

Penarth Commercial Properties (Holdings) Limited

**Annual report and consolidated
financial statements**

Registered number 05159037

29 February 2020

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Strategic Report

The results for the year are shown in the profit and loss account on page 9 and show a consolidated loss before tax for the financial year of £1,289,947 (2019: profit £116,379).

Business review

Sawmill

During the year under review the Company continued to experience increased competitiveness in the marketplace. 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 £96,023 in the financial year (2019: £96,309) and continues to be fully let.

Dealership

Both Volvo and Ford 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. 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. 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 dealership continues to grow brand awareness for Volvo in the area.

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 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. In February 2020, Ford Motor Company announced its intention to reduce the size of its franchised network, predominantly by moving to single tier distribution, through the removal of its Retail Dealer network. This would be supplemented by a reduction in some of its Main Dealer branch points. FordStores- for which the dealership holds the franchise, would be unaffected.

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 revenue generating activities.

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 operations should such opportunities arise.

Strategic Report *(continued)*

Principal risks and uncertainties

The potential risks to the business arising from uncertainty around the nature of the trade deal to be struck with the EU were removed when the nature of the trade deal was fully completed. The uncertainty over the terms of the UK's withdrawal from the European Union was a burden on the administration of the business and created a lack of confidence in the minds of consumers. Now that the transition period has ended, there has been clarity regarding the terms of the UK's withdrawal. By and large no tariffs have been applied to vehicles imported from the EU. In certain minor instances, where the rules of origin could not completely satisfy the requirements of the EU, minimal amounts of import duty could apply. Where this has occurred, vehicle manufacturers have absorbed these small amounts of tariff within their pricing structures.

COVID 19 has impacted on all businesses throughout the world. The impact within the retail motor industry has been no exception. During periods of closure the dealership has utilised the financial support provided by local and central Government. Whilst trading has been restricted, use has been made of online sales activities and when open for business the dealership has maintained strict protocols to minimise the transmission of the virus. The considerable progress made by the UK governments vaccination programmes is enormously encouraging and whilst we cannot reasonably expect to return to pre COVID trading conditions in the near future, the dealership will take every opportunity to re-establish its volume business as soon as is practically possible.

During the period up to the signing of these accounts, the Group has at all times operated within its banking covenants and, based on current forecasts, fully expects to continue to do so.

As with any business, 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.

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 dealership to achieve a satisfactory return on its investments in the brands that it represents.

Section 172 statement

The success of the ultimate holding company is largely dependent on the success of its two trading subsidiaries. To that extent the statements of the operating companies are relevant.

Abbey Garages (Cardiff) Limited

The Director of the Company acts in a way that considers and promotes the success of the company in line with the requirements of s172 of the Companies Act 2006.

When making decisions, the Director considers all stakeholders and the wider impacts of such decisions, including the impact of the Company's operations on the community and environment, responsible business practices and the likely consequences of decisions in the long term. The size of the Company enables the Director to regularly consult with other senior managers in the Company, aiding in the decision-making process.

The Company is subject to external audits carried out by vehicle manufacturers, quality control audits by external third parties and Government agencies. Its Accident Repair Centre is audited by the British Standards Institution for which it holds the BS 10125 approval.

The Company is registered with the Financial Conduct Authority in respect of its regulated financial activities and the relevant staff are trained and tested by external providers to ensure full compliance. Technical, sales and customer facing staff are trained to the latest vehicle manufacturer standards in all aspects of their work and such training is monitored to ensure it is both relevant and current. A number of the Management team hold academic and professional qualifications specifically related to the business which the Company operates, and the Director and a member of the senior Management team hold internationally recognised professional qualifications.

Strategic Report *(continued)*

Section 172 statement *(continued)*

The Director recognises the importance of staff engagement in the Company, and participates in the Ford Consumer Experience Movement, designed to increase and maintain staff engagement in the Company, ultimately improving all aspects of the customer interaction with the Company.

The Company mission statement is "To provide outstanding levels of employee and customer satisfaction, and thereby keep them for life". The Company has been frequent winners of the Ford Customer Satisfaction Award over a period of more than 25 years. The Director holds meetings with employee representatives from all areas of the Company. Although these have been disrupted by Covid this year they remain an important communication tool for the Company.

The Company is also a member of the Retail Automotive Alliance an organisation which inter alia, promotes best practise in the industry as does the National Franchised Dealers Association-part of the Retail Motor Industry, which the Company subscribes to.

Good working relationships with suppliers are important to the success of the Company. The Company at all times acts responsibly and ethically in its dealings with suppliers. The Director is a member of the Ford Dealer Council – a committee of 12 Dealer representatives whose aim is to maintain a successful working relationship between Ford Motor Company and its dealers. The Director is also a member of a number of working groups within this structure-as are other senior members of the Management Team.

ETC Saw Mills Limited

The Director of the Company acts in a way that considers and promotes the success of the Company in line with the requirements of s172 of the Companies Act 2006.

When making decisions, the Director considers all stakeholders and the wider impacts of such decisions, including the impact of the Company's operations on the community and environment, responsible business practices and the likely consequences of decisions in the long term. The size of the Company enables the Director to regularly consult with other senior managers in the Company, aiding in the decision-making process.

The Company engages external third parties to audit its policies and operating procedures and to ensure compliance with them. Local and Central Government agencies audit a variety of areas including sustainability of raw materials, the use of its co-products and environmental matters.

The Director recognises the importance of staff engagement in the Company and through delegated authority ensures that statutory and operational training is undertaken as required.

Good working relationships with suppliers are important to the success of the Company. In this regard, the Company maintains an open dialogue with its main suppliers of raw materials and also suppliers of its plant, equipment and operating software. The Company at all times acts responsibly and ethically in its dealings with suppliers.

By order of the board



R J Evans
Secretary

281 Penarth Road
Cardiff
CF11 8YZ

31 March 2021

Director's Report

The director presents his annual report and the audited consolidated financial statements for the year ended 29 February 2020.

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 director does not recommend the payment of a dividend (2019: £170,000).

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 pages 1 to 3.

By order of the board



RJ Evans
Secretary

281 Penarth Road
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31 March 2021

**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
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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 29 February 2020 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 29 February, 2020 and of the group's loss 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.

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").

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 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.

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

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 5, 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)*

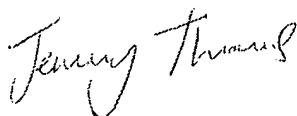
Auditor's responsibilities

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.

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

31 March 2021

Consolidated profit and loss account and other comprehensive income
for the year ended 29 February 2020

	<i>Note</i>	2020 £	2019 £
Turnover	2a	63,476,363	69,595,905
Cost of sales		(57,601,460)	(62,232,424)
Gross profit		5,874,903	7,363,481
Distribution costs		(3,109,088)	(3,002,415)
Administrative expenses	3	(4,059,303)	(4,331,925)
Other operating income	2b	245,313	347,467
Operating (loss)/profit		(1,048,175)	376,608
Interest receivable and similar income	6a	62	210
Interest payable and similar expenses	6b	(321,834)	(260,439)
Fair value adjustments for investment properties		80,000	-
(Loss)/profit before taxation		(1,289,947)	116,379
Tax on (loss)/profit	7	208,327	(47,547)
(Loss)/profit and total comprehensive income for the financial year		(1,081,620)	68,832

The above results represent the comprehensive income of the company in both financial years and relate entirely to continuing operations.

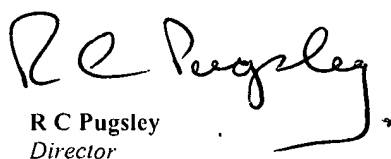
The notes on pages 15 to 28 form part of these financial statements.

Consolidated balance sheet
at 29 February 2020

	Note	2020		2019 (restated – see note 21)	
		£	£	£	£
Fixed assets					
Tangible assets	11		5,368,290		5,134,799
Investment properties	10		1,548,800		1,468,800
Investments	12		11,273		11,273
			<u>6,928,363</u>		<u>6,614,872</u>
Current assets					
Stocks	13	19,354,741		21,046,774	
Debtors	14	3,519,770		3,943,529	
Cash		-		-	
		<u>22,874,511</u>		<u>24,990,303</u>	
Creditors: amounts falling due within one year	15	<u>(22,144,135)</u>		<u>(22,824,743)</u>	
Net current assets			<u>730,376</u>		<u>2,165,560</u>
Total assets less current liabilities			<u>7,658,739</u>		<u>8,780,432</u>
Provisions for liabilities and charges			-		(40,073)
Net assets			<u>7,658,739</u>		<u>8,740,359</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			3,408,739		4,490,359
Shareholder's funds			<u>7,658,739</u>		<u>8,740,359</u>

The notes on pages 15 to 28 form part of these financial statements.

These financial statements were approved by the director on 31 March 2021 and were signed on its behalf by:

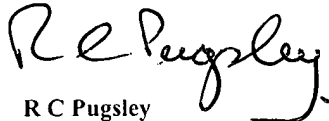

R C Pugsley
Director

Company balance sheet
at 29 February 2020

	Note	2020	2019
		£	£
Fixed assets			
Investments	12	8,500,000	8,500,000
Current assets			
Debtors	14	573,223	572,963
Cash		95,264	95,328
		<u>668,487</u>	<u>668,291</u>
Creditors: amounts falling due within one year	15	<u>(22,118)</u>	<u>(20,652)</u>
Net current assets		<u>646,369</u>	<u>647,639</u>
Total assets less current liabilities, being net assets		<u><u>9,146,369</u></u>	<u><u>9,147,639</u></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		4,896,369	4,897,639
Shareholder's funds		<u><u>9,146,369</u></u>	<u><u>9,147,639</u></u>

The notes on pages 15 to 28 form part of these financial statements.

These financial statements were approved by the director on 31 March 2021 and were signed on its behalf by:


R C Pugsley
Director

Consolidated cash flow statement
for the year ended 29 February 2020

	2020	2019
	£	£
Cash flows from operating activities		
(Loss)/profit for the year	(1,081,620)	68,832
Adjustments for:		
Depreciation, amortisation and impairment	278,947	413,926
Taxation	(208,327)	47,547
Interest payable	321,834	260,439
Interest receivable	(62)	(210)
Fair value adjustments for investment properties	(80,000)	-
(Increase)/decrease in trade and other debtors	595,927	724,452
Decrease/(increase) in stocks	1,692,033	(412,806)
(Decrease)/increase in trade and other creditors	(2,078,858)	46,326
Dividends paid	-	(170,000)
Interest received	62	210
Interest paid	(321,834)	(260,439)
Tax paid	(53,721)	(93,481)
Gain on sale of fixed assets	(21,800)	(98,510)
Net cash from operating activities	(957,419)	526,286
Cash flows from investing activities		
Proceeds from sale of tangible fixed assets	21,800	98,510
Acquisition of tangible fixed assets	(512,437)	(146,635)
Net cash from investing activities	(490,637)	(48,125)
Cash flows from financing activities		
Proceeds from hire purchase financing	234,527	211,238
Net cash from financing activities	234,527	211,238
Net (decrease)/ increase in cash and cash equivalents	(1,213,529)	689,399
Cash and cash equivalents at beginning of year	(296,110)	(985,509)
Cash and cash equivalents at end of year	(1,509,639)	(296,110)

The notes on pages 15 to 28 form part of these financial statements.

Statement of Changes in Equity – Group
for the year ended 29 February 2020

	Called up Share capital	Share Premium	Profit and loss account	Total equity
	£	£	£	£
Balance at 1 March 2018	425,000	3,825,000	4,015,732	8,265,732
Effect of change in accounting policy (see note 21)	-	-	575,795	575,795
Balance at 1 March 2018 (restated)	425,000	3,825,000	4,591,527	8,841,527
Profit, being total comprehensive income for the year	-	-	68,832	68,832
Transactions with owner recorded directly in equity:				
Dividends paid	-	-	(170,000)	(170,000)
Total distributions to owner	-	-	(170,000)	(170,000)
Balance at 28 February 2019	425,000	3,825,000	4,490,359	8,740,359
Balance at 1 March 2019	425,000	3,825,000	4,490,359	8,740,359
Loss, being total comprehensive income for the year	-	-	(1,081,620)	(1,081,620)
Transactions with owner recorded directly in equity:				
Dividends paid	-	-	-	-
Total distributions to owners	-	-	-	-
Balance at 29 February 2020	425,000	3,825,000	3,408,739	7,658,739

The notes on pages 15 to 28 form part of these financial statements.

Statement of Changes in Equity – Company
for the year ended 29 February 2020

	Called up Share capital	Share Premium	Profit and loss account	Total equity
	£	£	£	£
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
Transactions with owner recorded directly in equity:				
Dividends paid	-	-	(170,000)	(170,000)
Total distributions to owner	-	-	(170,000)	(170,000)
Balance at 28 February 2019	425,000	3,825,000	4,897,639	9,147,639
Balance at 1 March 2019	425,000	3,825,000	4,897,639	9,147,639
Loss, being total comprehensive income for the year	-	-	(1,270)	(1,270)
Transactions with owner recorded directly in equity:				
Dividends paid	-	-	-	-
Total distributions to owners	-	-	-	-
Balance at 29 February 2020	425,000	3,825,000	4,896,369	9,146,369

The notes on pages 15 to 28 form part of these financial statements.

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 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”). The presentation currency of these financial statements is sterling.

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.

Change in accounting policy/prior period adjustment

In these financial statements the Group has applied the following amendments to FRS 102, with the date of transition being 1 March 2018, in the following areas: Triennial Review 2017 Amendments: Section 16 Investment Property. See note 21 for details of the transitional impact.

Measurement convention

The financial statements are prepared on the historical cost basis except that investment property is stated at its fair value.

Basis of consolidation

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

The consolidated financial statements are based on financial statements of subsidiary undertakings which are coterminous with those of the parent company and are made up to 29 February 2020.

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)

Going concern

As at 29 February 2020, the Group had net current assets of £730,376 (2019: £2,165,560), net assets of £7,658,739 (2019: £8,740,359) and reported a loss for the year then ended of £1,081,620 (2019: profit of £68,832). The directors have prepared the financial statements on a going concern basis which they consider to be appropriate for the following reasons.

The Directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides and the anticipated impact of COVID-19 on the operations and its financial resources, the Group and Company will have sufficient funds to meet its liabilities as they fall due for that period.

The Group has two main trading subsidiaries, one being an operator of sawmills (ETC Sawmills Limited) and the other being a motor dealer and repairer (Abbey Garages (Cardiff) Limited).

The timing of the Coronavirus pandemic meant that there was little effect on the Group for the year ended 29 February 2020.

For ETC Sawmills Limited, while sawmills were temporarily shut early in the pandemic, the forestry sector was one of the first sectors to get back to work in the first lockdown. Essential forestry work, in the forests and in the sawmills and timber processors, has carried on throughout all lockdowns, and there has been an upswing in domestic home improvement / DIY projects during the period. The increases were further fuelled by the relaxation of restrictions during the summer, which caused increasing demand as construction projects resumed quickly. Stocks at UK and European sawmills have been critically depleted, and they are now operating at full capacity.

In contrast, Abbey Garages (Cardiff) Limited was severely impacted by the pandemic; like almost all other retail outlets, dealerships were closed during the lockdowns and with no buyers permitted to enter showrooms, new car sales declined significantly. However, the dealership has a number of activities including new and used cars sales; the used car market has performed well throughout the pandemic and therefore so has parts, repairs and servicing. As vaccines are rolled out across the country, the dealership is responding to increasing demand.

In preparing the group cash flow forecasts the directors have considered reasonably possible downside scenarios resulting from the impact of COVID-19. Specifically, the directors have considered the following scenarios:

- further lockdowns later in the financial year lead to there being no sales growth compared to the financial year ended 28 February 2021 for ETC Sawmills Limited.
- further lockdowns later in the financial year lead to a 95% decrease in all sales channels in lockdown months, with a 15% decrease in other months, compared to the base case forecast for the financial year ended 28 February 2022 for Abbey Garages (Cardiff) Limited.

Under a scenario which forecasts all of the above assumptions, the group has sufficient resources available to continue trading and meet its liabilities as they fall due over the forecast period.

Bank facilities with HSBC are due for renewal in December 2021. The Director is not aware of anything to indicate that these facilities will not be renewed. As at the date of approval of these financial statements, the maximum facility available to the Group was £2,500,000, and the Group was within this limit.

Consequently, the Directors are confident that the Group and Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

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 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 properties

Properties rented to third parties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are recognised initially at cost.

Subsequent to initial recognition, investment properties are remeasured to fair value at the reporting date. Any gains or losses arising from changes in the fair value are recognised in profit or loss in the period that they arise.

Properties rented to another group entity

Investment properties rented to another group entity are transferred to property, plant and equipment, and measured applying the cost model. The deemed cost on transfer is the fair value at the date of the transfer.

Notes (continued)

1 Accounting policies (continued)

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.

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.

Notes (continued)

1 Accounting policies (continued)

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.

2 Turnover and other operating income

2a Turnover

	2020 £	2019 £
Motor dealers and repairers	51,940,665	57,405,768
Sawmill	11,535,698	12,190,137
	<u>63,476,363</u>	<u>69,595,905</u>

2b Other operating income

	2020 £	2019 £
Net gain on disposal of tangible fixed assets	21,800	98,510
Rental income	113,898	112,426
Performance awards and incentives	81,989	110,974
Other income	27,626	25,557
	<u>245,313</u>	<u>347,467</u>

3 Expenses and auditor's remuneration

	2020 £	2019 £
<i>Included in profit or loss are the following:</i>		
Audit services		
Fees payable to the company auditor for the audit of these accounts	1,450	1,200
Fees payable to the company auditor and associates for other services:		
- the audit of the company's subsidiaries	38,550	32,755
- tax compliance services	10,350	10,100
Depreciation and other amounts written off tangible fixed assets	278,947	413,926
Hire of plant and machinery - rentals payable under operating leases	74,708	73,950
	<u></u>	<u></u>

4 Remuneration of director

	2020 £	2019 £
Director's emoluments	<u>80,896</u>	<u>79,558</u>

Total compensation of key management personnel (including the director) in the year amounted to £411,951 (2019: £480,196).

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	
	2020	2019
Management	16	17
Administration	32	30
Production, sales and other staff	191	192
	<u>239</u>	<u>239</u>

The aggregate payroll costs of these persons were as follows:

	2020	2019
	£	£
Wages and salaries	5,324,404	5,288,258
Social security costs	528,467	514,833
Contributions to defined contribution plans (see note 19)	114,403	80,875
	<u>5,967,274</u>	<u>5,883,966</u>

6 Interest payable and receivable

6a Interest receivable and similar income

	2020	2019
	£	£
Group		
Dividend income	62	210
	<u>62</u>	<u>210</u>

6b Interest payable and similar expenses

	2020	2019
	£	£
Group		
On bank loans and overdrafts	41,836	24,548
Manufacturer standard vehicle stocking plans	248,402	208,991
Finance charges in respect of finance lease and hire purchase contracts	31,596	26,900
	<u>321,834</u>	<u>260,439</u>

Notes (continued)

7 Taxation

	2020 £	2019 £
Group		
Current tax		
UK corporation tax on profits for the year	-	53,721
Adjustments in respect of prior years	(52,655)	4,490
Total current tax	(52,655)	58,211
Deferred tax		
Origination and reversal of timing differences	(171,630)	(10,664)
Adjustments in respect of prior years	15,958	-
Total deferred tax	(155,672)	(10,664)
Total tax (all recognised in the profit and loss account)	(208,327)	47,547

Reconciliation of effective tax rate

	2020 £	2019 £
(Loss)/Profit before tax	(1,289,947)	116,379
Profit before tax multiplied by the UK rate of corporation tax of 19 % (2019: 19.00%)	(245,090)	22,112
Effects of:		
Expenses not deductible for tax purposes	816	2,407
Income not taxable for tax purposes	(24,986)	-
Depreciation on assets not eligible for capital allowances	24,589	9,011
Adjustments in respect of prior years	(36,697)	4,490
Tax rate differences/other movements	16,422	10,298
Other permanent differences	3,964	-
Losses carried back	52,655	-
Utilisation of losses b/f on which no deferred tax provided	-	(771)
Total tax expense included in profit or loss	(208,327)	47,547

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax assets and liabilities as at 29 February 2020 have been calculated based on this rate. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. Further, in the 3 March 2021 Budget, it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the company's future tax charge.

8 Deferred tax - Group

	2020 £	2019 £
Fixed asset timing differences	95,014	59,582
Other timing differences	(10,193)	(19,509)
Losses and other deductions	(200,420)	-
Deferred tax (asset)/liability	(115,599)	40,073

Notes (continued)

9 Dividends

The aggregate amount of dividends comprises:

	2020 £	2019 £
Dividends paid in respect of the current year	-	170,000
	<u>-</u>	<u>170,000</u>
	<u>-</u>	<u>170,000</u>

10 Investment property - group

	2020 £
Balance at 1 March 2019	-
Adjustment on initial application of Triennial Amendments to FRS 102 (see note 21)	<u>1,468,800</u>
Restated balance at 1 March 2019	<u>1,468,800</u>
Uplift to fair value	<u>80,000</u>
Fair value at 29 February 2020	<u><u>1,548,800</u></u>

Investment property fair value of £895,000 (2019: £815,000) is based on a valuation by an external, independent valuer, having an appropriate recognised professional qualification and recent experience in the location and class of property being valued. The valuations, which are supported by market evidence, are prepared by considering the aggregate of the net annual rents receivable from the properties and where relevant, associated costs. A yield which reflects the specific risks inherent in the net cash flows is then applied to the net annual rentals to arrive at the property valuation. Any gain or loss arising from a change in fair value is recognised in profit or loss.

Notes (continued)

11 Tangible fixed assets

	Freehold land & buildings £	Plant, machinery & equipment £	Motor vehicles £	Total £
Group				
<i>Cost or valuation</i>				
At 1 March 2019	8,647,767	8,312,483	220,751	17,181,001
Adjustment on initial application of Triennial Amendments to FRS 102 (see note 21)	(1,813,981)	-	-	(1,813,981)
Restated balance at 1 March 2019	6,833,786	8,312,483	220,751	15,367,020
Additions	325,892	129,549	56,997	512,438
Disposals	(172,802)	(157,504)	(57,592)	(387,898)
At 29 February 2020	6,986,876	8,284,528	220,156	15,491,560
<i>Analysis</i>				
Assets at cost	5,486,876	8,284,528	220,156	13,991,560
Assets at valuation (deemed cost)	1,500,000	-	-	1,500,000
	6,986,876	8,284,528	220,156	15,491,560
<i>Depreciation</i>				
At 1 March 2019	3,262,781	7,718,579	171,837	11,153,197
Adjustment on initial application of Triennial Amendments to FRS 102 (see note 21)	(920,976)	-	-	(920,976)
Restated balance at 1 March 2019	2,341,805	7,718,579	171,837	10,232,221
Charge for year	113,978	135,226	29,743	278,947
On disposals	(172,802)	(157,504)	(57,592)	(387,898)
At 29 February 2020	2,282,981	7,696,301	143,988	10,123,270
<i>Net book value</i>				
At 29 February 2020	4,703,895	588,227	76,168	5,368,290
At 28 February 2019 (restated)	4,491,981	593,904	48,914	5,134,799

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. Other tangible fixed assets, including additions subsequent to the revaluation of land and buildings, are included at cost. The value of freehold land and buildings (included in the above at a valuation) determined according to the historical cost convention is as follows:

	Group	
	2020	2019
	£	£
Cost	446,416	<i>Restated</i> 446,416
Depreciation	(383,306)	(373,359)
	63,110	73,057

The amount of non-depreciable assets within freehold land and buildings is £1,967,319 (2019: £1,961,204).

Notes (continued)

12 Investments

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

At 29 February 2020, 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 2020 £	Company 2020 £
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 (2019:£1,273). The market value of quoted investments at 29 February 2020 amounted to £1,072 (2019:£2,252).

Notes (continued)

13 Stocks

	Group	
	2020 £	2019 £
Raw materials and consumables	774,891	856,053
Work in progress	604,979	412,770
Finished goods	880,663	694,792
Motor vehicles	17,094,208	19,083,159
	<u>19,354,741</u>	<u>21,046,774</u>

14 Debtors

	Group		Company	
	2020 £	2019 £	2020 £	2019 £
<i>Amounts falling due within one year</i>				
Trade debtors	2,704,118	2,540,493	-	-
Amounts owed by group undertakings	-	-	180,000	180,000
Amounts owed by group undertakings in respect of group relief	-	-	392,963	392,963
Other debtors	524,058	1,267,245	-	-
Prepayments and accrued income	119,426	135,791	-	-
Deferred tax	115,599	-	260	-
Corporation tax	56,569	-	-	-
	<u>3,519,770</u>	<u>3,943,529</u>	<u>573,223</u>	<u>572,963</u>

15 Creditors: amounts falling due within one year

	Group		Company	
	2020 £	2019 £	2020 £	2019 £
Trade creditors	17,939,416	20,337,634	-	-
Other creditors	96,110	90,408	22,118	20,652
Taxation and social security:				
- Corporation tax	-	49,807	-	-
- Other taxes and social security	189,677	153,817	-	-
Accruals and deferred income	1,330,615	1,052,816	-	-
Hire Purchase creditors	1,078,678	844,151	-	-
Bank overdraft	1,509,639	296,110	-	-
	<u>22,144,135</u>	<u>22,824,743</u>	<u>22,118</u>	<u>20,652</u>

The bank overdraft facility is with HSBC, has a limit of £2,500,000 and is renewed on an annual basis, with the next renewal due in December 2021. The overdraft is secured against certain of the group's properties.

Notes (continued)

16 Called up share capital

	Group and Company	
	2020	2019
	£	£
<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 Limited, a wholly owned subsidiary of the company, has given an unlimited multilateral guarantee dated 8 December 2004 in respect of the net position of its bank overdraft and the bank overdrafts and cash balances of certain subsidiaries and this company. The net liability at 29 February 2020 was £1,509,639 (2019: £296,110).

18 Commitments

At the year end the group had capital commitments of £nil (2019: £nil).

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

	Group	
	2020	2019
	£	£
<i>Operating leases which expire:</i>		
Within one year	42,458	71,415
In the second to fifth years inclusive	82,381	125,295

The company has total commitments under non-cancellable operating leases of £nil (2019: £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:

	2020	2019
	£	£
Contributions payable into group fund (note 5)	114,403	80,875

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 Explanation of application of Triennial Review 2017 Amendments

These are the Group's first financial statements applying the Triennial Review 2017 Amendments to FRS 102. The date of transition is 1 March 2018.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 29 February 2020 and the comparative information presented in these financial statements for the year ended 28 February 2019, except where stated otherwise.

An explanation of how the transition has affected the Group's financial position and financial performance is set out below.

1. Reconciliation of equity

		28 February 2019		
	Note	Balances without adoption	Effect of transition	As reported
		£	£	£
Tangible fixed assets	a	6,027,804	(893,005)	5,134,799
Investment properties	a	-	1,468,800	1,468,800
Capital and reserves				
Profit and loss account		3,914,564	575,795	4,490,359

2. Notes to the reconciliation of equity

a) Investment properties

Properties rented to group companies

Under the Triennial Review 2017 Amendments, adopted from 1 March 2019, the Group has an accounting policy choice in respect of investment properties rented to group companies.

The Group has chosen to account for these properties by transferring them to property, plant and equipment and applying the cost model in accordance with FRS 102.17. On transition, the Group has used the historical cost of the property, and depreciated and impaired the asset if it had always been carried at cost.

Properties rented to third parties

FRS 102 now requires all investment properties rented to third parties to be measured at fair value, and removes the previous undue cost or effort exemption, under which investment properties could be measured at cost less depreciation and impairment until a reliable measure of fair value could be determined.

On transition, for all such investment properties which the Group had not measured at fair value previously, the fair value has been determined at the transition date, being 1 March 2018.

The cumulative effect of initially applying the section 16 amendment at 1 March 2018 was £575,795 and this has been recognised as an adjustment to the opening balance of equity at 1 March 2018.

The effect of transition on the 28 February 2019 reported numbers was to increase investment properties by £1,468,800 and to decrease tangible fixed assets by £893,005. The directors consider that the fair value of the investment properties at 1 March 2018 was not materially different from the fair value as at 28 February 2019.

Notes *(continued)*

22 Net debt analysis

The below is an analysis of changes in net debt from the beginning to the end of the current reporting period:

Group	Hire purchase creditors due within one year £	Bank overdraft £	Net funds/ (debt) £
Balance at 1 March 2019	(844,151)	(296,110)	(1,140,261)
Cash flows	(234,527)	(1,213,529)	(1,448,056)
Non-cash changes	-	-	-
	<hr/>	<hr/>	<hr/>
Balance at 29 February 2020	(1,078,678)	(1,509,639)	(2,588,317)
	<hr/>	<hr/>	<hr/>

Company profit and loss account

for the year ended 29 February 2020

The following does not form part of the financial statements

	2020 £	2019 £
Administrative expenses	(1,530)	(1,550)
Operating loss	(1,530)	(1,550)
Interest payable	-	-
Dividends receivable	-	180,000
Profit before taxation	(1,530)	178,450
Tax on profit	260	295
Profit after taxation being profit for the financial year	(1,270)	178,745