

Penarth Commercial Properties (Holdings) Limited

**Directors' report and consolidated
financial statements**

Registered number 5159037

28 February 2007

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Directors' report

The directors present their annual report and the audited consolidated financial statements for the year ended 28 February 2007

Principal activities

The company acts as a holding company for the group

The principal activities of the group are sawmilling, motor dealers, repairers and vehicle hire

Business review

The results for the year are shown in the consolidated profit and loss account on page 8 and show a profit before tax for the financial year of £729,076 (2006 £154,224)

Sawmill

The results for the year show a profit for the financial year before tax of £1,041,247 (2006 710,401) This profit includes a gain on the sale of fixed assets of £138,903 (2006 £nil)

Turnover has risen by 9% to £9.4 million due to a combination of increased volumes and increases in selling prices. The increase in selling price has partly arisen from concerns over the supply of raw material. This concern has also seen an increase in the cost of raw material, overall resulting in an increase in gross margin. The gross profit margin has increased to 26.6% (2006 24.7%). The recent investment in the new sawmill has enabled the volumes to increase.

Due to the increased turnover, distribution costs have risen by £82,524, in total representing 8.1% of turnover. This is similar to the 2006 level of 7.9%. Administration costs have risen by £93,695, in total representing 9.5% of turnover. Again this is similar to the 2006 level of 9.2%.

The company operates in an industry when technological advances are continuous, and is aware of the risks of failing to invest in modern equipment. In the coming year the company is investing in new technology within its treatment facility to improve the production efficiency and profitability of its treated timber. The capital spend is likely to be approximately £50,000, although this does not include associated new electrical installations. The company's website – www.etcasawmills.co.uk became fully operational during the year.

As mentioned earlier raw material availability continues to cause some concern. The Forestry Commission has revised its production forecasts downwards by 23%. Raw material availability has also been affected by the economic growth in China. The UK industry has in the past imported timber from the Baltic States – these countries are now exporting vast amounts of timber to China. The company however does have a very well established private sector supplier network in place which will more than cope with any shortfall from the Forestry Commission. The company is also at risk from general economic factors such as rising interest rates and rising unemployment.

The small industrial estate at Gledrid has produced an income of £54,247 in the financial year.

The Directors would like to record their thanks to all staff who contributed to the continued success of the company during the year.

Directors' report *(continued)*

Dealership

The results for the year show a profit before tax for the financial year of £84,056 (2006 Loss £90,314)

The profit for the year has been achieved despite a fall in the UK new car registrations for 2006. For the year ending December 2006 UK new car registrations fell by 3.9% to their lowest level since 2001. The company increased its new car registrations by 1.7%. The Ford Focus was again the UK's best selling model, and accounted for 30% of the company's new car registrations. The new car sales department met the Ford customer satisfaction objective for 2006. New model launches during the coming year include the Focus Coupe Cabriolet and the all new Mondeo which has been widely acclaimed by the motoring press prior to its launch. These new models should further strengthen Ford Motor Company's position as the market leader in the UK and should give some expectation in margin improvement on these models although this is not expected to be substantial.

Although the departmental margins increased slightly across the company the main reason for the improved performance was a reduction in costs. Advertising costs fell sharply, due in part to a reduction in newspaper advertising, and better use of the company's website and marketing department.

Trading conditions in the aftermarket remained difficult with turnover declining by 1.6%, resulting in a small decrease in gross profit. However, due to the reduction in costs the aftermarket net profit increased by 9.2%. Improved processes in the service department reduced the amount of invoices rejected by Ford. The service department also met the Ford customer satisfaction objective for 2006. The company was also affected by increased utility costs, although these are expected to reduce in the coming year. Performance in the Accident Repair Centre has been affected by staff levels. New appointments have now been made, and it is expected that the coming year will show an improvement.

The company trades under a Ford franchise, and as such much of its performance in the coming year will depend on the levels of support that Ford will introduce into the marketplace for its dealers. This support will include marketing support aimed at specific models throughout the year, incentive payments for achieving sales and purchase objectives, and incentives for finance sales. Failure to achieve these objectives would affect the company's performance. Environmental concerns and legislation are widespread at the moment, and will continue to increase. The company's new vehicle sales will eventually become dependent on Ford developing affordable, environmentally acceptable vehicles. Ford is committed to reducing the environmental impact of their vehicles, and was the first manufacturer in Europe to offer production vehicles with flexifuel technology.

The company is also at risk from general economic conditions such as rising interest rates and rising unemployment. This may affect the vehicle sales market.

The redevelopment of the site has continued, with phase two completed in the year. This was the relocation of the Parts department. This has allowed work to start on the new showroom, due for completion in the coming year.

Additional sources of revenue from the site are under consideration, although these cannot be introduced until the existing sales activities have been relocated and the existing new car showroom has been demolished.

The directors would like to extend their thanks to all the staff in particular for their patience and understanding during the period of redevelopment.

Directors' report *(continued)*

Rental Business

The results for the year show a loss before tax for the financial year of £18,491 *(2006 Loss £33,002)*

Although turnover has increased by 12% year on year the improved performance has mainly arisen due to increased control over the rental fleet running costs. Improved processes in the timely receipt of vehicles and monitoring of the age and mileage of the vehicles resulted in a significant reduction in the excess lease charges. Staffing levels were aligned more closely with the needs of the business.

The increase in turnover is largely due to additional corporate account sales, arising from both new customers and additional locations of existing customers. One of the key requirements in a car hire business is running the correct number of vehicles. At times in the year the company had to cross hire vehicles from other rental customers in order to satisfy demand. The vehicle fleet size has been gradually increased during the year in order to reduce the number of cross hired vehicles.

Depending on market conditions the company normally has a mixture of short term lease vehicles and purchased vehicles in its fleet. It is anticipated that for the coming year the company will mainly purchase vehicles with the intention of making a profit on the eventual disposal of the vehicles.

Dividends

Dividends paid during the year were £110,000 *(2006 £100,000)*

Political and charitable donations

Neither the company nor the group made any political contributions during the period. Group donations to local charities amounted to £255 *(2006 £536)*

Directors

The directors who held office during the year were as follows

RC Pugsley

WM Barritt

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information 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 to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Employees

The group gives full and fair consideration to applications for employment made by disabled persons having regard to their particular aptitudes and abilities. Furthermore, should existing employees become disabled, every effort would be made to find them appropriate work and to provide training where necessary.

The directors recognise the importance of good relations with employees. As the group is managed on a decentralised basis, the management of each subsidiary is responsible for the participation practices appropriate to its own particular needs and background.

Directors' report *(continued)*

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the reappointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting

By order of the board


RJ Evans
Secretary

23rd August 2007

Statement of directors' responsibilities in respect of the Directors' Report and 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 group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the group and the parent company and of the profit or loss for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



KPMG LLP

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Fitzalan Court
Fitzalan Road
Cardiff
CF24 0TE
United Kingdom

Independent auditors' report to the members of Penarth Commercial Properties (Holdings) Limited

We have audited the group and parent company financial statements (the "financial statements") of Penarth Commercial Properties (Holdings) Limited for the year ended 28 February 2007 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash flow statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 5.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report to the members of Penarth Commercial Properties (Holdings) Limited *(continued)*

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 28 February 2007 and of the group's profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' report is consistent with the financial statements

KPMG LLP

*Chartered Accountants
Registered Auditor*

17 September 2007

Consolidated profit and loss account
for the year ended 28 February 2007

	<i>Note</i>	2007	2006
		£	Restated £
Turnover	2	43,993,245	43,499,666
Cost of sales		(37,354,553)	(37,277,700)
Gross profit		6,638,692	6,221,966
Distribution costs		(2,670,222)	(2,723,163)
Administrative expenses		(3,278,825)	(3,222,180)
Other operating income		315,669	270,790
Operating profit		1,005,314	547,413
Profit on disposal of fixed assets		138,903	-
Interest receivable and similar income	6	11,405	13,954
Interest payable and similar charges	6	(426,546)	(407,143)
Profit on ordinary activities before taxation	2-6	729,076	154,224
Tax on profit on ordinary activities	7	(200,433)	(88,892)
Profit on ordinary activities after taxation being profit for the financial year	19	528,643	65,332

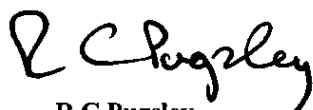
The above results relate entirely to continuing operations

There is no material difference between the result as disclosed in the profit and loss account and the result as given by an unmodified historical cost basis

Consolidated balance sheet
at 28 February 2007

	Note	2007		2006 Restated	
		£	£	£	£
Fixed assets					
Intangible assets	10		20,962		29,086
Tangible assets	11		6,922,173		7,368,373
Investments	12		1,273		1,274
			<hr/>		<hr/>
			6,944,408		7,398,733
Current assets					
Stocks	13	8,559,244		9,757,317	
Debtors	14	3,497,173		3,744,765	
		<hr/>		<hr/>	
		12,056,417		13,502,082	
Creditors amounts falling due within one year	15	(11,956,746)		(13,982,678)	
		<hr/>		<hr/>	
Net current assets/(liabilities)			99,671		(480,596)
			<hr/>		<hr/>
Total assets less current liabilities			7,044,079		6,918,137
Creditors amounts falling due after more than one year	16		(2,100,000)		(2,400,000)
Provisions for liabilities and charges	17		(189,249)		(202,950)
			<hr/>		<hr/>
Net assets			4,754,830		4,315,187
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	18		425,000		425,000
Share premium account	19		3,825,000		3,825,000
Profit and loss account	19		504,830		65,187
			<hr/>		<hr/>
Equity shareholders' funds	20		4,754,830		4,315,187
			<hr/>		<hr/>

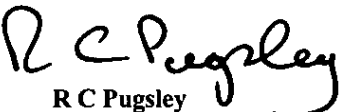
These financial statements were approved by the board of directors on 23rd August 2007 and were signed on its behalf by


R C Pugsley
Director

Company balance sheet
 at 28 February 2007

	Note	2007		2006 Restated	
		£	£	£	£
Fixed assets					
Investments	12		8,529,750		8,508,750
Current assets					
Debtors	14	120,183		74,950	
Cash		40,159		41,838	
		<u>160,342</u>		<u>116,788</u>	
Creditors amounts falling due within one year	15	(335,505)		(326,405)	
Net current liabilities			<u>(175,163)</u>		<u>(209,617)</u>
Total assets less current liabilities			<u>8,354,587</u>		<u>8,299,133</u>
Creditors: amounts falling due after more than one year	16		<u>(2,100,000)</u>		<u>(2,400,000)</u>
Net assets			<u>6,254,587</u>		<u>5,899,133</u>
Capital and reserves					
Called up share capital	18		425,000		425,000
Share premium account	19		3,825,000		3,825,000
Profit and loss account	19		2,004,587		1,649,133
Equity shareholders' funds	20		<u>6,254,587</u>		<u>5,899,133</u>

These financial statements were approved by the board of directors on 23 August 2007 and were signed on its behalf by


 R C Pugsley
 Director

Consolidated cash flow statement
for the year ended 28 February 2007

	<i>Note</i>	2007 £	2006 £
Cash inflow from operating activities	25	1,468,172	881,274
Returns on investments and servicing of finance	26	(415,141)	(393,189)
Taxation		(46,085)	(91,211)
Capital expenditure and financial investment	26	(36,559)	(787,477)
Equity dividends paid		(110,000)	(100,000)
Cash inflow/(outflow) before financing		860,387	(490,603)
Financing	26	(417,987)	(143,008)
Increase/(decrease) in cash in the financial year		442,400	(633,611)

Reconciliation of net cash flow to movement in net debt

	<i>Note</i>	2007 £	2006 £
Increase/(decrease) in cash in the year		442,400	(633,611)
Cash outflow/(inflow) from decrease/(increase) in debt and lease financing		117,987	(56,992)
Cash inflow from increase in stocking loan		-	(100,000)
Loan notes repaid		300,000	300,000
Movement in net debt in the year		860,387	(490,603)
Net debt at the start of the year		(4,769,337)	(4,278,734)
Net debt at the end of the year	27	(3,908,950)	(4,769,337)

Consolidated Statement of Total Recognised Gains and Losses

	2007 £	2006 £
Profit for the financial year	528,643	65,332
Prior year adjustment	(6,125)	-
	<hr/>	<hr/>
Total gains and losses recognised since last financial statement	522,518	65,332
	<hr/>	<hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

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

In these financial statements the following new standard has been adopted for the first time

FRS 20 Share-based payments

The accounting policy under this new standard is set out below together with an indication of the effects of its adoption

The corresponding amount in these financial statements is restated in accordance with the new policy. The impact of the adoption of FRS 20 on the results for the year and the preceding year is set out in notes 15, 17 and 18

Basis of preparation

The financial statements have been prepared in accordance with the historical cost accounting rules, modified to include the revaluation of certain land, buildings and investments and conform to applicable accounting standards

Basis of consolidation

The group financial statements consolidate the financial statements of Penarth Commercial Properties (Holdings) Limited and all its subsidiary undertakings

The consolidated financial statements are based on financial statements of subsidiary undertakings which are coterminous with those of the parent company and are made up to 28 February 2007

The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the period are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal

In accordance with Section 230(4) of the Companies Act 1985, Penarth Commercial Properties (Holdings) Limited is exempt from the requirement to present its own profit and loss account

Fixed assets and depreciation

Depreciation is provided to write off the cost (or valuation) of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

Freehold buildings	-	10 to 35 years
Plant and machinery	-	1 to 10 years
Fixtures and Fittings	-	1 to 10 years
Motor vehicles	-	4 years

No depreciation is provided on freehold land. Assets acquired for the trade are not depreciated until brought into use

Freehold land and buildings include the cost of planted timber owned by the company. The cost and maintenance of trees planted on land owned by the group is added to the fixed asset cost as incurred. When trees are harvested, the difference between the estimated value of timber brought into the mill and the fixed asset cost is treated as a profit on disposal

The group has adopted the provisions allowable under FRS 15 Tangible Fixed Assets, and the last valuation of freehold land and buildings has not been updated. The date of the last valuation is shown in note 11

Notes

1 Accounting policies (*continued*)

Investment in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost

Goodwill

On the acquisition of a business, including an interest in an associated undertaking, fair values are attributed to the group's share of separable assets and liabilities acquired. Where the cost of acquisition exceeds the values attributable to such assets and liabilities, the difference is treated as purchased goodwill. For acquisitions since the incorporation of the company, purchased goodwill is capitalised and amortised through the profit and loss account over its estimated economic life, normally over a period of up to twenty years.

In attributing fair values, long term monetary assets and liabilities are discounted to their net present value and the difference is charged/credited to the profit and loss account at a constant rate on the amount outstanding.

The profit or loss on the disposal of a previously acquired business includes the attributable amount of any purchased goodwill relating to that business.

Leases

Where the group enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a "finance lease". The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life. Where hire fleet vehicles are acquired under "finance lease" arrangements, they are generally held for less than a year, after which they are resold, and are consequently shown as stock within current assets. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as "operating leases" and the rental charges are charged to the profit and loss account in the period in which they are incurred.

Pensions

The group participates in a defined contribution pension scheme. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Death in service

The group administers a discretionary death in service self insurance scheme for dependent relatives of employees. A provision, representing the directors' best estimate of the group's ongoing liability arising from this scheme, is included in the balance sheet.

Share based payments

The company's Enterprise Management Incentives share option scheme allows employees to acquire shares of the company. The fair value of options granted and not yet vested as at 28 February 2007 is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured by a share option pricing model. The amount recognised as an expense is adjusted to reflect the number of share options ultimately expected to vest based on the company's anticipated future staff turnover.

Notes

1 Accounting policies (continued)

Stocks

Stocks are stated at the lower of cost and net realisable value. Stocks include vehicles in the hire fleet. These vehicles are generally held for less than a year and are stated at the lower of cost and net realisable value. For work in progress and finished goods manufactured by the group, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Taxation

The charge for taxation is based on the result for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to third party customers.

2 Turnover

	2007 £	2006 £
Motor dealers, repairers and vehicle hire	34,525,605	34,816,981
Sawmills	9,467,640	8,682,685
	<u>43,993,245</u>	<u>43,499,666</u>

All turnover originates in the United Kingdom.

3 Profit on ordinary activities before taxation

	2007 £	2006 £
<i>Profit on ordinary activities before taxation is stated after charging/(crediting)</i>		
Audit Services		
Fees payable to the company auditor and associates for other services		
The audit of the company's subsidiaries pursuant to legislation	24,000	22,500
Tax services	8,350	8,250
Depreciation and other amounts written off tangible fixed assets	621,663	584,580
Goodwill amortisation	8,124	8,124
Hire of plant and machinery - rentals payable under operating leases	66,356	70,557
Hire of other assets - rentals payable under operating leases	23,304	14,749
Profit on sale of fixed assets	(138,903)	-
	<u></u>	<u></u>

Notes

4 Remuneration of directors

	2007 £	2006 £
Directors' emoluments	116,854	112,275
Company contributions to money purchase schemes	2,088	2,088
	<u>118,942</u>	<u>114,363</u>

Retirement benefits are accruing to the following number of directors under

	2007	2006
Money purchase schemes	<u>2</u>	<u>2</u>

5 Staff numbers and costs

The average number of persons employed by the group (including directors) during the period, analysed by category, was as follows

	Number of employees	
	2007	2006
Management	15	16
Administration	29	30
Production, sales and other staff	224	224
	<u>268</u>	<u>270</u>

The aggregate payroll costs of these persons were as follows

	2007	2006 £
Wages and salaries	4,652,684	4,521,041
Social security costs	485,532	475,455
Other pension costs (see note 23)	45,420	50,770
	<u>5,183,636</u>	<u>5,047,266</u>

6 Interest payable and receivable

6a Interest receivable and similar income

	2007 £	2006 £
Group		
Other interest receivable	<u>11,405</u>	<u>13,954</u>

Notes

6b Interest payable and similar charges

	2007	2006
Group and company	£	£
On bank loans and overdrafts	71,732	85,606
Vehicle stocking plans	195,561	151,957
Other interest payable or similar charges	8,513	933
Interest payable on loan notes	150,740	168,647
	<u>426,546</u>	<u>407,143</u>

7 Taxation

	2007	2006
	£	Restated £
Group		
Current tax		
UK corporation tax on profits for the year	223,210	59,226
Adjustments in respect of prior years	(9,076)	(873)
Total current tax	<u>214,134</u>	<u>58,353</u>
Deferred tax		
Deferred tax (credit)/charge for the year (note 17) as restated	(13,701)	28,521
Adjustments in respect of prior years	-	2,018
Tax on profit on ordinary activities	<u>200,433</u>	<u>88,892</u>

Factors affecting the tax charge for the current year

The current tax charge for the period is lower (2006 higher) than the standard rate of corporation tax in the UK (30%). The differences are explained below

	2007	2006
	£	£
Profit on ordinary activities before tax	<u>729,076</u>	<u>154,224</u>
Profit on ordinary activities before tax multiplied by standard rate of corporation tax rate of 30%	218,723	46,267
Effects of		
Expenses not deductible for tax purposes	12,389	17,682
Capital allowances in excess of depreciation	(4,031)	(4,155)
Small companies relief	-	(2,584)
Other timing differences	2,729	(23,144)
Adjustments in respect of prior years	(9,076)	(873)
Deferred tax not provided	-	25,160
Tax rate differences	(6,600)	-
Total current tax charge (see above)	<u>214,134</u>	<u>58,353</u>

Notes

8 Dividends

The aggregate amount of dividends comprises

	2007 £	2006 £
Final dividends paid in respect of prior year but not recognised as liabilities in that year	-	50,000
Dividends paid in respect of the current year	110,000	50,000
	<hr/>	<hr/>
Aggregate amount of dividends paid in the financial year	110,000	100,000
	<hr/>	<hr/>

The aggregate amount of dividends proposed and recognised as liabilities as at the year end is £nil (2006 £nil)

9 Profit and loss account

The profit on ordinary activities after taxation for the financial year dealt with in the financial statements of the company is £444,454 (2006 £494,127) The retained profit for the financial year after dividends is £334,454 (2006 £394,127)

10 Intangible fixed assets

Group	Goodwill £
<i>Cost</i>	
At beginning and end of year	40,595
	<hr/>
<i>Accumulated amortisation</i>	
At beginning of year	11,509
Charge for year	8,124
	<hr/>
At end of year	19,633
	<hr/>
<i>Net book value</i>	
At 28 February 2007	20,962
	<hr/>
<i>Net book value</i>	
At 28 February 2006	29,086
	<hr/>

Goodwill arose on the acquisition of Penarth Commercial Properties Limited. The goodwill is being amortised on a straight line basis over 5 years, being the period over which the directors estimate that the value of the underlying business acquired is expected to exceed the value of the underlying assets.

Notes

11 Tangible fixed assets

	Freehold land & buildings £	Plant & Equipment £	Motor vehicles £	Total £
Group				
Cost or valuation				
At beginning of year	5,810,060	6,551,457	523,361	12,884,878
Additions	127,027	86,289	107,347	320,663
Disposals	(122,221)	(46,936)	(175,650)	(344,807)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	5,814,866	6,590,810	455,058	12,860,734
	<hr/>	<hr/>	<hr/>	<hr/>
Analysis				
Assets at cost	3,464,866	6,590,810	455,058	10,510,734
Assets at valuation - 1989	1,500,000	-	-	1,500,000
- 1990	850,000	-	-	850,000
	<hr/>	<hr/>	<hr/>	<hr/>
	5,814,866	6,590,810	455,058	12,860,734
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At beginning of year	1,020,173	4,170,236	326,096	5,516,505
Charge for year	141,402	392,393	87,868	621,663
On disposals	-	(46,936)	(152,671)	(199,607)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	1,161,575	4,515,693	261,293	5,938,561
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 28 February 2007	4,653,291	2,075,117	193,765	6,922,173
	<hr/>	<hr/>	<hr/>	<hr/>
At 28 February 2006	4,789,887	2,381,221	197,265	7,368,373
	<hr/>	<hr/>	<hr/>	<hr/>

The freehold premises, included in the above at open market valuations, were professionally valued by Messrs Cooke & Arkwright on an existing use basis in reports dated 19 April 1989 and 28 March 1990

The value of freehold land and buildings (included in the above at a valuation) determined according to the historical cost convention is as follows

	2007 £	Group 2006 £
Cost	715,148	715,148
Depreciation	(297,818)	(287,571)
	<hr/>	<hr/>
	417,330	427,577
	<hr/>	<hr/>

The amount of non-depreciable assets within freehold land and buildings is £1,337,902 (2006 1,453,729)

Notes

12 Investments

Details of the group's and company's investments are shown below

At 28 February 2007, the company had the following trading subsidiaries all of which are registered in England and Wales

Name	Activity	Proportion of nominal value of issued share capital held by group	Proportion of nominal value of issued share capital held by company
Penarth Commercial Properties Limited	- Intermediary holding company	100%	100%
Abbey Garages (Cardiff) Limited	- Motor dealers and repairers	100%	-
ETC Sawmills Limited	- Sawmillers	100%	-
Fordthorne Limited	- Motor vehicle rental	100%	-

Investments in subsidiary undertakings are stated at cost

	Group 2007 £	Company 2007 Restated £
<i>Shares in group undertakings</i>		
At beginning of year	-	8,508,750
Additions in year	-	21,000
At end of year	-	8,529,750
<i>Interest in joint venture undertaking</i>		
At beginning of year	1	-
Disposals	(1)	-
At end of year	-	-
<i>Other quoted investments at cost</i>		
At beginning and end of year	1,273	-
Total investments at end of year	1,273	8,529,750
Total investments at beginning of year	1,274	8,508,750

The market value of quoted investments at 28 February 2007 amounted to £ 9,583 (2006 £10,838)

The additions in the year relating to shares in group undertakings represent the fair value of share options granted by the company during the year

Notes

13 Stocks

	Group 2007 £	Group 2006 £
Raw materials and consumables	446,855	520,538
Work in progress	216,300	340,136
Finished goods	293,730	275,453
Motor vehicles	7,602,359	8,621,190
	<u>8,559,244</u>	<u>9,757,317</u>

Vehicle stocks with a value of £657,573 which are the property of the group are subject to separate finance arrangements (notes 1 and 15)

14 Debtors

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
<i>Amounts falling due within one year</i>				
Trade debtors	3,130,773	3,365,214	-	-
Other debtors	3,938	4,070	-	-
Prepayments and accrued income	159,461	168,442	-	-
Group relief receivable	-	-	120,183	74,950
	<u>3,294,172</u>	<u>3,537,726</u>	<u>120,183</u>	<u>74,950</u>
<i>Amounts falling due after more than one year</i>				
Secured loan	203,001	207,039	-	-
	<u>3,497,173</u>	<u>3,744,765</u>	<u>120,183</u>	<u>74,950</u>

15 Creditors: amounts falling due within one year

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Bank overdrafts	1,008,950	1,451,350	-	-
Vehicle stocking loan	500,000	500,000	-	-
Loan notes	300,000	300,000	300,000	300,000
Obligations under hire purchase contracts	-	117,987	-	-
Trade creditors	9,019,748	10,742,576	-	-
Other creditors including taxation and social security				
Corporation tax	223,210	55,161	-	-
Other taxes and social security	212,246	165,588	4,900	5,400
Accruals and deferred income	692,592	650,016	30,605	21,005
	<u>11,956,746</u>	<u>13,982,678</u>	<u>335,505</u>	<u>326,405</u>

The bank overdraft is secured on certain group properties

The vehicle stocking loan comprises an amount due to a finance company which bears interest varying with the finance house base rate. The loan is secured by a floating charge over the group's vehicle stocks and other assets

Notes

15 Creditors: amounts falling due within one year(continued)

Within a period of 10 years, the loan notes are redeemable at the option of the noteholder up to a maximum of £300,000 per year, or a higher amount at the option of the company

16 Creditors: amounts falling due after more than one year

	Group 2007 £	Company 2007 £	Group 2006 £	Company 2006 £
Loan notes	<u>2,100,000</u>	<u>2,100,000</u>	<u>2,400,000</u>	<u>2,400,000</u>

17 Provisions for liabilities and charges

The provisions for liabilities and charges comprise

Group	Deferred taxation Restated £	Death in service £	Total Restated £
At beginning of year as previously reported	145,575	60,000	205,575
Prior year adjustment due to FRS 20	(2,625)	-	(2,625)
	<u>142,950</u>	<u>60,000</u>	<u>202,950</u>
At beginning of year restated	142,950	60,000	202,950
Credited during the year	(13,701)	-	(13,701)
	<u>129,249</u>	<u>60,000</u>	<u>189,249</u>

As shown in note 1 the death in service provision is in respect of a discretionary self insurance scheme for dependent relatives of employees who die whilst employed by the group. The group's policy is to award a discretionary amount assessed by the directors to the dependent relative and the timing of payment is by its nature not predictable.

The amounts provided for deferred taxation and the full potential liability/(asset) are set out below

Group	2007 £	2006 £
Difference between accumulated depreciation and amortisation and capital allowances	230,038	240,937
Other timing differences	(100,789)	(97,987)
	<u>129,249</u>	<u>142,950</u>

Notes

18 Called up share capital

	Group and Company	
	2007	2006
	£	£
<i>Authorised</i>		
5,000,000 Ordinary shares of 10p each	500,000	500,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
4,250,000 Ordinary shares of 10p each	425,000	425,000
	<hr/>	<hr/>

19 Movements on reserves

Group	Share premium	Profit and loss account
	£	Restated £
At beginning of year previously reported	3,825,000	62,562
Prior year adjustment - FRS 20	-	2,625
	<hr/>	<hr/>
At beginning of year - restated	3,825,000	65,187
Profit for the year	-	528,643
Fair value of share options granted	-	21,000
Dividends	-	(110,000)
	<hr/>	<hr/>
At end of year	3,825,000	504,830
	<hr/>	<hr/>

Company	Share premium	Profit and loss account
	£	Restated £
At beginning of year as previously reported	3,825,000	1,640,383
Prior year adjustment FRS20	-	8,750
	<hr/>	<hr/>
At beginning of year as restated	3,825,000	1,649,133
Profit for the year	-	444,454
Fair value of share options granted	-	21,000
Dividends	-	(110,000)
	<hr/>	<hr/>
At end of year	3,825,000	2,004,587
	<hr/>	<hr/>

Notes

20 Reconciliation of movements in shareholders' funds

Group	2007	2006
	£	£
At beginning of year as previously reported	4,321,312	4,341,105
Prior year adjustment – FRS 20	(6,125)	-
	<hr/>	<hr/>
At beginning of the year restated	4,315,187	4,341,105
Profit for the year	528,643	65,332
Fair value of share options granted	21,000	8,750
Dividends	(110,000)	(100,000)
	<hr/>	<hr/>
Closing shareholders' funds	4,754,830	4,315,187
	<hr/>	<hr/>
Company	2007	2006
	£	£
At beginning of year as previously reported	5,890,383	5,496,256
Prior year adjustment – FRS 20	8,750	-
	<hr/>	<hr/>
At beginning of the year restated	5,899,133	5,496,256
Profit for the year	444,454	494,127
Fair value of share options granted	21,000	8,750
Dividends	(110,000)	(100,000)
	<hr/>	<hr/>
Closing shareholders' funds	6,254,587	5,899,133
	<hr/>	<hr/>

21 Contingent liabilities

Penarth Commercial Properties Ltd, a wholly owned subsidiary of the company, has given an unlimited multilateral guarantee dated 7 December 1988 in respect of the net position of its bank overdraft and the bank overdrafts and cash balances of certain subsidiaries. At 28 February 2007, the net liability of the group amounted to £1,008,950 (2006 £1,451,350)

22 Commitments

At the year end the group had contracted to purchase plant and machinery worth £37,500 (2006 £Nil)

Annual commitments under non-cancellable operating leases in respect of plant and machinery are as follows

	Group	
	Plant and machinery	
	2007	2006
	£	£
<i>Leases which expire</i>		
Within one year	7,890	528
Within two to five years	19,500	31,954
	<hr/>	<hr/>
	27,390	32,482
	<hr/>	<hr/>

Notes

23 Pension scheme

The Group participates in a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in independently administered funds. The pension charge represents the following contributions payable by the group during the period:

	2007 £	2006 £
Contributions payable into group fund	40,105	43,184
Contributions payable into other personal pension plans	5,315	7,586
	<u>45,420</u>	<u>50,770</u>

24 Related party transactions

The company has taken advantage of the exemption granted under Financial Reporting Standard 8 from the requirement to disclose transactions with related parties where 90% of the voting rights of the reporting company are controlled by the same group and consolidated financial statements including the reporting company are prepared and are publicly available.

During the previous year, in order to obtain the lowest acquisition price for the Group, Mr R C Pugsley, the director responsible for the day-to-day activities of Abbey Garages (Cardiff) Ltd, acquired vehicles from the company at an arms length value. Subsequently, the same vehicles were resold back to the company.

The value of transactions and the balance outstanding with the company is as follows:

Related party	Transaction	Amount to/(from)		Balance (to)/from 28 February	
		2007 £	2006 £	2007 £	2006 £
R C Pugsley (Director)	Sales	-	116,282	-	-
	Purchases	-	(116,282)	-	-

25 Reconciliation of operating profit to net cash inflow from operating activities

	2007 £	2006 £
Group operating profit	1,005,314	547,413
Fair value of share options granted	21,000	8,750
Depreciation charge	621,663	584,580
Profit on sale of fixed assets	-	(2,523)
Amortisation of goodwill	8,124	8,124
Decrease/(increase) in stocks	1,198,073	1,198,743
(Increase)/decrease in debtors	247,592	(501,883)
(Decrease)/increase in creditors	(1,633,594)	(961,930)
Net cash inflow from operating activities	<u>1,468,172</u>	<u>881,274</u>

Notes

26 Analysis of cash flows for headings netted in the cash flow statement

	2007 £	2006 £
Returns on investments and servicing of finance		
Interest paid	(426,546)	(407,143)
Interest received	11,405	13,954
	<u>(415,141)</u>	<u>(393,189)</u>
Capital expenditure and financial investment		
Purchase of fixed assets	(320,663)	(803,140)
Sale of fixed assets	284,104	15,663
	<u>(36,559)</u>	<u>(787,477)</u>
Financing		
Capital element of hire purchase agreements	(117,987)	56,992
Receipt of other loans – increase in vehicle stocking loan	-	100,000
Repayment of loan notes	(300,000)	(300,000)
	<u>(417,987)</u>	<u>(143,008)</u>

27 Analysis of net debt

	At 1 March 2006 £	Cash flow £	At 28 February 2007 £
Bank overdraft	(1,451,350)	442,400	(1,008,950)
	<u>(1,451,350)</u>	<u>442,400</u>	<u>(1,008,950)</u>
Loan notes	(2,700,000)	300,000	(2,400,000)
Vehicle stocking loan	(500,000)	-	(500,000)
Obligations under hire purchase agreements	(117,987)	117,987	-
	<u>(4,769,337)</u>	<u>860,387</u>	<u>(3,908,950)</u>

28 Post Balance Sheet Events

After the balance sheet date a change was announced to the standard rate of corporation tax, from 30% to 28%

Notes

29 Share based payments

Company

Two subsidiaries of the group participate in a single Enterprise Management Incentives share option scheme under which a maximum of 300,000 shares of the ultimate parent company may be placed under option for employees. The scheme is operated by Penarth Commercial Properties (Holdings) Limited. The options are exercisable between 1 and 10 years from date of grant, or earlier only in certain specified circumstances such as the takeover or flotation of the group. Options exercised are to be settled by the physical delivery of shares in the ultimate parent company.

The grant date, exercise price per share and number of shares put under option during the year are as follows:

Grant date	Exercise price £	Number of shares	Expiry date of options
30 Sept 2005	0.30	300,000	30 Sept 2015

The number and weighted average exercise prices of share options in the company are as follows:

	2007 Weighted average exercise price	2007 Number of options	2006 Weighted average exercise price	2006 Number of options
Outstanding at the beginning of the year	0.30	300,000	-	-
Granted during the year	-	-	0.30	300,000
Outstanding at the end of the year	0.30	300,000	0.30	300,000
Exercisable at the end of the year		-		-

The options outstanding at the year end have a maximum exercise price of £0.30 and a weighted average contractual life of 10 years.

The estimate of the fair value of the option is measured based on the fair value of the equity instruments granted and is calculated on an option pricing model (with the contractual life of the option and expectations of early exercise built into the model).

The principal assumptions used in assessing the fair value of the options are as follows:

- share price – 100p,
- exercise price – 30p,
- option life – 10 years,
- expected dividends – 0%, and
- risk-free interest rate – 4.3%

The total expense recognised for each year arising from share based payments is as follows:

	2007 £000	2006 Restated £000
Equity settled share based payment	21,000	8,750

Company profit and loss account
for the year ended 28 February 2007

The following does not form part of the financial statements

	2007 £	2006 £
Administrative expenses	(39)	(11,171)
Operating loss	(39)	(11,171)
Interest payable	(150,740)	(168,647)
Dividends received	550,000	620,000
Profit on ordinary activities before taxation	399,221	440,182
Taxation	45,233	53,945
Profit for the financial year	444,454	494,127