

Penarth Commercial Properties (Holdings) Limited

**Annual report and consolidated
financial statements**

Registered number 5159037

28 February 2017

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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 £627,860 (2016: £1,009,906).

Business review

Sawmill

The results for the year show a profit before tax for the financial year of £1,040,913 (2016: £1,204,932).

During the year under review the business has experienced increased competitiveness in the marketplace. This has resulted in increased raw material prices being absorbed by the business. Revenue has shown a small rise, but the raw material increase has had a significant adverse impact on margin, combining to reduce gross profit by 12%.

The industrial estate at Gledrid has produced a rental income of £96,310 in the financial year (2016: £92,594) and is fully let.

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

Dealership

The results for the year show a loss before tax for the financial year of £211,042 (2016: profit of £222,354).

Revenue has increased during the year, although this has been slightly offset by a small reduction in margin percentage. Significant emphasis continues to be placed on fuel efficient, low CO2 vehicles. Both Volvo and Ford offer battery powered electric vehicles, and Volvo has recently announced that every new model that it launches from 2019 will have a battery electric version available in that model range. 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 servicing, albeit with a small reduction in the Transit commercial parts operation. The new Transit centre opened at the beginning of November 2017. Mustang and Focus RS are products unique to the FordStore franchise and continued to perform well during the year.

Volumes in the Volvo car franchise have continued to improve. The aftermarket has performed in line with expectations, but a change to the trading policy in the used vehicle operation failed to produce the results expected and contributed heavily to the overall loss of the dealership. A change in management has been made and the expectation is that the used vehicle operation will return to profit in the forthcoming year. 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 2017/18.

The performance of the MG franchise has unfortunately failed to meet management expectations and consequently the dealership will no longer continue as a MG dealer. Volumes and revenues were low during the year resulting in the franchise trading again at a loss. The franchise ended on 30 June 2017. It is expected that this decision will have a positive impact on the performance of the dealership.

In 2017 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 thirteenth time and eighth 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 sawmill's strategy is to maintain and expand its customer base, maintain operational efficiency and ensure timely and appropriate levels of capital expenditure consistent with changes in the market and legislative requirements.

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 37 years. During this time it has expanded the number of franchises that it holds to include Ford, Ford Commercial and Volvo.

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 operation. Group management gives due consideration to what these may be and also the potential impact on its businesses.

The directors consider the principal risk to the businesses to be the uncertainty caused by the vote to leave the EU. At this point in time, the position is less clear, although some levelling of the market place has happened. 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.

The inflation rate is continuing to rise, and there are suggestions that there could be a small increase to the base rate of interest before the end of 2017. Whilst if such an increase happens the direct impact on the Group in respect of increased cost is manageable, a bigger concern would be the impact of rising interest rates on the levels of unsecured debt in the economy.

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

23rd November 2017

Directors' Report

The directors present their annual report and the audited consolidated financial statements for the year ended 28 February 2017.

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 £140,000 in respect of the 2016/17 financial year (*2016: £190,000 in respect of the 2015/16 financial year and £70,000 in respect of the 2014/15 financial year*). The shareholder approved a final dividend of £35,000 in respect of the 2016/17 financial year.

Directors

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

R C Pugsley

W M Barritt (died 1 December 2016)

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.

Other information

An indication of likely future developments in the business has been included in the Strategic Report on page 1.

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

23rd November 2017

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

The directors are responsible for preparing the Annual 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 28 February 2017 set out on pages 7 to 24. 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

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 28 February 2017 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 matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and Directors' Report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

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 November 2017

Consolidated profit and loss account
for the year ended 28 February 2017

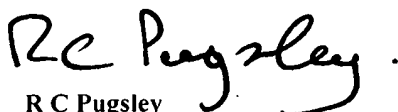
	<i>Note</i>	2017 £	2016 £
Turnover	2	71,986,923	69,264,555
Cost of sales		(64,207,879)	(61,225,147)
Gross profit		7,779,044	8,039,408
Distribution costs		(3,326,042)	(2,979,090)
Administrative expenses		(3,988,026)	(4,116,497)
Other operating income	2	444,455	267,141
Operating profit		909,431	1,210,962
Interest receivable and similar income	6	304	770
Interest payable and similar expenses	6	(281,875)	(201,826)
Profit before taxation	2-6	627,860	1,009,906
Tax on profit	7	(169,113)	(250,864)
Profit after taxation being profit for the financial year		458,747	759,042

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 28 February 2017

	Note	2017	2016
		£	£
Fixed assets			
Tangible assets	10	5,889,012	5,868,611
Investments	11	11,273	11,273
		<u>5,900,285</u>	<u>5,879,884</u>
Current assets			
Stocks	12	17,725,458	20,157,121
Debtors	13	3,496,907	3,442,761
Cash		1,780,622	1,239,436
		<u>23,002,987</u>	<u>24,839,318</u>
Creditors: amounts falling due within one year	14	<u>(20,385,831)</u>	<u>(22,497,637)</u>
Net current assets		<u>2,617,156</u>	<u>2,341,681</u>
Total assets less current liabilities		<u>8,517,441</u>	<u>8,221,565</u>
Provisions for liabilities and charges	15	<u>(70,129)</u>	<u>(58,000)</u>
Net assets		<u>8,447,312</u>	<u>8,163,565</u>
Capital and reserves			
Called up share capital	16	425,000	425,000
Share premium account		3,825,000	3,825,000
Profit and loss account		4,197,312	3,913,565
		<u>8,447,312</u>	<u>8,163,565</u>
Shareholder's funds		<u>8,447,312</u>	<u>8,163,565</u>


These financial statements were approved by the board of directors on 23rd November 2017 and were signed on its behalf by:


R C Pugsley
Director

Company balance sheet
at 28 February 2017

	Note	2017	2016
		£	£
Fixed assets			
Investments	11	8,500,000	8,500,000
Current assets			
Debtors	13	641,125	578,813
Cash		806,964	796,033
		<u>1,448,089</u>	<u>1,374,846</u>
Creditors: amounts falling due within one year	14	<u>(1,067,652)</u>	<u>(1,020,161)</u>
Net current assets		<u>380,437</u>	<u>354,685</u>
Total assets less current liabilities, being net assets		<u>8,880,437</u>	<u>8,854,685</u>
Capital and reserves			
Called up share capital	16	425,000	425,000
Share premium account		3,825,000	3,825,000
Profit and loss account		4,630,437	4,604,685
Shareholder's funds		<u>8,880,437</u>	<u>8,854,685</u>

These financial statements were approved by the board of directors on 23rd November 2017 and were signed on its behalf by:


R C Pugsley
Director

Consolidated cash flow statement
for the year ended 28 February 2017

	2017	2016
	£	£
Cash flows from operating activities		
Profit for the year	458,747	759,042
Adjustments for:		
Depreciation, amortisation and impairment	431,649	458,394
Equity settled share-based payment credit	-	(65,917)
Taxation	169,113	250,864
Interest payable	281,875	201,826
Interest receivable	(304)	(770)
Profit on disposal of fixed assets	(135,411)	(2,200)
(Increase)/decrease in trade and other debtors	(62,708)	499,747
Decrease/(increase) in stocks	2,431,663	(4,865,254)
(Decrease)/increase in trade and other creditors	(2,019,672)	4,797,402
Dividends paid	(175,000)	(260,000)
Interest received	304	770
Interest paid	(281,875)	(201,826)
Tax paid	(240,556)	(298,764)
Net cash from operating activities	857,825	1,273,314
Cash flows from investing activities		
Proceeds from sale of tangible fixed assets	222,970	6,382
Acquisition of tangible fixed assets	(539,609)	(805,045)
Net cash from investing activities	(316,639)	(798,663)
Net cash from financing activities	-	-
Net increase/(decrease) in cash and cash equivalents	541,186	474,651
Cash and cash equivalents at beginning of year	1,239,436	764,785
Cash and cash equivalents at end of year	1,780,622	1,239,436

Statement of Changes in Equity – Group
for the year ended 28 February 2017

	Called up Share capital	Share Premium	Profit and loss account	Total equity
	£	£	£	£
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
Transactions with owners recorded directly in equity				
Reversal of capital contributions	-	-	(65,917)	(65,917)
Dividends paid	-	-	(190,000)	(190,000)
Total distributions to owners	-	-	(255,917)	(255,917)
Balance at 29 February 2016	425,000	3,825,000	3,913,565	8,163,565
Balance at 1 March 2016	425,000	3,825,000	3,913,565	8,163,565
Profit, being total comprehensive income for the period	-	-	458,747	458,747
Transactions with owners recorded directly in equity				
Dividends paid	-	-	(175,000)	(175,000)
Total distributions to owners	-	-	(175,000)	(175,000)
Balance at 28 February 2017	425,000	3,825,000	4,197,312	8,447,312

Statement of Changes in Equity – Company
for the year ended 28 February 2017

	Called up Share capital	Share Premium	Profit and loss account	Total equity
	£	£	£	£
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
Transactions with owners recorded directly in equity				
Reversal of capital contributions	-	-	(65,917)	(65,917)
Dividends paid	-	-	(190,000)	(190,000)
Total distributions to owners	-	-	(255,917)	(255,917)
Balance at 29 February 2016	425,000	3,825,000	4,604,685	8,854,685
Balance at 1 March 2016	425,000	3,825,000	4,604,685	8,854,685
Profit, being total comprehensive income for the period	-	-	200,752	200,752
Transactions with owners recorded directly in equity				
Dividends paid	-	-	(175,000)	(175,000)
Total distributions to owners	-	-	(175,000)	(175,000)
Balance at 28 February 2017	425,000	3,825,000	4,630,437	8,880,437

Notes

(forming part of the financial statements)

1 Accounting policies

Penarth Commercial Properties (Holdings) Limited (the "Company") is a private company limited by shares and incorporated, domiciled and registered in the UK.

These group and parent 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 FRS102 issued in July 2015 have been applied.

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;
- Key Management Personnel compensation has not been included a second time;
- Certain disclosures required by FRS 102.26 Share Based Payments; and
- Certain 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.

Judgements and estimates made by the directors in the application of these accounting policies that have a significant effect on the financial statements are discussed in note 22.

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 2017. The Directors are not aware of anything to indicate that these facilities will not be renewed. As at 28 February 2017 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 £380,437, as well as control over a dividend stream from its wholly owned subsidiary, Penarth Commercial Properties Limited. At 28 February 2017, the consolidated financial statements of Penarth Commercial Properties Limited showed distributable reserves of £6,272,096.

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 28 February 2017.

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 or deemed cost less accumulated depreciation and accumulated impairment losses. Deemed cost is applied for certain items held at a historic valuation, where deemed cost is permitted under FRS102 transitional arrangements.

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:

- freehold 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.

Operating leases

Payments made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

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 is recognised in profit or loss as it accrues, 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 before taxation is derived from the UK and arises solely from the principal activities of the group.

Notes (continued)

2 Turnover and other operating income

2a Turnover

	2017 £	2016 £
Motor dealers and repairers	60,562,992	57,920,229
Sawmill	11,423,931	11,344,326
	<u>71,986,923</u>	<u>69,264,555</u>

2b Operating income

	2017 £	2016 £
Net gain on disposal of tangible fixed assets	135,411	2,200
Rental income	118,868	107,509
Performance awards and incentives	143,169	86,764
Other income	47,007	70,668
	<u>444,455</u>	<u>267,141</u>

3 Expenses and auditor's remuneration

	2017 £	2016 £
<i>Included in profit or loss are the following:</i>		
Audit services		
Fees payable to the company auditor for the audit of these accounts	1,050	500
Fees payable to the company auditor and associates for other services:		
- the audit of the company's subsidiaries	28,650	29,200
- tax compliance services	9,750	8,900
Depreciation and other amounts written off tangible fixed assets	431,649	458,394
Hire of plant and machinery - rentals payable under operating leases	72,867	72,662
	<u></u>	<u></u>

4 Remuneration of directors

	2017 £	2016 £
Directors' emoluments	84,395	88,305
	<u></u>	<u></u>

Retirement benefits are accruing to the following number of directors under:

	2017	2016
Money purchase schemes	1	1
	<u></u>	<u></u>

Total compensation of key management personnel (including the directors) in the year amounted to £560,452 (2016: £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	
	2017	2016
Management	15	14
Administration	27	25
Production, sales and other staff	203	198
	<u>245</u>	<u>237</u>

The aggregate payroll costs of these persons were as follows:

	2017	2016
	£	£
Wages and salaries	5,263,305	5,133,827
Social security costs	505,776	507,752
Contributions to defined contribution plans (see note 19)	42,126	42,782
	<u>5,811,207</u>	<u>5,684,361</u>

6 Interest payable and receivable

6a Interest receivable and similar income

	2017	2016
	£	£
Group		
Bank interest receivable	304	770
	<u>304</u>	<u>770</u>

6b Interest payable and similar expenses

	2017	2016
	£	£
Group		
On bank loans and overdrafts	4,448	9,662
Manufacturer standard vehicle stocking plans	217,405	129,089
Finance charges in respect of finance lease and hire purchase contracts	22	3,075
Interest payable on loan notes	60,000	60,000
	<u>281,875</u>	<u>201,826</u>

Notes (continued)

7 Taxation

Group	2017 £	2016 £
Current tax		
UK corporation tax on profits for the year	148,508	243,314
Adjustments in respect of prior years	(86)	9,343
Total current tax	148,422	252,657
Deferred tax (note 15)		
Origination and reversal of timing differences	19,305	7,034
Adjustments in respect of prior years	1,386	(8,827)
Total deferred tax	20,691	(1,793)
Total tax (all recognised in the profit and loss account)	169,113	250,864

Reconciliation of effective tax rate

	2017 £	2016 £
Profit before tax	627,860	1,009,906
Profit before tax multiplied by the UK rate of corporation tax of 20.0 % (2016: 20.08%)	125,572	202,789
Effects of:		
Expenses not deductible for tax purposes	3,366	10,559
Depreciation on assets not eligible for capital allowances	41,812	36,080
Adjustments in respect of prior years	1,300	516
Tax rate differences	(2,937)	920
Total tax expense included in profit or loss	169,113	250,864

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was 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, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax balance at 28 February 2017 has been calculated based on these rates.

8 Dividends

The aggregate amount of dividends comprises:

	2017 £	2016 £
Dividends paid in respect of the current year	140,000	190,000
Dividends in respect of the year approved and recognised as a liability at year end	35,000	-
	175,000	190,000

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 £200,752 (2016: £87,230). The retained profit for the financial year after distributions to owners is £25,752 (2016: loss of £168,687).

10 Tangible fixed assets

Group	Freehold land & buildings £	Plant, machinery & equipment £	Motor vehicles £	Total £
Cost or valuation				
At beginning of year	7,892,987	7,818,023	508,705	16,219,715
Additions	342,584	168,680	28,345	539,609
Disposals	(37,000)	(42,758)	(304,987)	(384,745)
At end of year	8,198,571	7,943,945	232,063	16,374,579
Analysis				
Assets at cost	5,848,571	7,943,945	232,063	14,024,579
Assets at valuation (deemed cost) - 1989	1,500,000	-	-	1,500,000
- 1990	850,000	-	-	850,000
	8,198,571	7,943,945	232,063	16,374,579
Depreciation				
At beginning of year	2,726,036	7,265,200	359,868	10,351,104
Charge for year	178,458	196,454	56,737	431,649
On disposals	-	(42,758)	(254,428)	(297,186)
At end of year	2,904,494	7,418,896	162,177	10,485,567
Net book value				
At 28 February 2017	5,294,077	525,049	69,886	5,889,012
At 29 February 2016	5,166,951	552,823	148,837	5,868,611

The freehold premises, included in the above at deemed cost, 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:

	2017 £	Group 2016 £
Cost	715,148	715,148
Depreciation	(400,288)	(390,041)
	314,860	325,107

The amount of non-depreciable assets within freehold land and buildings is £1,506,712 (2016: £1,543,712).

Notes (continued)

11 Investments

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

At 28 February 2017, 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%	-

The registered office of all of the subsidiaries listed above is 281 Penarth Road, Cardiff CF11 8YZ.

	Group 2017	Company 2017
Shares in group undertakings:	£	£
At beginning of year	-	8,500,000
Additions in the year	-	-
	<hr/>	<hr/>
At end of year	-	8,500,000
	<hr/>	<hr/>
Other investments at cost:		
At beginning of year	11,273	-
Additions	-	-
	<hr/>	<hr/>
At end of year	11,273	-
	<hr/>	<hr/>
Total investments at end of year	11,273	8,500,000
	<hr/>	<hr/>
Total investments at beginning of year	11,273	8,500,000
	<hr/>	<hr/>

Included in other investments are quoted investments amounting to £1,273 (2016: £1,273). The market value of quoted investments at 28 February 2017 amounted to £3,038 (2016: £3,243).

Notes (continued)

12 Stocks

	Group	
	2017	2016
	£	£
Raw materials and consumables	745,931	707,168
Work in progress	308,084	335,994
Finished goods	391,719	686,767
Motor vehicles	16,279,724	18,427,192
	<u>17,725,458</u>	<u>20,157,121</u>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £64,207,879 (2016: £61,225,147). The write down of stocks to net realisable value amounted to £nil (2016: nil).

13 Debtors

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
<i>Amounts falling due within one year</i>				
Trade debtors	2,602,874	2,512,747	-	-
Amounts owed by group undertakings	-	-	250,000	200,000
Amounts owed by group undertakings in respect of group relief	-	-	391,125	378,813
Other debtors	779,129	792,917	-	-
Prepayments and accrued income	114,904	128,535	-	-
	<u>3,496,907</u>	<u>3,434,199</u>	<u>641,125</u>	<u>578,813</u>
<i>Amounts falling due after more than one year</i>				
Deferred tax asset	-	8,562	-	-
	<u>3,496,907</u>	<u>3,442,761</u>	<u>641,125</u>	<u>578,813</u>

	Deferred taxation
	£
Group	
(Asset) at beginning of year	(8,562)
Charged to the profit and loss account	20,691
Liability at end of year	<u>12,129</u>

Notes (continued)

13 Debtors (continued)

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

Group	2017 £	2016 £
Difference between accumulated depreciation and amortisation and capital allowances	51,139	34,393
Other timing differences	(39,010)	(42,955)
	<u>12,129</u>	<u>(8,562)</u>

14 Creditors: amounts falling due within one year

	Group		Company	
	2017 £	2016 £	2017 £	2016 £
Loan notes	1,000,000	1,000,000	1,000,000	1,000,000
Trade creditors	17,476,190	19,331,214	-	-
Other creditors	133,727	127,114	32,652	16,152
Dividends	35,000	-	35,000	-
Taxation and social security:				
Corporation tax	45,693	137,827	-	-
Other taxes and social security	305,296	387,030	-	2,000
Accruals and deferred income	1,389,925	1,514,452	-	2,009
	<u>20,385,831</u>	<u>22,497,637</u>	<u>1,067,652</u>	<u>1,020,161</u>

The loan notes were repaid in full after the year end.

15 Provisions for liabilities and charges

The provisions for liabilities and charges comprise:

Group	Deferred Tax (asset)/liability £	Death in service £
At beginning of year	(8,562)	58,000
Charged during year	20,691	-
At end of year	<u>12,129</u>	<u>58,000</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 relatives and the timing of payment is by its nature not predictable.

Notes (continued)

16 Called up share capital

	Group and Company	
	2017	2016
	£	£
<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.

17 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 28 February 2017 was £nil (2016: £nil).

18 Commitments

At the year end the group had capital commitments of £Nil (2016: £Nil).

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

	Group	
	2017	2016
	£	£
<i>Operating leases which expire:</i>		
Within one year	54,930	51,908
In the second to fifth years inclusive	83,348	71,548

19 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:

	2017	2016
	£	£
Contributions payable into group fund	42,126	42,782

20 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 its registered office: 281 Penarth Road, Cardiff.

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

Notes (continued)

21 Related Party Transactions

During the year transactions occurred between Mr W.M.Barritt, a former 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)
Balance at end of year	1,000,000

After the year end, the loan notes were repaid in full.

22 Accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management considers the key sources of estimation uncertainty and critical accounting judgements relate to:

Death in service provision

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