

Peoples Limited

Financial statements 31 July 1995
together with directors' and auditors' reports

Registered number: SC080359



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Directors and advisors

Directors

Brian P. Gilda (Chairman and Managing Director)

Stewart M. Ramsay

J. S. Douglas Knowles (Non-executive)

Trevor A. Jones (Non-executive)

Secretary

Stewart M. Ramsay

Registered office

Glenmavis Garage

Bathgate

EH48 4LA

Bankers

Bank of Scotland

The Mound

Edinburgh

EH1 1YZ

Solicitors

Maclay Murray & Spens

151 St. Vincent Street

Glasgow

G2 5NJ

Auditors and Tax advisors

Arthur Andersen

199 St Vincent Street

Glasgow

G2 5QD

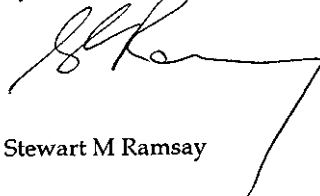
Notice of meeting

Notice is hereby given that the twelfth annual general meeting of the company will be held at Glenmavis Garage, Bathgate EH48 4LA, on 8 December 1995 to transact the following business:

1. To receive and adopt the directors' report and financial statements for the year ended 31 July 1995 together with the auditors' report.
2. To re-appoint Arthur Andersen as auditors of the company and to authorise the directors to fix their remuneration for the ensuing year.
3. To transact any other ordinary business of the company.

Glenmavis Garage
Bathgate
EH48 4LA

By order of the Board,



Stewart M Ramsay

Secretary

27 October 1995

Directors' report

For the year ended 31 July 1995

The directors have pleasure in submitting their report on the affairs of the group together with the financial statements and auditors' report for the year ended 31 July 1995.

Principal activity and review of the business

The principal activity of the group is the sale and repair of motor vehicles and all normal activities associated therewith. A review of the group's business is provided in the Chairman's Statement.

Results

The results of the group for the year are set out in detail on page 11.

Profit on ordinary activities before taxation was £1,200,969 (1994: £460,797).

Profit on ordinary activities after taxation was £830,764 (1994: £287,301).

Dividends

Dividends paid and proposed are as follows:

	First preference shares £	Second preference shares £
Paid		
- 31 January 1995	179,644	55,500
- 31 July 1995	179,644	55,500
Proposed	84,990	26,257
	444,278	137,257
1995 - Dividend per share	14.84p	14.84p
1994 - Dividend per share	5.10p	5.10p

Directors' report (continued)

Directors and their interests

The directors who served during the year and their beneficial interests in the shares of the company were:

	Number of 10 pence deferred shares at		Number of 10 pence ordinary shares at	
	31 July 1995 £	31 July 1994 £	31 July 1995 £	31 July 1994 £
B P Gilda	89,398	89,398	152,687	152,687
J S D Knowles	21,387	21,387	36,528	36,528
S M Ramsay	-	-	-	-
T A Jones	-	-	-	-

T A Jones is a director of Gresham Trust plc, whose wholly owned subsidiary, Wren Investments Limited, has an interest in the share capital of the company.

No director has any beneficial interest in the preference shares or preferred ordinary shares.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss of the company and group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' report (continued)

Share capital

During the year the company redeemed 25,000 of the Second Preference Shares of £1 each at par.

Fixed assets

Information relating to changes in tangible fixed assets is given in note 2 to the financial statements.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

The group places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the group. This is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Auditors

A resolution to re-appoint Arthur Andersen as auditors for the ensuing year will be proposed at the annual general meeting.

Glenmavis Garage
Bathgate
EH48 4LA

By order of the Board,



Stewart M Ramsay

Secretary

27 October 1995

Chairman's statement

During the period under review, the Group's turnover increased by £12.5m to £84.2m. This figure represents the highest recorded turnover of the Company since its inception.

Our pre-tax profit of £1,200,969 shows a huge improvement over our prior year figure of £460,797 and is also a record.

The main reasons for these improvements are determined by the hard work, dedication and skill of my directors, managers and staff. It was they who helped improve the vehicle sales numbers by over 13% and they who delivered a 30% increase in our aftersales departments operating profits.

Current Trading and Outlook

Our first quarter trading period to October is just ending and these results will show us slightly behind the same period last year. November and December are traditionally the toughest months in our industry's calendar and I am sure this year will prove no exception.

The intensity of the market place coupled with the pressure on margins will again test our resolve. Notwithstanding this, I am confident we are on the right track to long-term profitable development.

Our People

We have continued our policy of working hard to retain key employees whilst at the same time, where we have found the need, investing in new quality people. I would therefore like to take this opportunity once again, to thank all the staff for their efforts and again remind them that energy and persistence can conquer all things.

Support

As always I record my appreciation and gratitude for the help and support given by all the institutions and advisors associated with the Group.



Brian P Gilda

27 October 1995

Auditors' report

Glasgow

To the Shareholders of Peoples Limited:

We have audited the financial statements on pages 9 to 26 which have been prepared under the historical cost convention and the accounting policies set out on pages 13 and 14.

Respective responsibilities of directors and auditors

As described on page 5 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

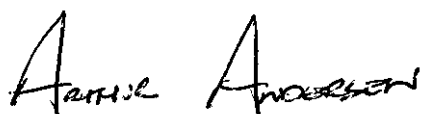
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company and of the group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group at 31 July 1995 and of the group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen
Chartered Accountants and Registered Auditors

199 St Vincent Street
Glasgow
G2 5QD

27 October 1995

Consolidated balance sheet

31 July 1995

	Notes	1995 £	1994 (As restated note 1) £
Fixed assets			
Tangible assets	2	<u>4,482,161</u>	<u>4,491,611</u>
Current assets			
Interest in vehicle residuals:			
- repurchases after one year		7,307,968	5,439,305
- repurchases within one year		3,521,757	3,597,620
Stocks	4	4,549,053	3,589,193
Debtors	5	4,535,336	5,421,651
Cash at bank and in hand		<u>1,453,196</u>	<u>1,456,823</u>
		<u>21,367,310</u>	<u>19,504,592</u>
Creditors: Amounts falling due within one year	6	<u>(13,426,894)</u>	<u>(13,461,740)</u>
Net current assets		<u>7,940,416</u>	<u>6,042,852</u>
Total assets less current liabilities		<u>12,422,577</u>	<u>10,534,463</u>
Creditors: Amounts falling due after more than one year	7	<u>(10,542,921)</u>	<u>(8,877,546)</u>
Provisions for liabilities and charges	8	<u>-</u>	<u>(1,490)</u>
Net assets		<u>1,879,656</u>	<u>1,655,427</u>
Capital and reserves			
Called-up share capital	9a	1,020,081	1,045,081
Capital redemption reserve	9b	171,040	146,040
Special reserve	9b	576,439	576,439
Other reserves	9a	112,096	(112,133)
Shareholders' funds		<u>1,879,656</u>	<u>1,655,427</u>
Represented by:			
Equity interests		555,434	194,958
Non-equity interests		<u>1,324,222</u>	<u>1,460,469</u>
		<u>1,879,656</u>	<u>1,655,427</u>

Signed on behalf of the Board

Brian P. Gilda

Director

27 October 1995

The accompanying notes are an integral part of this consolidated balance sheet.

Company balance sheet

31 July 1995

	Notes	1995 £	1994 £
Fixed assets			
Investments	3	5,353,300	5,353,300
Current assets			
Debtors	5	145,342	120,520
Cash at bank and in hand		460,869	261,679
		606,211	382,199
Creditors: Amounts falling due within one year	6	(787,565)	(278,499)
Net current (liabilities) assets		(181,354)	103,700
Total assets less current liabilities		5,171,946	5,457,000
Creditors: Amounts falling due after more than one year	7	(3,025,000)	(3,175,000)
Net assets		2,146,946	2,282,000
Capital and reserves			
Called-up share capital	9a	1,020,081	1,045,081
Capital redemption reserve	9b	171,040	146,040
Special reserve	9b	576,439	576,439
Other reserves	9b	379,386	514,440
Shareholders' funds		2,146,946	2,282,000
Represented by:			
Equity interests	9a	822,724	821,531
Non-equity interests	9b	1,324,222	1,460,469
		2,146,946	2,282,000



Signed on behalf of the Board

Brian P. Gilda

Director

27 October 1995

The accompanying notes are an integral part of this balance sheet.

Consolidated profit and loss account

For the year ended 31 July 1995

	Notes	1995 £	1994 £
Turnover	12	84,257,180	71,758,219
Cost of sales		(80,758,875)	(68,832,943)
Gross profit		3,498,305	2,925,276
Other operating expenses (net)		(1,716,842)	(1,912,966)
Operating profit		1,781,463	1,012,310
Interest receivable and similar income		22,954	2,124
Interest payable and similar charges	13	(603,448)	(553,637)
Profit on ordinary activities before taxation	14	1,200,969	460,797
Tax on profit on ordinary activities	16	(370,205)	(173,496)
Profit on ordinary activities after taxation		830,764	287,301
Dividends paid and proposed	17	(470,288)	(473,288)
Profit (loss) for the financial year		360,476	(185,987)
Accumulated deficit at beginning of year		(592,661)	(381,674)
Transfer to capital redemption reserve		(25,000)	(25,000)
Accumulated deficit at end of year		(257,185)	(592,661)

The group has no recognised gains or losses other than the profit for each financial year.

The results for each year arose from continuing operations.

The profit on ordinary activities for the year is also the historical cost profit.

A statement of movements on reserves is given in note 9.

The accompanying notes are an integral part of this consolidated profit and loss account.

Consolidated cash flow statement

For the year ended 31 July 1995

	Notes	1995 £	1994 £
Net cash inflow from operating activities	18	1,608,920	1,159,816
Returns on investments and servicing of finance			
Interest received		22,954	2,124
Interest paid		(596,387)	(541,588)
Interest element of finance lease rentals		(7,061)	(12,049)
Dividends paid		(491,423)	(180,000)
Net cash outflow from returns on investments and servicing of finance		(1,071,917)	(731,513)
Taxation			
Corporation tax paid		(101,355)	-
ACT recovered		26,771	33,725
ACT paid		(79,070)	(30,000)
Tax (paid) recovered		(153,654)	3,725
Investing activities			
Purchase of tangible fixed assets		(239,026)	(145,466)
Sale of tangible fixed assets		9,755	174,240
Net cash (outflow) inflow from investing activities		(229,271)	28,774
Net cash inflow before financing		154,078	460,802
Financing			
Redemption of share capital	20	(25,000)	(25,000)
Repayment of loans	20	(108,334)	(33,333)
Capital element of finance lease payments	20	(24,371)	(43,404)
Net cash outflow from financing		(157,705)	(101,737)
(Decrease) increase in cash and cash equivalents	19	(3,627)	359,065

The accompanying notes are an integral part of this consolidated cash flow statement.

Notes to financial statements

31 July 1995

1 Statement of accounting policies

As a result of the implementation of FRS 5 "Reporting the Substance of Transactions" the directors have adopted different accounting policies from those previously adopted with respect to repurchase arrangements which were previously reported as financial commitments (note 1e). Comparative figures have been restated where necessary for these changes. With this exception all other accounting policies have been applied consistently throughout the year and the preceding year and in summary the principal accounting policies are set out below:

a) Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. Assets and liabilities are recognised in the financial statements where, as a result of past transactions or events, the group has rights or other access to future economic benefits controlled by the group, or obligations to transfer economic benefits.

b) Basis of consolidation

The group financial statements consolidate the accounts of Peoples Limited and its subsidiary undertakings. Goodwill representing the excess of fair value of the consideration given over the fair value of the separable net assets acquired is written off against reserves on acquisition.

In the company's financial statements, investments in subsidiary undertakings are stated at cost.

No profit or loss account is presented for Peoples Limited, as provided by S230 of the Companies Act 1985. The Company's profit for the financial year, determined in accordance with the Act, was £471,481 (1994: profit £394,473).

c) Tangible fixed assets and depreciation

Tangible fixed assets are shown at cost.

Depreciation is provided by the straight-line method calculated to write-off the cost of the fixed assets over their estimated useful lives at the following annual rates:

Buildings	2%
Plant and equipment	10% and 20%
Motor vehicles	25% and 30%
Leased assets	20%

Motor vehicles on long term hire are depreciated over the period of the hire contract.

Profits or losses on the disposal of fixed assets are included in the calculation of operating profit.

d) Stocks

Stocks are stated at the lower of cost and net realisable value and exclude new vehicles held on a consignment basis if the stock deposits do not directly relate to the consignment stocks held at any one time. Net realisable value is based on estimated normal selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

Notes to financial statements

31 July 1995

1 Statement of accounting policies (continued)

e) *Repurchase arrangement*

In previous years the contractual commitment to repurchase vehicles (predominantly under the 'Motability' scheme) has been disclosed in the notes to the financial statements as a financial commitment and amounted to £9,036,925 at 31 July 1994. This policy has now been changed and the liability recognised within "Creditors: amounts falling due within one year" and "Creditors: amounts falling due after more than one year" as appropriate. The asset associated with the liability being the interest in the repurchased vehicles is now disclosed in the balance sheet as "Interest in vehicle residuals".

f) *Taxation*

Corporation tax payable is provided on taxable profits at the current rate. The taxation liabilities of certain group companies are reduced wholly or in part by fellow group companies. The tax benefits arising from group relief are recognised in the accounts of the surrendering and recipient companies.

Advance corporation tax payable on dividends paid or provided for in the year is written off except when recoverability against corporation tax payable is considered to be reasonably assured.

g) *Deferred taxation*

Provision is not made for tax liabilities arising from the allocation of items to different periods for taxation and accounting purposes, except where it is probable that a liability will crystallise. The potential amount of deferred taxation not provided for is set out in note 8.

h) *Turnover*

Turnover comprises the invoiced value of sales less value added tax and net of all credits and allowances.

i) *Leases*

The group enters into operating and finance leases.

Assets held under finance leases are initially reported at the fair value of the asset with an equivalent liability categorised as appropriate under creditors due within or after one year. The asset is depreciated over the shorter of the lease term and its useful economic life. Finance charges are allocated to accounting periods over the period of the lease to produce a constant rate of charge on the outstanding balance. Rentals are apportioned between finance charges and reduction of the liability, and allocated to cost of sales and other operating expenses as appropriate. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

j) *Retirement Plan*

The group operates an executive retirement plan for its executive directors. This is a defined contribution scheme. Contributions are charged to the profit and loss account as incurred.

k) *Finance costs*

Finance costs of debt, non-equity shares and non-equity minority interests are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount. Where the finance costs for non-equity shares and non-equity minority interests are not equal to the dividends on these instruments, the difference is accounted for in the profit and loss account as an appropriation of profits.

Notes to financial statements

31 July 1995

2 Tangible fixed assets

The movement in the year was as follows:

Group	Freehold land and buildings £	Long leasehold buildings £	Plant and equipment £	Leased assets £	Motor vehicles £	Total £
Cost						
31 July 1994	3,828,382	256,587	1,338,211	201,669	113,103	5,737,952
Additions	37,850	-	186,871	-	14,305	239,026
Disposals	-	-	(2,050)	-	(53,835)	(55,885)
31 July 1995	<u>3,866,232</u>	<u>256,587</u>	<u>1,523,032</u>	<u>201,669</u>	<u>73,573</u>	<u>5,921,093</u>
Depreciation						
31 July 1994	252,667	40,377	736,183	133,405	83,709	1,246,341
Charge for year	44,294	5,131	153,189	26,047	10,393	239,054
Disposals	-	-	(2,050)	-	(44,413)	(46,463)
31 July 1995	<u>296,961</u>	<u>45,508</u>	<u>887,322</u>	<u>159,452</u>	<u>49,689</u>	<u>1,438,932</u>
Net book value						
31 July 1995	<u>3,569,271</u>	<u>211,079</u>	<u>635,710</u>	<u>42,217</u>	<u>23,884</u>	<u>4,482,161</u>
Net book value						
31 July 1994	<u>3,575,715</u>	<u>216,210</u>	<u>602,028</u>	<u>68,264</u>	<u>29,394</u>	<u>4,491,611</u>

On 30 June 1988 certain of the freehold and leasehold properties were valued by Kenneth Ryden and Partners, Chartered Surveyors, on an existing use basis at £1,134,000. The book value of these freehold and leasehold properties at 31 July 1995 was £790,370 (1994 - £798,939).

Freehold land amounting to £1,719,733 (1994 - £1,719,733) has not been depreciated.

At the end of the year the company had no tangible fixed assets (1994 - Nil).

Notes to financial statements

31 July 1995

3 Fixed asset investments

Company	Total £	Ordinary shares £	Preference shares £	Long term loan stock £
At 31 July 1994 and 1995	5,353,300	4,300	1,000,000	4,349,000

There were no additions or disposals of fixed asset investments in the year.

All company fixed asset investments are held in subsidiary undertakings.

All of the company's subsidiary undertakings are wholly-owned and are registered in Scotland. The subsidiary undertakings comprise:

Company	Principal activity
Peoples Bathgate & Livingston Limited	Sale and repair of motor vehicles
Peoples Glasgow Limited	Sale and repair of motor vehicles
Peoples Liverpool Limited	Sale and repair of motor vehicles
Peoples Advertising & Marketing Limited	Advertising and marketing agents
Peoples National Vehicle Contracts Limited	Non trading
Peoples Wholesale Limited	Non trading
Peoples Detroit Limited	Non trading

4 Stocks

The following are included in the net book value of stocks:

	Group		Company	
	1995 £	1994 £	1995 £	1994 £
Vehicles	3,932,782	2,989,293	-	-
Spare parts	508,604	493,783	-	-
Petrol, oil and other stocks	107,667	106,117	-	-
	4,549,053	3,589,193	-	-

The directors consider that there is no material difference between the balance sheet value and replacement cost of each of the above stock categories.

Notes to financial statements

31 July 1995

5 Debtors

The following are included in the net book value of debtors:

	Group		Company	
	1995	1994	1995	1994
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	1,941,830	1,458,426	-	-
Due from other group undertakings	-	-	103,992	94,177
Ford Motor Company bulk deposit	2,033,703	3,172,439	-	-
ACT Recoverable	-	26,771	-	-
Prepayments and accrued income	531,991	758,731	13,538	14,216
Value added tax	-	-	-	6,843
	<u>4,507,524</u>	<u>5,416,367</u>	<u>117,530</u>	<u>115,236</u>
Amounts falling due after more than one year:				
ACT on proposed dividend	27,812	5,284	27,812	5,284
	<u>4,535,336</u>	<u>5,421,651</u>	<u>145,342</u>	<u>120,520</u>

6 Creditors: Amounts falling due within one year

	Group		Company	
	1995	1994	1995	1994
	£	(As restated) £	£	£
Lease creditors	17,138	21,555	-	-
Term loan instalments	183,332	108,332	150,000	75,000
Stocking finance	3,909,189	4,147,146	-	-
Trade creditors	3,957,054	4,012,881	-	-
Due to other group undertakings	-	-	75,572	72,715
Current corporation tax	249,894	104,974	174,899	1,074
Other taxes and social security costs	138,704	110,529	-	-
Proposed dividend	111,247	21,135	111,247	21,135
Value added tax	36,963	103,682	10,343	-
Other creditors	1,215,018	1,213,602	178,906	88,291
ACT payable	86,598	20,284	86,598	20,284
Obligations under vehicle repurchase agreements	3,521,757	3,597,620	-	-
	<u>13,426,894</u>	<u>13,461,740</u>	<u>787,565</u>	<u>278,499</u>

The bank overdraft facilities and term loan are secured by floating charges over the assets, standard securities over the freehold properties and letters of offset and cross guarantees with fellow group undertakings. The stocking finance is secured over certain current assets of the company and by cross guarantees from fellow group undertakings.

Notes to financial statements

31 July 1995

7 Creditors: Amounts falling due after more than one year

	Group		Company	
	1995	1994 (As restated)	1995	1994
	£	£	£	£
Term loan not wholly repayable within five years	3,391,666	3,500,000	3,175,000	3,250,000
Lease creditors	43,757	68,128	-	-
Less: Repayments due within one year (see note 6)	(200,470)	(129,887)	(150,000)	(75,000)
	<u>3,234,953</u>	<u>3,438,241</u>	<u>3,025,000</u>	<u>3,175,000</u>
Obligations under vehicle repurchase agreements (due within 2 - 5 years)	7,307,968	5,439,305	-	-
	<u>10,542,921</u>	<u>8,877,546</u>	<u>3,025,000</u>	<u>3,175,000</u>

Analysis of borrowings

The company term loan of £3,175,000 is repayable in six quarterly instalments of £37,500 followed by forty-three quarterly instalments of £67,000 and one final quarterly instalment of £69,000.

Other group term loans are repayable at £33,332 per annum and carry interest at variable rates.

Obligations under finance leases are repayable as follows:

	Group	
	1995	1994
	£	£
Due within 1 year	17,138	21,555
Due within 2-5 years	26,619	46,573
	<u>43,757</u>	<u>68,128</u>

At the end of the year the company had no obligations repayable under finance leases (1994 - Nil).

8 Provision for liabilities and charges

This comprises:

	Group		Company	
	1995	1994	1995	1994
	£	£	£	£
Advance rentals	-	1,490	-	-

Notes to financial statements

31 July 1995

8 Provision for liabilities and charges (continued)

The movement in the provisions is as follows:

	Advance rentals £
Beginning of year	1,490
Transferred to profit and loss	(1,490)
End of year	-

a) No deferred tax has been provided by the group at 31 July 1995 (1994 - £Nil) because the directors have concluded, on the basis of reasonable assumptions and the intentions of management, that it is probable that no part of the liability will crystallize.

b) Deferred taxation unprovided:

	Group		Company	
	1995 £	1994 £	1995 £	1994 £
Capital allowances in excess of depreciation	58,700	50,600	-	-

9 Share capital and reserves

a) *Share capital*

The authorised share capital of the company at 31 July 1995 comprised:

	Number	Par value £	Capital £
Equity share capital:			
Ordinary shares	8,643,015	0.10	864,302
Deferred shares	110,785	0.10	11,078
Cumulative convertible participating preferred ordinary shares (CCPPO)	351,400	0.10	35,140
Total equity authorised share capital			910,520
Non-equity share capital:			
First preference shares	2,994,060	0.01	29,941
Second preference shares	1,000,000	1.00	1,000,000
Total non-equity authorised share capital			1,029,941
Total authorised share capital			1,940,461

Notes to financial statements

31 July 1995

9 Share capital and reserves (continued)

a) Share capital (continued)

	Company	
	1995 £	1994 £
<i>Allotted, called-up and fully-paid</i>		
Equity share capital:		
Ordinary shares of 10p each	18,922	18,922
Deferred shares of 10p each	11,078	11,078
CCPPO shares of 10p each	35,140	35,140
Total equity share capital	65,140	65,140
Non-equity share capital:		
First preference shares of 1p each	29,941	29,941
Second preference shares of £1 each	925,000	950,000
Total non-equity share capital	954,941	979,941
Total allotted, called-up and fully-paid share capital	1,020,081	1,045,081

During the year the company redeemed 25,000 of the second preference shares of £1 each at par in accordance with the company's Articles of Association.

The amount of the dividend which can be paid on the CCPPO shares is calculated according to a formula contained in the company's Articles of Association and is dependent on future profitability. The CCPPO shares can be converted into ordinary shares at any time.

The rights attaching to non-equity share capital are set out below:

The first preference shares are entitled to receive a fixed cumulative dividend at 12% per annum of the amount initially subscribed in priority to any other dividend on shares other than the second preference shares.

On a winding up, the first preference shares rank behind the second preference shares for the amount of capital contributed and any dividend arrears.

The first preference shares attract a redemption premium which is payable on redemption of £0.99 per share, being the difference between the nominal value and amount originally subscribed. These first preference shares have no specified redemption date but are redeemable in certain circumstances detailed in the company's Articles of Association. As a result of this and due to the fact that the dividend is already based on the nominal value plus the redemption premium, the redemption premium has not been accounted for as a finance cost under FRS 4.

Notes to financial statements

31 July 1995

9 Share capital and reserves (continued)

a) Share capital (continued)

The first preference shares carry no voting rights as long as the dividend payment terms detailed in the company's Articles of Association are satisfied.

The second preference shares carry a right to a fixed cumulative dividend at 12% per annum, payable on the same basis as the first preference shares.

The redemption of the second preference shares is due to be completed by the year 2001. The amounts and dates of redemption are subject to the future profitability of the company and the terms and conditions of the company's Articles of Association.

The voting rights of the second preference shares are as for those attached to the first preference shares.

The holders of the second preference shares have an option to acquire 2.5% of the as enlarged ordinary share capital at par.

b) Reserves

Group	Equity Interests			Non-Equity Interests	Total other reserves
	Capital redemption reserve £	Special reserve £	Profit and loss account £	Other reserve £	
At 31 July 1994	146,040	576,439	(592,661)	480,528	(112,133)
Redemption of shares	25,000	-	(25,000)	-	(25,000)
Retained profit for the year	-	-	360,476	-	360,476
Transfer from profit and loss account (note 17)	-	-	-	(111,247)	(111,247)
At 31 July 1995	171,040	576,439	(257,185)	369,281	112,096
Company					
At 31 July 1994	146,040	576,439	33,912	480,528	514,440
Redemption of shares	25,000	-	(25,000)	-	(25,000)
Retained profit for the year	-	-	1,193	-	1,193
Transfer from profit and loss account (note 17)	-	-	-	(111,247)	(111,247)
At 31 July 1995	171,040	576,439	10,105	369,281	379,386

The other reserve is distributable. In order to comply with Financial Reporting Standard 4, cumulative dividends on preference shares which accrue over time but which are not due for payment under the company's Articles of Association as at 31 July 1995 have been accrued as an "other reserve" in the non-equity shareholders' funds (note 17).

Notes to financial statements

31 July 1995

9 Share capital and reserves (continued)

b) Reserves (continued)

The special reserve is non-distributable as long as any debt of the company existing as at 5 July 1989 remains outstanding and is to be used for the writing off of goodwill.

10 Reconciliation of movements in shareholders' funds

	Group	
	1995	1994
	£	£
Profit for the financial year	830,764	287,301
Dividends paid and proposed	(581,535)	(201,135)
	249,229	86,166
Redemption of preference shares	(25,000)	(25,000)
Opening shareholders' funds	1,655,427	1,594,261
Closing shareholders' funds	1,879,656	1,655,427

11 Guarantees and other financial commitments

a) Capital commitments

At the end of the current year capital commitments were:

	Group	
	1995	1994
	£	£
Authorised but not contracted for	220,000	-
	220,000	-

The company had no capital commitments at 31 July 1995 (1994 - £nil)

b) Contingent liabilities

The group has granted cross guarantees and indemnities in relation to the overdrafts of group companies and certain other advances and commitments, secured on the assets of group companies.

c) Lease commitments

The group has entered into non-cancellable leases in respect of workshop and office equipment. In addition the group leases land on a long term lease. The annual rental on this lease is £16,500 (1994 - £16,500). The rent payable under this lease is subject to renegotiation at intervals specified in the lease.

The minimum annual rentals under the foregoing leases are as follows:

	Property	Equipment
	£	£
Operating leases which expire		
- within 1 year	-	9,200
- within 2-5 years	-	31,064
- after 5 years	16,500	1,958
	16,500	42,222

Notes to financial statements

31 July 1995

11 Guarantees and other financial commitments (continued)

d) VAT

The company is registered for VAT purposes in a group of undertakings which share a common registration number. As a result, it has jointly guaranteed the VAT liability of certain other group undertakings and failure by these other group undertakings would give rise to additional liabilities of the company. The directors are of the opinion that no liability is likely to arise from the unlikely event of failure by these other group undertakings.

12 Turnover

All of the group's turnover and profit on ordinary activities before taxation was derived from its activities in the United Kingdom.

13 Interest payable and similar charges

	1995 £	1994 £
On bank overdraft and loans		
- repayable within 5 years, not by instalments	305,136	266,308
On loans repayable wholly or in part		
- after 5 years, by instalments	291,251	275,280
	7,061	12,049
Other interest		
	<u>603,448</u>	<u>553,637</u>

14 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging (crediting):

	1995 £	1994 £
a) Depreciation of tangible fixed assets (note 2)	239,054	243,629
b) Auditors' remuneration	58,000	57,200
c) Staff costs (note 15)	5,428,677	4,933,167
d) Profit on disposal of fixed assets	(333)	(269)
e) Operating lease rentals	41,203	40,496
f) Non audit services provided by the auditors	15,500	20,000
	<u></u>	<u></u>

15 Staff costs

	1995 £	1994 £
Employee costs during the year, including those for executive directors, amounted to:		
Wages and salaries	4,934,942	4,475,712
Social security costs	466,735	427,180
Other pension costs	27,000	30,275
	<u>5,428,677</u>	<u>4,933,167</u>

The average weekly number of employees during the year was 359 (1994 - 322).

Notes to financial statements

31 July 1995

15 Staff costs (continued)

Directors' remuneration:

The employee costs shown above include the following remuneration in respect of directors of the company:

	1995 £	1994 £
Other emoluments	194,345	191,234
Fees	5,000	-
Pension costs	27,000	30,275
Compensation for loss of office to former executive director of the company	-	25,000
	<u>226,345</u>	<u>246,509</u>

The directors' remuneration shown above (excluding pension contributions) includes:

	1995 £	1994 £
Chairman and highest paid director	<u>122,005</u>	<u>110,312</u>

Directors received emoluments in the following ranges:

	1995 (Number)	1994 (Number)
£ 0 - £ 5,000	2	1
£ 15,001 - £ 20,000	-	1
£ 65,001 - £ 70,000	-	1
£ 70,001 - £ 75,000	1	-
£ 110,001 - £ 115,000	-	1
£ 120,001 - £ 125,000	<u>1</u>	<u>-</u>

16 Tax on profit on ordinary activities

Corporation tax is based on the profit for the year at 33% (1994 - 33%)

Adjustment of current taxation in respect of prior year

	1995 £	1994 £
Corporation tax	372,750	151,568
Adjustment of current taxation in respect of prior year	<u>(2,545)</u>	<u>21,928</u>
	<u>370,205</u>	<u>173,496</u>

Notes to financial statements

31 July 1995

17 Dividends

	1995 £	1994 £
Paid and proposed:		
First preference shares		
- interim of 6.0p (1994 - 4.56p) per share paid	179,644	136,644
- final of 6.0p (1994 - nil) per share paid	179,644	-
- final of 2.84p (1994 - 0.54p) per share proposed	84,990	16,044
Second preference shares		
- interim of 6.0p (1994 - 4.56p) per share paid	55,500	43,356
- interim of 6.0p (1994 - nil) per share paid	55,500	-
- final of 2.84p (1994 - 0.54p) per share proposed	26,257	5,091
	<u>581,535</u>	<u>201,135</u>
Accrued:		
- First preference shares	(84,990)	206,600
- Second preference shares	(26,257)	65,553
	<u>(111,247)</u>	<u>272,153</u>
	<u>470,288</u>	<u>473,288</u>

The results for the year ended 31 July 1995 have been prepared in accordance with Financial Reporting Standard 4. In order to comply with this standard cumulative dividends on preference shares which accrue over time but which are not due for payment under the company's Articles of Association as at 31 July 1995 (£369,281) have been accrued in full as an "other reserve" in non-equity shareholders' funds (1994 - £480,528).

All dividends due for payment under the company's Articles of Association as at 31 July 1995 have been paid in full.

18 Reconciliation of operating profit to net cash inflow from operating activities

	1995 £	1994 £
Operating profit	1,781,463	1,012,310
Depreciation charges	239,054	243,629
Profit on sale of fixed assets	(333)	(269)
(Increase) decrease		
- stocks	(959,860)	(333,114)
- debtors	859,544	(28,372)
Increase (decrease)		
- creditors	(309,458)	268,011
- provisions	(1,490)	(2,379)
	<u>1,608,920</u>	<u>1,159,816</u>

Notes to financial statements

31 July 1995

19 Analysis of changes in cash and cash equivalents during the year

	1995 £	1994 £
Balance at beginning of year	1,456,823	1,097,758
Net cash (outflow) inflow	(3,627)	359,065
Balance at end of year	<u>1,453,196</u>	<u>1,456,823</u>

20 Analysis of changes in financing during the year

	Share Capital £	Loans £	Finance lease obligations £
Balance at 1 August 1993	1,070,081	3,533,333	111,532
Cash outflows from financing	(25,000)	(33,333)	(43,404)
Balance at 31 July 1994	<u>1,045,081</u>	<u>3,500,000</u>	<u>68,128</u>
Cash outflows from financing	(25,000)	(108,334)	(24,371)
Balance at 31 July 1995	<u>1,020,081</u>	<u>3,391,666</u>	<u>43,757</u>