

**Penarth Commercial Properties (Holdings) Limited**

**Annual report and consolidated  
financial statements**

Registered number 05159037

28 February 2019

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## Strategic Report

The results for the year are shown in the profit and loss account on page 8 and show a profit before tax for the financial year of £116,379 (2018: £201,348).

### Business review

#### *Sawmill*

During the year under review the Company continued to experience increased competitiveness in the marketplace. As mentioned in last year's review raw material prices have continued to increase and it has not been possible to fully reflect these in selling prices. This has continued to have an adverse impact on margin.

The industrial estate at Gledrid has produced a rental income of £96,309 in the financial year (2018: £94,380) and continues to be fully let.

#### *Dealership*

The decline in sales of diesel vehicles has continued during the period under review. Which, coupled with the introduction of Worldwide Harmonised Light Vehicle Test Procedure (WLTP) has continued to add to complexity into consumer's choice. Ford continues to focus on small fuel efficient, petrol engines whilst maintaining availability of diesel engines. Volvo similarly offer both petrol and diesel fuelled engines but have announced that they will cease development of further diesel fuelled engines. The impact of the publicity surrounding emissions of nitrous oxide from diesel engines continues to affect consumer's decision making. Both Volvo and Ford have and will continue to expand their range of battery electric vehicles (BEV) and there is strong evidence that this meets with customer approval although the cost of BEV coupled with the lack of an adequate charging infrastructure continues to be a drag on sales growth. Last year Volvo announced that every new model that it launches from 2019 will have a battery electric version available in that model range and that policy is now in evidence in their product 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 vehicle sales and servicing, albeit at a slower rate than was anticipated. Mustang and Focus RS are products unique to the FordStore franchise and a further product line, the Ranger Raptor will be launched through the FordStore franchise in 2019.

Sales volumes in the Volvo car franchise have continued to grow at a modest rate and the aftermarket has continued with steady growth during the year. The Company continues to grow brand awareness for Volvo in the area. The uncertainty over the timing of the UK's withdrawal from the European Union has proved to be both a burden on the administration of the business and has created a lack of confidence in the minds of consumers.

### Strategy & future prospects

The sawmill sources its main raw material products from the forests that are relatively close to its main operating base. Currently there is an adequate supply of raw material available to it. However, when demand for raw materials increases beyond the capacity for the forests to supply then upward pressure on raw material prices is a likely result. Whilst this would affect all of the sawmill's competitors in a similar manner, the ability to pass on such increases to customers may be uncertain.

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 40 years. During this time it has expanded the number of franchises that it holds to include Ford, Ford Commercial and Volvo. In June 2019, after the period under review, as part of its European cost cutting measures, Ford Motor Company announced its intention to close its engine assembly plant at Bridgend in September 2020. Ford has introduced a number of measures to reduce the impact on the Dealers who serve the surrounding area including efforts to provide alternative employment opportunities for its workforce at the Bridgend Engine plant and actions to reduce the cost base for its Dealers. It is too early to assess the effectiveness of these measures.

## Strategic Report *(continued)*

The dealership's short to medium term strategy continues to be, to develop the franchises that it holds 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. The Group gives due consideration to what these may be and also the potential impact on its businesses.

The director considers the principal risk to the business continues to be the uncertainty caused by the vote to leave the EU. This uncertainty remains and largely revolves around the negotiation of a trade deal for implementation post Brexit. Both of the manufacturers for which the dealership holds franchises have indicated that they have contingency plans for a so-called 'hard Brexit'. Given the length of time in the supply chains, some of these plans are in the process of being implemented. Guidance from the Bank of England continues to be that the UK economy will experience a lower growth rate post Brexit, 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 the UK. The removal of the continued uncertainty that currently exists in the economy will likely have some positive effect.

As anticipated, the inflation rate rose during the period under review and this was controlled by the Bank of England through small increases in base rate. Since the period under review the inflation rate has fallen back slightly and further intervention by the Bank of England has not been necessary. A concern continues to be the impact of rising interest rates, if any, on the levels of unsecured debt generally in the economy.

The dealership sources its main products i.e. motor vehicles and motor vehicle parts primarily from the manufacturers of these products. As part of its ongoing reviews, the dealership maintains a watch on the financial performance, viability and future prospects of its vehicle and parts suppliers. The dealership is satisfied that its suppliers continue to invest in new products that enable the Company to achieve a satisfactory return on its investments in the brands that it represents.

As with any business the potential for economic downturn presents uncertainty. The Company 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. Key to this is maintaining and expanding its customer base, maintaining operational efficiency and ensuring timely and appropriate levels of capital expenditure consistent with changes in the market and legislative requirements.

By order of the board



**R J Evans**  
*Secretary*

281 Penarth Road  
Cardiff  
CF11 8YZ

*27th November* 2019

## Director's Report

The director presents his annual report and the audited consolidated financial statements for the year ended 28 February 2019.

### 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

The Shareholder approved and paid dividends of £170,000 in respect of the 2018/19 financial year (*2018: £305,000 in respect of the 2017/18 financial year*).

### Director

The director who held office during the year was as follows:

R C Pugsley

### Disclosure of information to auditor

The director who held office at the date of approval of this director's report confirms that, so far as he is aware, there is no relevant audit information of which the Company's auditor is unaware; and the 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 director recognises 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

27th November 2019

**STATEMENT OF DIRECTOR'S RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT,  
THE DIRECTOR'S REPORT AND THE FINANCIAL STATEMENTS**

The director is responsible for preparing the Strategic Report, the Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law he has 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 FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the director must not approve the financial statements unless he is 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 director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless he either intends to liquidate the group or the parent company or to cease operations, or has no realistic alternative but to do so.

The director is 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 him to ensure that its financial statements comply with the Companies Act 2006. He is responsible for such internal control as he determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to him 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

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PENARTH COMMERCIAL PROPERTIES (HOLDINGS) LIMITED**

### **Opinion**

We have audited the financial statements of Penarth Commercial Properties (Holdings) Limited ("the company") for the year ended 28 February 2019 which comprise the Consolidated Profit and Loss Account and Other Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Cash Flow Statement and related notes, including the accounting policies in note 1.

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 2019 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **The impact of uncertainties due to the UK exiting the European Union on our audit**

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors such as recoverability of debtors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

### **Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PENARTH COMMERCIAL PROPERTIES (HOLDINGS) LIMITED *(continued)***

### **Going concern *(continued)***

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

### **Strategic report and director's report**

The director is responsible for the strategic report and the director's report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the director's report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the director's report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### **Matters on which we are required to report by exception**

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

### **Director's responsibilities**

As explained more fully in their statement set out on page 4, the director is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PENARTH COMMERCIAL PROPERTIES (HOLDINGS) LIMITED *(continued)***

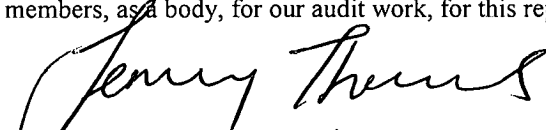
### **Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **The purpose of our audit work and to whom we owe our responsibilities**

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.



**Jeremy Thomas (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

3 Assembly Square

Britannia Quay

Cardiff

CF10 4AX

30<sup>th</sup> November 2019

**Consolidated profit and loss account**  
*for the year ended 28 February 2019*

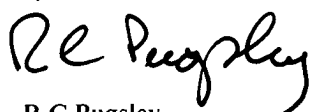
	<i>Note</i>	<b>2019</b> <b>£</b>	<b>2018</b> <b>£</b>
<b>Turnover</b>	<b>2</b>	<b>69,595,905</b>	<b>66,195,025</b>
Cost of sales		(62,232,424)	(59,118,920)
<b>Gross profit</b>		<b>7,363,481</b>	<b>7,076,105</b>
Distribution costs		(3,002,415)	(3,093,836)
Administrative expenses	<b>3</b>	(4,331,925)	(3,887,396)
Other operating income	<b>2</b>	347,467	301,730
<b>Operating profit</b>		<b>376,608</b>	<b>396,603</b>
Interest receivable and similar income	<i>6a</i>	210	67
Interest payable and similar expenses	<i>6b</i>	(260,439)	(195,322)
<b>Profit before taxation</b>		<b>116,379</b>	<b>201,348</b>
Tax on profit	<b>7</b>	(47,547)	(77,928)
<b>Profit after taxation being profit for the financial year</b>		<b>68,832</b>	<b>123,420</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 28 February 2019*

	Note	2019		2018	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	10		6,027,804		6,295,095
Investments	11		11,273		11,273
			<u>6,039,077</u>		<u>6,306,368</u>
<b>Current assets</b>					
Stocks	12	21,046,774		20,633,968	
Debtors	13	3,943,529		4,667,981	
Cash		-		-	
		<u>24,990,303</u>		<u>25,301,949</u>	
<b>Creditors: amounts falling due within one year</b>	14	<u>(22,824,743)</u>		<u>(23,291,848)</u>	
<b>Net current assets</b>			<u>2,165,560</u>		<u>2,010,101</u>
<b>Total assets less current liabilities</b>			<u>8,204,637</u>		<u>8,316,469</u>
<b>Provisions for liabilities and charges</b>	15		<u>(40,073)</u>		<u>(50,737)</u>
<b>Net assets</b>			<u><u>8,164,564</u></u>		<u><u>8,265,732</u></u>
<b>Capital and reserves</b>					
Called up share capital	16		425,000		425,000
Share premium account			3,825,000		3,825,000
Profit and loss account			3,914,564		4,015,732
			<u>8,164,564</u>		<u>8,265,732</u>
<b>Shareholder's funds</b>			<u><u>8,164,564</u></u>		<u><u>8,265,732</u></u>

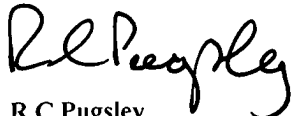
These financial statements were approved by the director on 27th November 2019 and were signed on its behalf by:

  
R C Pugsley  
Director

**Company balance sheet**  
*at 28 February 2019*

	Note	2019		2018	
		£	£	£	£
<b>Fixed assets</b>					
Investments	11		8,500,000		8,500,000
<b>Current assets</b>					
Debtors	13	572,963		392,668	
Cash		95,328		265,378	
		<u>668,291</u>		<u>658,046</u>	
<b>Creditors: amounts falling due within one year</b>	14	<u>(20,652)</u>		<u>(19,152)</u>	
<b>Net current assets</b>			<u>647,639</u>		<u>638,894</u>
<b>Total assets less current liabilities, being net assets</b>			<u>9,147,639</u>		<u>9,138,894</u>
<b>Capital and reserves</b>					
Called up share capital	16		425,000		425,000
Share premium account			3,825,000		3,825,000
Profit and loss account			4,897,639		4,888,894
<b>Shareholder's funds</b>			<u>9,147,639</u>		<u>9,138,894</u>

These financial statements were approved by the director on 27th November 2019 and were signed on its behalf by:



R C Pugsley  
Director

**Consolidated cash flow statement**  
*for the year ended 28 February 2019*

	2019	2018
	£	£
<b>Cash flows from operating activities</b>		
Profit for the year	68,832	123,420
Adjustments for:		
Depreciation, amortisation and impairment	413,926	414,485
Taxation	47,547	77,928
Interest payable	260,439	195,322
Interest receivable	(210)	(67)
Profit on disposal of fixed assets	-	(808)
(Increase)/decrease in trade and other debtors	724,452	(1,171,074)
Decrease/(increase) in stocks	(412,806)	(2,908,510)
(Decrease)/increase in trade and other creditors	46,326	2,283,211
Dividends paid	(170,000)	(340,000)
Interest received	210	67
Interest paid	(260,439)	(195,322)
Tax paid	(93,481)	(57,936)
<b>Net cash from operating activities</b>	<b>624,796</b>	<b>(1,579,284)</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of tangible fixed assets	-	808
Acquisition of tangible fixed assets	(146,635)	(820,568)
<b>Net cash from investing activities</b>	<b>(146,635)</b>	<b>(819,760)</b>
<b>Cash flows from financing activities</b>		
Repayment of loan notes	-	(1,000,000)
Proceeds from hire purchase financing	211,238	632,913
<b>Net cash from financing activities</b>	<b>211,238</b>	<b>(367,087)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>689,399</b>	<b>(2,766,131)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>(985,509)</b>	<b>1,780,622</b>
<b>Cash and cash equivalents at end of year</b>	<b>(296,110)</b>	<b>(985,509)</b>

**Statement of Changes in Equity – Group**  
*for the year ended 28 February 2019*

	Called up Share capital	Share Premium	Profit and loss account	Total equity
	£	£	£	£
Balance at 1 March 2017	425,000	3,825,000	4,197,312	8,447,312
Profit, being total comprehensive income for the year	-	-	123,420	123,420
<b>Transactions with owner recorded directly in equity:</b>				
Dividends paid	-	-	(305,000)	(305,000)
<b>Total distributions to owner</b>	-	-	(305,000)	(305,000)
<b>Balance at 28 February 2018</b>	<b>425,000</b>	<b>3,825,000</b>	<b>4,015,732</b>	<b>8,265,732</b>
Balance at 1 March 2018	425,000	3,825,000	4,015,732	8,265,732
Profit, being total comprehensive income for the year	-	-	68,832	68,832
<b>Transactions with owner recorded directly in equity:</b>				
Dividends paid	-	-	(170,000)	(170,000)
<b>Total distributions to owners</b>	-	-	(170,000)	(170,000)
<b>Balance at 28 February 2019</b>	<b>425,000</b>	<b>3,825,000</b>	<b>3,914,564</b>	<b>8,164,564</b>

**Statement of Changes in Equity – Company**  
*for the year ended 28 February 2019*

	Called up Share capital	Share Premium	Profit and loss account	Total equity
	£	£	£	£
Balance at 1 March 2017	425,000	3,825,000	4,630,437	8,880,437
Profit, being total comprehensive income for the year	-	-	563,457	563,457
<b>Transactions with owner recorded directly in equity:</b>				
Dividends paid	-	-	(305,000)	(305,000)
<b>Total distributions to owner</b>	-	-	(305,000)	(305,000)
<b>Balance at 28 February 2018</b>	<b>425,000</b>	<b>3,825,000</b>	<b>4,888,894</b>	<b>9,138,894</b>
Balance at 1 March 2018	425,000	3,825,000	4,888,894	9,138,894
Profit, being total comprehensive income for the year	-	-	178,745	178,745
<b>Transactions with owner recorded directly in equity:</b>				
Dividends paid	-	-	(170,000)	(170,000)
<b>Total distributions to owners</b>	-	-	(170,000)	(170,000)
<b>Balance at 28 February 2019</b>	<b>425,000</b>	<b>3,825,000</b>	<b>4,897,639</b>	<b>9,147,639</b>

## 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 102.11 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 director 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 and has sufficient assets to settle its liabilities as they fall due.

Bank facilities with HSBC are due for renewal in December 2019. The Director is not aware of anything to indicate that these facilities will not be renewed. As at 28 February 2019 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 £647,639, as well as control over a dividend stream from its wholly owned subsidiary, Penarth Commercial Properties Limited. At 28 February 2019, the consolidated financial statements of Penarth Commercial Properties Limited showed distributable reserves of £5,740,984.

### *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 2019.

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.

#### *Interest payable*

Interest payable is recognised in profit or loss as it accrues, using the effective interest method.

#### *Provisions*

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

#### *Stocks*

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. The cost of sawn timber 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. Round timber cost is measured by the average purchase price of the timber. Retail shop stock at Gledrid (excluding timber products) is measured by the average purchase price of each item. 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**

	2019 £	2018 £
Motor dealers and repairers	57,405,768	55,165,951
Sawmill	12,190,137	11,029,074
	<u>69,595,905</u>	<u>66,195,025</u>

**2b Other operating income**

	2019 £	2018 £
Net gain on disposal of tangible fixed assets	98,510	808
Rental income	112,426	117,433
Performance awards and incentives	110,974	124,740
Other income	25,557	58,749
	<u>347,467</u>	<u>301,730</u>

**3 Expenses and auditor's remuneration**

	2019 £	2018 £
<i>Included in profit or loss are the following:</i>		
<b>Audit services</b>		
Fees payable to the company auditor for the audit of these accounts	1,200	1,081
Fees payable to the company auditor and associates for other services:		
- the audit of the company's subsidiaries	32,755	29,510
- tax compliance services	10,100	9,800
Depreciation and other amounts written off tangible fixed assets	413,926	414,485
Hire of plant and machinery - rentals payable under operating leases	73,950	75,070
	<u></u>	<u></u>

**4 Remuneration of director**

	2019 £	2018 £
Director's emoluments	79,558	72,575
	<u></u>	<u></u>

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

	Number of Directors	
	2019	2018
Money purchase schemes	-	-
	<u></u>	<u></u>

Total compensation of key management personnel (including the director) in the year amounted to £480,196 (2018: £472,888).

## Notes (continued)

### 5 Staff numbers and costs

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

	Number of employees 2019	2018
Management	17	15
Administration	30	29
Production, sales and other staff	192	194
	<u>239</u>	<u>238</u>

The aggregate payroll costs of these persons were as follows:

	2019 £	2018 £
Wages and salaries	5,288,258	5,084,049
Social security costs	514,833	510,450
Contributions to defined contribution plans (see note 19)	80,875	44,130
	<u>5,883,966</u>	<u>5,638,629</u>

### 6 Interest payable and receivable

#### 6a Interest receivable and similar income

	2019 £	2018 £
Group		
Bank interest receivable	-	-
Dividend income	210	67
	<u>210</u>	<u>67</u>

#### 6b Interest payable and similar expenses

	2019 £	2018 £
Group		
On bank loans and overdrafts	24,548	25,826
Manufacturer standard vehicle stocking plans	208,991	148,769
Finance charges in respect of finance lease and hire purchase contracts	26,900	14,196
Interest payable on loan notes	-	6,531
	<u>260,439</u>	<u>195,322</u>

## Notes (continued)

### 7 Taxation

	2019 £	2018 £
<b>Group</b>		
<b>Current tax</b>		
UK corporation tax on profits for the year	53,721	33,418
Adjustments in respect of prior years	4,490	5,901
	<hr/>	<hr/>
Total current tax	58,211	39,319
<b>Deferred tax (note 15)</b>		
Origination and reversal of timing differences	(10,664)	39,333
Adjustments in respect of prior years	-	(724)
	<hr/>	<hr/>
Total deferred tax	(10,664)	38,609
	<hr/>	<hr/>
Total tax (all recognised in the profit and loss account)	47,547	77,928
	<hr/>	<hr/>

### Reconciliation of effective tax rate

	2019 £	2018 £
Profit before tax	116,379	201,348
	<hr/>	<hr/>
Profit before tax multiplied by the UK rate of corporation tax of 19 % (2018: 19.08%)	22,112	38,417
<b>Effects of:</b>		
Expenses not deductible for tax purposes	2,407	6,515
Depreciation on assets not eligible for capital allowances	9,011	44,379
Adjustments in respect of prior years	4,490	(5,177)
Tax rate differences/other movements	10,298	(4,974)
Utilisation of losses b/f on which no deferred tax provided	(771)	(1,232)
	<hr/>	<hr/>
Total tax expense included in profit or loss	47,547	77,928
	<hr/>	<hr/>

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2018) was substantively enacted on 26 October 2015. Further reductions 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 liability at 28 February 2019 has been calculated based on these rates.

### 8 Dividends

The aggregate amount of dividends comprises:

	2019 £	2018 £
Dividends paid in respect of the current year	170,000	305,000
Dividends in respect of the year approved and recognised as a liability at year end	-	-
	<hr/>	<hr/>
	170,000	305,000
	<hr/>	<hr/>

## Notes (continued)

### 9 Profit and loss account

The profit after taxation for the financial year dealt with in the financial statements of the company is £178,745 (2018: £563,457). The retained profit for the financial year after distributions to owners is £8,745 (2018: £258,457).

### 10 Tangible fixed assets

Group	Freehold land & buildings £	Plant, machinery & equipment £	Motor vehicles £	Total £
<b>Cost or valuation</b>				
At beginning of year	8,663,430	8,244,651	238,163	17,146,244
Additions	42,401	76,931	27,303	146,635
Disposals	(58,064)	(9,099)	(44,715)	(111,878)
<b>At end of year</b>	<b>8,647,767</b>	<b>8,312,483</b>	<b>220,751</b>	<b>17,181,001</b>
<b>Analysis</b>				
Assets at cost	6,297,767	8,312,483	220,751	14,831,001
Assets at valuation (deemed cost) - 1989	1,500,000	-	-	1,500,000
- 1990	850,000	-	-	850,000
	<b>8,647,767</b>	<b>8,312,483</b>	<b>220,751</b>	<b>17,181,001</b>
<b>Depreciation</b>				
At beginning of year	3,100,332	7,565,374	185,443	10,851,149
Charge for year	220,513	162,304	31,109	413,926
On disposals	(58,064)	(9,099)	(44,715)	(111,878)
<b>At end of year</b>	<b>3,262,781</b>	<b>7,718,579</b>	<b>171,837</b>	<b>11,153,197</b>
<b>Net book value</b>				
At 28 February 2019	<b>5,384,986</b>	<b>593,904</b>	<b>48,914</b>	<b>6,027,804</b>
At 29 February 2018	<b>5,563,098</b>	<b>679,277</b>	<b>52,720</b>	<b>6,295,095</b>

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:

	2019 £	Group 2018 £
Cost	715,148	715,148
Depreciation	(420,782)	(410,535)
	<b>294,366</b>	<b>304,613</b>

The amount of non-depreciable assets within freehold land and buildings is £1,500,187 (2018: £1,500,187).

## Notes (continued)

### 11 Investments

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

At 28 February 2019, the company had the following subsidiaries all of which are registered in England and Wales:

Name	Principle Activity	Proportion of nominal value of issued share capital held by group	Proportion of nominal value of issued share capital held by company	Class of shares
Penarth Commercial Properties Limited	Intermediary holding company	100%	100%	Ordinary
Abbey Garages (Cardiff) Limited	Motor dealers and repairers	100%	-	Ordinary
E.T.C. Saw Mills Limited	Sawmillers	100%	-	Ordinary
Abbey Garages (Tredegar) Limited	Dormant	100%	-	Ordinary
TGM Gauge Maintenance Limited	Dormant	100%	-	Ordinary
Atlantic Trading Estate Management (Barry) Limited	Dormant	100%	-	Ordinary
Cogan Car Company Limited	Dormant	100%	-	Ordinary
Norman Harvey Garages (Cwmbran) Limited	Dormant	100%	-	Ordinary
PCP Hotels Limited	Dormant	100%	-	Ordinary
Penarth Road Motor Company Limited	Dormant	100%	-	Ordinary
Fordthorne Limited	Dormant	100%	-	Ordinary

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

	Group 2019 £	Company 2019 £
<b>Shares in group undertakings:</b>		
At beginning of year	-	8,500,000
Additions in the year	-	-
	<hr/>	<hr/>
At end of year	-	8,500,000
	<hr/>	<hr/>
<b>Other investments at cost:</b>		
At beginning of year	11,273	-
Additions	-	-
	<hr/>	<hr/>
At end of year	11,273	-
	<hr/>	<hr/>
<b>Total investments at end of year</b>	<b>11,273</b>	<b>8,500,000</b>
	<hr/>	<hr/>
<b>Total investments at beginning of year</b>	<b>11,273</b>	<b>8,500,000</b>
	<hr/>	<hr/>

Included in other investments are quoted investments amounting to £1,273 (2018:£1,273). The market value of quoted investments at 28 February 2019 amounted to £2,252 (2018:£2,386).

## Notes (continued)

### 12 Stocks

	Group	
	2019 £	2018 £
Raw materials and consumables	856,053	599,185
Work in progress	412,770	383,460
Finished goods	694,792	647,944
Motor vehicles	19,083,159	19,003,379
	<u>21,046,774</u>	<u>20,633,968</u>

### 13 Debtors

	Group		Company	
	2019 £	2018 £	2019 £	2018 £
<i>Amounts falling due within one year</i>				
Trade debtors	2,540,493	3,128,715	-	-
Amounts owed by group undertakings	-	-	180,000	-
Amounts owed by group undertakings in respect of group relief	-	-	392,963	392,668
Other debtors	1,267,245	1,433,254	-	-
Prepayments and accrued income	135,791	106,012	-	-
	<u>3,943,529</u>	<u>4,667,981</u>	<u>572,963</u>	<u>392,668</u>



## Notes (continued)

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

	Group		Company	
	2019 £	2018 £	2019 £	2018 £
Trade creditors	20,337,634	20,308,773	-	-
Other creditors	90,408	107,343	20,652	19,152
Taxation and social security:				
- Corporation tax	49,807	85,077	-	-
- Other taxes and social security	153,817	181,498	-	-
Accruals and deferred income	1,052,816	990,735	-	-
HP creditors	844,151	632,913	-	-
Bank overdraft	296,110	985,509	-	-
	<u>22,824,743</u>	<u>23,291,848</u>	<u>20,652</u>	<u>19,152</u>

### 15 Provisions for liabilities and charges

The provisions for liabilities and charges comprise:

#### Group

	Deferred Tax (asset)/liability £
At beginning of year	50,737
Charged/(credited) during year	(10,664)
At end of year	<u>40,073</u>

The amounts provided for deferred taxation and the full potential liability is set out below:

Group	2019 £	2018 £
Difference between accumulated depreciation and amortisation and capital allowances	59,582	70,904
Other timing differences	(19,509)	(20,167)
At end of year	<u>40,073</u>	<u>50,737</u>

## Notes (continued)

### 16 Called up share capital

	Group and Company	
	2019	2018
	£	£
<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 2019 was £296,110 (2018: £985,509).

### 18 Commitments

At the year end the group had capital commitments of £nil (2018: £nil).

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

	Group	
	2019	2018
	£	£
<i>Operating leases which expire:</i>		
Within one year	71,415	62,510
In the second to fifth years inclusive	125,295	100,590

The company has total commitments under non-cancellable operating leases of £nil (2018: £nil).

### 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:

	2019	2018
	£	£
Contributions payable into group fund (note 5)	80,875	44,130

## **Notes** *(continued)*

### **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.

## Company profit and loss account

*for the year ended 28 February 2019*

The following does not form part of the financial statements

	2019 £	2018 £
Administrative expenses	(1,550)	(1,552)
<b>Operating loss</b>	<b>(1,550)</b>	<b>(1,552)</b>
Interest payable	-	(6,534)
Dividends receivable	180,000	570,000
<b>Profit before taxation</b>	<b>178,450</b>	<b>561,914</b>
Tax on profit	295	1,543
<b>Profit after taxation being profit for the financial year</b>	<b>178,745</b>	<b>563,457</b>