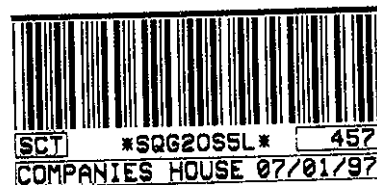


Peoples Limited

Financial statements 31 July 1996
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 thirteenth annual general meeting of the company will be held at Glenmavis Garage, Bathgate EH48 4LA on 6 December 1996 to transact the following business:

1. To receive and adopt the directors' report and financial statements for the year ended 31 July 1996 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

25 November 1996

Directors' report

For the year ended 31 July 1996

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 1996.

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 £706,326 (1995:£1,200,969).

Profit on ordinary activities after taxation was £467,396 (1995: £830,764).

Dividends

Dividends paid and proposed are as follows:

	First preference shares £	Second preference shares £	Third preference shares £	Cumulative convertible participating preferred ordinary shares £
Paid				
- 31 January 1996	179,644	55,500	-	-
- 25 April 1996	77,523	24,656	-	22,477
- 31 July 1996	-	-	13,693	-
Proposed	34,581	10,713	-	-
	<u>291,748</u>	<u>90,869</u>	<u>13,693</u>	<u>22,477</u>
1996 - Dividend per share	<u>11.49p</u>	<u>9.83p</u>	<u>0.81p</u>	<u>6.40p</u>
1995 - Dividend per share	<u>14.84p</u>	<u>14.84p</u>	-	-

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 1996	31 July 1995	31 July 1996	31 July 1995
B P Gilda	89,398	89,398	151,070	152,687
J S D Knowles	21,387	21,387	28,703	36,528
S M Ramsay	-	-	9,442	-
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 allotted 1,700,000 third preference shares with a nominal value of 1p each for a consideration of £1 each and redeemed 1,700,000 of first preference shares of 1p each at £1 each. Full details are contained in note 9.

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

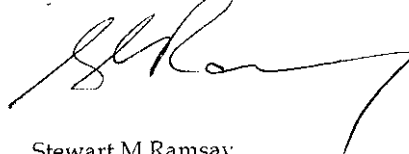
A resolution to re-appoint Arthur Andersen as auditors for the ensuing year will be proposed at the annual general meeting.

Liability insurance for company officers

The company has maintained insurance cover for the directors against liability arising from negligence, default, breach of duty and breach of trust in relation to the company.

Glenmavis Garage
Bathgate
EH48 4LA

By order of the Board,



Stewart M Ramsay

Secretary

25 November 1996

Chairmans' statement

During the period under review, the Group's turnover increased by £12.5m to £96.7m. This figure represents the highest recorded turnover of the Group since its inception.

Regrettably our pre-tax profits of £706,326 are a significant reduction from our record performance of last year.

The reasons behind this reduction can be explained in the first instance, by Ford Motor Company's overall reduction in incentive monies paid out to the Dealerbody.

Secondly, the compounding effect of the rapid diminution in used car values during the back quarter of last year. This event came co-terminous with volume returns of 'big ticket' buy-back deals at the Liverpool dealership that effectively negated its profit for the year with the consequential impact on the Group.

Current Trading and Outlook

Our first quarter trading period to October is just ending and these results will show us behind the same period last year. November and December are traditionally the toughest months in our industry's calendar and with the intensity of the market place coupled with the pressure on margins we will require extra impetus during the second part of our financial year to reach the desired result.

Notwithstanding these last comments Ford have now recognised that radical change is required if they and their Dealerbody are to stand any chance of returning to acceptable margins. This change which is now encapsulated by the terminology Customer Marketing Area (CMAs) is both logical and the most strategically important development between Ford and its Dealerbody since the Franchise System was developed for the United Kingdom.

For our Company to properly benefit from the extremely positive opportunities that derive from CMAs will require management and resource and it is these two areas that will require greatest attention to detail.

Our People

We have continued our policy of working hard to retain and positively motivate key employees and 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

25 November 1996

Auditors' report

Glasgow

To the Shareholders of Peoples Limited:

We have audited the financial statements on pages 9 to 27 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.

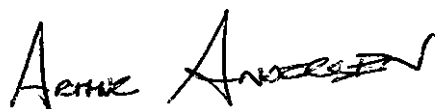
Basis of opinion

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 1996 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

25 November 1996

Consolidated balance sheet

31 July 1996

	Notes	1996 £	1995 £
Fixed assets			
Tangible assets	2	<u>4,710,432</u>	<u>4,482,161</u>
Current assets			
Interest in vehicle residuals:			
- repurchases after one year		8,208,945	7,307,968
- repurchases within one year		3,552,902	3,521,757
Stocks	4	5,542,159	4,549,053
Debtors	5	3,277,558	4,535,336
Cash at bank and in hand		459,192	1,453,196
		<u>21,040,756</u>	<u>21,367,310</u>
Creditors: Amounts falling due within one year	6	<u>(12,470,684)</u>	<u>(13,426,894)</u>
Net current assets		<u>8,570,072</u>	<u>7,940,416</u>
Total assets less current liabilities		<u>13,280,504</u>	<u>12,422,577</u>
Creditors: Amounts falling due after more than one year	7	<u>(11,379,868)</u>	<u>(10,542,921)</u>
Net assets		<u>1,900,636</u>	<u>1,879,656</u>
Capital and reserves			
Called-up share capital	9a	992,452	1,020,081
Capital redemption reserve	9b	171,040	171,040
Special reserve	9b	576,439	576,439
Other reserves	9b	160,705	112,096
Shareholders' funds		<u>1,900,636</u>	<u>1,879,656</u>
Represented by:			
Equity interests		571,637	555,434
Non-equity interests		1,328,999	1,324,222
		<u>1,900,636</u>	<u>1,879,656</u>

Signed on behalf of the Board

Brian P. Gilda

Director

25 November 1996

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

Company balance sheet

31 July 1996

	Notes	1996 £	1995 £
Fixed assets			
Investments	3	<u>5,353,300</u>	<u>5,353,300</u>
Current assets			
Debtors	5	108,011	145,342
Cash at bank and in hand		<u>86,354</u>	<u>460,869</u>
		194,365	606,211
Creditors: Amounts falling due within one year	6	<u>(520,393)</u>	<u>(787,565)</u>
Net current liabilities		<u>(326,028)</u>	<u>(181,354)</u>
Total assets less current liabilities		<u>5,027,272</u>	<u>5,171,946</u>
Creditors: Amounts falling due after more than one year	7	<u>(2,816,000)</u>	<u>(3,025,000)</u>
Net assets		<u>2,211,272</u>	<u>2,146,946</u>
Capital and reserves			
Called-up share capital	9a	992,452	1,020,081
Capital redemption reserve	9b	171,040	171,040
Special reserve	9b	576,439	576,439
Other reserves	9b	<u>471,341</u>	<u>379,386</u>
Shareholders' funds		<u>2,211,272</u>	<u>2,146,946</u>
Represented by:			
Equity interests	9a	882,273	822,724
Non-equity interests	9b	<u>1,328,999</u>	<u>1,324,222</u>
		<u>2,211,272</u>	<u>2,146,946</u>

Signed on behalf of the Board

Brian P. Gilda

Director

25 November 1996

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

Consolidated profit and loss account

For the year ended 31 July 1996

	Notes	1996 £	1995 £
Turnover	12	96,789,097	84,257,180
Cost of sales		(94,258,994)	(80,758,875)
Gross profit		2,530,103	3,498,305
Other operating expenses (net)		(1,254,164)	(1,716,842)
Operating profit		1,275,939	1,781,463
Interest receivable and similar income		62,566	22,954
Interest payable and similar charges	13	(632,179)	(603,448)
Profit on ordinary activities before taxation	14	706,326	1,200,969
Tax on profit on ordinary activities	16	(238,930)	(370,205)
Profit on ordinary activities after taxation		467,396	830,764
Dividends paid and proposed	17	(451,193)	(470,288)
Profit for the financial year		16,203	360,476
Accumulated deficit at beginning of year		(257,185)	(592,661)
Transfer to capital redemption reserve		-	(25,000)
Accumulated deficit at end of year		(240,982)	(257,185)

All activity has arisen from continuing operations. The group has no recognised gains or losses other than the profit for each financial year.

The profit on ordinary activities for each 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 1996

	Notes	1996 £	£	1995 £	£
Net cash (outflow) inflow from operating activities	18		(332,216)		1,608,920
Returns on investments and servicing of finance					
Interest received		62,566		22,954	
Interest paid		(619,392)		(596,387)	
Interest element of finance lease rentals		(12,787)		(7,061)	
Dividends paid		(484,740)		(491,423)	
Net cash outflow from returns on investments and servicing of finance			(1,054,353)		(1,071,917)
Taxation					
Corporation tax paid		(256,344)		(101,355)	
ACT recovered		-		26,771	
ACT paid		(176,548)		(79,070)	
Tax paid			(432,892)		(153,654)
Investing activities					
Purchase of tangible fixed assets		(517,056)		(239,026)	
Sale of tangible fixed assets		15,340		9,755	
Conversion of tangible fixed assets to finance leases		304,827		-	
Net cash outflow from investing activities			(196,889)		(229,271)
Net cash (outflow)inflow before financing			(2,016,350)		154,078
Financing					
Issue of new shares	20	1,700,000		-	
Redemption of share capital	20	(1,700,000)		(25,000)	
Repayment of loans	20	(183,332)		(108,334)	
Issue costs	20	(27,629)		-	
Capital element of finance lease payments	20	(70,934)		(24,371)	
Net cash outflow from financing			(281,895)		(157,705)
Decrease in cash and cash equivalents	19		(2,298,245)		(3,627)

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

Notes to financial statements

31 July 1996

1 Statement of accounting policies

A summary of the principal accounting policies all of which have been applied consistently throughout the year and the preceding year is 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 the 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 £510,742 (1995: profit £471,481).

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 1996

1 Statement of accounting policies (continued)

e) *Repurchase arrangement*

The contractual commitment to repurchase vehicles (predominantly under the "Motability" scheme) is shown as a liability 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 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 1996

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 1995	3,866,232	256,587	1,523,032	201,669	73,573	5,921,093
Additions	16,411	-	182,718	304,827	13,100	517,056
Disposals	(250)	-	(650)	-	(38,021)	(38,921)
31 July 1996	<u>3,882,393</u>	<u>256,587</u>	<u>1,705,100</u>	<u>506,496</u>	<u>48,652</u>	<u>6,399,228</u>
Depreciation						
31 July 1995	296,961	45,508	887,322	159,452	49,689	1,438,932
Charge for year	48,319	5,131	175,666	47,191	8,869	285,176
Disposals	-	-	(195)	-	(35,117)	(35,312)
31 July 1996	<u>345,280</u>	<u>50,639</u>	<u>1,062,793</u>	<u>206,643</u>	<u>23,441</u>	<u>1,688,796</u>
Net book value						
31 July 1996	<u>3,537,113</u>	<u>205,948</u>	<u>642,307</u>	<u>299,853</u>	<u>25,211</u>	<u>4,710,432</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>

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 1996 was £786,452 (1995 - £790,370) .

Freehold land amounting to £1,719,733 (1995 - £1,719,733) has not been depreciated.

Leased assets consist entirely of plant and equipment.

At the end of the year the company had no tangible fixed assets (1995 - Nil).

Notes to financial statements

31 July 1996

3 Fixed asset investments

Company	Total £	Ordinary shares £	Preference shares £	Long term loan stock £
At 31 July 1995 and 1996	<u>5,353,300</u>	<u>4,300</u>	<u>1,000,000</u>	<u>4,349,000</u>

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
Total Vehicle Solutions Limited (formerly Peoples Wholesale Limited)	Provision of vehicle financing
Peoples Wholesale Limited (formerly Peoples National Vehicles Contracts Limited)	Non trading
Peoples Detroit Limited	Non trading

4 Stocks

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

	Group		Company	
	1996 £	1995 £	1996 £	1995 £
Vehicles	4,878,809	3,932,782	-	-
Spare parts	488,589	508,604	-	-
Other stocks	174,761	107,667	-	-
	<u>5,542,159</u>	<u>4,549,053</u>	<u>-</u>	<u>-</u>

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 1996

5 Debtors

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

	Group		Company	
	1996	1995	1996	1995
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	2,562,443	1,941,830	-	-
Due from fellow group undertakings	-	-	61,514	103,992
Ford Motor Company bulk deposit	-	2,033,703	-	-
Prepayments and accrued income	643,657	531,991	12,541	13,538
Value added tax	60,134	-	22,632	-
	<u>3,266,234</u>	<u>4,507,524</u>	<u>96,687</u>	<u>117,530</u>
Amounts falling due after more than one year:				
ACT on proposed dividend	11,324	27,812	11,324	27,812
	<u>3,277,558</u>	<u>4,535,336</u>	<u>108,011</u>	<u>145,342</u>

6 Creditors: Amounts falling due within one year

	Group		Company	
	1996	1995	1996	1995
	£	£	£	£
Bank overdraft	1,304,241	-	-	-
Obligations under finance leases	72,729	17,138	-	-
Term loan instalments	242,332	183,332	209,000	150,000
Stocking finance	1,600,000	3,909,189	-	-
Trade creditors	4,187,468	3,957,054	-	-
Due to fellow group undertakings	-	-	328	75,572
Corporation tax	111,295	249,894	63,208	174,899
Other taxes and social security costs	131,018	138,704	-	-
Proposed dividend	45,294	111,247	45,294	111,247
Value added tax	-	36,963	-	10,343
Other creditors	1,208,658	1,215,018	187,816	178,906
ACT payable	14,747	86,598	14,747	86,598
Obligations under vehicle repurchase agreements	3,552,902	3,521,757	-	-
	<u>12,470,684</u>	<u>13,426,894</u>	<u>520,393</u>	<u>787,565</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.

Certain amounts included in other creditors are secured by second charges over certain of the freehold properties.

Notes to financial statements

31 July 1996

7 Creditors: Amounts falling due after more than one year

	Group		Company	
	1996 £	1995 £	1996 £	1995 £
Term loan not wholly repayable within five years	2,966,002	3,208,334	2,816,000	3,025,000
Obligations under finance leases	204,921	26,619	-	-
Obligations under vehicle repurchase agreements	8,208,945	7,307,968	-	-
	<u>11,379,868</u>	<u>10,542,921</u>	<u>2,816,000</u>	<u>3,025,000</u>

The company term loan of £3,025,000 is repayable in two quarterly instalments of £37,500 followed by forty-three quarterly instalments of £67,000 and one final quarterly instalment of £69,000. Interest is payable at variable rates.

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

Obligations under vehicle repurchase agreements and obligations under finance leases shown above are due in years two to five.

8 Provision for liabilities and charges

a) No deferred tax has been provided by the group at 31 July 1996 (1995 - £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	
	1996 £	1995 £	1996 £	1995 £
Capital allowances in excess of depreciation	<u>55,000</u>	<u>58,700</u>	<u>-</u>	<u>-</u>

Notes to financial statements

31 July 1996

9 Share capital and reserves

a) Share capital

The authorised share capital of the company at 31 July 1996 comprised:

	Number	Par value £	Capital £
Equity share capital:			
Ordinary shares	8,473,015	0.10	847,302
Deferred shares	273,726	0.10	27,372
Cumulative convertible participating preferred ordinary shares (CCPPO)	188,459	0.10	18,846
Total equity authorised share capital			<u>893,520</u>
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
Third preference shares	1,700,000	0.01	17,000
Total non-equity authorised share capital			<u>1,046,941</u>
Total authorised share capital			<u>1,940,461</u>

Allotted, called-up and fully-paid

	1996 £	1995 £
Equity share capital:		
Ordinary shares of 10p each	18,922	18,922
Deferred shares of 10p each	27,372	11,078
CCPPO shares of 10p each	18,846	35,140
Total equity share capital	<u>65,140</u>	<u>65,140</u>
Non-equity share capital:		
First preference shares of 1p each	12,941	29,941
Second preference shares of £1 each	925,000	925,000
Third preference shares of 1p each	17,000	-
Issue costs	(27,629)	-
Total non-equity share capital	<u>927,312</u>	<u>954,941</u>
Total allotted, called-up and fully-paid share capital	<u>992,452</u>	<u>1,020,081</u>

Notes to financial statements

31 July 1996

9 Share capital and reserves (continued)

a) Share capital (continued)

In accordance with FRS4, Accounting for Capital Instruments, costs relating to the issue of non-equity share capital have been deducted from the proceeds on allotment and amortised over a period to the redemption date of the non-equity shares as shown below. The company's non-equity share capital can be analysed as follows:

	£
Issued non-equity shares	954,941
Less: issue costs	(27,629)
	927,312

During the year, the company re-organised its share capital. The company allotted 1,700,000 third preference shares with a nominal value of 1p each for a consideration of £1 each, and redeemed 1,700,000 of the first preference shares of 1p each at £1 each. In accordance with S.160 of the Companies Act 1985, the premium on redemption of the first preference shares has been paid out of the proceeds of a fresh issue of new shares and has been accounted for as a reduction in the share premium arising on the issue of the new shares.

The company converted 162,941 CCPPO shares of 10p each to 162,941 deferred shares of 10p each 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 and third 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.

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.

Notes to financial statements

31 July 1996

9 Share capital and reserves (continued)

a) *Share capital (continued)*

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. Second preference shares are redeemable at par.

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.

The third preference shares carry a right to a fixed cumulative dividend at 3% per annum, payable on the same basis as the first and second preference shares.

On a winding up, the third preference shares rank *pari passu* with the first preference shares for the amount of capital contributed and any dividend arrears.

The third 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 third 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.

The third preference shares have no voting rights.

Notes to financial statements

31 July 1996

9 Share capital and reserves (continued)

b) Reserves

Group	Equity Interests			Non-Equity Interests		Total other reserves £
	Capital redemption reserve £	Special reserve £	Profit and loss account £	Other reserve £	Share premium £	
At 31 July 1995	171,040	576,439	(257,185)	369,281	-	112,096
Share issues	-	-	-	-	1,683,000	1,683,000
Redemption of shares	-	-	-	-	(1,683,000)	(1,683,000)
Retained profit for the year	-	-	16,203	-	-	16,203
Transfer from profit and loss account (note 17)	-	-	-	32,406	-	32,406
At 31 July 1996	<u>171,040</u>	<u>576,439</u>	<u>(240,982)</u>	<u>401,687</u>	<u>-</u>	<u>160,705</u>
Company						
At 31 July 1995	171,040	576,439	10,105	369,281	-	379,386
Share issues	-	-	-	-	1,683,000	1,683,000
Redemption of shares	-	-	-	-	(1,683,000)	(1,683,000)
Retained profit for the year	-	-	59,549	-	-	59,549
Transfer from profit and loss account (note 17)	-	-	-	32,406	-	32,406
At 31 July 1996	<u>171,040</u>	<u>576,439</u>	<u>69,654</u>	<u>401,687</u>	<u>-</u>	<u>471,341</u>

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 1996 have been accrued as an "other reserve" in the non-equity shareholders' funds (note 17).

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.

The capital redemption reserve and share premium account are non-distributable.

Notes to financial statements

31 July 1996

10 Reconciliation of movements in shareholders' funds

	Group	
	1996	1995
	£	£
Profit for the financial year	467,396	830,764
Dividends paid and proposed	(418,787)	(581,535)
	48,609	249,229
Redemption of preference shares	-	(25,000)
Issue costs	(27,629)	-
Opening shareholders' funds	1,879,656	1,655,427
Closing shareholders' funds	1,900,636	1,879,656

11 Guarantees and other financial commitments

a) Capital commitments

At the end of the current year capital commitments were:

	Group	
	1996	1995
	£	£
Authorised but not contracted for	-	220,000
	-	220,000

The company had no capital commitments at 31 July 1996 (1995 - £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 £19,000 (1995 - £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	-	18,128
- within 2-5 years	-	26,031
- after 5 years	19,000	-
	19,000	44,159

The company has no commitments under operating leases.

Notes to financial statements

31 July 1996

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

	1996 £	1995 £
On bank overdraft and loans		
- repayable within 5 years, not by instalments	343,088	305,136
On loans repayable wholly or in part		
- after 5 years, by instalments	276,304	291,251
	12,787	7,061
Interest element of finance lease charges	<u>632,179</u>	<u>603,448</u>

14 Profit on ordinary activities before taxation

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

	1996 £	1995 £
a) Depreciation of tangible fixed assets (note 2)		
- owned	237,985	213,007
- held under finance lease	47,191	26,047
	56,000	58,000
b) Auditors' remuneration	5,830,173	5,428,677
c) Staff costs (note 15)	(11,731)	(333)
d) Profit on disposal of fixed assets	55,239	41,203
e) Operating lease rentals - plant and machinery	19,000	16,500
- other	15,300	15,500
f) Non audit services provided by the auditors	<u>15,300</u>	<u>15,500</u>

In addition, amounts in respect of non audit services provided by the auditors and not charged to profit on ordinary activities before taxation total £12,500 (1995 - £nil).

Notes to financial statements

31 July 1996

15 Staff costs

	1996 £	1995 £
Employee costs during the year, including those for executive directors, amounted to:		
Wages and salaries	5,307,343	4,934,942
Social security costs	494,780	466,735
Other pension costs	28,050	27,000
	<u>5,830,173</u>	<u>5,428,677</u>

The average weekly number of employees during the year was 379 (1995 - 359).

Directors' remuneration:

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

	1996 £	1995 £
Other emoluments	200,344	194,345
Fees	5,000	5,000
Pension costs	28,050	27,000
	<u>233,394</u>	<u>226,345</u>

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

	1996 £	1995 £
Chairman and highest paid director	<u>120,963</u>	<u>122,005</u>

Directors received emoluments in the following ranges:

	1996 Number	1995 Number
£ 0 - £ 5,000	2	2
£ 70,001 - £ 75,000	-	1
£ 75,001 - £ 80,000	1	-
£ 120,001 - £ 125,000	<u>1</u>	<u>1</u>

Notes to financial statements

31 July 1996

16 Tax on profit on ordinary activities

	1996 £	1995 £
Corporation tax is based on the profit for the year at 33% (1995 - 33%)	232,480	372,750
Adjustment of current taxation in respect of prior year	6,450	(2,545)
	<u>238,930</u>	<u>370,205</u>

17 Dividends

	1996 £	1995 £
Paid and proposed:		
First preference shares		
- interim of 6.0p (1995 - 6.0p) per share paid	179,644	179,644
- interim of 2.59p (1995 - 6.0p) per share paid	77,523	179,644
- final of 1.15p (1995 - 2.84p) per share proposed	34,581	84,990
Second preference shares		
- interim of 6.0p (1995 - 6.0p) per share paid	55,500	55,500
- interim of 2.59p (1995 - 6.0p) per share paid	24,656	55,500
- final of 1.15p (1995 - 2.84p) per share proposed	10,713	26,257
Third preference shares		
- final of 0.8p (1995 - Nil) per share paid	13,693	-
Cumulative convertible participating preferred ordinary shares		
- interim of 6.4p (1995 - Nil) per share paid	22,477	-
	<u>418,787</u>	<u>581,535</u>
Accrued:		
- First preference shares	12,275	(84,990)
- Second preference shares	20,131	(26,257)
	<u>32,406</u>	<u>(111,247)</u>
	<u>451,193</u>	<u>470,288</u>

The results for the year ended 31 July 1996 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 1996 (£401,687) have been accrued in full as an "other reserve" in non-equity shareholders' funds (1995 - £369,281).

All dividends due for payment under the company's Articles of Association as at 31 July 1996 have been paid in full.

Notes to financial statements

31 July 1996

18 Reconciliation of operating profit to net cash (outflow) inflow from operating activities

	1996 £	1995 £
Operating profit	1,275,939	1,781,463
Depreciation charges	285,176	239,054
Profit on sale of fixed assets	(11,731)	(333)
(Increase) decrease		
- stocks	(993,106)	(959,860)
- debtors	1,257,778	859,544
Increase (decrease)		
- creditors	(2,146,272)	(309,458)
- provisions	-	(1,490)
	<u>(332,216)</u>	<u>1,608,920</u>

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

	1996 £	1995 £
Balance at beginning of year	1,453,196	1,456,823
Net cash outflow	<u>(2,298,245)</u>	<u>(3,627)</u>
Balance at end of year	<u>(845,049)</u>	<u>1,453,196</u>

20 Analysis of changes in financing during the year

	Share Capital £	Loans £	Finance lease obligations £
Balance at 1 August 1994	1,045,081	3,500,000	68,128
Cash outflows from financing	<u>(25,000)</u>	<u>(108,334)</u>	<u>(24,371)</u>
Balance at 31 July 1995	1,020,081	3,391,666	43,757
New finance leases	-	-	304,827
Issue of new shares	1,700,000	-	-
Redemption of share capital	<u>(1,700,000)</u>	-	-
Issue costs	<u>(27,629)</u>	-	-
Cash outflows from financing	-	<u>(183,332)</u>	<u>(70,934)</u>
Balance at 31 July 1996	<u>992,452</u>	<u>3,208,334</u>	<u>277,650</u>

21 Major non-cash transactions

During the year the group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of £304,827 (1995 - £nil).