



Peoples Limited

Financial statements 31 July 1999
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

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

191 West George Street

Glasgow

G2 2LB

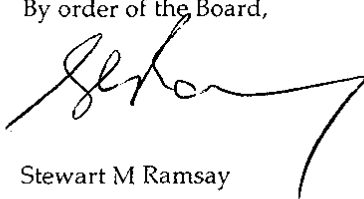
Notice of meeting

Notice is hereby given that the sixteenth annual general meeting of the company will be held at Glenmavis Garage, Bathgate EH48 4LA on 10 December 1999 to transact the following business:

1. To receive and adopt the directors' report and financial statements for the year ended 31 July 1999 together with the auditors' report.
2. To appoint 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

15 October 1999

Directors' report

For the year ended 31 July 1999

The directors have pleasure in submitting their annual report on the affairs of the group together with the financial statements and auditors' report for the year ended 31 July 1999.

Principal activity and business review

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.

In January 1999, a subsidiary company commenced trading when it took over a short-term rental of the premises of Alexanders of Edinburgh Limited. No assets were acquired. In August 1999, that company moved to new premises at Hermiston Gait, Edinburgh.

On 30 April 1999, a further subsidiary company acquired certain assets from J Blake & Co Limited (in administrative receivership). Details of the acquisition are shown in note 2 to the accounts.

Results

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

Profit on ordinary activities before taxation was £1,328,208 (1998 - £780,094).

Profit on ordinary activities after taxation was £922,816 (1998 - £577,222).

Dividends

Dividends paid and proposed are as follows:

	First preference shares £	Second preference shares £	Third preference shares £	Fourth preference shares £	Cumulative convertible participating preferred ordinary shares £	Ordinary £
Paid - 31 January 1999	-	55,500	-	76,875	-	-
Paid - 31 July 1999	-	55,500	-	78,067	-	-
Proposed	-	-	-	-	-	132,820
		111,000	-	154,942	-	132,820
1999 - Dividend per share	-	12.0p	-	3.75p	-	70.20p
1998 - Dividend per share	35.61p	26.09p	3.80p	0.07p	228.50p	31.71p

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 1999	31 July 1998	31 July 1999	31 July 1998
B P Gilda	89,398	89,398	151,070	151,070
S M Ramsay	21,387	21,387	38,145	38,145

The group is under the ultimate control of the board of directors.

No director has any beneficial interest in the preference 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 group 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 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 2,900,000 fourth preference shares with a nominal value of 1p each for a consideration of £1 each.

Subsequent to 31 July 1999, the company has redeemed 200,000 second preference shares at par out of the above proceeds.

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.

Year 2000

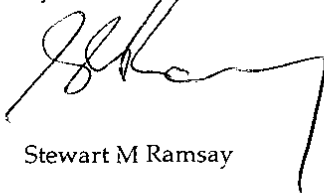
The directors have considered the risks and uncertainties associated with the Year 2000 date change issue, and have established appropriate procedures to address the issue. The directors do not expect the costs specifically associated with the Year 2000 date change issue to be significant, all costs being written off as incurred.

Auditors

A resolution to appoint 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

15 October 1999

Chairman's statement

During the period under review, the Group's turnover increased by 27% from £114.3m to £145.4m. This figure represents the highest recorded turnover of the Group since its inception.

Pre-tax profits increased by 70% to £1,328,208.

I am obviously delighted at the improvement in our profits and ultimately the opportunities that go with what is now eight separate locations. Of particular note, is the fact that in April of this year, the Company purchased from the receiver, certain assets of J Blake & Co, a long established Ford Main Dealer operating in the Merseyside area. This transaction harmonises the north and south Merseyside Customer Marketing Areas into one with Ford Motor Company's agreement and approval, and makes us the first Dealer in the UK to singularly control a major city.

Current Trading and Outlook

Our first two months trading to September are behind us and the results show us trailing the same period last year. Part of this can be explained by the plate change from August to September and the market not reaching anywhere near expectation.

More worrying, is the belief held in many quarters, that consumers are delaying purchase until the various manufacturers reduce their pricing to 'European' levels. It remains to be seen whether Ford Motor Company will pre-emptively reduce prices during the back quarter of 1999, or whether they will stalk their competitors pricing, before moving. Either way, damage has been done, both to consumer expectations and therefore the market place, with the consequential knock-on effect for Used Car volumes and values.

October, 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 remainder of our financial year to reach our desired results.

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 their 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 advisors associated with the Group.



Brian P Gilda

Chairman

15 October 1999

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 1999 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

191 West George Street
Glasgow
G2 2LB

15 October 1999

Consolidated balance sheet

31 July 1999

	Notes	1999 £	1998 £
Fixed assets			
Tangible assets	3	<u>9,745,687</u>	<u>5,578,326</u>
Current assets			
Interest in vehicle residuals:			
- repurchases after one year		9,630,269	8,538,980
- repurchases within one year		4,629,772	5,449,824
Stocks	5	9,771,643	6,166,352
Debtors	6	9,832,046	4,383,276
Cash at bank and in hand		753,377	709,051
		<u>34,617,107</u>	<u>25,247,483</u>
Creditors: Amounts falling due within one year	7	<u>(24,504,690)</u>	<u>(17,083,970)</u>
Net current assets		<u>10,112,417</u>	<u>8,163,513</u>
Total assets less current liabilities		<u>19,858,104</u>	<u>13,741,839</u>
Creditors: Amounts falling due after more than one year	8	<u>(14,398,023)</u>	<u>(11,677,758)</u>
Net assets		<u>5,460,081</u>	<u>2,064,081</u>
Capital and reserves			
Called-up share capital	10a	969,317	968,371
Share premium	10b	3,632,172	761,172
Capital redemption reserve	10b	171,040	171,040
Special reserve	10b	576,439	576,439
Profit and loss account	10b	111,113	(412,941)
Shareholders' funds		<u>5,460,081</u>	<u>2,064,081</u>
Represented by:			
Equity interests		888,592	364,538
Non-equity interests		4,571,489	1,699,543
		<u>5,460,081</u>	<u>2,064,081</u>

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

Company balance sheet

31 July 1999

	Notes	1999 £	1998 £
Fixed assets			
Investments	4	5,353,300	5,353,300
Current assets			
Debtors	6	447,370	200,788
Cash at bank and in hand		3,333,592	502,733
		3,780,962	703,521
Creditors: Amounts falling due within one year	7	(1,295,847)	(1,102,842)
Net current assets/(liabilities)		2,485,115	(399,321)
Total assets less current liabilities		7,838,415	4,953,979
Creditors: Amounts falling due after more than one year	8	(2,012,000)	(2,280,000)
Net assets		5,826,415	2,673,979
Capital and reserves			
Called-up share capital	10a	969,317	968,371
Share premium	10b	3,632,172	761,172
Capital redemption reserve	10b	171,040	171,040
Special reserve	10b	576,439	576,439
Profit and loss account	10b	477,447	196,957
Shareholders' funds		5,826,415	2,673,979
Represented by:			
Equity interests		1,254,926	974,436
Non-equity interests		4,571,489	1,699,543
		5,826,415	2,673,979

Signed on behalf of the Board

Brian P Gilda



Director

15 October 1999

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

Consolidated profit and loss account

For the year ended 31 July 1999

	Notes	1999 £	1998 £
Turnover	13	145,363,829	114,340,258
Cost of sales		(141,207,503)	(111,629,689)
Gross profit		4,156,326	2,710,569
Other operating expenses (net)		(2,008,628)	(1,192,352)
Operating profit		2,147,698	1,518,217
Interest receivable and similar income		46,984	23,961
Interest payable and similar charges	14	(866,474)	(762,084)
Profit on ordinary activities before taxation	13, 15	1,328,208	780,094
Tax on profit on ordinary activities	17	(405,392)	(202,872)
Profit on ordinary activities after taxation		922,816	577,222
Dividends paid and proposed on equity and non-equity shares	18	(398,762)	(796,705)
Retained profit/(loss) for the financial year		524,054	(219,483)
Accumulated deficit at beginning of year		(412,941)	(193,458)
Retained profit/(accumulated deficit) at end of year		111,113	(412,941)

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

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

A statement of movements in shareholders' funds is given in note 11.

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

Consolidated cash flow statement

For the year ended 31 July 1999

	Notes	1999 £	£	1998 £	£
Net cash (outflow)/inflow from operating activities	19		(1,281,420)		640,278
Returns on investments and servicing of finance					
Interest received		46,984		23,961	
Interest paid		(858,488)		(749,492)	
Interest element of finance lease rentals and hire purchase agreements		(7,986)		(12,592)	
Non-equity dividends paid		(265,942)		(866,398)	
Net cash outflow from returns on investments and servicing of finance			(1,085,432)		(1,604,521)
Taxation					
Corporation tax paid		(74,077)		(135,023)	
ACT received		166,427		-	
ACT paid		(308,510)		(63,842)	
Tax paid			(216,160)		(198,865)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(743,590)		(1,377,679)	
Sale of tangible fixed assets		10,300		6,770	
Net cash outflow for capital expenditure and financial investment			(733,290)		(1,370,909)
Acquisitions and disposals					
Purchase of certain assets of J. Blake & Co Limited	2		(5,154,512)		-
Equity dividends paid			-		(490,638)
Net cash outflow before financing			(8,470,814)		(3,024,655)
Financing					
Issue of new shares	10a	2,900,000		4,100,000	
Issue expenses		(28,054)		-	
Redemption of share capital	10a	-		(3,362,909)	
New loan	21	1,700,000		700,000	
Repayment of loans	21	(301,333)		(301,334)	
Capital element of finance lease payments	21	(62,811)		(66,668)	
Capital element of hire purchase payments	21	(5,729)		-	
Increase in stock finance	21	1,100,000		1,600,000	
Net cash inflow from financing			5,302,073		2,669,089
Decrease in cash	20		(3,168,741)		(355,566)

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

Notes to financial statements

31 July 1999

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 capitalised and amortised on a systematic basis over the estimated useful life. Goodwill arising prior to the introduction of Financial Reporting Standard 10 ("FRS 10") has been eliminated against reserves and has not been re-instated as an asset as permitted by FRS 10.

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 after taxation for the financial year, determined in accordance with the Act, was £679,252 (1998 - £847,097).

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%
Computer equipment	25%
Motor vehicles	25% and 30%
Leased assets	20%

Provision is made for any impairment.

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 (continued)

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 financial statements 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 9.

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. Further information on charges in the year and future commitments is given in notes 12 and 15.

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.

A subsidiary company operates a company personal pension scheme on behalf of certain employees. This is a defined contribution scheme. Contributions are charged to the profit and loss account as incurred.

A subsidiary company operates a defined benefits scheme on behalf of certain employees. Contributions are charged to the profit and loss account being the estimated regular cost of providing the benefits accrued in the year.

Notes to financial statements (continued)

2 Acquisition of trading assets

On 30 April 1999, a subsidiary company entered into an agreement to acquire certain assets of J Blake & Co Limited (in administrative receivership), for a cash consideration of £5,154,512.

The following table sets out the book value of the assets acquired:

	£
Fixed assets	3,405,000
Stocks and WIP	1,749,512
	<u>5,154,512</u>

There is no material difference between the book value of assets acquired and their fair value to the group.

3 Tangible fixed assets

The movement in the year was as follows:

Group	Freehold land and buildings £	Long leasehold buildings £	Computers, plant and equipment £	Leased assets £	Motor vehicles £	Total £
Cost						
31 July 1998	4,913,182	256,587	2,132,731	506,496	57,108	7,866,104
Additions	3,463,879	-	715,505	316,792	49,418	4,545,594
Disposals	(2,196)	-	(29,682)	-	(21,988)	(53,866)
31 July 1999	<u>8,374,865</u>	<u>256,587</u>	<u>2,818,554</u>	<u>823,288</u>	<u>84,538</u>	<u>12,357,832</u>
Depreciation						
31 July 1998	445,358	60,901	1,409,258	352,351	19,910	2,287,778
Charge for year	61,935	5,131	211,242	68,506	23,839	370,653
Disposals	(2,196)	-	(29,682)	-	(14,408)	(46,286)
31 July 1999	<u>505,097</u>	<u>66,032</u>	<u>1,590,818</u>	<u>420,857</u>	<u>29,341</u>	<u>2,612,145</u>
Net book value						
31 July 1998	<u>4,467,824</u>	<u>195,686</u>	<u>723,473</u>	<u>154,145</u>	<u>37,198</u>	<u>5,578,326</u>
Net book value						
31 July 1999	<u>7,869,768</u>	<u>190,555</u>	<u>1,227,736</u>	<u>402,431</u>	<u>55,197</u>	<u>9,745,687</u>

Notes to financial statements (continued)

3 Tangible fixed assets (continued)

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 1999 was £829,594 (1998 - £747,359).

Freehold land amounting to £3,869,973 (1998 - £2,419,733) has not been depreciated.

Leased assets consist entirely of plant and equipment. Included within computer, plant and equipment are assets obtained under hire purchase agreements with a net book value of £74,483.

Company

At the end of the year the company had no tangible fixed assets (1998 - £Nil).

4 Fixed asset investments

Company	Total £	Ordinary shares £	Preference shares £	Long term loan stock £
At 31 July 1998 and 1999	<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.

Fixed asset investments relate to interests in subsidiary undertakings held directly by the company.

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 Falkirk 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 Edinburgh Limited	Sale and repair of motor vehicles
Liverpool Daily Centre Limited	Sale and repair of motor vehicles
Total Vehicle Solutions Limited (formerly Peoples Wholesale Limited)	Vehicle financing
Peoples Detroit Limited	Non trading

Notes to financial statements (continued)

5 Stocks

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

	Group		Company	
	1999	1998	1999	1998
	£	£	£	£
Vehicles	8,693,077	5,234,142	-	-
Spare parts	790,414	726,797	-	-
Other stocks	288,152	205,413	-	-
	<u>9,771,643</u>	<u>6,166,352</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.

6 Debtors

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

	Group		Company	
	1999	1998	1999	1998
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	7,577,153	2,626,133	-	-
Due from fellow group undertakings	-	-	228,029	15,884
Prepayments and accrued income	2,254,893	1,337,354	214,789	111,695
Corporation tax recoverable	-	166,427	-	31,705
Value added tax	-	211,858	4,552	-
	<u>9,832,046</u>	<u>4,341,772</u>	<u>447,370</u>	<u>159,284</u>
Amounts falling due after more than one year:				
ACT recoverable	-	41,504	-	41,504
	<u>9,832,046</u>	<u>4,383,276</u>	<u>447,370</u>	<u>200,788</u>

Notes to financial statements (continued)

7 Creditors: Amounts falling due within one year

	Group		Company	
	1999	1998	1999	1998
	£	£	£	£
Bank overdraft	3,637,780	424,713	-	-
Obligations under finance leases	138,048	62,811	-	-
Obligations under hire purchase agreements	22,918	-	-	-
Term loan instalments	301,332	301,332	268,000	268,000
Stocking finance	4,450,000	3,350,000	-	-
Trade creditors	7,840,334	5,185,775	-	-
Due to fellow group undertakings	-	-	100	93,301
Corporation tax	330,528	73,809	245,000	49,210
Other taxes and social security costs	308,921	198,918	-	12,082
Proposed dividend	132,820	-	132,820	-
Other creditors and accruals	2,619,850	1,761,372	649,927	538,383
ACT payable	-	275,416	-	139,780
Value added tax	92,387	-	-	2,086
Obligations under vehicle repurchase agreements	4,629,772	5,449,824	-	-
	<u>24,504,690</u>	<u>17,083,970</u>	<u>1,295,847</u>	<u>1,102,842</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.

8 Creditors: Amounts falling due after more than one year

	Group		Company	
	1999	1998	1999	1998
	£	£	£	£
Term loan wholly repayable within five years	50,001	83,334	-	-
Term loan not wholly repayable within five years	4,412,000	2,980,000	2,012,000	2,280,000
Obligations under finance leases	254,188	75,444	-	-
Obligations under hire purchase agreements	51,565	-	-	-
Obligations under vehicle repurchase agreements	9,630,269	8,538,980	-	-
	<u>14,398,023</u>	<u>11,677,758</u>	<u>2,012,000</u>	<u>2,280,000</u>

The company term loan of £2,280,000 is repayable by thirty 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. A loan of £700,000 is repayable by thirty two quarterly instalments of £21,875 commencing 30 November 2000. A new term loan of £1,700,000 is repayable by thirty two quarterly instalments of £53,125 commencing 31 May 2001. At 31 July 1999 £2,321,250 (1998 - £1,667,375) was due after more than 5 years.

Notes to financial statements (continued)

8 Creditors: Amounts falling due after more than one year (continued)

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

9 Deferred taxation

a) No deferred tax has been provided by the group at 31 July 1999 (1998 - £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 crystallise in the foreseeable future.

b) Deferred taxation unprovided:

	Group		Company	
	1999	1998	1999	1998
	£	£	£	£
Capital allowances in excess of depreciation	76,500	57,100	-	-

10 Share capital and reserves

a) Share capital

The authorised share capital of the company at 31 July 1999 comprised:

	Number	Par value £	1999 Capital £	1998 Capital £
Equity share capital:				
Ordinary shares	7,773,015	0.10	777,302	790,302
Deferred shares	462,185	0.10	46,218	46,218
Total equity authorised share capital			823,520	836,520
Non-equity share capital:				
First preference shares	2,994,060	0.01	29,941	29,941
Second preference shares	1,000,000	1.00	1,000,000	1,000,000
Third preference shares	1,700,000	0.01	17,000	17,000
Fourth preference shares	7,000,000	0.01	70,000	57,000
Total non-equity authorised share capital			1,116,941	1,103,941
Total authorised share capital			1,940,461	1,940,461

Notes to financial statements (continued)

10 Share capital and reserves (continued)

a) Share capital (continued)

	1999 £	1998 £
<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
Total equity share capital	30,000	30,000
Non-equity share capital:		
Second preference shares of £1 each	925,000	925,000
Fourth preference shares of 1p each	70,000	41,000
Issue costs of non-equity share capital	(55,683)	(27,629)
Total non-equity share capital	939,317	938,371
Total allotted, called-up and fully-paid share capital	969,317	968,371

In accordance with Financial Reporting Standard 4, Accounting for Capital Instruments, costs relating to the issue of non-equity share capital have been deducted from the proceeds on allotment. The shares issued have no specified redemption date but are redeemable in certain circumstances detailed in the company's Articles of Association. As a result of this, there has been no amortisation of the issue costs under Financial Reporting Standard 4. The company's non-equity share capital can be analysed as follows:

	1999 £	1998 £
Issued non-equity shares	995,000	966,000
Less: issue costs	(55,683)	(27,629)
	939,317	938,371

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

The second preference shares carry a right to a fixed cumulative dividend at 12% per annum. 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 second preference shares carry no voting right as long as the dividend payment terms detailed in the Articles of Association are satisfied.

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

Notes to financial statements (continued)

10 Share capital and reserves (continued)

a) Share capital (continued)

The fourth preference shares carry a right to a fixed cumulative dividend at 3.75% per annum, payable on the same basis as the other preference shares. On a winding up, the fourth preference shares rank *pari passu* with the second preference shares for the amount of capital contributed and any dividend arrears.

The fourth 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. The fourth preference shares are redeemable between 2005 and 2009 in equal annual amounts. As the dividend is based on the nominal value plus the redemption premium, the redemption premium has not been accounted for as a finance cost under Financial Reporting Standard 4.

The holders of the fourth preference shares have an option to acquire 22.5% of the enlarged ordinary share capital at par.

b) Reserves

	Equity Interests			Non-Equity Interests
	Capital redemption reserve	Special reserve	Profit and loss account	Share premium
Group	£	£	£	£
At 31 July 1998	171,040	576,439	(412,941)	761,172
Share issues	-	-	-	2,871,000
Retained profit for the year	-	-	524,054	-
At 31 July 1999	<u>171,040</u>	<u>576,439</u>	<u>111,113</u>	<u>3,632,172</u>
Company				
At 31 July 1998	171,040	576,439	196,957	761,172
Share issues	-	-	-	2,871,000
Retained profit for the year	-	-	280,490	-
At 31 July 1999	<u>171,040</u>	<u>576,439</u>	<u>477,447</u>	<u>3,632,172</u>

During the year, the company allotted 2,900,000 fourth preference shares with a nominal value of 1p each for a consideration of £1 each.

Subsequent to 31 July 1999, the company has redeemed 200,000 second preference shares at par out of the above proceeds.

Notes to financial statements (continued)

10 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.

The capital redemption reserve is non-distributable.

The cumulative amount of goodwill resulting from acquisitions in the previous years which has been written off to reserves is £2,387,680 (1998 - £2,387,680).

11 Reconciliation of movements in shareholders' funds

	Group	
	1999	1998
	£	£
Profit for the financial year	922,816	577,222
Dividends paid and proposed (see note 18)	(398,762)	(1,260,312)
	524,054	(683,090)
Share issues	2,900,000	4,100,000
Share issue costs	(28,054)	-
Redemption of shares	-	(3,362,909)
Opening shareholders' funds	2,064,081	2,010,080
Closing shareholders' funds	5,460,081	2,064,081

12 Guarantees and other financial commitments

a) Capital commitments

The group and the company had no capital commitments at 31 July 1999 (1998 - £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 (1998 - £19,000). 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:

	1999		1998	
	Property	Equipment	Property	Equipment
	£	£	£	£
Group				
Operating leases which expire				
- within 1 year	-	2,564	-	22,650
- within 2-5 years	-	1,558	-	1,558
- after 5 years	19,000	-	19,000	-
	19,000	4,122	19,000	24,208

Notes to financial statements (continued)

12 Guarantees and other financial commitments (continued)

c) Lease commitments (continued)

	1999 Equipment £	1998 Equipment £
Company		
Operating leases which expire		
- within 1 year	-	-

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.

13 Segmental information

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

14 Interest payable and similar charges

	1999 £	1998 £
On bank overdraft and loans		
- repayable within 5 years, by instalments	11,916	10,709
- repayable within 5 years, not by instalments	508,167	413,893
On loans repayable wholly or in part		
- after 5 years, by instalments	280,903	247,593
Interest element of finance lease charges	7,986	12,592
Other interest	57,502	77,297
	<u>866,474</u>	<u>762,084</u>

15 Profit on ordinary activities before taxation

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

	1999 £	1998 £
a) Depreciation of tangible fixed assets (note 3)		
- owned	296,418	260,380
- held under finance leases and hire purchase agreements	74,235	68,920
b) Auditors' remuneration	90,000	60,000
c) Staff costs (note 16)	9,022,841	6,366,925
d) (Profit)/loss on disposal of fixed assets	(2,720)	1,535
e) Operating lease rentals - plant and machinery	41,110	31,201
- other	19,000	19,000
f) Non audit services provided by the auditors	9,895	20,400

Notes to financial statements (continued)

16 Staff costs

	1999 £	1998 £
Employee costs during the year, including those for executive directors, amounted to:		
Wages and salaries	8,211,128	5,826,129
Social security costs	759,824	508,431
Other pension costs	51,889	32,365
	<u>9,022,841</u>	<u>6,366,925</u>

The average monthly number of employees during the year was 510 (1998 - 396).

Directors' remuneration:

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

	1999 £	1998 £
<i>Remuneration:</i>		
Emoluments	218,262	222,020
Company contributions to money purchase pension schemes	29,625	28,628
Compensation for loss of office	-	45,000
	<u>247,887</u>	<u>295,648</u>

Pensions:

The number of directors who were members of pension schemes was as follows:

	1999 Number	1998 Number
Money purchase schemes	<u>2</u>	<u>2</u>

Highest paid director:

The directors' remuneration shown above includes the following in respect of the highest paid director:

	1999 £	1998 £
Emoluments	124,459	123,904
Company contributions to money purchase pension schemes	16,500	16,500
	<u>140,959</u>	<u>140,404</u>

Notes to financial statements (continued)

17 Tax on profit on ordinary activities

	1999	1998
	£	£
Corporation tax is based on the profit for the year at 30.66% (1998 – 31%)	401,869	232,200
Adjustment of current taxation in respect of prior year	3,523	(29,328)
	<u>405,392</u>	<u>202,872</u>

18 Dividends

	1999	1998
	£	£
Paid and proposed:		
First preference shares		
- interim of 6.0p (1998 – 6.0p) per share paid	-	77,644
- final of 6.0p (1998 – 29.61p) per share paid	-	383,168
Second preference shares		
- interim of 6.0p (1998 – 6.0p) per share paid	55,500	55,500
- final of 6.0p (1998 – 20.09p) per share paid	55,500	185,873
Third preference shares		
- interim of 1.875p (1998 – 1.5p) per share paid	-	25,500
- final of 1.875p (1998 – 2.3p) per share paid	-	39,041
Cumulative convertible participating preferred ordinary shares		
- final of £Nil (1998 – 228.50p) per share paid	-	430,629
Fourth preference shares		
- interim of 3.75p (1998 – Nil) per share paid	76,875	-
- final of 3.75p (1998 – 0.07p) per share paid	78,067	2,948
Ordinary shares		
- final of 70.20p (1998 – 31.71p) per share proposed	132,820	60,009
	<u>398,762</u>	<u>1,260,312</u>
Accrued:		
- First preference shares	-	(318,714)
- Second preference shares	-	(130,373)
- Third preference shares	-	(14,520)
	-	<u>(463,607)</u>
	<u>398,762</u>	<u>796,705</u>

The first and third preference shares were redeemed in full during 1998. The results for the year ended 31 July 1999 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 1999 of £Nil have been accrued in full as an "other reserve" in non-equity shareholders' funds (1998 – release of £463,607).

All dividends due for payment under the company's Articles of Association as at 31 July 1999 have been paid in full.

Notes to financial statements (continued)

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

	1999 £	1998 £
Operating profit	2,147,698	1,518,217
Depreciation charges	370,653	329,300
(Profit)/loss on sale of fixed assets	(2,720)	1,535
(Increase)/decrease		
- stocks	(1,855,779)	(1,270,260)
- debtors	(5,656,701)	(1,014,212)
Increase in creditors	3,715,429	1,075,698
Net cash (outflow)/inflow from operating activities	<u>(1,281,420)</u>	<u>640,278</u>

20 Reconciliation of net cash flow to movement in net debt

	1999 £	1998 £
Decrease in cash in year	(3,168,741)	(355,566)
Cash inflow from increase in debt and lease financing	(1,330,127)	(331,998)
Cash inflow from increase in stocking finance	(1,100,000)	(1,600,000)
Change in net debt resulting from cash flows	(5,598,868)	(2,287,564)
New finance leases and hire purchase agreements	(397,004)	-
Net debt at beginning of year	(6,568,583)	(4,281,019)
Net debt at end of year	<u>(12,564,455)</u>	<u>(6,568,583)</u>

21 Analysis of net debt

	1998 £	Cash flow £	New finance leases £	1999 £
Cash in hand and at bank	709,051	44,326	-	753,377
Overdraft	(424,713)	(3,213,067)	-	(3,637,780)
Debt due within 1 year	(301,332)	-	-	(301,332)
Debt due after 1 year	(3,063,334)	(1,398,667)	-	(4,462,001)
Finance leases	(138,255)	62,811	(316,792)	(392,236)
Hire purchase agreements	-	5,729	(80,212)	(74,483)
Stocking finance	(3,350,000)	(1,100,000)	-	(4,450,000)
	<u>(6,568,583)</u>	<u>(5,598,868)</u>	<u>(397,004)</u>	<u>(12,564,455)</u>

22 Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard 8 not to disclose details of transactions with fellow group undertakings. Balances due from and to fellow group undertakings are disclosed at notes 6 and 7 respectively.