

Company Registration No. 06991031 (England and Wales)

PALACE CAPITAL (SIGNAL) LIMITED
DIRECTOR'S REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023



PALACE CAPITAL (SIGNAL) LIMITED

COMPANY INFORMATION

Directors	Matthew Simpson Philip Higgins Daniel Davies Thomas Hood
Company Secretary	Philip Higgins
Registration number	06991031
Registered office	Fora Victoria 6-8 Greencoat Place London SW1P 1PL
Auditor	BDO LLP 55 Baker Street London W1U 7EU
Bankers	Barclays Bank Plc 69 Albion Street Leeds LS1 5AA

PALACE CAPITAL (SIGNAL) LIMITED

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PALACE CAPITAL (SIGNAL) LIMITED

DIRECTORS' REPORT

For the year ended 31 March 2023

The Directors present their report together with the financial statements of Palace Capital (Signal) Limited for the year ended 31 March 2023.

Principal activity

The principal activity of the company is property investment.

Results and dividends

The results for the year are set out on page 9.

Directors

The following Directors have held office during the year:

M I Simpson	
P L Higgins	Appointed on 1 October 2022
D R Davies	Appointed on 1 October 2022
T S F Hood	Appointed on 1 October 2022
R N Sinclair	Resigned on 14 June 2022
R P Starr	Resigned on 12 August 2022

Qualifying third party indemnity provisions

The Company's agreement to indemnify each Director against any liability incurred in the course of their office to the extent permitted by law remains in force. The Group maintains Directors' and Officers' Liability Insurance.

Auditor

The auditor BDO LLP is deemed to be reappointed under section 487(2) of the Companies Act 2006.

PALACE CAPITAL (SIGNAL) LIMITED

DIRECTORS' REPORT

For the year ended 31 March 2023

Statement of Directors' Responsibilities in Respect of the Financial Statements

The Directors are responsible for preparing 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), subject to any material departures disclosed and explained in the financial statements; and
- 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 proper 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 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 for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor and disclosure of information to auditor

In the case of each of the persons who are Directors of the company at the date when this report is approved:

- so far as each of the Directors is aware, there is no relevant audit information of which the company's auditor is unaware; and
- each of the Directors has taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

BDO LLP have expressed their willingness to continue in office as the company's auditor.

Small company provisions

This report has been prepared in accordance with the small companies' regime under the Companies Act 2006.

On behalf of the board,



M Simpson
Director

12 September 2023

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PALACE CAPITAL (SIGNAL) LIMITED

OPINION ON THE FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2023 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.

We have audited the financial statements of Palace Capital (Signal) Limited ("the Company") for the year ended 31 March 2023 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, 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).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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.

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PALACE CAPITAL (SIGNAL) LIMITED

OTHER COMPANIES ACT 2006 REPORTING

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

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

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 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; or
- the Directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Statement of Directors' Responsibilities in respect of the Financial Statements, 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.

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.

EXTENT TO WHICH THE AUDIT WAS CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

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:

Non-compliance with laws and regulations

- Our understanding of the Company and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining an understanding of the Company policies and procedures regarding compliance with laws and regulations.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PALACE CAPITAL (SIGNAL) LIMITED

We considered the significant laws and regulations to be United Kingdom Generally Accepted Accounting Practice, REIT tax regime and the Companies Act 2006.

The Company is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax experts in the audit; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company's policies and procedures relating to:
 - Detecting and responding to the risks of fraud; and
 - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls, revenue recognition, accounting for lease incentives and inputs to investment property valuation.

Our procedures in respect of the above included:

- Testing journals processed during and subsequent to the year and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud. This included evaluating any management bias within the valuation of investment and trading property which we consider is the greatest risk of management manipulation;
- Agreeing property fair values directly to external valuations;
- Assessing significant estimates made by management for bias in the valuation methods, assumptions used and the inputs and judgements adopted therein in valuing the investment property; and
- Inspecting signed lease agreements to recalculate the annual turnover, and agreeing cash receipts to bank statement to check customers exist and that the management information did agree for a sample of tenants.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed noncompliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PALACE CAPITAL (SIGNAL) LIMITED

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.

DocuSigned by:

Charles Ellis

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Charles Ellis (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, United Kingdom
12 September 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

PALACE CAPITAL (SIGNAL) LIMITED**STATEMENT OF COMPREHENSIVE INCOME****For the year ended 31 March 2023**

	Notes	2023 £	2022 £
Rental & other income	4	4,663,173	5,444,948
Bad debt provision movement		223,798	(9,098)
Property operating expenses		<u>(537,849)</u>	<u>(573,511)</u>
Net property income		4,349,122	4,862,339
Administration expenses		(762,370)	(803,680)
Profit on disposal of investment properties		539,782	3,157,630
(Loss)/gain on revaluation of investment property	9	<u>(6,636,260)</u>	<u>1,429,170</u>
Operating (loss)/profit	5	(2,509,726)	8,645,459
Interest receivable and similar income	6	1,195	94
Interest payable and similar charges	7	(1,129,931)	(843,769)
Fair value changes in interest rate derivatives		<u>237,414</u>	<u>237,703</u>
(Loss)/profit on ordinary activities before taxation		(3,401,048)	8,039,487
Tax on (loss)/profit on ordinary activities	8	-	-
(Loss)/profit and total comprehensive (loss)/income for the financial year		<u>(3,401,048)</u>	<u>8,039,487</u>

The income statement has been prepared on the basis that all operations are continuing operations.

The notes on pages 11 to 19 form part of these financial statements.

PALACE CAPITAL (SIGNAL) LIMITED**STATEMENT OF FINANCIAL POSITION****For the year ended 31 March 2023**

	Notes	2023 £	2022 £
Non-current assets			
Investment properties	9	<u>51,087,076</u>	<u>66,820,949</u>
		51,087,076	66,820,949
Current assets			
Debtors	10	<u>20,504,252</u>	<u>11,733,560</u>
Cash at bank and in hand		<u>1,197,110</u>	<u>8,863,741</u>
		21,701,362	20,597,301
Creditors: amounts falling due within one year	11	(3,270,218)	(4,782,069)
Net current assets		<u>18,393,118</u>	<u>15,815,232</u>
Total assets less current liabilities		69,518,220	82,636,181
Creditors: amounts falling due after more than one year	12	(18,423,000)	(28,139,913)
Net assets		<u>51,095,220</u>	<u>54,496,268</u>
Capital and reserves			
Called up share capital	13	<u>36,464,431</u>	<u>36,464,431</u>
Retained earnings		<u>14,630,789</u>	<u>18,031,837</u>
Shareholders' funds		<u>51,095,220</u>	<u>54,496,268</u>

The notes on pages 11 to 19 form part of these financial statements.

Approved by the Board and authorised for issue on 12 September 2023.



M Simpson
Director

Company Registration No. 06991031

PALACE CAPITAL (SIGNAL) LIMITED**STATEMENT OF CHANGES IN EQUITY****For the year ended 31 March 2023**

	Share Capital	Retained Earnings	Total Equity
	£	£	£
At 31 March 2021	36,464,431	9,992,350	46,456,781
Total comprehensive profit for the year	-	8,039,487	8,039,487
At 31 March 2022	36,464,431	18,031,837	54,496,268
Total comprehensive loss for the year	-	(3,401,048)	(3,401,048)
At 31 March 2023	36,464,431	14,630,789	51,095,220

The notes on pages 11 to 19 form part of these financial statements.

PALACE CAPITAL (SIGNAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

Palace Capital (Signal) Limited is a company incorporated in England & Wales under the Companies Act. The financial statements of the Company have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

1. GOING CONCERN

The Directors have made an assessment of the Company's ability to continue as a going concern which included reviewing the Company's cash flow forecast and stress testing the key banking debt covenants. The Directors understand that the economic uncertainty surrounding inflation, rising interest rates and the cost-of-living crisis could adversely impact the forecasted business activities over the next 12 months.

As part of the assessment, the Directors conducted a base case scenario which is management's best estimate of market and business changes, and a downside scenario factoring in an additional interest rate rises, reduction in bank valuations and reduced rent collection. On both the base case and downside scenarios, there is significant headroom on the interest cover ratios, debt yield ratios and loan to value banking covenants. The forecasts showed that even if SONIA interest rates reach 6.5%, rent collection reduces by 10%, and bank valuations fell by 25%, the Company would still be compliant on all banking covenants. The bank debt at the date of this assessment is £5.9m compared to £19.4m at 31 March 2023. The bank facility is due to mature in June 2024, however, the Directors consider there are sufficient cash reserves of the Group, or from property disposals within the Group where offers have been made, to repay the bank facility before the maturity date which would be made by Group companies if required. In addition, the Company has been compliant on all covenants during the financial year and post year end.

The Company has an inter-Group debtor due from its Parent Company, Palace Capital plc, of £19,264,032. This is repayable on demand and is interest free. There will be sufficient cash reserves within the group from disposals for its Parent Company to satisfy this debtor.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operation for at least twelve months from the date of approval of the financial statements and have concluded that it is appropriate to prepare these financial statements on the going concern basis.

2. ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland.

Disclosure exemptions

In preparing the financial statements of the company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- The requirements of section 7 Statement of Cash Flows;
- The requirements of section 3 Financial Statement Presentation – Paragraph 3.17(d);
- The requirements of section 11 Financial Instruments – Paragraphs 11.39 to 11.48a;
- The requirements of section 12 Other Financial Instruments – Paragraphs 12.26 to 12.29; and
- The requirements of section 33 Related Party Disclosures – Paragraph 33.7.

This information is included in the consolidated financial statements of Palace Capital plc for the year ending 31 March 2023 and these financial statements are available on request from Fora Victoria, 6-8 Greencoat Place, London, SW1P 1PL.

The following accounting policies have been applied consistently in dealing with items which are considered to be material in relation to the financial statements.

REVENUE

PALACE CAPITAL (SIGNAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

Revenue is derived from property income and represents the value of accrued charges under operating leases for rental of the Company's investment properties. Revenue is measured at fair value of the consideration received. All income is derived in the United Kingdom.

Rental income from investment properties leased out under operating leases is recognised in the Income Statement on a straight-line basis over the term of the lease. Contingent rent reviews are recognised when such reviews have been agreed with tenants. Lease incentives and guaranteed rent review amounts are recognised as an integral part of the net consideration for use of the property and amortised on a straight-line basis over the term of lease.

Other income comprises surrender premium, property management fees and miscellaneous income, and is recognised on an accrual basis.

OPERATING PROFIT

Operating profit is stated before interest and tax.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company has become a party to the contractual provision of the instrument.

INVESTMENT PROPERTIES

Investment properties are those properties that are held either to earn rental income or for capital appreciation or both.

Investment properties are measured initially at cost including transaction costs and thereafter are stated at fair value, which reflects market conditions at the balance sheet date. Surpluses and deficits arising from changes in the fair value of investment properties are recognised in the Statement of Comprehensive Income in the year in which they arise.

Investment properties are stated at fair value as determined by the independent valuers. The fair value of the Company's property portfolio is based upon independent valuations and is inherently subjective. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arms-length transaction at the date of valuation, in accordance with International Valuation Standards. In determining the fair value of investment properties, the valuers make use of historical and current market data as well as existing lease agreements.

The Company recognises investment property as an asset when it is probable that the economic benefits that are associated with the investment property will flow to the company and the Company can measure the cost of the investment reliably.

Investment properties cease to be recognised when they have been disposed of or withdrawn permanently from use and no future economic benefit is expected from disposal.

The Company evaluates all its investment property costs at the time they are incurred. These costs include costs incurred initially to acquire an investment property and costs incurred subsequently to add to, replace part of, or service a property. Any costs deemed as repairs and maintenance or any costs associated with the day-to-day running of the property will be recognised in the profit and loss account as they are incurred.

TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised and carried at the original transaction value. A provision for impairment is established where there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables concerned.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

FINANCIAL LIABILITIES AND EQUITY

PALACE CAPITAL (SIGNAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

TRADE PAYABLES

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

EQUITY INSTRUMENTS

Equity instruments issued by the Company are recorded at the fair value of proceeds received, net of direct issue costs.

CURRENT TAXATION

Current tax assets and liabilities for the period not under UK REIT regulations are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and the tax laws used to compute the amount are those that are enacted or substantively enacted, by the balance sheet date.

DEFERRED TAXATION

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax balances are recognised in respect of timing differences that have originated but not reversed on the balance sheet date. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax balances are not recognised in respect of permanent differences between the fair value 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.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised using tax rates and laws that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The Government announced a proposal in March 2021 for an increase in the corporation tax rate from 19% main rate in the tax year 2021 to 25% with effect from 1 April 2023. This was enacted by the Finance Bill 2021 on 10 June 2021.

SHARE CAPITAL

Ordinary share capital is classified as equity.

RESERVES

Retained earnings represents cumulative profits, net of dividends paid and other adjustments.

DIVIDENDS TO EQUITY HOLDERS OF THE COMPANY

Interim ordinary dividends are recognised when paid and final ordinary dividends are recognised as a liability in the period in which they are approved by the shareholder.

PROVISIONS

PALACE CAPITAL (SIGNAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

COMMITMENTS AND CONTINGENCIES

Commitments and contingent liabilities are disclosed in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

EVENTS AFTER THE BALANCE SHEET DATE

Post year-end events that provide additional information about a Company's position at the balance sheet date and are adjusting events are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes when material.

3. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Information about such judgements and estimation is contained in the accounting policies or the notes to the accounts, and the key areas are summarised below.

Investment properties

The key source of estimation uncertainty rests in the values of property assets, which significantly affects the value of investment properties in the Statement of Financial Position. The investment property is carried at fair value, which requires a number of estimates in assessing the company's assets relative to market transactions. The approach to this valuation and the amounts affected are set out in the accounting policies and note 9.

To the extent that any future valuation affects the fair value of the investment properties, this will impact on the company's results in the period in which this determination is made.

Recoverability of debtors

The recoverability of debtors is assessed based on factors specific to each individual debtor.

4. Turnover

The total turnover of the Company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

	2023	2022
	£	£
Rental income	4,663,173	5,444,948
	<u>4,663,173</u>	<u>5,444,948</u>

5. Operating (loss)/profit

	2023	2022
	£	£
Operating (loss)/profit is stated after charging:		
Auditors remuneration	-	-

PALACE CAPITAL (SIGNAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

Directors remuneration	-	-
	-	-

Audit fees are borne by the parent company. The company has no employees.

6. Interest receivable and similar income

	2023	2022
	£	£
Bank interest	1,195	94
	<u>1,195</u>	<u>94</u>

7. Interest payable and similar charges

	2023	2022
	£	£
Interest on bank loans	1,064,732	741,874
Loan arrangement fees	65,356	64,904
Interest on finance leases	-	36,897
Other finance charges	(157)	94
	<u>1,129,931</u>	<u>843,769</u>

8. Taxation

	2023	2022
	£	£
Tax charge for the year	-	-
Total tax charge	<u>-</u>	<u>-</u>
Factors affecting the tax charge for the year		
(Loss)/profit on ordinary activities before taxation	(3,401,048)	8,039,487
Based on (loss)/profit for the year:		
Tax at 19% (2022: 19%)	(646,199)	1,527,503
REIT exempt income	(512,132)	(655,993)
Non-taxable items	1,158,331	(871,510)
Total tax charge for the year	<u>-</u>	<u>-</u>

Following the Parent Company's conversion to a Real Estate Investment Trust ('REIT') on 1 August 2019, the company is no longer required to pay UK corporation tax in respect of property rental income and capital gains relating to its property rental business provided it continues to meet the REIT conditions.

9. Investment property

	Freehold	Leasehold	Total
	£	£	£
At 1 April 2022	63,596,220	3,224,729	66,820,949
Additions	487,387	-	487,387
Disposals	(6,360,271)	(3,224,729)	(9,585,000)
Loss on revaluation of investment properties	(6,636,260)	-	(6,636,260)
At 31 March 2023	<u>51,087,076</u>	<u>-</u>	<u>51,087,076</u>

PALACE CAPITAL (SIGNAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

A reconciliation of the valuations carried out by the external valuers to the carrying values shown in the balance sheet was as follows:

	2023	2022
	£	£
Fair value per CBRE's valuation	51,575,000	67,465,000
Less lease incentive balance included in accrued income	(487,924)	(644,051)
Carrying value	51,087,076	66,820,949

Investment properties are stated at fair value as determined by independent valuers who make use of historical and current market data as well as existing lease agreements. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arms-length transaction at the date of valuation, in accordance FRS102.

As a result of the level of judgement used in arriving at the market valuations, the amounts which may ultimately be realised in respect of any given property may differ from the valuations shown in the Statement of Financial Position.

During the year, there was a change in the external valuer from Cushman & Wakefield LLP to CBRE. Investment properties at 31 March 2023 were valued independently by CBRE Limited, as external valuers, on the basis of open market value and in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. Investment properties at 31 March 2022 were valued independently by Cushman & Wakefield LLP.

Investment properties with a carrying value of £51,087,076 (2022: £66,820,949) are subject to a first charge to secure the Company's bank loans amounting to £19,385,485 (2022: £29,167,754). Refer to note 15 for detail on post year end disposals and debt repayment.

The historical cost of the Company's investment properties was £51,348,673 (2022: £61,337,693).

Valuation process

The valuation reports produced by the independent valuers are based on information provided by the Company such as current rents, terms and conditions of lease agreements, service charges and capital expenditure. This information is derived from the Company's financial and property management systems and is subject to the Company's overall control environment. In addition, the valuation reports are based on assumptions and valuation models used by the independent valuers. The assumptions are typically market related, such as yields and discount rates, and are based on their professional judgment and market observations. Each property is considered a separate asset, based on its unique nature, characteristics and the risks of the property.

The Directors responsible for the valuation process verifies all major inputs to the external valuation reports, assesses the individual property valuation changes from the prior period valuation report and holds discussions with the independent valuers.

The key assumptions made in the valuation of the group's investment properties are:

- the amount and timing of future income streams;
- anticipated maintenance costs and other landlord's liabilities; and
- an appropriate yield.

Valuation technique

The valuations reflect the tenancy data supplied by the company along with associated revenue costs and capital expenditure. The fair value of the commercial investment portfolio has been derived from capitalising the future estimated net income receipts at capitalisation rates reflected by recent arm's length sales transactions.

PALACE CAPITAL (SIGNAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

31 March 2023	Significant unobservable inputs
Value of investment properties	51,575,000
Area (sq. ft)	364,927
Gross Estimated Rental Value	4,823,127
Net Initial Yield	6.60%
Reversionary Yield	8.70%
Equivalent Yield	7.73%

10. Debtors

	2023	2022
	£	£
Trade debtors	525,687	974,907
Bad debt provision	(124,202)	(348,000)
Loan to parents undertaking	19,264,032	10,113,143
Prepayments and accrued income	507,608	669,652
VAT receivable	38,026	-
Other debtors	293,101	323,858
	<u>20,504,252</u>	<u>11,733,560</u>

Included within accrued income is £487,925 (2022: £644,051) of lease incentives.

As at 31 March 2023, the outstanding loan amount due from Palace Capital plc was £19,264,032 (2022: £10,113,143). This loan is repayable on demand and is interest free.

11. Creditors amount falling due within one year

	2023	2022
	£	£
Current portion of long term bank loans (see note 12)	900,000	900,000
Payables and other creditors	919,811	2,058,063
Accruals and deferred income	1,450,407	1,359,484
VAT payable	-	414,124
Derivative financial instruments	-	50,398
	<u>3,270,218</u>	<u>4,782,069</u>

Payables and other creditors includes £551,852 (2022: £803,075) owed to the parent company in respect of management charges.

12. Creditors: amounts falling due after more than one year

	2023	2022
	£	£
Bank loan	19,385,485	29,167,754
Bank loan arrangement fees	(62,485)	(127,841)
Less current portion of loan included in current liabilities	(900,000)	(900,000)
	<u>18,423,000</u>	<u>28,139,913</u>

The bank loan is a loan from Barclays Bank plc amounting to £19,385,485 (2022: £29,167,754) and is secured on the investment properties. Interest is charged at a rate of 1.95% above the SONIA rate. The loan is repayable in quarterly instalments of £225,000 with the remaining loan repayable at the end of the term of the loan due 26 June 2024. Loan costs amounting to £65,356 (2022: £64,904) were amortised during the period.

PALACE CAPITAL (SIGNAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

During the year, £900,000 was repaid through amortisation of the loan, and £8,882,269 from additional loan repayments made throughout the year, which includes repayment of the allocated loan amount on disposals.

13. Share capital

	2023	2022
	£	£
Allotted, issued and fully paid		
36,464,431 (2022: 36,464,431) Ordinary shares of £1 each issued	<u>36,464,431</u>	<u>36,464,431</u>
	<u>36,464,431</u>	<u>36,464,431</u>

14. Leases

Operating lease receipts in respect of rents on investment properties are receivable as follows:

	2023	2022
	£	£
Within one year	3,891,972	4,397,210
From one to two years	3,397,789	3,973,290
From two to five years	8,544,531	9,908,503
From five to 25 years	<u>6,086,443</u>	<u>8,340,932</u>
	<u>21,920,735</u>	<u>26,619,935</u>

Palace Capital (Signal) Limited has granted leases to its tenants. These vary dependent on the individual tenant and the respective property and demise and vary considerably from short term leases of less than 1 year to longer leases of over 10 years. A number of these leases contain rent free periods. Standard lease provisions include service charge payments and recovery of other direct costs. All investment properties generated rental income during the current period.

15. Post balance sheet events

On 26 May 2023, the Company completed the disposal of Black Moor Road, Verwood, for a total consideration of £7,500,000. The property was charged against the loan facility with Barclays and as a result, £4,114,975 of the total consideration was used to repay the Barclays loan facility on 30 May 2023.

On 1 June 2023, the Company completed the disposal of Aldi, Gosport, for a total consideration of £5,580,000. The property was charged against the loan facility with Barclays and as a result, £3,693,758 of the total consideration was used to repay the Barclays loan facility on 2 June 2023.

On 16 June 2023, the Company completed the disposal of Regency House, Winchester, for a total consideration of £1,850,000. The property was charged against the loan facility with Barclays and as a result, £1,237,085 of the total consideration was used to repay the Barclays loan facility on 19 June 2023.

On 10 July 2023, the Company completed the disposal of Millbarn Medical Centre, Beaconsfield, for a total consideration of £1,500,000. The property was charged against the loan facility with Barclays and as a result, £536,567 of the total consideration was used to repay the Barclays loan facility on 11 July 2023.

On 18 July 2023, the Company completed the disposal of Courtauld House, Coventry, for a total consideration of £7,400,000. The property was charged against the loan facility with Barclays and as a result, £3,483,148 of the total consideration was used to repay the Barclays loan facility on 19 July 2023.

16. Related party transaction

The Partnership has taken advantage of Paragraph 33.1A of FRS 102 in order not to provide disclosures for transactions that have taken place between group members.

PALACE CAPITAL (SIGNAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

17. Control

The Company's ultimate parent company is Palace Capital plc. The results of the Company are consolidated in the financial statements of Palace Capital plc. Group financial statements are available on request from Fora Victoria, 6-8 Greencoat Place, London, SW1P 1PL.

There is no ultimate controlling party.