

REGISTERED NUMBER: 08253929 (England and Wales)

Strategic Report,
Report of the Directors and
Financial Statements
for the Year Ended 31 January 2021
for
Palace Skateboards Limited



Palace Skateboards Limited

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for the Year Ended 31 January 2021

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Palace Skateboards Limited

Company Information
for the Year Ended 31 January 2021

DIRECTORS:

G L Skewis
L J Tanju

REGISTERED OFFICE:

4th Floor, 100 St John Street
London
EC1M 4EH

REGISTERED NUMBER:

08253929 (England and Wales)

AUDITORS:

RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB

Palace Skateboards Limited

Strategic Report
for the Year Ended 31 January 2021

The directors present their strategic report for the year ended 31 January 2021.

REVIEW OF BUSINESS

As shown in the Company's Income Statement, turnover decreased 14.19% to £28,256,338 from £32,930,607 in 2020. The gross profit margin was 47.07% compared to 42.34% in 2020. The closing net assets were £16,613,218 (2020: £15,643,391).

The Company continued to see the negative impact of the July 2019 reorganisation of the Group's US e-commerce and fulfilment operations on its financials, with the full year effect of the reorganisation impacting compared to six months of the prior year.

The Company continued to invest in its operational capacity over the period with its average headcount growing by 11 to 54 (2020: 43).

The total charitable donations pledged in the year was £762,282 (2020: £36,317).

PRINCIPAL RISKS AND UNCERTAINTIES

The Company's principal risks are as follows:

Impact of COVID-19

During the year there has been some impact to the Company's manufacturing suppliers, freight forwarders and turnover. The London store was closed for 208 days during the year due to the COVID-19 pandemic, and during the periods the store was open, footfall was significantly lower than pre-March 2020. The Company was able to mitigate some of the adverse impact of this by shifting stock to our online sales channels.

The directors considered the risks and took actions they considered appropriate to minimise the impact. We managed the risk to our employees and customers by following government guidelines, maintaining social distancing in the office, store and warehouse environments. Certain functions can be managed by working from home, and where applicable, our employees are continuing to do so.

Where appropriate, we have taken and continue to utilise available government support schemes (2021: £216,822) that aid cashflow and business continuity. We have complied with all government guidelines surrounding safe working practices to minimise the risk of spread of infection, and to ensure the wellbeing of all employees and customers. We received support from our landlords in the form of rent free periods and waivers.

We continue to work closely with our supply chain to plan for and minimise the impacts of delays on stock deliveries.

The continuation of the COVID-19 pandemic could lead to further lockdown store closures, and adverse impact on trade.

Impact of Brexit

The impact of Brexit did not materially have an impact on trading in the year. We expect to see a bigger impact on trading in the next financial year.

In response to Brexit, the Company opened a warehouse in the Netherlands to service our European customers from the start of the SS21 season in February 2021. This will help us to continue to service our European customers and to minimise the potential financial impact of Brexit on the Company.

Our supply chain has so far largely been resilient to the effects of Brexit as our manufacturing suppliers are predominantly based outside of Europe, as such, changes in duties and tariffs on imports have not materially impacted the Company.

We have taken steps to ensure that all our non-UK employees can continue to work for us.

Suppliers

The Company is dependent on the ability of its suppliers to manufacture its products to the desired quality and ethical standards and on its logistics providers to ensure it reaches the required location on a timely basis. If products are not delivered on time and to the required specifications, revenue will be impacted unfavourably. In addition, if suppliers do not work within the Company's required quality control standards, it could have a negative impact on the Palace Skateboards brand and reputation. The company works closely with all its design, production and logistic suppliers to mitigate these risks.

Palace Skateboards Limited

Strategic Report
for the Year Ended 31 January 2021

Foreign exchange risk

The Company purchases the majority of its product stock from overseas and is therefore exposed to foreign currency risk, primarily the US Dollar. However, the potential transactional foreign currency risk is largely mitigated by the company having a surplus of US Dollars from the group's US operations.

The directors monitor on an ongoing basis the currency risk arising to the Company and ensure that risk remains at an acceptable level.

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future. The going concern basis of accounting has therefore been adopted in preparing the financial statements.

Management have modelled different scenarios given the impact of COVID-19 on customer demand and behaviours, none of which have resulted in a change to the assessment of the Company as a going concern.

The Directors have reviewed current performance, EBITDA forecasts and the Group Cashflow forecasts and are satisfied that the Company's forecasts, taking account of scenario modelling performed, show that the Company will continue in operation and meet its liabilities as they fall due for the foreseeable future and at a minimum for 12 months from the date of signing the financial statements.

The Directors have therefore continued to adopt the going concern basis in preparing the Company's financial statements.

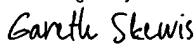
KEY PERFORMANCE INDICATORS

Our KPI measures are:

1. Turnover: £28,256,338 (2020: £32,930,607)
2. Gross Profit Margin: 47.07% (2020: 42.34%)
3. Bank balances: £3,541,980 (2020: £2,203,342)

We also see sell through rates as a KPI measure. These are monitored regularly as part of the management review process.

ON BEHALF OF THE BOARD:

DocuSigned by:

5AD6BAEA998944E...
G L Skewis - Director

Date: 22-10-21

Palace Skateboards Limited

Report of the Directors
for the Year Ended 31 January 2021

The directors present their report with the financial statements of the Company for the year ended 31 January 2021.

DIVIDENDS

The total distribution of dividends for the year ended 31 January 2021 was £2,500,000 (2020: £5,700,000).

DIRECTORS

The directors shown below have held office during the whole of the period from 1 February 2020 to the date of this report.

G L Skewis
L J Tanju

DISCLOSURE IN THE STRATEGIC REPORT

Certain matters required by the regulations to be dealt with in the Directors' Report have been addressed in the Strategic Report on pages 2 to 3. These includes disclosures such as principal risks and future developments.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Report of the Directors 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), 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 and then apply them consistently;
- make judgements 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 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.

The directors are responsible for the maintenance and integrity of the corporate information included on the company's website.

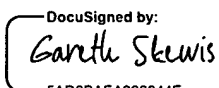
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

AUDITORS

The auditors, RSM UK Audit LLP will be proposed for reappointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

DocuSigned by:

5AD6BAEA998944E...
G L Skewis - Director

Date: 22-10-21

Independent Auditors' Report to the Members of
Palace Skateboards Limited

Opinion

We have audited the financial statements of Palace Skateboards Limited (the 'Company') for the year ended 31 January 2021 which comprise the Statement of Total Comprehensive Income, Balance Sheet, 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).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 January 2021 and of its profit 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 Auditors' 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 UK, including the FRC'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. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included a review of the current position, the finances available and future forecasts.

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 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.

Opinions 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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors 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 Report of the Directors.

We have nothing to report in respect of the following matters where 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.

Independent Auditors' Report to the Members of
Palace Skateboards Limited

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page four, 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 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.

Auditors' 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 Auditors' 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the company operates in and how the company is complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, inspecting correspondence with local tax authorities and evaluating advice received from internal and external tax advisors.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to the Management of Health and Safety at Work Regulations 1999, Health and Safety (primarily the Health and Safety at work Act 1974), Minimum Wage Laws and General Data Protection Regulation (GDPR). We performed audit procedures to inquire of management and those charged with governance whether the company is in compliance with these law and regulations and inspected correspondence with licensing or regulatory authorities.

The audit engagement team identified the risk of management override of controls, revenue recognition and stock valuation as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, challenging judgments. Other procedures completed include reconciling revenue to cash receipts and sales platforms, reviewing controls in relation to revenue recognition, corroborating stock costing to third party invoices, confirming stock is held at lower of cost or net realisable value and challenging assumptions made in managements provisions model.

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 Auditors' Report.

Independent Auditors' Report to the Members of
Palace Skateboards 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 Auditors' 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.

Andrew Westbrook

Andrew Westbrook (Senior Statutory Auditor)
for and on behalf of RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB

Date: 25 October 2021

Palace Skateboards LimitedStatement of Total Comprehensive Income
for the Year Ended 31 January 2021

	Notes	2021 £	2020 £
TURNOVER	4	28,256,338	32,930,607
Cost of sales (see Note 7)		(14,955,725)	(18,988,259)
GROSS PROFIT		13,300,613	13,942,348
Administrative expenses		(9,888,067)	(10,051,195)
		3,412,546	3,891,153
Other operating income	5	216,822	93,564
OPERATING PROFIT	7	3,629,368	3,984,717
Interest receivable and similar income		5,008	88,136
		3,634,376	4,072,853
Interest payable and similar expenses	9	(495)	(118,941)
PROFIT BEFORE TAXATION		3,633,881	3,953,912
Tax on profit	10	(578,377)	(725,559)
PROFIT FOR THE FINANCIAL YEAR		3,055,504	3,228,353
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		3,055,504	3,228,353

The notes form part of these financial statements

Palace Skateboards Limited (Registered number: 08253929)Balance Sheet
31 January 2021

	Notes	2021 £	2020 £
FIXED ASSETS			
Intangible assets	12	203,255	-
Tangible assets	13	545,102	679,891
Investments	14	5,470	5,470
		<u>753,827</u>	<u>685,361</u>
CURRENT ASSETS			
Stocks	15	1,464,027	1,654,137
Debtors	16	13,884,464	14,178,265
Cash at bank and in hand		3,541,980	2,203,342
		<u>18,890,471</u>	<u>18,035,744</u>
CREDITORS			
Amounts falling due within one year	17	(2,989,895)	(2,977,940)
NET CURRENT ASSETS		<u>15,900,576</u>	<u>15,057,804</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		16,654,403	15,743,165
CREDITORS			
Amounts falling due after more than one year	18	(2,285)	(6,774)
PROVISIONS FOR LIABILITIES	21	(38,900)	(93,000)
NET ASSETS		<u>16,613,218</u>	<u>15,643,391</u>
CAPITAL AND RESERVES			
Called up share capital	22	100	100
Share based payment reserve	23	414,323	-
Retained earnings	23	16,198,795	15,643,291
SHAREHOLDERS' FUNDS		<u>16,613,218</u>	<u>15,643,391</u>

The financial statements were approved by the Board of Directors and authorised for issue on 22-10-21 and were signed on its behalf by:

DocuSigned by:

Garth Skewis

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G L Skewis - Director

Palace Skateboards LimitedStatement of Changes in Equity
for the Year Ended 31 January 2021

	Called up share capital £	Retained earnings £	Share based payment reserve £	Total equity £
Balance at 1 February 2019	100	18,114,938	-	18,115,038
Changes in equity				
Dividends	-	(5,700,000)	-	(5,700,000)
Total comprehensive income	-	3,228,353	-	3,228,353
Balance at 31 January 2020	100	15,643,291	-	15,643,391
Changes in equity				
Dividends	-	(2,500,000)	-	(2,500,000)
Total comprehensive income	-	3,055,504	414,323	3,469,827
Balance at 31 January 2021	100	16,198,795	414,323	16,613,218

The notes form part of these financial statements

Palace Skateboards Limited

Notes to the Financial Statements
for the Year Ended 31 January 2021

1. STATUTORY INFORMATION

Palace Skateboards Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

The company's principal activity is that of design and retailer of skateboarding hard goods and apparel.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Financial Reporting Standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirement of paragraph 3.17(d);
- the requirements of paragraphs 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of paragraphs 12.26, 12.27, 12.29(a), 12.29(b) and 12.29A.

This information is included in the consolidated financial statements of GSLT Holdings Limited as at 31 January 2020. Those financial statements may be obtained from Companies House.

Preparation of consolidated financial statements

The financial statements contain information about Palace Skateboards Limited as an individual Company and do not contain consolidated financial information as the parent of a group. The Company is exempt under Section 400 of the Companies Act 2006 from the requirements to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, GSLT Holdings Limited, 4th Floor, 100 St John Street, London EC1M 4EH.

Related party exemption

The Company has taken advantage of the exemption under the terms of Financial Reporting Standard 102 Section 33.1A not to disclose transactions and outstanding balances with wholly owned subsidiaries within the group and its parent company GSLT Holdings Limited.

Palace Skateboards Limited

Notes to the Financial Statements - continued
for the Year Ended 31 January 2021

2. ACCOUNTING POLICIES - continued

Turnover

Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, value added tax and other sales taxes.

Sale of goods and services

Revenue from the sale of goods and services 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.
- design and marketing fees arising as a result of collaborations with other brands are recognised when the co-branded product comes to market or when the collaboration is cancelled and the design fee forfeited.

Intangible assets

Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Computer software is being amortised evenly over its estimated useful life of three years.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Short leasehold	- in accordance with the property
Fixtures and fittings	- 33% on cost
Computer equipment	- 33% 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 in the Statement of Comprehensive Income.

Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Investments in subsidiaries

Investments in subsidiary undertakings are recognised at cost.

Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value after making due allowance for slow-moving items. Cost is direct purchase price.

Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors and loans to related parties.

Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received.

Financial assets are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Profit and Loss account.

Palace Skateboards Limited

Notes to the Financial Statements - continued
for the Year Ended 31 January 2021

2. ACCOUNTING POLICIES - continued

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Statement of Total Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Operating lease commitments

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme for its employees. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate. The pension scheme is a separate entity and once the contributions have been paid the company has no further payment obligations.

Amounts not paid are included in accruals as a liability in the balance sheet. The assets of the scheme are held separately from the company in independently administered funds.

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.

Dividends

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

Share based payments

Equity settled share based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Black-Scholes model.

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Statement of Comprehensive Income over the vesting period if considered material. A corresponding adjustment is made to equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Balance Sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted.

Where the terms and conditions of options are modified before they vest, the change in the fair value of the options, measured immediately before and after the modification, is also charged to the Statement of Comprehensive Income over the remaining vesting period if considered material.

Palace Skateboards Limited

Notes to the Financial Statements - continued
for the Year Ended 31 January 2021

2. ACCOUNTING POLICIES - continued

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future. The going concern basis of accounting has therefore been adopted in preparing the financial statements.

Management have modelled different scenarios given the impact of COVID-19 on customer demand and behaviours, none of which have resulted in a change to the assessment of the Group as a going concern.

The Directors have reviewed current performance, EBITDA forecasts and the Group Cashflow forecasts and are satisfied that the Group's forecasts, taking account of scenario modelling performed, show that the Group will continue in operation and meet its liabilities as they fall due for the foreseeable future and at a minimum for 12 months from the date of signing the financial statements.

The Directors have therefore continued to adopt the going concern basis in preparing the Group's financial statements.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on 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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Stock provision

The financial statements include provision against slow moving stock. This provision is based on management's historical experience and review of stock movements following the year end.

Group balances recoverability

The company assesses the recoverability of intercompany balances regularly based on cashflow projections across companies within the group. Where management deem that amounts are not recoverable, a provision is recognised to the extent that the balance is deemed recoverable.

Depreciation policy of tangible fixed assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilization and the physical condition of the assets.

Systems development capitalisation

Management use judgement to determine which systems development costs can be capitalised.

In determining the amounts to be capitalised management makes assumptions regarding the expected future economic benefits of the assets and the expected economic life.

Share based payments

The expected life used in the option pricing model has been based on management's best estimate considering the effect of non-transferability, exercise restrictions, behavioural considerations and an estimated exercise date.

Palace Skateboards LimitedNotes to the Financial Statements - continued
for the Year Ended 31 January 2021**4. TURNOVER**

The turnover and profit before taxation are attributable to the one principal activity of the Company.

An analysis of turnover by geographical market is given below:

	2021 £	2020 £
United Kingdom	9,016,166	10,524,571
Europe	6,876,335	4,939,425
United States of America	9,096,128	13,231,552
Rest of World	3,267,709	4,235,059
	<u>28,256,338</u>	<u>32,930,607</u>

5. OTHER OPERATING INCOME

	2021 £	2020 £
Insurance claims received	-	93,564
Government grants	216,822	-
	<u>216,822</u>	<u>93,564</u>

During the year, the company made a successful application under the government Coronavirus Job Retention Scheme to aid businesses with the financial impact of the Covid-19 pandemic.

6. EMPLOYEES AND DIRECTORS

	2021 £	2020 £
Wages and salaries	3,375,227	2,176,540
Social security costs	423,160	307,015
Other pension costs	44,821	32,410
	<u>3,843,208</u>	<u>2,515,965</u>

The average number of employees during the year was as follows:

	2021	2020
Administrative	19	16
Production and design	12	9
Retail	16	14
Marketing	5	2
Directors	2	2
	<u>54</u>	<u>43</u>

	2021 £	2020 £
Directors' remuneration	<u>25,604</u>	<u>25,808</u>

The above (including directors' remuneration) reflects all payments to key management personnel.

Palace Skateboards LimitedNotes to the Financial Statements - continued
for the Year Ended 31 January 2021**7. OPERATING PROFIT**

The operating profit is stated after charging/(crediting):

	2021	2020
	£	£
Other operating leases	461,905	190,369
Depreciation - owned assets	221,300	105,554
Loss/(profit) on disposal of fixed assets	31,097	(1,432)
Computer software amortisation	11,375	-
Auditors' remuneration	68,000	28,000
Foreign exchange differences	(127,376)	(88,434)
Share based payment provision	414,323	-
Government grants	(216,822)	-
	<u> </u>	<u> </u>

8. EXCEPTIONAL ITEMS

The cost is made up of the following:

	2021	2020
	£	£
Specific provision against old season stock	-	1,057,210
Historical EU VAT and US taxes payable	-	564,977
	<u> </u>	<u> </u>
	-	1,622,187
	<u> </u>	<u> </u>

9. INTEREST PAYABLE AND SIMILAR EXPENSES

	2021	2020
	£	£
Other interest charges	(1,741)	116,917
Interest on corporation tax	1,389	921
Hire purchase	847	1,103
	<u> </u>	<u> </u>
	495	118,941
	<u> </u>	<u> </u>

10. TAXATION**Analysis of the tax charge**

The tax charge on the profit for the year was as follows:

	2021	2020
	£	£
Current tax:		
UK corporation tax	700,000	746,000
Over provision in prior year	(67,523)	(70,978)
	<u> </u>	<u> </u>
Total current tax	632,477	675,022
Deferred tax	(54,100)	50,537
	<u> </u>	<u> </u>
Tax on profit	578,377	725,559
	<u> </u>	<u> </u>

Palace Skateboards LimitedNotes to the Financial Statements - continued
for the Year Ended 31 January 2021**10. TAXATION - continued****Reconciliation of total tax charge included in profit and loss**

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2021 £	2020 £
Profit before tax	<u>3,633,881</u>	<u>3,953,912</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2020 - 19%)	690,437	751,243
Effects of:		
Expenses not deductible for tax purposes	34,318	61,871
Adjustments to tax charge in respect of previous periods	(67,523)	(70,978)
Current year over/(under) provisions	(1,861)	894
Effect of change in deferred tax rate	(19,500)	-
Timing differences	128	370
Group relief	(46,423)	(13,218)
R&D SME relief	(43,258)	-
Permanent capital allowances in excess of depreciation	32,059	5,005
Deferred tax adjustment in respect of prior years	-	(9,628)
Total tax charge	<u>578,377</u>	<u>725,559</u>

11. DIVIDENDS

	2021 £	2020 £
Ordinary shares of £1 each		
Interim	<u>2,500,000</u>	<u>5,700,000</u>

Since the year end to the date of signing dividends amounting to £1,900,000 (2020: £2,500,000) have been declared and paid.

12. INTANGIBLE FIXED ASSETS

	Computer software £
COST	
Additions	<u>214,630</u>
At 31 January 2021	<u>214,630</u>
AMORTISATION	
Amortisation for year	<u>11,375</u>
At 31 January 2021	<u>11,375</u>
NET BOOK VALUE	
At 31 January 2021	<u>203,255</u>

Palace Skateboards LimitedNotes to the Financial Statements - continued
for the Year Ended 31 January 2021**13. TANGIBLE FIXED ASSETS**

	Short leasehold £	Fixtures and fittings £	Computer equipment £	Totals £
COST				
At 1 February 2020	467,846	313,908	179,354	961,108
Additions	11,835	51,176	56,088	119,099
Disposals	(60,000)	(32,761)	(11,678)	(104,439)
At 31 January 2021	<u>419,681</u>	<u>332,323</u>	<u>223,764</u>	<u>975,768</u>
DEPRECIATION				
At 1 February 2020	94,669	105,059	81,489	281,217
Charge for year	68,450	97,427	55,423	221,300
Eliminated on disposal	(29,500)	(32,407)	(9,944)	(71,851)
At 31 January 2021	<u>133,619</u>	<u>170,079</u>	<u>126,968</u>	<u>430,666</u>
NET BOOK VALUE				
At 31 January 2021	<u>286,062</u>	<u>162,244</u>	<u>96,796</u>	<u>545,102</u>
At 31 January 2020	<u>373,177</u>	<u>208,849</u>	<u>97,865</u>	<u>679,891</u>

Computer equipment with a carrying value of £1,868 (2020: £7,472) is held under finance lease.

14. FIXED ASSET INVESTMENTS

	Shares in group undertakings £
COST	
At 1 February 2020 and 31 January 2021	<u>5,470</u>
NET BOOK VALUE	
At 31 January 2021	<u>5,470</u>
At 31 January 2020	<u>5,470</u>

The Company's investments at the Balance Sheet date in the share capital of companies include the following:

Endell Shipping Limited

Registered office: United Kingdom

Nature of business: Fulfilment and warehousing

Class of shares:	%
Ordinary	holding 100.00

Palace Skateboards KK

Registered office: Japan

Nature of business: Retail store in Japan

Class of shares:	%
Ordinary	holding 100.00

PSL Japan Collections KK

Registered office: Japan

Nature of business: Web collections service

Class of shares:	%
Ordinary	holding 100.00

Palace Skateboards LimitedNotes to the Financial Statements - continued
for the Year Ended 31 January 2021**14. FIXED ASSET INVESTMENTS - continued****PSL Collections Inc**

Registered office: USA

Nature of business: Web collections service

Class of shares:	%
Ordinary	holding 100.00

This company ceased trade with effect from 31 July 2019.

GSLT US Holdings Inc

Registered office: USA

Nature of business: Non-trading holding company

Class of shares:	%
Ordinary	holding 100.00

The following are subsidiaries of GSLT US Holdings Inc:

Palace Skateboards Inc

Registered office: USA

Nature of business: US Retail store and consignment sales

Class of shares:	%
Ordinary	holding 100.00

Palace Skateboards US Online Inc

Registered office: USA

Nature of business: US Online and wholesale sales

Class of shares:	%
Ordinary	holding 100.00

15. STOCKS

	2021 £	2020 £
Stocks	<u>1,464,027</u>	<u>1,654,137</u>

Stock includes provision of £1,651,520 (2020: £1,057,210) in respect of slow-moving stock.

16. DEBTORS

	2021 £	2020 £
Amounts falling due within one year:		
Trade debtors	596,722	352,572
Amounts owed by group undertakings	9,299,173	8,814,376
Other debtors	478,102	952,935
Tax	-	496,936
Social security and other tax	56,891	82,977
Prepayments and accrued income	419,518	391,801
	<u>10,850,406</u>	<u>11,091,597</u>
Amounts falling due after more than one year:		
Amounts owed by group undertakings	<u>3,034,058</u>	<u>3,086,668</u>
Aggregate amounts	<u>13,884,464</u>	<u>14,178,265</u>

Palace Skateboards LimitedNotes to the Financial Statements - continued
for the Year Ended 31 January 2021**17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2021	2020
	£	£
Hire purchase contracts (see note 19)	3,916	3,991
Trade creditors	1,339,273	730,302
Amounts owed to group undertakings	740	1,906
Tax	133,474	-
Social security and other taxes	278,155	573,059
Other creditors	139,743	204,410
Accruals and deferred income	1,094,594	1,464,272
	<u>2,989,895</u>	<u>2,977,940</u>

18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2021	2020
	£	£
Hire purchase contracts (see note 19)	<u>2,285</u>	<u>6,774</u>

19. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

	Hire purchase contracts	
	2021	2020
	£	£
Net obligations repayable:		
Within one year	3,916	3,991
Between one and five years	<u>2,285</u>	<u>6,774</u>
	<u>6,201</u>	<u>10,765</u>

	Non-cancellable operating leases	
	2021	2020
	£	£
Within one year	470,884	103,009
Between one and five years	1,434,936	1,883,536
In more than five years	-	23,464
	<u>1,905,820</u>	<u>2,010,009</u>

20. SECURED DEBTS

The following secured debts are included within creditors:

	2021	2020
	£	£
Hire purchase contracts	<u>6,201</u>	<u>10,765</u>

21. PROVISIONS FOR LIABILITIES

	2021	2020
	£	£
Deferred tax	<u>38,900</u>	<u>93,000</u>
		Deferred tax
		£
Balance at 1 February 2020		93,000
Credit to Statement of Total Comprehensive Income during year		<u>(54,100)</u>
Balance at 31 January 2021		<u>38,900</u>

Palace Skateboards LimitedNotes to the Financial Statements - continued
for the Year Ended 31 January 2021**22. CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:		Nominal value:	2021 £	2020 £
Number:	Class:			
100	Ordinary	£1	<u>100</u>	<u>100</u>

The holders of the ordinary shares are entitled to receive dividends from time to time and are entitled to one vote per share at meetings of the company.

23. RESERVES

	Retained earnings £	Share based payment reserve £	Totals £
At 1 February 2020	15,643,291	-	15,643,291
Profit for the year	3,055,504		3,055,504
Dividends	(2,500,000)		(2,500,000)
Credit to equity for equity settled share-based payments	-	414,323	414,323
At 31 January 2021	<u>16,198,795</u>	<u>414,323</u>	<u>16,613,118</u>

24. ULTIMATE PARENT COMPANY

The company's ultimate parent is GSLT Holdings Limited, whose Registered Office is located at 4th Floor, 100 St John Street, London EC1M 4EH, and which prepares group financial statements in which the company is consolidated.

The ultimate controlling parties of the company are G L Skewis and L J Tanju, the directors of GSLT Holdings Limited, by virtue of their majority shareholding in that company.

25. RELATED PARTY DISCLOSURES

G L Skewis and L J Tanju are directors and shareholders of TTT London Limited ("TTT"). During the year TTT charged the company £1,991 for product sales (2020: £18,416). The outstanding balance at the end of the year was £2,383 (2020: £31,269). The company charged TTT £57,430 (2020: £21,731) in respect of recharged expenses. Trade debtors included £10,316 (2020: £26,078) due from TTT at the year end. In addition, other debtors included a funding balance of £107,261 (2020: £113,034) due from TTT at the year end. This balance is not subject to interest.

All trading transactions are at arms length.

Palace Skateboards LimitedNotes to the Financial Statements - continued
for the Year Ended 31 January 2021**26. SHARE-BASED PAYMENT TRANSACTIONS**

Under the company plan, share options are granted at a price agreed by the Directors, and where required agreed with HMRC. The employee is entitled to exercise the share options on the earlier of an Exit Event or a long stop date, being 9 years and 6 months from the grant date. If options remain unexercised after a period of 10 years from the date of the grant, the options expire. Furthermore, options are forfeited if the employee leaves the company before they become entitled to exercise the share options.

The weighted average fair value of options granted in the year was determined using the Black-Scholes option pricing model. The Black-Scholes model is considered to apply the most appropriate valuation method due to the relatively short contractual lives of the options and the requirement to exercise within a short period after the employee becomes entitled to the shares (the "vesting date").

	Number of share options 2021 number	2020 number	Weighted average exercise price 2021 £	2020 £
Outstanding at 1 February 2020	-	-	-	-
Granted	35,395	-	£8.46	-
Forfeited	(2,477)	-	£12.09	-
Exercised	-	-	-	-
Outstanding at 31 January 2021	32,918	-	£8.19	-

The options outstanding at 31 January 2021 had an exercise price ranging from £0.0001 to £70.14 and a weighted average remaining life of 8.5 years.

	2021	2020
Expense recognised in the year		
Arising from equity settled share based payment transactions	£414,323	-