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Pebble Beach Holdings Limited

SHARE VALUATION REPORT

At 30 September 2011

PEBLEY BEACH HOLDINGS LIMITED

Valuation of Shares as at 30 September 2011

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PEBLEY BEACH HOLDINGS LIMITED

Valuation of Shares as at 30 September 2011

Executive Summary:

- This valuation has been prepared for the Trustees of the Pebley Beach SSAS for the purpose of supporting a loan by the SSAS to Pebley Beach Limited.

It should not be provided to any third party without our express permission.

Any third party relying on the contents of this report do so entirely at their own risk and without recourse to HW, Chartered Accountants (Swindon) or its partners.

- The company has been valued (inclusive of the property in Wroughton at commercial rather than development value) at £1million.
- The 'A' Ordinary shares owned by Mr D C Threlfall are valued at £636,340 (£926.25 per share).
- The number of shares required to be pledged to the SSAS to cover default on a loan of £150,000 to the trading subsidiary Pebley Beach Limited is therefore 162 at their current valuation.

PEBLEY BEACH HOLDINGS LIMITED

Valuation of Shares as at 30 September 2011

Basis of Valuation:

1. This valuation has been requested by the Trustees of the Pebley Beach SSAS.
2. Current shareholdings are:

	Preferred <u>Ordinary</u>	'A' <u>Ordinary</u>	'B' <u>Ordinary</u>	'C' <u>Ordinary</u>
Roger Threlfall	81	-	-	-
Valerie Threlfall	99	-	-	-
Ben Threlfall	24	-	-	-
Harry Threlfall	24	-	-	-
Dominic Threlfall	-	687	338	-
Michael Brunsdon	-	-	338	-
Tracey Threlfall	-	-	-	162
Emma Brunsdon	-	-	-	162
	<u>228</u>	<u>687</u>	<u>676</u>	<u>324</u>

The preferred Ordinary shares have a fixed capital value of £1,595 per share (total £363,660).

The 'A' Ordinary shares have a value of up to £1,595 per share, (total £1,095,765), based on the market value of the company.

The 'B' and 'C' shares rank pari passu for voting and capital rights but have no value unless the total value of the company exceeds the total fixed capital value of any Preferred Ordinary and 'A' Ordinary shares in issue.

3. This valuation is based on the audited accounts for the years ended 2009, 2010 and 2011 (2011 not finalised but not expected to change), together with information and explanations provide by Dominic Threlfall.
4. This valuation will be used to support a loan of £150,000 from the pension fund to Pebley Beach Limited.
5. The valuation has been prepared on a Price Earnings (PE) basis in relation to the audited figures of Pebley Beach Limited, which is a wholly owned subsidiary of Pebley Beach Holdings Limited. Pebley Beach Holdings Limited is a non-trading holding company.

5. (cont/d) The valuation will be of the company as a whole and of the 687 'A' Ordinary shares owned by Mr D C Threlfall in order to identify the number of shares to be pledged to the pension fund in the event that Pebley Beach Limited should default on the loan.

6. The current PE ratios for three quoted companies in the sector are as follows:

Pendragon	6.0
Lookers	8.8
Arriva	11.9

The average PE of these being approximately 9.

In view of the company's private status and smaller size, a discount of approximately 40% has been applied and a PE of 5.5 is considered appropriate.

7. In view of the lack of trend in the company's financial performance it has been considered appropriate to base the valuation on a weighted average of the last three full years' figures.

8. The management package is based on discussion with Dominic Threlfall and his knowledge of employment costs in the area and industry sector.

9. The notional rent is deducted and non-vehicle stocking loan interest added back in order to produce a valuation of the business exclusive of the net property value which makes up a significant part of the balance sheet.

The property value is then added to the trading valuation to produce a valuation of the company overall.

10. The figure for notional rent and the valuation of the property have been provided by Dominic Threlfall.

11. The company currently pays Corporation Tax at the lower rate of 20% and this rate has been used in this valuation.

12. No audit work up has been carried out on the figures provided by Mr Threlfall.

PEBLEY BEACH HOLDINGS LIMITED

Valuation of Shares as at 30 September 2011

Adjusted profits

	Mar-11 (Audited - to be finalised but no revisions to figures expected)	Mar-10 (Audited)	Mar-09 (Audited)
Turnover	<u>11,287,286</u>	<u>13,927,432</u>	<u>10,797,011</u>
Gross Profit	<u>1,704,117</u>	<u>1,863,839</u>	<u>1,712,930</u>
Gross Profit Percentage	<u>15.1%</u>	<u>13.4%</u>	<u>15.9%</u>
Profit before Tax	76,608	265,733	42,851
Add: Directors Remuneration			
Salary	12,775	12,775	12,775
Benefits in Kind	10,052	11,970	11,716
Pension	475	459	437
Employer's NIC (est)	<u>100</u>	<u>100</u>	<u>100</u>
	23,402	25,304	25,028
Tracey Threlfall - Salary	7,420	7,420	7,420
Emma Brunsdon - Salary	5,225	5,225	5,225
Notional Market Rent	(45,000)	(45,000)	(45,000)
Additional Rent Final Quarter	10,000	-	-
Management Package	(50,000)	(50,000)	(50,000)
Interest on Non Vehicle Loans	<u>5,943</u>	<u>8,000 (est)</u>	<u>14,000 (est)</u>
	33,598	216,682	(476)
Tax @ 20%	<u>(6,720)</u>	<u>(43,336)</u>	<u>95</u>
	<u>26,878</u>	<u>173,346</u>	<u>(381)</u>

PEBLEY BEACH HOLDINGS LIMITED

Valuation of Shares as at 30 September 2011

Valuation of Company

Profits/(Losses) after Tax

	£	Weighting	£
2011	26,878	3	80,634
2010	173,346	2	346,692
2009	(381)	1	(381)
		<u>6</u>	<u>426,945</u>

Weighted average profits:

	426,945/6		<u>£71,157</u>
		Say,	<u>£70,000</u>

PE 5.5 £385,000

Goodwill and Business Assets 385,000

Property 800,000
 Less: Non Vehicle Loans (190,635)

609,365
994,365

Say, £1million

PEBLEY BEACH HOLDINGS LIMITED

Valuation of Shares as at 30 September 2011

Value of Various Share Classes:

Preferred Ordinary Shares	£ 363,660
A' Ordinary Shares (balance)	<u>636,340</u>
Total Value	<u><u>1,000,000</u></u>

As the 'A' shares are currently below their maximum value, the 'B' and 'C' shares have no value.

A' Shares - Value per Share:

Value	<u><u>£636,340</u></u>
Shares in Issue	<u><u>687</u></u>
Value per Share	<u><u>£926.25</u></u>

In order to provide cover for a loan of £150,000 from the pension fund to Pebley Beach Limited, Dominic Threlfall would therefore need to pledge 162 shares at their current value of £926.25 per share.