paid during the year.

Directors

The directors who served during the year were:

D E Glass
G J Glass
N D Glass

PALACE INTERNATIONAL LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

Future developments

The company has chosen in accordance with s414C(11) Companies Act 2006 to set out the company's strategic report information required by Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 to be contained in the directors' report. It has done so in respect of future developments.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Auditor

The auditor, Shaw Gibbs (Audit) Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

G J Glass

Director

Date: 31 January 2024

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PALACE INTERNATIONAL LIMITED

Opinion

We have audited the financial statements of Palace International Limited (the 'Company') for the year ended 31 December 2022, which comprise the Statement of income and retained earnings, the Statement of financial position, the Statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PALACE INTERNATIONAL LIMITED (CONTINUED)

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditor's report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PALACE INTERNATIONAL LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considered the risk of acts by the company that were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

We focussed on laws and regulations which could give rise to a material misstatement in the financial statements, including, but not limited to, the Companies Act 2006 and UK tax legislation. Our tests included agreeing the financial statement disclosures to underlying supporting documentation and enquiries with management. There are inherent limitations in the audit procedures described above and, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. We did not identify any key audit matters relating to irregularities, including fraud. As in all our audits, we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PALACE INTERNATIONAL LIMITED (CONTINUED)

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Stephen Morgan FCA (Senior statutory auditor)

for and on behalf of

Shaw Gibbs (Audit) Limited

Statutory Auditor

Wey Court West

Union Road

Farnham

Surrey

GU9 7PT

31 January 2024

PALACE INTERNATIONAL LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £	2021 £
Turnover	4	12,584,540	10,519,937
Cost of sales		(6,169,096)	(4,367,433)
Gross profit		6,415,444	6,152,504
Administrative expenses		(6,596,087)	(6,921,051)
Other operating income	5	10,500	10,500
Operating loss	6	(170,143)	(758,047)
Interest receivable and similar income	10	604	16
Interest payable and similar expenses	11	(211,296)	(131,703)
Loss before tax		(380,835)	(889,734)
Tax on loss	12	-	67,629
Loss after tax		(380,835)	(822,105)
Retained earnings at the beginning of the year		1,218,537	2,215,642
Loss for the year		(380,835)	(822,105)
Dividends declared and paid		(125,000)	(175,000)
Retained earnings at the end of the year		712,702	1,218,537

There were no recognised gains and losses for 2022 or 2021 other than those included in the statement of income and retained earnings.

The notes on pages 14 to 31 form part of these financial statements.

PALACE INTERNATIONAL LIMITED
REGISTERED NUMBER: 03134942

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	2022 £	2021 £
Fixed assets			
Tangible assets	14	7,851,663	8,045,048
Investments	15	140,217	140,293
		<u>7,991,880</u>	<u>8,185,341</u>
Current assets			
Stocks	16	306,680	201,304
Debtors: amounts falling due within one year	17	1,666,872	1,535,870
Cash at bank and in hand	18	3,102,292	3,478,699
		<u>5,075,844</u>	<u>5,215,873</u>
Creditors: amounts falling due within one year	19	<u>(11,463,329)</u>	<u>(11,087,256)</u>
Net current liabilities		<u>(6,387,485)</u>	<u>(5,871,383)</u>
Total assets less current liabilities		<u>1,604,395</u>	<u>2,313,958</u>
Creditors: amounts falling due after more than one year	20	(326,324)	(530,052)
Provisions for liabilities			
Deferred tax	23	(554,869)	(554,869)
		<u>(554,869)</u>	<u>(554,869)</u>
Net assets		<u><u>723,202</u></u>	<u><u>1,229,037</u></u>
Capital and reserves			
Called up share capital	24	10,500	10,500
Profit and loss account		712,702	1,218,537
		<u>723,202</u>	<u>1,229,037</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

G J Glass

Director

Date: 31 January 2024

The notes on pages 14 to 31 form part of these financial statements.

PALACE INTERNATIONAL LIMITED
REGISTERED NUMBER: 03134942

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2022

PALACE INTERNATIONAL LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 £	2021 £
Cash flows from operating activities		
Loss for the financial year	(380,835)	(822,105)
Adjustments for:		
Depreciation of tangible assets	789,941	704,692
Loss on disposal of tangible assets	(167)	(1,541)
Interest paid	211,296	131,703
Interest received	(604)	(16)
Taxation charge	-	(67,629)
(Increase) in stocks	(105,376)	(11,098)
(Increase) in debtors	(130,221)	(130,309)
Increase in creditors	1,225,673	1,489,136
Corporation tax (paid)	(784)	(43,972)
Net cash generated from operating activities	1,608,923	1,248,861
Cash flows from investing activities		
Purchase of tangible fixed assets	(596,553)	(817,958)
Sale of tangible fixed assets	167	2,149
Purchase of unlisted and other investments	76	(1,063)
Interest received	604	16
HP interest paid	(28,894)	(46,679)
Net cash from investing activities	(624,600)	(863,535)
Cash flows from financing activities		
Repayment of loans	(113,388)	(113,868)
Repayment of/new finance leases	(548,502)	(314,335)
Dividends paid	(125,000)	(175,000)
Interest paid	(182,401)	(85,024)
Net cash used in financing activities	(969,291)	(688,227)

PALACE INTERNATIONAL LIMITED

STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 £	2021 £
Net increase/(decrease) in cash and cash equivalents	15,032	(302,901)
Cash and cash equivalents at beginning of year	(476,970)	(174,069)
Cash and cash equivalents at the end of year	<u>(461,938)</u>	<u>(476,970)</u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	3,102,292	3,478,699
Bank overdrafts	(3,564,230)	(3,955,669)
	<u>(461,938)</u>	<u>(476,970)</u>

The notes on pages 14 to 31 form part of these financial statements.

PALACE INTERNATIONAL LIMITED

**ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 DECEMBER 2022**

	At 1 January 2022 £	Cash flows £	At 31 December 2022 £
Cash at bank and in hand	3,478,699	(376,407)	3,102,292
Bank overdrafts	(3,955,669)	391,439	(3,564,230)
Debt due after 1 year	(394,277)	113,567	(280,710)
Debt due within 1 year	(140,923)	3,240	(137,683)
Finance leases	(684,277)	548,502	(135,775)
	<u>(1,696,447)</u>	<u>680,341</u>	<u>(1,016,106)</u>

The notes on pages 14 to 31 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

1. General information

Palace International Limited, (03134942), is a private company limited by shares. It is incorporated in England & Wales. Its registered office is Hatchwood Place, Farnham Road, Odiham, Hampshire, RG29 1AB.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using monthly exchange rates.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

All foreign exchange gains and losses are presented in the Profit and loss account within 'administration expenses'.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

The analysis element of kit sales is deferred until such point at which it is deemed to be more likely than not that the kit will no longer be returned. Performance Monitoring income is apportioned over the contract term and the appropriate deferral is made in accordance with the unexpired period.

2.4 Leased assets: the Company as lessee

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to profit or loss over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.5 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.6 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

2.7 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.8 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.8 Tangible fixed assets (continued)

Depreciation is provided on the following basis:

Freehold property	- straight line over 5, 25, 60 or 125 years
Plant and machinery	- 12.5% on cost
Motor vehicles	- 20% on cost
Fixtures and fittings	- 20% on cost
Computer equipment	- 33.33% on cost
Other fixed assets	- 4% on cost

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'administrative expenses' in the statement of comprehensive income.

2.9 Valuation of investments

Investments held as fixed assets are measured as follows:

Investments in subsidiaries - Cost less accumulated impairment.

Classic car - Initially held at cost, and then reviewed annually to assess the fair value of the car by determining the value to sell and the value in use. Any adjustments to fair value are recognised in the profit and loss.

2.10 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.11 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.12 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

2.13 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.14 Financial instruments

The Company has elected to apply the provisions of Section 11 "Basic Financial Instruments" of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the Company's Statement of financial position when the Company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other receivables, cash and bank balances, are initially measured at their transaction price including transaction costs and are subsequently carried at their amortised cost using the effective interest method, less any provision for impairment, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables due with the operating cycle fall into this category of financial instruments.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date.

Financial assets are impaired when events, subsequent to their initial recognition, indicate the estimated future cash flows derived from the financial asset(s) have been adversely impacted. The impairment loss will be the difference between the current carrying amount and the present value of the future cash flows at the asset(s) original effective interest rate.

If there is a favourable change in relation to the events surrounding the impairment loss then the impairment can be reviewed for possible reversal. The reversal will not cause the current carrying amount to exceed the original carrying amount had the impairment not been recognised. The impairment reversal is recognised in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.14 Financial instruments (continued)

Financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after the deduction of all its liabilities.

Basic financial liabilities, which include trade and other payables, bank loans and other loans are initially measured at their transaction price after transaction costs. When this constitutes a financing transaction, whereby the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Discounting is omitted where the effect of discounting is immaterial.

Debt instruments are subsequently carried at their amortised cost using the effective interest rate method.

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if the payment is due within one year. If not, they represent non-current liabilities. Trade payables are initially recognised at their transaction price and subsequently are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

Derecognition of financial instruments

Derecognition of financial assets

Financial assets are derecognised when their contractual right to future cash flow expire, or are settled, or when the Company transfers the asset and substantially all the risks and rewards of ownership to another party. If significant risks and rewards of ownership are retained after the transfer to another party, then the Company will continue to recognise the value of the portion of the risks and rewards retained.

Derecognition of financial liabilities

Financial liabilities are derecognised when the Company's contractual obligations expire or are discharged or cancelled.

2.15 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

3. Judgments in applying accounting policies and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based upon historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The analysis element of kit sales is deferred until such point at which it is deemed to be more likely than not that the kit will no longer be returned. This is estimated to be a period of one year. A provision is then made within deferred income for kits that were sold more than one year ago and which may be returned for analysis in the future.

There are no other sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements.

4. Turnover

The whole of the turnover is attributable to the principal activities of the Company.

Analysis of turnover by country of destination:

	2022 £	2021 £
United Kingdom	4,388,002	3,810,452
Rest of Europe	5,544,593	4,190,187
Rest of the world	2,651,945	2,519,298
	<u>12,584,540</u>	<u>10,519,937</u>

5. Other operating income

	2022 £	2021 £
Net rents receivable	<u>10,500</u>	<u>10,500</u>

PALACE INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

6. Operating loss

The operating loss is stated after charging:

	2022	2021
	£	£
Exchange differences	<u>(220,947)</u>	<u>315,483</u>

7. Auditor's remuneration

	2022	2021
	£	£
Fees payable to the Company's auditor for the audit of the Company's financial statements	19,519	21,875

8. Employees

Staff costs, including directors' remuneration, were as follows:

	2022	2021
	£	£
Wages and salaries	5,021,683	4,713,221
Social security costs	591,023	531,987
Cost of defined contribution scheme	171,266	177,003
	<u>5,783,972</u>	<u>5,422,211</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2022	2021
	No.	No.
Accounts	7	8
Administration	12	14
Data	9	9
Laboratory	55	50
Operations	8	7
Sales	12	12
Technical	4	4
	<u>107</u>	<u>104</u>

PALACE INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

9. Directors' remuneration

	2022	2021
	£	£
Directors' emoluments	1,185,900	1,120,350
Company contributions to defined contribution pension schemes	25,650	24,075
	<u>1,211,550</u>	<u>1,144,425</u>

During the year retirement benefits were accruing to 2 directors (2021 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £480,300 (2021 - £437,850).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £9,900 (2021 - £9,900).

10. Interest receivable

	2022	2021
	£	£
Other interest receivable	<u>604</u>	<u>16</u>

11. Interest payable and similar expenses

	2022	2021
	£	£
Bank interest payable	110,434	68,427
Other loan interest payable	71,968	16,597
Finance leases and hire purchase contracts	28,894	46,679
	<u>211,296</u>	<u>131,703</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

12. Taxation

	2022	2021
	£	£
Corporation tax		
Adjustments in respect of previous periods	<u>-</u>	<u>(42,077)</u>
Deferred tax		
Origination and reversal of timing differences	<u>-</u>	<u>(25,552)</u>
Tax on loss	<u>-</u>	<u>(67,629)</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2021 - *higher than*) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022	2021
	£	£
Loss on ordinary activities before tax	<u>(380,835)</u>	<u>(889,734)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	<u>(72,359)</u>	<u>(169,049)</u>
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	4,141	1,415
Capital allowances for year in excess of depreciation	(28,734)	(104,156)
Utilisation of tax losses	(1,634)	-
Adjustments to tax charge in respect of prior periods	-	(42,077)
Other timing differences leading to an increase (decrease) in taxation	-	(25,552)
Changes in provisions leading to an increase (decrease) in the tax charge	2,769	(101)
Unrelieved tax losses carried forward	95,817	268,929
Other differences leading to an increase (decrease) in the tax charge	-	2,962
Total tax charge for the year	<u>-</u>	<u>(67,629)</u>

Factors that may affect future tax charges

The company has unrelieved tax losses to offset against future profits of £1,690,324 (2021: £1,185,352)

PALACE INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

13. Dividends

	2022 £	2021 £
Dividends	<u>125,000</u>	<u>175,000</u>

14. Tangible fixed assets

	Freehold property £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Computer equipment £
Cost or valuation					
At 1 January 2022	5,118,720	3,451,529	413,843	667,243	326,775
Additions	-	483,939	40,578	-	72,037
Disposals	-	-	(13,124)	-	-
At 31 December 2022	<u>5,118,720</u>	<u>3,935,468</u>	<u>441,297</u>	<u>667,243</u>	<u>398,812</u>
Depreciation					
At 1 January 2022	620,160	1,985,464	317,839	603,824	233,137
Charge for the year on owned assets	82,985	237,207	2,705	23,686	69,237
Charge for the year on financed assets	-	139,915	46,457	-	-
Disposals	-	-	(13,124)	-	-
At 31 December 2022	<u>703,145</u>	<u>2,362,586</u>	<u>353,877</u>	<u>627,510</u>	<u>302,374</u>
Net book value					
At 31 December 2022	<u>4,415,575</u>	<u>1,572,882</u>	<u>87,420</u>	<u>39,733</u>	<u>96,438</u>
At 31 December 2021	<u>4,498,559</u>	<u>1,466,064</u>	<u>96,004</u>	<u>63,419</u>	<u>93,638</u>

PALACE INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

14. Tangible fixed assets (continued)

	Aircraft £	Total £
Cost or valuation		
At 1 January 2022	4,698,100	14,676,210
Additions	-	596,554
Disposals	-	(13,124)
At 31 December 2022	4,698,100	15,259,640
Depreciation		
At 1 January 2022	2,870,736	6,631,160
Charge for the year on owned assets	187,749	603,569
Charge for the year on financed assets	-	186,372
Disposals	-	(13,124)
At 31 December 2022	3,058,485	7,407,977
Net book value		
At 31 December 2022	1,639,615	7,851,663
At 31 December 2021	1,827,364	8,045,048

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2022 £	2021 £
Plant and machinery	173,685	313,600
Motor vehicles	49,547	96,004
Computer equipment	-	13,144
Aircraft	-	1,450,776
	223,232	1,873,524

PALACE INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

15. Fixed asset investments

	Investments in subsidiary companies £	Unlisted investments £	Total £
Cost or valuation			
At 1 January 2022	5,200	135,093	140,293
Additions	-	(76)	(76)
At 31 December 2022	5,200	135,017	140,217
Net book value			
At 31 December 2022	5,200	135,017	140,217
At 31 December 2021	5,200	135,093	140,293

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Principal activity	Class of shares	Holding
DG Spectro Oil Analysis Company Limited	England & Wales	Dormant	Ordinary	100 %
Jet-Care International Limited	England & Wales	Dormant	Ordinary	100 %
Aviation & Marine Interiors Limited	England & Wales	Dormant	Ordinary	100 %

All three subsidiaries were dormant in the year. Their registered office is Hatchwood Place, Farnham Road, Odiham, Hook, Hampshire, RG29 1AB.

The group is exempt from preparing consolidated accounts under section 405 of the Companies Act 2006, as all subsidiaries are dormant.

PALACE INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

Subsidiary undertakings (continued)

The aggregate of the share capital and reserves as at 31 December 2022 and the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

Name	Aggregate of share capital and reserves £	Profit/(Loss) £
DG Spectro Oil Analysis Company Limited	5,000	-
Jet-Care International Limited	100	-
Aviation & Marine Interiors Limited	100	-

16. Stocks

	2022 £	2021 £
Raw materials and consumables	<u>306,680</u>	<u>201,304</u>

17. Debtors

	2022 £	2021 £
Trade debtors	1,370,780	1,124,673
Other debtors	45,109	181,695
Prepayments and accrued income	250,983	229,502
	<u>1,666,872</u>	<u>1,535,870</u>

18. Cash and cash equivalents

	2022 £	2021 £
Cash at bank and in hand	3,102,292	3,478,699
Less: bank overdrafts	(3,564,230)	(3,955,669)
	<u>(461,938)</u>	<u>(476,970)</u>

PALACE INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

19. Creditors: Amounts falling due within one year

	2022	2021
	£	£
Bank overdrafts	3,564,230	3,955,669
Bank loans	116,581	116,403
Trade creditors	1,009,555	1,290,844
Amounts owed to group undertakings	5,200	5,200
Other taxation and social security	208,886	172,567
Obligations under finance lease and hire purchase contracts	90,161	548,502
Other creditors	2,832,736	1,381,708
Accruals and deferred income	3,635,980	3,616,363
	<u>11,463,329</u>	<u>11,087,256</u>

20. Creditors: Amounts falling due after more than one year

	2022	2021
	£	£
Bank loans	280,710	394,277
Net obligations under finance leases and hire purchase contracts	45,614	135,775
	<u>326,324</u>	<u>530,052</u>

The bank overdraft and loans are secured by way of legal charge over the company's freehold property and all assets of the company. There is also an unlimited inter-company guarantee between Palace International Limited, DG Spectro Oil Analysis Company Limited, Jet-Care International Limited and Aviation & Marine Interiors Limited.

The hire purchase and finance leases are secured over the leased assets.

Bank loans consist of one 15 year loan repayable by quarterly repayments. Interest is charged at LIBOR.

There is a debenture over all the assets of the company.

PALACE INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

21. Loans

Analysis of the maturity of loans is given below:

	2022 £	2021 £
Amounts falling due within one year		
Bank loans	116,581	116,403
Amounts falling due 1-2 years		
Bank loans	119,864	118,994
Amounts falling due 2-5 years		
Bank loans	160,846	275,283
	<u>397,291</u>	<u>510,680</u>

22. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2022 £	2021 £
Within one year	90,161	548,502
Between 1-5 years	45,614	135,775
	<u>135,775</u>	<u>684,277</u>

23. Deferred taxation

	2022 £
At beginning of year	(554,869)
At end of year	<u>(554,869)</u>

PALACE INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

23. Deferred taxation (continued)

The provision for deferred taxation is made up as follows:

	2022 £	2021 £
Accelerated capital allowances	(562,121)	(562,121)
Short term timing differences	7,252	7,252
	<u>(554,869)</u>	<u>(554,869)</u>

24. Share capital

	2022 £	2021 £
Allotted, called up and fully paid		
10,500 (2021 - 10,500) Ordinary shares of £1.00 each	<u>10,500</u>	<u>10,500</u>

25. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £171,265 (2021 - £177,003). Contributions totalling £29,438 (2021 - £31,053) were payable to the fund at the balance sheet date.

26. Commitments under operating leases

At 31 December 2022 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2022 £	2021 £
Not later than 1 year	-	6,987
	<u>-</u>	<u>6,987</u>

PALACE INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

27. Transactions with directors

During the year the directors maintained loan accounts with the company.

At the year end the company owed £21,102 to the directors (2021 - £24,520).

During the year D E Glass was paid dividends of £125,000 (2021 - £175,000).

28. Related party transactions

Creditors include amounts owed to the following wholly owned subsidiaries of Palace International Limited:

	2022	2021
	£	£
DG Spectro Oil Analysis Company Limited	5,000	5,000
Jet-Care International Limited	100	100
Aviation & Marine Interiors Limited	100	100
	5,200	5,200

National Westminster Bank Plc holds an unlimited inter-company guarantee between Palace International Limited, DG Spectro Oil Analysis Company Limited, Jet-Care International Limited and Aviation & Marine Interiors Limited.

During the year the company traded with Jet Care International Inc (incorporated in USA) and Spectro Oil AG (incorporated in Switzerland). Both companies are controlled by one of the directors of Palace International Limited.

Transactions during the year:

Sales to Jet Care International Inc £1,958,589 (2021 - £1,726,493)

Purchases from Jet Care International Inc £917,751 (2021 - £754,399)

Sales to Spectro Oil AG £155,769 (2021 - £150,520)

Purchases from Spectro Oil AG £1,991,659 (2021 - £777,973)

At the year end the company owed £1,957,187 (2021 - £1,357,188) to Jet Care International Inc.

At the year end the company owed £854,447 to (2021 - the company was due £97,597 from) Spectro Oil AG.

Key management personnel are considered to be the directors. Their compensation is disclosed in note 9.

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