

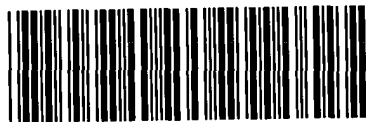
**Penarth Commercial Properties (Holdings) Limited**

Annual report and consolidated  
financial statements

Registered number 5159037

28 February 2018

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## Strategic Report

The results for the year are shown in the profit and loss account on page 7 and show a profit before tax for the financial year of £201,348 (2017: £627,860).

### Business review

#### *Sawmill*

During the year under review the sawmill continued to experience increased competitiveness in the marketplace. This has resulted in increases in raw material prices, which has continued to have an adverse impact on margin.

The industrial estate at Gledrid has produced a rental income of £94,380 in the financial year (2017: £96,310) and continues to be fully let.

#### *Dealership*

Additional costs have been incurred during the year following the opening of the new Transit Centre, which given the emphasis being placed on this franchise by Ford Motor Company, will give the dealership a strategic advantage over its competitors. The impact of the decline in sales of diesel vehicles has been a continuing theme both during the year under review and subsequently. Neither of the franchises held by the dealership has been implicated in the so-called 'dieselgate' scandal that has had a significant impact on the manufacturers involved. 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. Both Volvo and Ford have and will continue to expand their range of electric vehicles. Volvo has announced that every new model that it launches from 2019 will have a battery electric version available in that model range. New products continue to be launched that reflect customers' movement towards innovative products with good fuel economy and reduced costs of motoring. The Transit commercial vehicle franchise continues to increase volumes in vehicle sales and servicing, the new Transit centre opened at the beginning of November 2017. 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 and the aftermarket has continued with steady growth during the year. The dealership continues to grow brand awareness for Volvo in the area. This has continued after the year under review with the visit to Cardiff of the round the world Volvo Ocean Race in June 2018.

As reported in the previous strategic review, the dealership no longer represents the MG franchise for the area. The franchise ended on 30 June 2017.

## Strategic Report *(continued)*

### Strategy & future prospects

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

The dealership gives consideration to its short, medium and long term strategies. The dealership has operated as a Franchised Motor Dealership for in excess of 38 years. During this time it has expanded the number of franchises that it holds to include Ford, Ford Commercial and Volvo.

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

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

### Principal risks and uncertainties

As with any business there are potential risks to its operation. 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 businesses 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. Guidance from the Bank of England would suggest 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 Britain. The removal of the uncertainty that currently exists in the economy will likely have some positive effect.

The inflation rate has risen and as anticipated, this has been controlled by the Bank of England through small increases in base rate. It is possible that further small increases may occur and whilst this will have an impact on the Group, the effect is small and the impact on the Group in respect of increased cost is manageable. A bigger concern would be the impact of rising interest rates on the levels of unsecured debt generally in the economy.

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

By order of the board



**R J Evans**  
*Secretary*

281 Penarth Road  
Cardiff  
CF11 8YZ

27<sup>th</sup> November 2018

## Director's Report

The director presents his annual report and the audited consolidated financial statements for the year ended 28 February 2018.

### Principal activities

The company acts as a holding company for the group.

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

### Dividends

Dividends paid during the year were £305,000 in respect of the 2017/18 financial year and £35,000 in respect of the 2016/17 financial year (*2017: £140,000 in respect of the 2016/17 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

27<sup>th</sup> November 2018

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

The director are 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 2018 which comprise the Consolidated Profit and Loss Account, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Cash Flow Statement, Statement of Changes in Equity – Group, Statement of Changes in Equity – Company 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 2018 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.

### **Going concern**

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 twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

### **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.

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

## **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 director's 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 he determines 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 he either intends to liquidate the group or the parent company or to cease operations, or has no realistic alternative but to do so.

## **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.



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

*Chartered Accountants*

3 Assembly Square

Britannia Quay

Cardiff

CF10 4AX

*29th November* 2018



**Consolidated profit and loss account**  
*for the year ended 28 February 2018*


	<i>Note</i>	<b>2018</b> £	<b>2017</b> £
<b>Turnover</b>	<b>2</b>	<b>66,195,025</b>	<b>71,986,923</b>
Cost of sales		(59,118,920)	(64,207,879)
<b>Gross profit</b>		<b>7,076,105</b>	<b>7,779,044</b>
Distribution costs		(3,093,836)	(3,326,042)
Administrative expenses	<b>3</b>	(3,887,396)	(3,988,026)
Other operating income	<b>2</b>	<b>301,730</b>	<b>444,455</b>
<b>Operating profit</b>		<b>396,603</b>	<b>909,431</b>
Interest receivable and similar income	<i>6a</i>	<b>67</b>	<b>304</b>
Interest payable and similar expenses	<i>6b</i>	(195,322)	(281,875)
<b>Profit before taxation</b>		<b>201,348</b>	<b>627,860</b>
Tax on profit	<b>7</b>	(77,928)	(169,113)
<b>Profit after taxation being profit for the financial year</b>		<b>123,420</b>	<b>458,747</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 2018*

	Note	2018		2017	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	10		6,295,095		5,889,012
Investments	11		11,273		11,273
			<u>6,306,368</u>		<u>5,900,285</u>
<b>Current assets</b>					
Stocks	12	20,633,968		17,725,458	
Debtors	13	4,667,981		3,496,907	
Cash		-		1,780,622	
		<u>25,301,949</u>		<u>23,002,987</u>	
Creditors: amounts falling due within one year	14	(23,291,848)		(20,385,831)	
		<u></u>		<u></u>	
<b>Net current assets</b>			<u>2,010,101</u>		<u>2,617,156</u>
<b>Total assets less current liabilities</b>			<u>8,316,469</u>		<u>8,517,441</u>
<b>Provisions for liabilities and charges</b>	15		(50,737)		(70,129)
			<u></u>		<u></u>
<b>Net assets</b>			<u>8,265,732</u>		<u>8,447,312</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			4,015,732		4,197,312
			<u></u>		<u></u>
<b>Shareholder's funds</b>			<u>8,265,732</u>		<u>8,447,312</u>

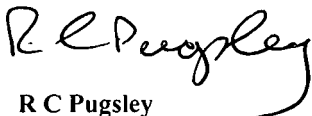
These financial statements were approved by the director on 27<sup>th</sup> November 2018 and were signed on its behalf by:

  
R C Pugsley  
Director

**Company balance sheet**  
*at 28 February 2018*

	<i>Note</i>	2018		2017	
		£	£	£	£
<b>Fixed assets</b>					
Investments	11	8,500,000		8,500,000	
<b>Current assets</b>					
Debtors	13	392,668		641,125	
Cash		265,378		806,964	
		<u>658,046</u>		<u>1,448,089</u>	
<b>Creditors: amounts falling due within one year</b>	14	<u>(19,152)</u>		<u>(1,067,652)</u>	
<b>Net current assets</b>		<u>638,894</u>		<u>380,437</u>	
<b>Total assets less current liabilities, being net assets</b>		<u>9,138,894</u>		<u>8,880,437</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		4,888,894		4,630,437	
<b>Shareholder's funds</b>		<u>9,138,894</u>		<u>8,880,437</u>	

These financial statements were approved by the director on 27<sup>th</sup> November 2018 and were signed on its behalf by:

  
R C Pugsley  
Director

**Consolidated cash flow statement**  
*for the year ended 28 February 2018*

	2018	2017
	£	£
<b>Cash flows from operating activities</b>		
Profit for the year	123,420	458,747
Adjustments for:		
Depreciation, amortisation and impairment	414,485	431,649
Taxation	77,928	169,113
Interest payable	195,322	281,875
Interest receivable	(67)	(304)
Profit on disposal of fixed assets	(808)	(135,411)
(Increase)/decrease in trade and other debtors	(1,171,074)	(62,708)
Decrease/(increase) in stocks	(2,908,510)	2,431,663
(Decrease)/increase in trade and other creditors	2,283,211	(2,019,672)
Dividends paid	(340,000)	(175,000)
Interest received	67	304
Interest paid	(195,322)	(281,875)
Tax paid	(57,936)	(240,556)
<b>Net cash from operating activities</b>	<b>(1,579,284)</b>	<b>857,825</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of tangible fixed assets	808	222,970
Acquisition of tangible fixed assets	(820,568)	(539,609)
<b>Net cash from investing activities</b>	<b>(819,760)</b>	<b>(316,639)</b>
<b>Cash flows from financing activities</b>		
Repayment of loan notes	(1,000,000)	-
Proceeds from hire purchase financing	632,913	-
<b>Net cash from financing activities</b>	<b>(367,087)</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(2,766,131)</b>	<b>541,186</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>1,780,622</b>	<b>1,239,436</b>
<b>Cash and cash equivalents at end of year</b>	<b>(985,509)</b>	<b>1,780,622</b>

**Statement of Changes in Equity – Group**  
*for the year ended 28 February 2018*

	Called up Share capital	Share Premium	Profit and loss account	Total equity
	£	£	£	£
Balance at 1 March 2016	425,000	3,825,000	3,913,565	8,163,565
Profit, being total comprehensive income for the period	-	-	458,747	458,747
<b>Transactions with owners recorded directly in equity</b>				
Dividends paid	-	-	(175,000)	(175,000)
<b>Total distributions to owners</b>	-	-	(175,000)	(175,000)
<b>Balance at 29 February 2017</b>	<b>425,000</b>	<b>3,825,000</b>	<b>4,197,312</b>	<b>8,447,312</b>
Balance at 1 March 2017	425,000	3,825,000	4,197,312	8,447,312
Profit, being total comprehensive income for the period	-	-	123,420	123,420
<b>Transactions with owners recorded directly in equity</b>				
Dividends paid	-	-	(305,000)	(305,000)
<b>Total distributions to owners</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>

**Statement of Changes in Equity – Company**  
*for the year ended 28 February 2018*

	Called up Share capital	Share Premium	Profit and loss account	Total equity
	£	£	£	£
Balance at 1 March 2016	425,000	3,825,000	4,604,685	8,854,685
Profit, being total comprehensive income for the period	-	-	200,752	200,752
<b>Transactions with owners recorded directly in equity</b>				
Dividends paid	-	-	(175,000)	(175,000)
<b>Total distributions to owners</b>	-	-	(175,000)	(175,000)
<b>Balance at 29 February 2017</b>	<b>425,000</b>	<b>3,825,000</b>	<b>4,630,437</b>	<b>8,880,437</b>
Balance at 1 March 2017	425,000	3,825,000	4,630,437	8,880,437
Profit, being total comprehensive income for the period	-	-	563,457	563,457
<b>Transactions with owners recorded directly in equity</b>				
Dividends paid	-	-	(305,000)	(305,000)
<b>Total distributions to owners</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>

## 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.

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

The financial statements are prepared on the historical cost basis.

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

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

Bank facilities with HSBC are due for renewal in December 2018. The Director is not aware of anything to indicate that these facilities will not be renewed. As at 28 February 2018 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 £638,894, as well as control over a dividend stream from its wholly owned subsidiary, Penarth Commercial Properties Limited. At 28 February 2018, the consolidated financial statements of Penarth Commercial Properties Limited showed distributable reserves of £5,841,478.

#### ***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 2018.

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 stocks held by the sawmill business is based on the retail method, which measures cost by reducing the sales value of the inventory by an appropriate percentage gross margin. The cost of other stocks includes expenditure incurred in acquiring the stocks and other costs in bringing them to their existing location and condition.

#### *Taxation*

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

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

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

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

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

#### *Turnover*

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to third party customers. Income is recognised when all significant risks and rewards of ownership have been transferred to the customer, which is generally on despatch of goods from the company or on the provision of services by the company. All turnover and profit before taxation is derived from the UK and arises solely from the principal activities of the group.

**Notes (continued)**

**2 Turnover and other operating income**

**2a Turnover**

	2018 £	2017 £
Motor dealers and repairers	55,165,951	60,562,992
Sawmill	11,029,074	11,423,931
	<u>66,195,025</u>	<u>71,986,923</u>

**2b Operating income**

	2018 £	2017 £
Net gain on disposal of tangible fixed assets	808	135,411
Rental income	117,433	118,868
Performance awards and incentives	124,740	143,169
Other income	58,749	47,007
	<u>301,730</u>	<u>444,455</u>

**3 Expenses and auditor's remuneration**

	2018 £	2017 £
<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	1,081	1,050
Fees payable to the company auditor and associates for other services:		
- the audit of the company's subsidiaries	29,510	28,650
- tax compliance services	9,800	9,750
Depreciation and other amounts written off tangible fixed assets	414,485	431,649
Hire of plant and machinery - rentals payable under operating leases	75,070	72,867
	<u></u>	<u></u>

**4 Remuneration of director**

	2018 £	2017 £
Director's emoluments	72,570	84,395
	<u></u>	<u></u>

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

	Number of Directors	
	2018	2017
Money purchase schemes	-	1
	<u></u>	<u></u>

Total compensation of key management personnel (including the director) in the year amounted to £472,388 (2017: £560,452).

## 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	
	2018	2017
Management	15	15
Administration	29	27
Production, sales and other staff	194	203
	<u>238</u>	<u>245</u>

The aggregate payroll costs of these persons were as follows:

	2018 £	2017 £
Wages and salaries	5,084,049	5,263,305
Social security costs	510,450	505,776
Contributions to defined contribution plans (see note 19)	44,130	42,126
	<u>5,638,629</u>	<u>5,811,207</u>

### 6 Interest payable and receivable

#### 6a Interest receivable and similar income

	2018 £	2017 £
Group		
Bank interest receivable	-	179
Dividend income	67	125
	<u>67</u>	<u>304</u>

#### 6b Interest payable and similar expenses

	2018 £	2017 £
Group		
On bank loans and overdrafts	25,826	4,448
Manufacturer standard vehicle stocking plans	148,769	217,405
Finance charges in respect of finance lease and hire purchase contracts	14,196	22
Interest payable on loan notes	6,531	60,000
	<u>195,322</u>	<u>281,875</u>

## Notes (continued)

### 7 Taxation

	2018 £	2017 £
<b>Group</b>		
<b>Current tax</b>		
UK corporation tax on profits for the year	33,418	148,508
Adjustments in respect of prior years	5,901	(86)
	<hr/>	<hr/>
Total current tax	39,319	148,422
<b>Deferred tax (note 15)</b>		
Origination and reversal of timing differences	39,333	19,305
Adjustments in respect of prior years	(724)	1,386
	<hr/>	<hr/>
Total deferred tax	38,609	20,691
	<hr/>	<hr/>
Total tax (all recognised in the profit and loss account)	77,928	169,113
	<hr/>	<hr/>

### Reconciliation of effective tax rate

	2018 £	2017 £
Profit before tax	201,348	627,860
	<hr/>	<hr/>
Profit before tax multiplied by the UK rate of corporation tax of 19.08 % (2017: 20.00%)	38,417	125,572
<b>Effects of:</b>		
Expenses not deductible for tax purposes	6,515	3,366
Depreciation on assets not eligible for capital allowances	44,379	41,812
Adjustments in respect of prior years	(5,177)	1,300
Tax rate differences	(4,974)	(2,937)
Utilisation of losses b/f on which no deferred tax provided	(1,232)	-
	<hr/>	<hr/>
Total tax expense included in profit or loss	77,928	169,113
	<hr/>	<hr/>

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) 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 2018 has been calculated based on these rates.

### 8 Dividends

The aggregate amount of dividends comprises:

	2018 £	2017 £
Dividends paid in respect of the current year	305,000	140,000
Dividends in respect of the year approved and recognised as a liability at year end	-	35,000
	<hr/>	<hr/>
	305,000	175,000
	<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 £563,457 (2017: £200,752). The retained profit for the financial year after distributions to owners is £258,457 (2017: £25,752).

### 10 Tangible fixed assets

Group	Freehold land & buildings £	Plant, machinery & equipment £	Motor vehicles £	Total £
<b>Cost or valuation</b>				
At beginning of year	8,198,571	7,943,945	232,063	16,374,579
Additions	464,859	333,109	22,600	820,568
Disposals	-	(32,403)	(16,500)	(48,903)
<b>At end of year</b>	<b>8,663,430</b>	<b>8,244,651</b>	<b>238,163</b>	<b>17,146,244</b>
<b>Analysis</b>				
Assets at cost	6,313,430	8,244,651	238,163	14,796,244
Assets at valuation (deemed cost) - 1989	1,500,000	-	-	1,500,000
- 1990	850,000	-	-	850,000
	8,663,430	8,244,651	238,163	17,146,244
<b>Depreciation</b>				
At beginning of year	2,904,494	7,418,896	162,177	10,485,567
Charge for year	195,838	178,881	39,766	414,485
On disposals	-	(32,403)	(16,500)	(48,903)
<b>At end of year</b>	<b>3,100,332</b>	<b>7,565,374</b>	<b>185,443</b>	<b>10,851,149</b>
<b>Net book value</b>				
At 28 February 2018	5,563,098	679,277	52,720	6,295,095
At 29 February 2017	5,294,077	525,049	69,886	5,889,012

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:

	2018 £	Group 2017 £
Cost	715,148	715,148
Depreciation	(410,535)	(400,288)
	<b>304,613</b>	<b>314,860</b>

The amount of non-depreciable assets within freehold land and buildings is £1,500,187 (2017: £1,506,712).

## Notes (continued)

### 11 Investments

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

At 28 February 2018, 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
ETC Sawmills 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 2018 £	Company 2018 £
<b>Shares in group undertakings:</b>		
At beginning of year	-	8,500,000
Additions in the year	-	-
At end of year	-	8,500,000
<b>Other investments at cost:</b>		
At beginning of year	11,273	-
Additions	-	-
At end of year	11,273	-
<b>Total investments at end of year</b>	<b>11,273</b>	<b>8,500,000</b>
<b>Total investments at beginning of year</b>	<b>11,273</b>	<b>8,500,000</b>

Included in other investments are quoted investments amounting to £1,273 (2017: £1,273). The market value of quoted investments at 28 February 2018 amounted to £2,386 (2017: £3,038).

## Notes (continued)

### 12 Stocks

	Group	
	2018 £	2017 £
Raw materials and consumables	599,185	745,931
Work in progress	383,460	308,084
Finished goods	647,944	391,719
Motor vehicles	19,003,379	16,279,724
	<u>20,633,968</u>	<u>17,725,458</u>

### 13 Debtors

	Group		Company	
	2018 £	2017 £	2018 £	2017 £
<i>Amounts falling due within one year</i>				
Trade debtors	3,128,715	2,602,874	-	-
Amounts owed by group undertakings	-	-	-	250,000
Amounts owed by group undertakings in respect of group relief	-	-	392,668	391,125
Other debtors	1,433,254	779,129	-	-
Prepayments and accrued income	106,012	114,904	-	-
	<u>4,667,981</u>	<u>3,496,907</u>	<u>392,668</u>	<u>641,125</u>
<i>Amounts falling due after more than one year</i>				
Deferred tax asset	-	-	-	-
	<u>4,667,981</u>	<u>3,496,907</u>	<u>392,668</u>	<u>641,125</u>

	Deferred taxation £
<b>Group</b>	
Liability at beginning of year	12,129
Charged to the profit and loss account	38,608
	<u>50,737</u>
<b>Liability at end of year</b>	<u>50,737</u>

## Notes (continued)

### 13 Debtors (continued)

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

Group	2018 £	2017 £
Difference between accumulated depreciation and amortisation and capital allowances	70,904	51,139
Other timing differences	(20,167)	(39,010)
	<u>50,737</u>	<u>12,129</u>

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

	Group		Company	
	2018 £	2017 £	2018 £	2017 £
Loan notes	-	1,000,000	-	1,000,000
Trade creditors	20,308,773	17,476,190	-	-
Other creditors	107,343	133,727	19,152	32,652
Dividends	-	35,000	-	35,000
Taxation and social security:				
- Corporation tax	85,077	45,693	-	-
- Other taxes and social security	181,498	305,296	-	-
Accruals and deferred income	990,735	1,389,925	-	-
HP creditors	632,913	-	-	-
Bank overdraft	985,509	-	-	-
	<u>23,291,848</u>	<u>20,385,831</u>	<u>19,152</u>	<u>1,067,652</u>

### 15 Provisions for liabilities and charges

The provisions for liabilities and charges comprise:

Group	Deferred Tax (asset)/liability £	Death in service £	Total £
At beginning of year	12,129	58,000	70,129
Charged/(credited) during year	38,608	(58,000)	(19,392)
	<u>50,737</u>	<u>-</u>	<u>50,737</u>



## Notes (continued)

### 16 Called up share capital

	Group and Company	
	2018	2017
	£	£
<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 2018 was £985,509 (2017: £nil).

A subsidiary of the Company has signed a Deed of Guarantee in favour of National Resources Wales. The guarantee was entered into in early 2016, is for a maximum of £150,000 and is dependent upon the payment performance of a supplier. After the year end 3 months' notice to terminate this guarantee was given to National Resources Wales.

The guarantee ended in November 2018.

### 18 Commitments

At the year end the group had capital commitments of £nil (2017: £nil).

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

	Group	
	2018	2017
	£	£
<i>Operating leases which expire:</i>		
Within one year	62,510	54,930
In the second to fifth years inclusive	100,590	83,348

The company has total commitments under non-cancellable operating leases of £nil (2017: £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:

	2018	2017
	£	£
Contributions payable into group fund (note 5)	44,130	42,126

## 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.

### 21 Related Party Transactions

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

	Total £
Loan notes outstanding at beginning of year	1,000,000
Interest accrued	6,534
Interest paid	(6,534)
Loan notes repaid during year	(1,000,000)
	<hr/>
<b>Balance at end of year</b>	<b>-</b> <hr/>

### 22 Accounting estimates and judgements

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

#### *The useful life of tangible assets.*

These have been estimated based on considerable past experiences and industry practice.

#### *Recoverability of debtors*

The recoverability of debtors is assumed based on experience, knowledge of the debtors and their markets and a review of balances outstanding into 2018.

## Company profit and loss account

*for the year ended 28 February 2018*

The following does not form part of the financial statements

	2018 £	2017 £
Administrative expenses	(1,552)	(1,560)
<b>Operating loss</b>	<b>(1,552)</b>	<b>(1,560)</b>
Interest payable	(6,534)	(60,000)
Dividends receivable	570,000	250,000
<b>Profit before taxation</b>	<b>561,914</b>	<b>188,440</b>
Tax on profit	1,543	12,312
<b>Profit after taxation being profit for the financial year</b>	<b>563,457</b>	<b>200,752</b>