

**Penarth Commercial Properties (Holdings) Limited**

**Directors' report and consolidated  
financial statements**

Registered number 5159037

29 February 2016

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## Strategic Report

The results for the year are shown in the profit and loss account on page 7 and show a profit before tax for the financial year of £1,009,906 (2015: £1,022,678).

### Business review

#### *Sawmill*

The results for the year show a profit before tax for the financial year of £1,204,932 (2015 £1,610,817).

During the year under review the business has experienced increased competitiveness in the marketplace. This has resulted in a small drop in turnover, but has had a significant adverse impact on margin, combining to reduce gross profit by 17%.

The industrial estate at Gledrid has produced a rental income of £92,594 in the financial year (2015: £78,289) and is now fully let.

The Directors would like to thank all staff who have contributed to the continued success of the business during the year.

#### *Dealership*

### Business review

The results for the year show a profit before tax for the financial year of £222,354 (2015 £356,993 loss).

The dealership continues to make progress in increasing its sales volumes although margins continue to be under pressure. Significant emphasis continues to be placed on fuel efficient, low CO2 vehicles. Both Volvo and Ford offer battery powered electric vehicles. New products continue to be launched that reflect customers' movement towards innovative products with good fuel economy and reduced costs of motoring. The Transit commercial vehicle franchise continues to increase volumes in both vehicle sales and the aftermarket and is performing in line with expectations. Products unique to the FordStore franchise have now been launched with Mustang and Focus RS proving particularly popular.

Volumes in the Volvo car franchise have continued to improve. The aftermarket has performed in line with expectations. Brand awareness for Volvo in the dealership's area continues to grow and will be further enhanced with Cardiff being one of the visited ports in the prestigious round the world Volvo Ocean Race in 2017. The all new XC90 SUV, launched in 2015/16, has been particularly successful and the further new model launches of the S90 and V90 are now awaited. Further new model launches from Volvo can be expected in 2017.

The MG franchise continued during the year, although volumes remain very small. The brand continued into 2016 with the MG6 saloon car with petrol and diesel engines, and smaller MG3 hatchback in petrol engine versions only. Since the year end the all new MG GS SUV has been launched in limited numbers. Initial reaction to the vehicle has been very positive.

New car industry sales volumes continued to climb during the year under review, although these were already forecast to flatten off prior to the vote for Britain to leave the European Union (EU).

In 2016 the dealership once 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 an incredible twelfth time and seventh in succession 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.

## Strategic Report *(continued)*

### Strategy

The dealership gives consideration to its short, medium and long term strategies. The dealership has operated as a Franchised Motor Dealership for in excess of 36 years. During this time it has expanded the number of franchises that it holds to include Ford, Ford Commercial, Volvo and MG.

The dealership's short to medium term strategy is to develop these franchises to maximise its return from the existing operation and to seek further opportunities to add additional franchises or outlets where the dealership considers such additions will enhance its returns.

The longer term strategy is for the dealership to become the dominant force in the areas in which it operates for the franchises that it holds. To that end, it will seek to strengthen its market representation within its area of operation should such opportunities arise.

### Principal risks and uncertainties

As with any business there are potential risks to its operations. The Group gives due consideration to what these may be and also the potential impact on its business.

The directors consider the risks to the business to be a rise in interest rates and the uncertainty caused by the vote to leave the EU. Since that vote there has been a move by the Bank of England to marginally reduce interest rates in order to stimulate the economy. The current guidance from the Governor of the Bank of England would suggest that rises in interest rates are unlikely to occur and indeed could even fall to a base rate of 0%. The interest rate risk to the Group's operations in this regard is therefore small. With regard to the uncertainty caused by the vote to leave the European Union, at this point in time, the position is less clear, although some levelling of the market place is inevitable, again guidance from the Bank of England would suggest that this will result in a lower growth rate in the short term but not a recession and in the longer term it is not yet possible to forecast as much depends on the terms of Britain's exit and the Trade Agreements negotiated with both the EU and the new trading partners that will then be available to Britain.

As with any business the potential for economic downturn presents uncertainty. The Group recognises the cyclical nature of the economy and makes investment decisions based on its assessment of the prospects for economic growth and the future demand for its products and services.

By order of the board



R J Evans  
Secretary

281 Penarth Road  
Cardiff  
CF11 8YZ

18<sup>th</sup> November 2016

## Directors' Report

The directors present their annual report and the audited consolidated financial statements for the year ended 29 February 2016.

### Principal activities

The company acts as a holding company for the group.

The principal activities of the group are sawmilling and motor dealers and repairers.

### Dividends

Dividends paid during the year were £190,000 in respect of the 2015/16 financial year and £70,000 in respect of the 2014/15 financial year (2015: £120,000 in respect of the 2013/14 financial year and £60,000 in respect of the 2014/15 financial year).

### Directors

The directors who held office during the year were as follows:

R C Pugsley  
W M Barritt

### Disclosure of information to auditor

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 auditor is 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 auditor is 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.

### Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor 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

18th November 2016

## **Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law 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), including FRS102 "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 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 adequate 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 2016 set out on pages 7 to 26. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 4, 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 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 Financial Reporting Council's web-site at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate)

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 29 February 2016 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 Strategic Report and 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.



**Emma Holiday (Senior Statutory Auditor)**  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants

3 Assembly Square  
Britannia Quay  
Cardiff  
CF10 4AX

**29~~th~~** November 2016



**Consolidated profit and loss account**  
*for the year ended 29 February 2016*

	<i>Note</i>	<b>2016</b> <b>£</b>	<b>2015</b> <b>£</b>
<b>Turnover</b>	<b>2</b>	<b>69,264,555</b>	<b>62,803,229</b>
Cost of sales		(61,225,147)	(54,795,323)
<b>Gross profit</b>		<b>8,039,408</b>	<b>8,007,906</b>
Distribution costs		(2,979,090)	(3,107,894)
Administrative expenses		(4,116,497)	(3,997,375)
Other operating income		264,941	252,809
<b>Operating profit</b>		<b>1,208,762</b>	<b>1,155,446</b>
Profit on disposal of fixed assets		2,200	34,183
Interest receivable and similar income	<b>6</b>	770	290
Interest payable and similar charges	<b>6</b>	(201,826)	(167,241)
<b>Profit on ordinary activities before taxation</b>	<b>2-6</b>	<b>1,009,906</b>	<b>1,022,678</b>
Tax on profit on ordinary activities	<b>7</b>	(250,864)	(237,601)
<b>Profit on ordinary activities after taxation being profit for the financial year</b>		<b>759,042</b>	<b>785,077</b>

The above results represent the comprehensive income of the company in both financial years and relate entirely to continuing operations, and accordingly no statement of other comprehensive income has been presented.

**Consolidated balance sheet**  
**at 29 February 2016**

	Note	2016		2015	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	10		5,868,611		5,526,142
Investments	11		11,273		11,273
			<u>5,879,884</u>		<u>5,537,415</u>
<b>Current assets</b>					
Stocks	12	20,157,121		15,291,867	
Debtors	13	3,442,761		3,940,715	
Cash		1,239,436		764,785	
		<u>24,839,318</u>		<u>19,997,367</u>	
<b>Creditors: amounts falling due within one year</b>	14	<u>(22,497,637)</u>		<u>(17,816,342)</u>	
<b>Net current assets</b>			<u>2,341,681</u>		<u>2,181,025</u>
<b>Total assets less current liabilities</b>			<u>8,221,565</u>		<u>7,718,440</u>
<b>Creditors: amounts falling due after more than one year</b>	15		-		-
<b>Provisions for liabilities and charges</b>	16		<u>(58,000)</u>		<u>(58,000)</u>
<b>Net assets</b>			<u>8,163,565</u>		<u>7,660,440</u>
<b>Capital and reserves</b>					
Called up share capital	17		425,000		425,000
Share premium account			3,825,000		3,825,000
Profit and loss account			<u>3,913,565</u>		<u>3,410,440</u>
<b>Shareholder's funds</b>			<u>8,163,565</u>		<u>7,660,440</u>

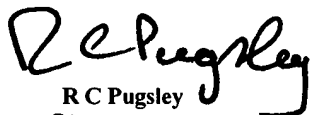
These financial statements were approved by the board of directors on 18 November 2016 and were signed on its behalf by:

  
R C Pugsley  
Director

**Company balance sheet**  
**at 29 February 2016**

	Note	2016		2015	
		£	£	£	£
<b>Fixed assets</b>					
Investments	11		8,500,000		8,565,917
<b>Current assets</b>					
Debtors	13	578,813		600,480	
Cash		796,033		949,636	
		<u>1,374,846</u>		<u>1,550,116</u>	
<b>Creditors: amounts falling due within one year</b>	14	<u>(1,020,161)</u>		<u>(1,092,661)</u>	
<b>Net current assets</b>			<u>354,685</u>		<u>457,455</u>
<b>Total assets less current liabilities</b>			<u>8,854,685</u>		<u>9,023,372</u>
<b>Creditors: amounts falling due after more than one year</b>	15		-		-
<b>Net assets</b>			<u>8,854,685</u>		<u>9,023,372</u>
<b>Capital and reserves</b>					
Called up share capital	17		425,000		425,000
Share premium account			3,825,000		3,825,000
Profit and loss account			4,604,685		4,773,372
<b>Shareholder's funds</b>			<u>8,854,685</u>		<u>9,023,372</u>

These financial statements were approved by the board of directors on 18 November 2016 and were signed on its behalf by:

  
R C Pugsley  
Director

**Consolidated cash flow statement**  
*for the year ended 29 February 2016*

	2016	2015
	£	£
<b>Cash flows from operating activities</b>		
Profit for the year	759,042	785,077
Adjustments for:		
Depreciation, amortisation and impairment	458,394	659,101
Equity settled share-based payment credit	(65,917)	(110,833)
Taxation	250,864	237,601
Interest payable	201,826	167,241
Interest receivable	(770)	(290)
Profit on disposal of fixed assets	(2,200)	(34,183)
Decrease/(increase) in trade and other debtors	499,747	(32,758)
Increase in stocks	(4,865,254)	(2,033,249)
Increase in trade and other creditors	4,797,402	794,362
Dividends paid	(260,000)	(180,000)
Interest received	770	290
Interest paid	(201,826)	(167,241)
Tax paid	(298,764)	(134,406)
<b>Net cash from operating activities</b>	<b>1,273,314</b>	<b>(49,288)</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of tangible fixed assets	6,382	70,795
Acquisition of tangible fixed assets	(805,045)	(475,223)
<b>Net cash from investing activities</b>	<b>(798,663)</b>	<b>(404,428)</b>
<b>Net cash from financing activities</b>	<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>474,651</b>	<b>(453,716)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>764,785</b>	<b>1,218,501</b>
<b>Cash and cash equivalents at end of year</b>	<b>1,239,436</b>	<b>764,785</b>

## Statement of Changes in Equity – Group

	Called up Share capital	Share Premium	Profit and loss account	Total equity
	£	£	£	£
Balance at 1 March 2014	425,000	3,825,000	2,866,196	7,116,196
Profit, being total comprehensive income for the period	-	-	785,077	785,077
Reversal of capital contributions	-	-	(110,833)	(110,833)
Dividends paid	-	-	(130,000)	(130,000)
<b>Total distributions to owners</b>	-	-	(240,833)	(240,833)
<b>Balance at 28 February 2015</b>	<b>425,000</b>	<b>3,825,000</b>	<b>3,410,440</b>	<b>7,660,440</b>
Balance at 1 March 2015	425,000	3,825,000	3,410,440	7,660,440
Profit, being total comprehensive income for the period	-	-	759,042	759,042
Reversal of capital contributions	-	-	(65,917)	(65,917)
Dividends paid	-	-	(190,000)	(190,000)
<b>Total distributions to owners</b>	-	-	(255,917)	(255,917)
<b>Balance at 29 February 2016</b>	<b>425,000</b>	<b>3,825,000</b>	<b>3,913,565</b>	<b>8,163,565</b>

## Statement of Changes in Equity – Company

	<b>Called up Share capital</b>	<b>Share Premium</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Balance at 1 March 2014	425,000	3,825,000	4,844,655	9,094,655
Profit, being total comprehensive income for the period	-	-	169,550	169,550
Reversal of capital contributions	-	-	(110,833)	(110,833)
Dividends paid	-	-	(130,000)	(130,000)
	<hr/>	<hr/>	<hr/>	<hr/>
Total distributions to owners	-	-	(240,833)	(240,833)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Balance at 28 February 2015</b>	<b>425,000</b>	<b>3,825,000</b>	<b>4,773,372</b>	<b>9,023,372</b>
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 1 March 2015	425,000	3,825,000	4,773,372	9,023,372
Profit, being total comprehensive income for the period	-	-	87,230	87,230
Reversal of capital contributions	-	-	(65,917)	(65,917)
Dividends paid	-	-	(190,000)	(190,000)
	<hr/>	<hr/>	<hr/>	<hr/>
Total distributions to owners	-	-	(255,917)	(255,917)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Balance at 29 February 2016</b>	<b>425,000</b>	<b>3,825,000</b>	<b>4,604,685</b>	<b>8,854,685</b>
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## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

#### ***Basis of preparation***

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. In the transition to FRS 102 from old UK GAAP, the Group and Company have made no measurement or recognition adjustments.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- No separate parent company Cash Flow Statement with related notes is included; and
- Key Management Personnel compensation has not been included a second time.
- Certain disclosures required by FRS 102.26 Share Based Payments; and,
- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

There are no judgements or estimates made by the directors in the application of these accounting policies that have a significant effect on the financial statements.

The financial statements are prepared on the historical cost basis.

#### ***Going concern***

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

Bank facilities with HSBC are due for renewal in December 2016. The Directors are not aware of anything to indicate that these facilities will not be renewed. As at 29 February 2016 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.

The financial statements for the Company have been prepared on a going concern basis, as the Company has net current assets of £354,685, as well as control over a dividend stream from its wholly owned subsidiary, Penarth Commercial Properties Limited. At 29 February 2016, the consolidated financial statements of Penarth Commercial Properties Limited showed distributable reserves of £6,004,682.

#### ***Basis of consolidation***

The group financial statements consolidate the financial statements of Penarth Commercial Properties (Holdings) Limited and 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 2016.

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. Profits or losses on intra-group transactions are eliminated in full.

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.

## Notes (continued)

### 1 Accounting policies (continued)

#### **Basic financial instruments - trade and other debtors /creditors**

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

#### **Fixed assets and depreciation**

Tangible fixed assets (which includes investment properties whose fair value cannot be measured reliably without undue cost or effort) are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

The group assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

- buildings – 20 to 30 years
- plant, machinery and equipment – 2 to 10 years
- motor vehicles – 4 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the group expects to consume an asset's future economic benefits.

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, less any provision for impairment.

#### **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.



## Notes (continued)

### 1 Accounting policies (continued)

#### *Defined contribution plans and other long term employee benefits*

A defined contribution plan is a post-employment benefit plan under which the group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

#### *Death in service provision*

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.

#### *Interest payable*

Interest payable and similar charges are recognised in profit or loss as they accrue, using the effective interest method.

#### *Stocks*

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. The cost of stocks held by the sawmill business is based on the retail method, which measures cost by reducing the sales value of the inventory by an appropriate percentage gross margin. The cost of other stocks includes expenditure incurred in acquiring the stocks and other costs in bringing them to their existing location and condition.

#### *Taxation*

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

#### *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**

	2016 £	2015 £
Motor dealers and repairers	57,920,229	51,270,827
Sawmill	11,344,326	11,532,402
	<u>69,264,555</u>	<u>62,803,229</u>

**3 Profit on ordinary activities before taxation**

	2016 £	2015 £
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
<b>Audit services</b>		
Fees payable to the company auditor and associates for the audit of company and consolidated accounts	500	1,000
Fees payable to the company auditor and associates for other services:		
- the audit of the company's subsidiaries pursuant to legislation	29,200	27,400
- tax services	8,900	8,750
Depreciation and other amounts written off tangible fixed assets	458,394	659,101
Hire of plant and machinery - rentals payable under operating leases	72,662	69,907
	<u>72,662</u>	<u>69,907</u>

**4 Remuneration of directors**

	2016 £	2015 £
Directors' emoluments	<u>88,305</u>	<u>91,489</u>
Retirement benefits are accruing to the following number of directors under:		
	2016	2015
Money purchase schemes	<u>1</u>	<u>1</u>

Total compensation of key management personnel (including the directors) in the year amounted to £683,837.

## 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	
	2016	2015
Management	14	11
Administration	25	23
Production, sales and other staff	198	195
	<u>237</u>	<u>229</u>

The aggregate payroll costs of these persons were as follows:

	2016	2015
	£	£
Wages and salaries	5,133,827	4,707,102
Social security costs	507,752	466,204
Other pension costs (see note 20)	42,782	47,569
	<u>5,684,361</u>	<u>5,220,875</u>

### 6 Interest payable and receivable

#### 6a Interest receivable and similar income

	2016	2015
	£	£
Group		
Other interest receivable	770	290
	<u>770</u>	<u>290</u>

#### 6b Interest payable and similar charges

	2016	2015
	£	£
Group		
On bank loans and overdrafts	9,662	10,265
Manufacturer standard vehicle stocking plans	129,089	95,455
Finance charges in respect of finance lease and hire purchase contracts	3,075	1,521
Interest payable on loan notes	60,000	60,000
	<u>201,826</u>	<u>167,241</u>

## Notes (continued)

### 7 Taxation

	2016 £	2015 £
<b>Group</b>		
<b>Current tax</b>		
UK corporation tax on profits for the year	243,314	218,532
Adjustments in respect of prior years	9,343	(34,712)
	<hr/>	<hr/>
Total current tax charge	252,657	183,820
<b>Deferred tax</b>		
Origination and reversal of timing differences	7,034	53,781
Adjustments in respect of prior years	(8,827)	-
	<hr/>	<hr/>
Tax on profit on ordinary activities	250,864	237,601
	<hr/>	<hr/>

### Reconciliation of effective tax rate

	2016 £	2015 £
Profit on ordinary activities before tax	1,009,906	1,022,678
	<hr/>	<hr/>
Profit on ordinary activities before tax multiplied by blended rate of corporation tax in the UK of 20.08 % (2015: 21.2%)	202,789	216,808
<b>Effects of:</b>		
Expenses not deductible for tax purposes	10,559	2,942
Depreciation on assets not eligible for capital allowances	36,080	56,107
Adjustments in respect of prior years	516	(34,712)
Tax rate differences	920	(3,544)
	<hr/>	<hr/>
Total tax charge (see above)	250,864	237,601
	<hr/>	<hr/>

Reductions in the UK corporation tax rate from 23% to 21 % (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. The deferred tax asset at 29 February 2016 has been calculated based on these rates.

An additional reduction to 17% (effective from 1 April 2020) was announced in the budget on 16 March 2016. This will reduce the company's future current tax charge and deferred tax asset.

### 8 Dividends

The aggregate amount of dividends comprises:

	2016 £	2015 £
Dividends paid in respect of the current year	190,000	60,000
Dividends in respect of the year approved and recognised as a liability at year end	-	70,000
	<hr/>	<hr/>
	190,000	130,000
	<hr/>	<hr/>

## 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 £87,230 (2015: £169,550). The retained loss for the financial year after distributions to owners is £168,687 (2015: loss of £71,283).

### 10 Tangible fixed assets

Group	Freehold land & buildings £	Plant, machinery & equipment £	Motor vehicles £	Total £
<b>Cost or valuation</b>				
At beginning of year	7,247,169	7,865,613	441,902	15,554,684
Additions	650,000	73,212	81,833	805,045
Disposals	(4,182)	(120,802)	(15,030)	(140,014)
<b>At end of year</b>	<b>7,892,987</b>	<b>7,818,023</b>	<b>508,705</b>	<b>16,219,715</b>
<b>Analysis</b>				
Assets at cost	5,542,987	7,818,023	508,705	13,869,715
Assets at valuation - 1989	1,500,000	-	-	1,500,000
- 1990	850,000	-	-	850,000
	7,892,987	7,818,023	508,705	16,219,715
<b>Depreciation</b>				
At beginning of year	2,542,039	7,184,262	302,241	10,028,542
Charge for year	183,997	201,740	72,657	458,394
On disposals	-	(120,802)	(15,030)	(135,832)
<b>At end of year</b>	<b>2,726,036</b>	<b>7,265,200</b>	<b>359,868</b>	<b>10,351,104</b>
<b>Net book value</b>				
At 29 February 2016	5,166,951	552,823	148,837	5,868,611
At 28 February 2015	4,705,130	681,351	139,661	5,526,142

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. 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:

	2016 £	Group 2015 £
Cost	715,148	715,148
Depreciation	(390,041)	(379,794)
	<b>325,107</b>	<b>335,354</b>

The amount of non-depreciable assets within freehold land and buildings is £1,495,912 (2015: £1,295,912).

## Notes (continued)

### 11 Investments

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

At 29 February 2016, the company had the following 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%	-
Abbey Garages (Tredegar) Limited	- Dormant	100%	-
TGM Gauge Maintenance Limited	- Dormant	100%	-
Atlantic Trading Estate Management (Barry) Limited	- Dormant	100%	-
Cogan Car Company Limited	- Dormant	100%	-
Norman Harvey Garages (Cwmbran) Limited	- Dormant	100%	-
PCP Hotels Limited	- Dormant	100%	-
Penarth Road Motor Company Limited	- Dormant	100%	-
Fordthorne Limited	- Dormant	100%	-
		<b>Group 2016</b>	<b>Company 2016</b>
<i>Shares in group undertakings:</i>		£	£
At beginning of year		-	8,565,917
Additions in the year		-	-
Reversal of capital contributions made to subsidiaries		-	(65,917)
At end of year		-	8,500,000
<i>Other investments at cost:</i>			
At beginning of year		11,273	-
Additions		-	-
At end of year		11,273	-
<b>Total investments at end of year</b>		<b>11,273</b>	<b>8,500,000</b>
<b>Total investments at beginning of year</b>		<b>11,273</b>	<b>8,565,917</b>

Included in other investments are quoted investments amounting to £1,273 (2015: £1,273). The market value of quoted investments at 29 February 2016 amounted to £3,243 (2015: £3,529).

The reversal of capital contributions made to subsidiaries represent share options cancelled during the year.

## Notes (continued)

### 12 Stocks

	Group	
	2016 £	2015 £
Raw materials and consumables	707,168	761,659
Work in progress	335,994	528,703
Finished goods	686,767	511,753
Motor vehicles	18,427,192	13,489,752
	<u>20,157,121</u>	<u>15,291,867</u>

### 13 Debtors

	Group		Company	
	2016 £	2015 £	2016 £	2015 £
<i>Amounts falling due within one year</i>				
Trade debtors	2,512,747	2,653,507	-	-
Amounts owed by group undertakings	-	-	200,000	250,000
Amounts owed by group undertakings in respect of group relief	-	-	378,813	350,480
Other debtors	792,917	1,197,137	-	-
Prepayments and accrued income	128,535	83,302	-	-
	<u>3,434,199</u>	<u>3,933,946</u>	<u>578,813</u>	<u>600,480</u>
<i>Amounts falling due after more than one year</i>				
Deferred tax asset	8,562	6,769	-	-
	<u>3,442,761</u>	<u>3,940,715</u>	<u>578,813</u>	<u>600,480</u>

	Deferred taxation £
<b>Group</b>	
At beginning of year	(6,769)
Charged to the profit & loss account	(1,793)
<b>At end of year</b>	<u>(8,562)</u>

## Notes (continued)

### 13 Debtors (continued)

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

Group	2016 £	2015 £
Difference between accumulated depreciation and amortisation and capital allowances	34,393	55,262
Other timing differences	(42,955)	(62,031)
	<u>(8,562)</u>	<u>(6,769)</u>

### 14 Creditors: amounts falling due within one year

	Group		Company	
	2016 £	2015 £	2016 £	2015 £
Loan notes	1,000,000	1,000,000	1,000,000	1,000,000
Trade creditors	19,331,214	14,805,670	-	-
Other creditors	127,114	96,889	16,152	18,652
Proposed dividends	-	70,000	-	70,000
Taxation and social security:				
Corporation tax	137,827	183,934	-	-
Other taxes and social security	387,030	301,497	2,000	2,000
Accruals and deferred income	1,514,452	1,358,352	2,009	2,009
	<u>22,497,637</u>	<u>17,816,342</u>	<u>1,020,161</u>	<u>1,092,661</u>

The loan notes are due within one year; however, the loan note holder has given written confirmation that they will not require any instalment repayment before 28<sup>th</sup> February 2017. Notwithstanding this, in order to comply with the requirements of FRS102, the full amount due under the loan notes has been reclassified from amounts due in more than one year to amounts falling due within one year.



**Notes (continued)**

**15 Creditors: amounts falling due after more than one year**

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Loan notes	-	-	-	-

**16 Provisions for liabilities and charges**

The provisions for liabilities and charges comprise:

Group	Death in service £
At beginning of year	58,000
Charged during the year	-
At end of year	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.

**17 Called up share capital**

	Group and Company 2016 £	2015 £
<i>Allotted, called up and fully paid</i>		
4,250,000 Ordinary shares of 10p each	425,000	425,000

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

## Notes (continued)

### 18 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. The net liability at 29 February 2016 was £nil (2015: £ nil).

### 19 Commitments

At the year end the group had capital commitments of £Nil (2015: £Nil).

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

	Group	
	2016	2015
	£	£
<i>Operating leases which expire:</i>		
Within one year	51,908	58,922
In the second to fifth years inclusive	71,548	123,456
	<u>          </u>	<u>          </u>

### 20 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:

	2016	2015
	£	£
Contributions payable into group fund	42,782	47,569
	<u>          </u>	<u>          </u>

## Notes (continued)

### 21 Share based payments

A subsidiary of the group participated 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 the company. 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 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:

	2016 Weighted average exercise price £	2016 Number of options	2015 Weighted average exercise price £	2015 Number of options
Outstanding at the beginning of the year	0.30	100,000	0.30	300,000
Cancelled during the year		(100,000)		(200,000)
Outstanding at the end of the year		-		100,000

On 30 September 2015, these share options lapsed.

### 22 Ultimate parent company and controlling party

The only group in which the results of the company are consolidated is that headed by Penarth Commercial Properties (Holdings) Limited. The consolidated accounts are available to the public and may be obtained from 281 Penarth Road, Cardiff.

The ultimate controlling party is considered to be Roger Pugsley by virtue of his 100% shareholding.

### 23 Related Party Transactions

During the year transactions occurred between Mr W.M.Barritt, a director of the company, and Penarth Commercial Properties (Holdings) Limited, in respect of loan notes. The value of transactions and the balance outstanding with the company is as follows:

	Total £
Loan notes outstanding at beginning of year	1,000,000
Interest accrued	60,000
Interest paid	(60,000)
<b>Balance at end of year</b>	<b>1,000,000</b>

## Notes (continued)

### 24 Explanation of transition to FRS 102 from old UK GAAP

These are the Group's first financial statements prepared in accordance with FRS 102.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 29 February 2016 and the comparative information presented in these financial statements for the year ended 28 February 2015.

In preparing its FRS102 consolidated balance sheet, the Group has not adjusted any amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP), except that the full amount due under the loan notes has been reclassified from amounts due in more than one year to amounts falling due within one year in 2015 and 2016 (see note 14).