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Penarth Commercial Properties (Holdings) Limited

Directors' report and consolidated financial statements

Registered number 5159037

29 February 2012

Contents

Directors' report

The directors present their annual report and the audited consolidated financial statements for the year ended 29 February 2012

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 £685,001 *(2011 £1,059,012)*

Sawmill

The results for the year show a profit for the financial year before tax of £1,269,933 *(2011 £1,253,440)*

Although trading conditions have been difficult the performance of the company has improved over the last year, with both volume and turnover increasing This improved performance is largely as a result of targeted selling of our higher margin products

The benefit of the improved performance however has been offset by some increased costs, such as insurance and electricity

As in previous years raw material supply and price continues to cause concerns as demands for the material is further pressurised by the power stations These biomass stations can secure this material by offering inflated prices due to the grants available from government who are continually pursuing alternative methods of energy However, following active purchasing, the company has secured ongoing supplies of raw material Continual lobbying of the Forestry Commission due to its proposed sell off to the private sector has been essential and hopefully will bear good results for the company's long term buying of raw material

The industrial estate at Gledrid has produced an income of £64,544 in the financial year *(2011 £57,115)*

The directors would like to thank all staff who contributed to the continued success of the sawmill during the year

Directors' report *(continued)*

Dealership

The results for the year show a loss before tax for the financial year of £301,009 (*2011 profit £70,383*) The dealership's results were adversely affected by the continuing poor economic climate during the period under review

All areas of the dealership's activities with regard to its Ford franchise came under pressure in terms of both sales and margins Ford have a number of new product launches planned for 2012 with a significant emphasis on fuel efficient, low CO2 vehicles The timing of these launches should mean that they are well received by customers, who are displaying a greater awareness of fuel economy and overall costs of motoring

Against the background of this continued poor economic climate, the Volvo car franchise traded relatively well, with New Vehicle sales performing in line with expectations although Used Vehicle sales has performed poorly The aftermarket has performed better than expected and further increases in volumes will be actively sought in the coming year In 2012 Volvo UK will launch its first hatchback model, the V40 Initial public reaction to the vehicle has been very positive Volumes for this new vehicle will be low for 2012 with considerably more vehicles being made available in 2013 Also in 2012 Volvo will launch a limited number of V60 hybrid vehicles

The MG franchise continued during the year, although volumes remain very small The brand continued into 2012 with a few remaining vehicles from the TF sports-car range and the MG6 saloon car Volumes of both models are relatively small by comparison with the dealership's overall sales Further models are planned for launch in the future with the next vehicle, the smaller MG3 hatchback expected towards the end of 2012 or early in 2013 The dealership always considered the re-establishment of this brand to be a slow burn and clearly the economic conditions have had a detrimental effect on its sales volumes The introduction of a diesel engine in the MG6 and the launch of the MG3 will assist in making the brand more attractive to the customer Since the year end, MG have returned to saloon car racing, initial results are very encouraging and this will provide a welcome boost to public awareness of the return of the MG brand

Economic conditions for 2012/13 are likely to remain flat and therefore the dealership took action during the period under review to reduce its cost base The costs of this action have been fully accounted for in these accounts and should ensure that the cost base is consistent with sales volumes that are likely to be achieved Whilst the directors do not anticipate significant improvements in the economy in the near future, the dealership is well placed to expand its activities without significantly increasing its cost base

In 2011 the dealership again won the Ford of Europe Chairman's Award for customer satisfaction, it is a tribute to the efforts and success of all of the staff involved in helping to achieve this prestigious award for the eighth time and the Directors wish to extend their thanks to all members of staff for the quality of their customer service and outstanding efforts during the year

Directors' report *(continued)*

Rental Business

The results for the year show a loss before tax for the financial year of £40,691 *(2011 £19,937)*

The results for the year are disappointing, but due to the current difficult trading conditions in the general economy, not unexpected Turnover rose slightly year on year, but still remains 15% lower than year ending February 2010, when the business last reported a profit As in previous years the business has continued its policy of purchasing its rental vehicles, rather than obtaining them on short term leases This policy enables the business to make a profit on the eventual disposal of its vehicles However, reduced demand in the used car market has resulted in a 30% fall in the amount of profit generated by the disposal of the business' vehicles The business has also been affected by a significant rise in its insurance premiums These two factors are the main reasons for the decline in the business' performance for the year

The directors would like to extend their thanks to the business' staff for their efforts during the year

Dividends

Dividends paid during the year were £60,000 *(2011 £225,000)* The Directors propose a final dividend of £60,000 *(2011 £nil)*

Political and charitable donations

Neither the company nor the group made any political contributions during the year *(2011 £nil)* Group donations to local charities amounted to £2,113 *(2011 £755)*

Directors

The directors who held office during the year were as follows

R C Pugsley
W M 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 de-centralised basis, the management of each subsidiary is responsible for the participation practices appropriate to its own particular needs and background

Directors' report *(continued)*

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board

RJ Evans
Secretary

281 Penarth Road
Cardiff
CF11 8YZ

25th May 2012

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 they 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)

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 group and parent company and of their profit or loss for that period In preparing each of the group and parent company 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the parent company's transactions and 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 2006 They have 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
3 Assembly Square
Britannia Quay
Cardiff
CF10 4AX
United Kingdom

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

We have audited the financial statements of Penarth Commercial Properties (Holdings) Limited for the year ended 29 February 2012 set out on pages 8 to 25 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 29 February 2012 and of the group's profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

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

Matters on which we are required to report by exception

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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

K Maguire (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

3 Assembly Square
Britannia Quay
Cardiff
CF10 4AX

31st MAY 2012

Consolidated profit and loss account
for the year ended 29 February 2012

	Note	**2012** **£**	2011 £
Turnover	*2*	**45,987,519**	43,180,723
Cost of sales		**(39,161,381)**	(36,443,895)
Gross profit		**6,826,138**	6,736,828
Distribution costs		**(2,516,072)**	(2,308,158)
Administrative expenses		**(3,686,152)**	(3,464,990)
Other operating income		**248,801**	235,298
Operating profit		**872,715**	1,198,978
Profit on disposal of fixed assets		**4,146**	46,509
Interest receivable and similar income	*6*	**37,441**	43,764
Interest payable and similar charges	*6*	**(229,301)**	(230,239)
Profit on ordinary activities before taxation	*2-6*	**685,001**	1,059,012
Tax on profit on ordinary activities	*7*	**(257,990)**	(348,315)
Profit on ordinary activities after taxation being profit for the financial year	*18*	**427,011**	710,697

The above results represent the total recognised gains and losses of the group in both financial years and 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 on an unmodified historical cost basis

Consolidated balance sheet
at 29 February 2012

	Note	2012 £	2012 £	2011 £	2011 £
Fixed assets					
Tangible assets	*10*		**6,402,333**		6,808,655
Investments	*11*		**11,273**		1,273
			6,413,606		6,809,928
Current assets					
Stocks	*12*	**10,229,812**		11,638,227	
Debtors	*13*	**3,509,259**		3,728,654	
		13,739,071		15,366,881	
Creditors. amounts falling due within one year	*14*	**(12,671,599)**		(15,015,735)	
Net current assets			**1,067,472**		351,146
Total assets less current liabilities			**7,481,078**		7,161,074
Creditors. amounts falling due after more than one year	*15*		**(700,000)**		(700,000)
Provisions for liabilities and charges	*16*		**(58,000)**		(66,007)
Net assets			**6,723,078**		6,395,067
Capital and reserves					
Called up share capital	*17*		**425,000**		425,000
Share premium account	*18*		**3,825,000**		3,825,000
Profit and loss account	*18*		**2,473,078**		2,145,067
Shareholder's funds	*19*		**6,723,078**		6,395,067

These financial statements were approved by the board of directors on 25th May 2012 and were signed on its behalf by

R C Pugsley.

R C Pugsley
Director

Company balance sheet
at 29 February 2012

	Note	2012		2011	
		£	£	£	£
Fixed assets					
Investments	*11*		8,634,750		8,613,750
Current assets					
Debtors	*13*	755,591		539,528	
Cash		211,367		31,410	
		966,958		570,938	
Creditors amounts falling due within one year	*14*	(389,157)		(327,656)	
Net current assets			577,801		243,282
Total assets less current liabilities			9,212,551		8,857,032
Creditors: amounts falling due after more than one year	*15*		(700,000)		(700,000)
Net assets			8,512,551		8,157,032
Capital and reserves					
Called up share capital	*17*		425,000		425,000
Share premium account	*18*		3,825,000		3,825,000
Profit and loss account	*18*		4,262,551		3,907,032
Shareholder's funds	*19*		8,512,551		8,157,032

These financial statements were approved by the board of directors on 25th May 2012 and were signed on its behalf by

RC Pugsley.

R C Pugsley
Director

Consolidated cash flow statement
for the year ended 29 February 2012

	Note	2012 £	2011 £
Cash inflow from operating activities	*24*	**1,305,076**	1,384,051
Returns on investments and servicing of finance	*25*	**(191,860)**	(186,475)
Taxation		**(362,626)**	(477,972)
Capital expenditure and financial investment	*25*	**(313,618)**	(822,984)
Equity dividends paid		**(60,000)**	(225,000)
Cash inflow/(outflow) before financing		**376,972**	(328,380)
Financing	*25*	**148,577**	(438,021)
Increase/(decrease) in cash in the financial year		**525,549**	(766,401)

Reconciliation of net cash flow to movement in net debt

	Note	2012 £	2011 £
Increase/(decrease) in cash in the financial year		**525,549**	(766,401)
Cash inflow from movement in obligations under hire purchase agreements		**(148,577)**	(141,979)
Loan notes repaid		-	580,000
Movement in net debt in the year		**376,972**	(328,380)
Net debt at the start of the year		**(2,433,606)**	(2,105,226)
Net debt at the end of the year	*26*	**(2,056,634)**	(2,433,606)

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

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

Going concern

The financial statements have been prepared on a going concern basis as the company and Group are profitable, cash-generative and has sufficient assets to settle its liabilities as they fall due

Bank facilities with HSBC are due for renewal in September 2012 Directors are not aware of anything to indicate that these facilities will not be renewed As at 29 February 2012 the maximum facility available to the Group of which Penarth Commercial Properties (Holdings) Limited is a member was £2,500,000, and the Group was within this limit As shown within note 20 the amount owed as at 29 February 2012 was £766,078

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 29 February 2012

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 408 (4) of the Companies Act 2006, 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) less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

Freehold buildings	20 to 30 years
Plant, machinery and equipment	2 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 group 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

Investment in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost

Notes *(continued)*

1 Accounting policies *(continued)*

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 29 February 2012 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 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)

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 profit for the year 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 Income is recognised when all significant risks and rewards of ownership have been transferred to the customer, which is generally on despatch of goods from the company or on the provision of services by the company All turnover and profit on ordinary activities before taxation is derived from the UK and arises solely from the principal activities of the group

Notes *(continued)*

2 Turnover

	2012 £	2011 £
Motor dealers, repairers and vehicle hire	**35,476,577**	33,394,277
Sawmill	**10,510,942**	9,786,446
	45,987,519	43,180,723

3 Profit on ordinary activities before taxation

	2012 £	2011 £
Profit on ordinary activities before taxation is stated after charging		
Audit services		
Fees payable to the company auditor and associates for the audit of company and consolidated accounts	**500**	500
Fees payable to the company auditor and associates for other services		
- the audit of the company's subsidiaries pursuant to legislation	**27,000**	26,250
- tax services	**9,650**	9,400
- VAT services	**5,500**	11,500
- other services	**-**	4,500
Depreciation and other amounts written off tangible fixed assets	**714,086**	690,814
Hire of plant and machinery - rentals payable under operating leases	**70,646**	72,536

4 Remuneration of directors

	2012 £	2011 £
Directors' emoluments	**100,090**	112,346
Company contributions to money purchase pension schemes	**2,088**	2,088
	102,178	114,434

Retirement benefits are accruing to the following number of directors under

	2012	2011
Money purchase pension schemes	**1**	1

Notes *(continued)*

5 Staff numbers and costs

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

	Number of employees 2012	2011
Management	**13**	14
Administration	**27**	29
Production, sales and other staff	**189**	182
	229	225

The aggregate payroll costs of these persons were as follows

	2012 £	2011 £
Wages and salaries	**4,458,442**	4,273,915
Social security costs	**443,764**	427,152
Other pension costs (see note 22)	**43,536**	42,484
	4,945,742	4,743,551

6 Interest payable and receivable

6a Interest receivable and similar income

	2012 £	2011 £
Group		
Other interest receivable	**37,441**	43,764

6b Interest payable and similar charges

Group	2012 £	2011 £
On bank loans and overdrafts	**46,193**	35,910
Vehicle stocking plans	**111,831**	121,831
Finance charges in respect of finance lease and hire purchase contracts	**11,277**	2,341
Interest payable on loan notes	**60,000**	70,157
	229,301	230,239

Notes *(continued)*

7 Taxation

Group	2012 £	2011 £
Current tax		
UK corporation tax on profits for the year	**274,952**	355,207
Adjustments in respect of prior years	**380**	(2,799)
Total current tax charge	**275,332**	352,408
Deferred tax		
Deferred tax credit for the year (note 16)	**(17,358)**	(1,425)
Adjustments in respect of prior years (note 16)	**16**	(2,668)
Tax on profit on ordinary activities	**257,990**	348,315

Factors affecting the tax charge for the current year

The current tax charge for the year is higher *(2011 higher)* than the blended rate of corporation tax in the UK of 26 1% *(2011 28%)* The differences are explained below

	2012 £	2011 £
Profit on ordinary activities before tax	**685,001**	1,059,012
Profit on ordinary activities before tax multiplied by the blended rate of corporation tax of 26 1 % *(2011 28%)*	**178,785**	296,523
Effects of:		
Expenses not deductible for tax purposes	**5,106**	9,139
Capital allowances less than depreciation	**84,959**	54,832
Other timing differences	**5,372**	(1,087)
Adjustments in respect of prior years	**380**	(2,799)
Tax rate differences	**730**	(4,200)
Total current tax charge (see above)	**275,332**	352,408

The 2012 Budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014 A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and a further reduction to 24% (effective from 1 April 2012) was substantively enacted on 26 March 2012

8 Dividends

The aggregate amount of dividends comprises

	2012 £	2011 £
Dividends paid in respect of the current year	**60,000**	225,000
Dividends in respect of the year recognised as a liability at year end	**60,000**	-
	120,000	225,000

Notes *(continued)*

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 £454,519 *(2011 £598,038)* The retained profit for the financial year after dividends is £334,519 *(2011 £373,038)*

10 Tangible fixed assets

Group	Freehold land & buildings £	Plant, machinery & equipment £	Motor vehicles £	Total £
Cost or valuation				
At beginning of year	6,605,886	7,486,366	504,494	14,596,746
Additions	143,204	49,283	156,488	348,975
Disposals	-	(8,400)	(87,262)	(95,662)
At end of year	**6,749,090**	**7,527,249**	**573,720**	**14,850,059**
Analysis				
Assets at cost	4,399,090	7,527,249	573,720	12,500,059
Assets at valuation - 1989	1,500,000	-	-	1,500,000
- 1990	850,000	-	-	850,000
	6,749,090	7,527,249	573,720	14,850,059
Depreciation				
At beginning of year	1,763,887	5,755,668	268,536	7,788,091
Charge for year	181,533	433,310	99,243	714,086
On disposals	-	(8,400)	(46,051)	(54,451)
At end of year	**1,945,420**	**6,180,578**	**321,728**	**8,447,726**
Net book value				
At 29 February 2012	**4,803,670**	**1,346,671**	**251,992**	**6,402,333**
At 28 February 2011	4,841,999	1,730,698	235,958	6,808,655

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 In accordance with the transitional provisions set out in FRS 15 *Tangible Fixed Assets*, these valuations have not been updated The directors are not aware of any material change in value Other tangible fixed assets, including additions subsequent to the revaluation of land and buildings, are included at cost

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

	Group 2012 £	2011 £
Cost	**715,148**	715,148
Depreciation	**(349,053)**	(338,806)
	366,095	376,342

The amount of non-depreciable assets within freehold land and buildings is £1,324,843 *(2011 £1,324,843)*

Notes *(continued)*

11 Investments

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

At 29 February 2012, 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 2012 £	Company 2012 £
Shares in group undertakings		
At beginning of year	-	8,613,750
Additions in year	-	21,000
At end of year	-	8,634,750
Other investments at cost		
At beginning of year	1,273	-
Additions	10,000	-
At end of year	11,273	-
Total investments at end of year	**11,273**	**8,634,750**
Total investments at beginning of year	1,273	8,613,750

Included in other investments are quoted investments amounting to £1,273 *(2011 £1,273)* The market value of quoted investments at 29 February 2012 amounted to £1,251 *(2011 £2,077)*

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 *(continued)*

12 Stocks

	Group 2012 £	Group 2011 £
Raw materials and consumables	701,859	745,589
Work in progress	509,940	509,282
Finished goods	448,613	341,422
Motor vehicles	8,569,400	10,041,934
	10,229,812	11,638,227

Vehicle stocks with a value of £227,467 (*2011 £81,735*) which are the property of the group are subject to separate finance arrangements

13 Debtors

	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
Amounts falling due within one year				
Trade debtors	2,631,573	2,555,624	-	-
Amounts owed by group undertakings	-	-	500,000	300,000
Amounts owed by group undertakings in respect of group relief	-	-	255,591	239,528
Other debtors	599,556	933,753	-	-
Prepayments and accrued income	98,901	67,274	-	-
	3,330,030	3,556,651	755,591	539,528
Amounts falling due after more than one year				
Secured loan	169,894	172,003	-	-
Deferred tax asset (note 16)	9,335	-	-	-
	3,509,259	3,728,654	755,591	539,528

14 Creditors: amounts falling due within one year

	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
Loan notes	300,000	300,000	300,000	300,000
Bank overdrafts	766,078	1,291,627	-	-
Obligations under hire purchase contracts	290,556	141,979	-	-
Trade creditors	9,572,617	11,463,124	-	-
Other creditors	102,071	71,048	6,152	4,651
Proposed dividends	60,000	-	60,000	-
Taxation and social security				
Corporation tax	118,030	205,324	-	-
Other taxes and social security	344,865	321,917	2,000	2,000
Accruals and deferred income	1,117,382	1,220,716	21,005	21,005
	12,671,599	15,015,735	389,157	327,656

Notes *(continued)*

14 Creditors: amounts falling due within one year *(continued)*

The bank overdraft is secured on certain group properties

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

15 Creditors. amounts falling due after more than one year

	Group 2012 £	Group 2011 £	**Company 2012 £**	Company 2011 £
Loan notes	**700,000**	700,000	**700,000**	700,000

16 Provisions for liabilities and charges

The provisions for liabilities and charges comprise

Group	**Deferred taxation (see note 13) £**	**Death in service £**
At beginning of year	8,007	58,000
Credited during the year	(17,342)	-
At end of year	**(9,335)**	**58,000**

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 relatives 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	**2012 £**	2011 £
Difference between accumulated depreciation and amortisation and capital allowances	**86,802**	103,869
Other timing differences	**(96,137)**	(95,862)
	(9,335)	8,007

The 2012 Budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014 A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and a further reduction to 24% (effective from 1 April 2012) was substantively enacted on 26 March 2012

The reduction to 24% will reduce the company's future current tax charge accordingly and further reduce the deferred tax asset at 29 February 2012 (which has been calculated based on the rate of 25% substantively enacted at the balance sheet date) by approximately £nil

It has not yet been possible to quantify the full anticipated effect of the announced further 2% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax asset accordingly

Notes *(continued)*

17 Called up share capital

	Group and Company	
	2012	2011
	£	£
Allotted, called up and fully paid		
4,250,000 Ordinary shares of 10p each	**425,000**	425,000

18 Movements on reserves

Group	**Share Premium**	**Profit and loss account**
	£	**£**
At beginning of year	3,825,000	2,145,067
Profit for the year	-	427,011
Fair value of share options granted	-	21,000
Dividends	-	(120,000)
At end of year	**3,825,000**	**2,473,078**

Company	**Share premium**	**Profit and loss account**
	£	**£**
At beginning of year	3,825,000	3,907,032
Profit for the year	-	454,519
Fair value of share options granted	-	21,000
Dividends	-	(120,000)
At end of year	**3,825,000**	**4,262,551**

Notes *(continued)*

19 Reconciliation of movements in shareholder's funds

Group	2012 £	2011 £
At beginning of the year	**6,395,067**	5,888,370
Profit for the year	**427,011**	710,697
Fair value of share options granted	**21,000**	21,000
Dividends	**(120,000)**	(225,000)
Closing shareholder's funds	**6,723,078**	6,395,067

Company	2012 £	2011 £
At beginning of the year	**8,157,032**	7,762,994
Profit for the year	**454,519**	598,038
Fair value of share options granted	**21,000**	21,000
Dividends	**(120,000)**	(225,000)
Closing shareholder's funds	**8,512,551**	8,157,032

20 Contingent liabilities

Penarth Commercial Properties Ltd, a wholly owned subsidiary of the company, has given an unlimited multilateral guarantee dated 8 December 2004 in respect of the net position of its bank overdraft and the bank overdrafts and cash balances of certain subsidiaries and this company At 29 February 2012, the net liability of the group amounted to £766,078 *(2011 £1,291,627)*

21 Commitments

At the year end the group had capital commitments of £152,709 *(2011 £253,291)*

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

	Group	
	2012 £	2011 £
Operating leases which expire.		
Within one year	**27,300**	3,900
In the second to fifth years inclusive	**22,596**	36,900

Notes *(continued)*

22 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 year

	2012	2011
	£	£
Contributions payable into group fund	**37,789**	36,761
Contributions payable into other personal pension plans	**5,747**	5,723
	43,536	42,484

23 Related party transactions

The company has taken advantage of the exemption granted under Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with other 100% owned entities which form part of the group

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

	2012	2011
	£	£
Group operating profit	**872,715**	1,198,978
Fair value of share options granted	**21,000**	21,000
Depreciation charge	**714,086**	690,814
Decrease/(increase) in stocks	**1,408,415**	(1,881,009)
Decrease/(increase) in debtors	**228,730**	(381,694)
(Decrease)/increase in creditors	**(1,939,870)**	1,735,962
Net cash inflow from operating activities	**1,305,076**	1,384,051

Notes *(continued)*

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

	2012	2011
	£	£
Returns on investments and servicing of finance		
Interest paid	(218,024)	(227,898)
Interest element of hire purchase rental payments	(11,277)	(2,341)
Interest received	37,441	43,764
Net cash outflow from returns on investments and servicing of finance	(191,860)	(186,475)
Capital expenditure and financial investment		
Purchase of fixed assets	(348,975)	(916,447)
Net proceeds from sale of fixed assets	45,357	93,463
Purchase of other investments	(10,000)	-
Net cash outflow from capital expenditure and financial investment	(313,618)	(822,984)
Financing		
Proceeds from finance company regarding hire purchase agreements	560,444	228,018
Repayments to finance company regarding hire purchase agreements	(411,867)	(86,039)
Repayment of loan notes	-	(580,000)
Net cash inflow/(outflow) from financing	148,577	(438,021)

26 Analysis of net debt

	At 1 March 2011	Cash flow	At 29 February 2012
	£	£	£
Bank overdraft	(1,291,627)	525,549	(766,078)
	(1,291,627)	525,549	(766,078)
Loan notes	(1,000,000)	-	(1,000,000)
Obligations under hire purchase agreements	(141,979)	(148,577)	(290,556)
Total net debt	(2,433,606)	376,972	(2,056,634)

Notes *(continued)*

27 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 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 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

	2012 Weighted average exercise price	2012 Number of options	2011 Weighted average exercise price	2011 Number of options
Outstanding at the beginning and 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 remaining contractual life of 4 years

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

	2012 £	2011 £
Equity settled share based payment	**21,000**	21,000