



ARTHUR ANDERSEN

Peoples Limited

Financial statements 31 July 2000
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

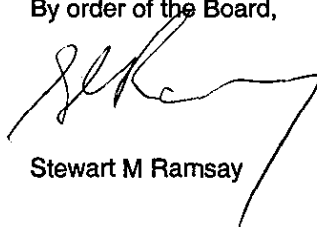
Notice of meeting

Notice is hereby given that the seventeenth annual general meeting of the company will be held at Glenmavis Garage, Bathgate EH48 4LA on 8 December 2000 to transact the following business:

1. To receive and adopt the directors' report and financial statements for the year ended 31 July 2000 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

13 October 2000

Directors' report

For the year ended 31 July 2000

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 2000.

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.

Results

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

Profit on ordinary activities before taxation was £564,715 (1999 - £1,328,208).

Profit on ordinary activities after taxation was £411,502 (1999 - £922,816).

Dividends

Dividends paid and proposed are as follows:

	Second preference shares £	Fourth preference shares £	Ordinary £
Paid – 15 October 1999	4,997	-	-
Paid – 31 January 2000	43,500	131,250	-
Proposed	43,500	131,250	56,472
	91,997	262,500	56,472
2000 - Dividend per share	12.0p	3.75p	29.85p
1999 - Dividend per share	12.0p	3.75p	70.20p

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 2000	31 July 1999	31 July 2000	31 July 1999
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 has redeemed 200,000 second preference shares at par out of the proceeds of an issue of 2,900,000 fourth preference shares undertaken in the prior year.

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

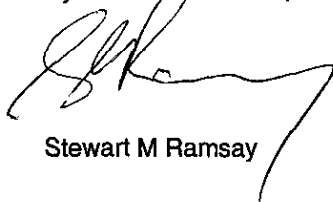
The group places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the group. This is achieved through formal and informal meetings. Employee 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

13 October 2000

Chairman's statement

During the period under review the Group's turnover increased by 20% from £145.4m to £175.0m. This again is the highest recorded turnover of the Group since its inception. The Group's turnover has now increased by 53% over the last two years.

In my statement last year, I said that consumers were delaying their purchase until the various manufacturers reduced their pricing to "European" levels. At that time I was uncertain as to whether the issue of the Competition Commission would be speedily resolved or whether it would persist for a longer period. Regrettably the issue has persisted throughout our financial year and damage has been done both to consumer expectations and the marketplace with a consequential knock-on effect for both New Car Margins and Used Car Volumes and Values. The direct result of this is that our pre-tax profits have decreased by 57% to £564,715.

It is never pleasant to report a drop in profits but the year just finished has been one of the toughest years that I can remember and whilst I am disappointed with the profits reduction, I am nevertheless encouraged that we remain in the black and capable of fighting through the challenges ahead.

During the year we also moved into our brand new facility in Edinburgh which truly is a location built for the new Millennium.

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. This is largely due to the September market not reaching expectation as a consequence of the retail consumers' expectations not being fully met. As I write this, Ford Motor Company has just announced reductions in the list price of new vehicles of up to 13% and it is to be hoped that this action will finally restore confidence to the retail consumers and hopefully release some of the pent-up demand which must exist.

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

13 October 2000



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 to 15.

Respective responsibilities of directors and auditors

As described on page 5 the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 2000 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

13 October 2000

Consolidated balance sheet

31 July 2000

	Notes	2000 £	1999 £
Fixed assets			
Tangible assets	2	<u>10,220,771</u>	<u>9,745,687</u>
Current assets			
Interest in vehicle residuals			
Repurchases after one year		11,875,141	9,630,269
Repurchases within one year		4,665,374	4,629,772
Stocks	4	9,278,064	9,771,643
Debtors	5	11,454,487	9,832,046
Cash at bank and in hand		955,595	753,377
		<u>38,228,661</u>	<u>34,617,107</u>
Creditors: Amounts falling due within one year	6	<u>(26,849,900)</u>	<u>(24,504,690)</u>
Net current assets		<u>11,378,761</u>	<u>10,112,417</u>
Total assets less current liabilities		21,599,532	19,858,104
Creditors: Amounts falling due after more than one year	7	<u>(16,341,218)</u>	<u>(14,398,023)</u>
Net assets		<u>5,258,314</u>	<u>5,460,081</u>
Capital and reserves			
Called-up share capital	9a	767,017	969,317
Share premium	9b	3,632,172	3,632,172
Capital redemption reserve	9b	171,040	171,040
Special reserve	9b	576,439	576,439
Profit and loss account	9b	111,646	111,113
Shareholders' funds	10	<u>5,258,314</u>	<u>5,460,081</u>
Represented by:			
Equity interests		889,125	888,592
Non-equity interests		4,369,189	4,571,489
		<u>5,258,314</u>	<u>5,460,081</u>

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

Company balance sheet

31 July 2000

	Notes	2000 £	1999 £
Fixed assets			
Investments	3	<u>5,353,300</u>	<u>5,353,300</u>
Current assets			
Debtors	5	259,573	447,370
Cash at bank and in hand		<u>4,314,962</u>	<u>3,333,592</u>
		4,574,535	3,780,962
Creditors: Amounts falling due within one year	6	<u>(1,781,828)</u>	<u>(1,295,847)</u>
Net current assets		<u>2,792,707</u>	<u>2,485,115</u>
Total assets less current liabilities		<u>8,146,007</u>	<u>7,838,415</u>
Creditors: Amounts falling due after more than one year	7	<u>(1,744,000)</u>	<u>(2,012,000)</u>
Net assets		<u>6,402,007</u>	<u>5,826,415</u>
Capital and reserves			
Called-up share capital	9a	767,017	969,317
Share premium	9b	3,632,172	3,632,172
Capital redemption reserve	9b	171,040	171,040
Special reserve	9b	576,439	576,439
Profit and loss account	9b	<u>1,255,339</u>	<u>477,447</u>
Shareholders' funds		<u>6,402,007</u>	<u>5,826,415</u>
Represented by:			
Equity interests		2,032,818	1,254,926
Non-equity interests		<u>4,369,189</u>	<u>4,571,489</u>
		<u>6,402,007</u>	<u>5,826,415</u>

Signed on behalf of the Board

Brian P Gilda

Director



13 October 2000

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

Consolidated profit and loss account
For the year ended 31 July 2000

	Notes	2000 £	1999 £
Turnover	12	175,024,992	145,363,829
Cost of sales		(170,378,049)	(141,207,503)
Gross profit		4,646,943	4,156,326
Other operating expenses (net)		(3,141,560)	(2,008,628)
Operating profit		1,505,383	2,147,698
Interest receivable and similar income		294,185	46,984
Interest payable and similar charges	13	(1,234,853)	(866,474)
Profit on ordinary activities before taxation	12, 14	564,715	1,328,208
Tax on profit on ordinary activities	16	(153,213)	(405,392)
Profit on ordinary activities after taxation		411,502	922,816
Dividends paid and proposed on equity and non-equity shares	17	(410,969)	(398,762)
Retained profit for the financial year		533	524,054
Retained profit/(accumulated deficit) at beginning of year		111,113	(412,941)
Retained profit at end of year		111,646	111,113

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 in shareholders' funds is given in note 10.

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

Consolidated cash flow statement

For the year ended 31 July 2000

	Notes	2000 £	1999 £
Net cash outflow from operating activities	18	(628,220)	(1,281,420)
Returns on investments and servicing of finance			
Interest received		294,185	46,984
Interest paid		(1,183,708)	(858,488)
Interest element of finance lease rentals and hire purchase agreements		(51,145)	(7,986)
Non-equity dividends paid		(179,747)	(265,942)
Net cash outflow from returns on investments and servicing of finance		(1,120,415)	(1,085,432)
Taxation			
Corporation tax paid		(322,284)	(74,077)
ACT received		-	166,427
ACT paid		-	(308,510)
Tax paid		(322,284)	(216,160)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(737,931)	(743,590)
Sale of tangible fixed assets		98,933	10,300
Net cash outflow for capital expenditure and financial investment		(638,998)	(733,290)
Acquisitions and disposals			
Purchase of certain assets of J. Blake & Co Limited		-	(5,154,512)
Equity dividends paid		(132,820)	-
Net cash outflow before financing		(2,842,737)	(8,470,814)
Financing			
Issue of new shares		-	2,900,000
Issue expenses		(2,300)	(28,054)
Redemption of share capital	9a	(200,000)	-
New loan		-	1,700,000
Repayment of loans	20	(301,333)	(301,333)
Capital element of finance lease payments	20	(210,645)	(62,811)
Capital element of hire purchase payments	20	(22,918)	(5,729)
Increase in stock finance	20	-	1,100,000
Net cash (outflow)/inflow from financing		(737,196)	5,302,073
Decrease in cash	19	(3,579,933)	(3,168,741)

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

Notes to financial statements

31 July 2000

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, less provision for impairment.

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 £1,188,861 (1999 - £679,252).

c) Tangible fixed assets and depreciation

Tangible fixed assets are shown at cost, net of depreciation and any provision for impairment.

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%

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 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. Further information on charges in the year and future commitments is given in notes 11 and 14.

Notes to financial statements (continued)

1 Statement of accounting policies (continued)

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. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Certain subsidiary companies operate a company personal pension scheme on behalf of certain employees. These are defined contribution schemes. Contributions are charged to the profit and loss account as incurred.

2 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 1999	8,374,865	256,587	2,818,554	823,288	84,538	12,357,832
Additions	27,857	-	583,742	373,045	126,332	1,110,976
Disposals	(500)	-	-	-	(22,426)	(22,926)
31 July 2000	<u>8,402,222</u>	<u>256,587</u>	<u>3,402,296</u>	<u>1,196,333</u>	<u>188,444</u>	<u>13,445,882</u>
Depreciation						
31 July 1999	505,097	66,032	1,590,818	420,857	29,341	2,612,145
Charge for year	93,536	5,131	266,967	215,508	43,036	624,178
Disposals	-	-	-	-	(11,212)	(11,212)
31 July 2000	<u>598,633</u>	<u>71,163</u>	<u>1,857,785</u>	<u>636,365</u>	<u>61,165</u>	<u>3,225,111</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>
Net book value						
31 July 2000	<u>7,803,589</u>	<u>185,424</u>	<u>1,544,511</u>	<u>559,968</u>	<u>127,279</u>	<u>10,220,771</u>

Notes to financial statements (continued)

2 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 2000 was £834,975 (1999 – £829,594).

Freehold land amounting to £3,869,973 (1999 - £3,869,973) 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 £51,565 (1999 - £74,483)

Company

The company has no tangible fixed assets (1999 - £Nil).

3 Fixed asset investments

	Total £	Ordinary shares £	Preference shares £	Long term loan stock £
Company				
At 31 July 1999 and 2000	5,353,300	4,300	1,000,000	4,349,000

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	Non trading
Peoples Detroit Limited	Non trading

Notes to financial statements (continued)

4 Stocks

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

	Group		Company	
	2000	1999	2000	1999
	£	£	£	£
Vehicles	7,747,704	8,693,077	-	-
Spare parts	1,243,629	790,414	-	-
Other stocks	286,731	288,152	-	-
	<u>9,278,064</u>	<u>9,771,643</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.

5 Debtors

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

	Group		Company	
	2000	1999	2000	1999
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	8,059,469	7,577,153	-	-
Due from fellow group undertakings	-	-	-	228,029
Prepayments and accrued income	3,135,938	2,254,893	259,573	214,789
Value added tax	259,080	-	-	4,552
	<u>11,454,487</u>	<u>9,832,046</u>	<u>259,573</u>	<u>447,370</u>

Notes to financial statements (continued)

6 Creditors: Amounts falling due within one year

	Group		Company	
	2000	1999	2000	1999
	£	£	£	£
Bank overdraft	7,419,931	3,637,780	-	-
Obligations under finance leases	159,124	138,048	-	-
Obligations under hire purchase agreements	22,918	22,918	-	-
Term loan instalments	420,082	301,332	268,000	268,000
Stocking finance	4,450,000	4,450,000	-	-
Trade creditors	6,656,063	7,840,334	-	-
Due to fellow group undertakings	-	-	346,693	100
Corporation tax	161,457	330,528	153,000	245,000
Other taxes and social security costs	295,866	308,921	-	-
Proposed dividend	231,222	132,820	231,222	132,820
Other creditors and accruals	2,367,863	2,619,850	766,259	649,927
Value added tax	-	92,387	16,654	-
Obligations under vehicle repurchase agreements	4,665,374	4,629,772	-	-
	<u>26,849,900</u>	<u>24,504,690</u>	<u>1,781,828</u>	<u>1,295,847</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 within other creditors are secured by second charges over certain of the freehold properties.

7 Creditors: Amounts falling due after more than one year

	Group		Company	
	2000	1999	2000	1999
	£	£	£	£
Term loan wholly repayable within five years	16,668	50,001	-	-
Term loan not wholly repayable within five years	4,025,250	4,412,000	1,744,000	2,012,000
Obligations under finance leases	395,512	254,188	-	-
Obligations under hire purchase agreements	28,647	51,565	-	-
Obligations under vehicle repurchase agreements	11,875,141	9,630,269	-	-
	<u>16,341,218</u>	<u>14,398,023</u>	<u>1,744,000</u>	<u>2,012,000</u>

The company term loan of £2,012,000 is repayable by twenty nine quarterly instalments of £67,000 and one final quarterly instalment of £69,000. Interest is payable at variable rates.

Notes to financial statements (continued)

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

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 2000 £1,753,250 (1999 - £2,321,250) was due after more than 5 years.

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

8 Deferred taxation

a) No deferred tax has been provided by the group at 31 July 2000 (1999 - £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	
	2000 £	1999 £	2000 £	1999 £
Capital allowances in excess of depreciation	111,000	76,500	-	-

9 Share capital and reserves

a) *Share capital*

The authorised share capital of the company at 31 July 2000 comprised:

	Number	Par value £	2000 Capital £	1999 Capital £
Equity share capital:				
Ordinary shares	7,773,015	0.10	777,302	777,302
Deferred shares	462,185	0.10	46,218	46,218
Total equity authorised share capital			823,520	823,520
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	70,000
Total non-equity authorised share capital			1,116,941	1,116,941
Total authorised share capital			1,940,461	1,940,461

Notes to financial statements (continued)

9 Share capital and reserves (continued)

a) Share capital (continued)

	2000 £	1999 £
Allotted, called-up and fully-paid		
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	725,000	925,000
Fourth preference shares of 1p each	70,000	70,000
Issue costs of non-equity share capital	(57,983)	(55,683)
Total non-equity share capital	737,017	939,317
Total allotted, called-up and fully-paid share capital	767,017	969,317

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:

	2000 £	1999 £
Issued non-equity shares	795,000	995,000
Less: issue costs	(57,983)	(55,683)
	737,017	939,317

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)

9 Share capital and reserves (continued)

a) Share capital (continued)

During the year, the company redeemed 200,000 second preference shares at par out of the proceeds of the issue of 2,900,000 fourth preference shares undertaken in the prior year.

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 carry no voting right as long as the dividend payment terms detailed in the Articles of Association are satisfied.

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 £	Share premium £	Special reserve £	Share premium £
Group				
At 31 July 1999	171,040	3,632,172	576,439	3,632,172
Retained profit for the year	-	-	-	-
At 31 July 2000	171,040	3,632,172	576,439	3,632,172
Company				
At 31 July 1999	171,040	3,632,172	576,439	3,632,172
Retained profit for the year	-	-	-	-
At 31 July 2000	171,040	3,632,172	576,439	3,632,172

Notes to financial statements (continued)

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.

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(1999 - £2,387,680).

10 Reconciliation of movements in shareholders' funds

	Group	
	2000 £	1999 £
Profit for the financial year	411,502	922,816
Dividends paid and proposed (see note 17)	(410,969)	(398,762)
	533	524,054
Share issues	-	2,900,000
Share issue costs	(2,300)	(28,054)
Redemption of shares	(200,000)	-
Opening shareholders' funds	5,460,081	2,064,081
Closing shareholders' funds	5,258,314	5,460,081

11 Guarantees and other financial commitments

a) Capital commitments

The group and the company had no capital commitments at 31 July 2000 (1999 - £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.

Notes to financial statements (continued)

11 Guarantees and other financial commitments

c) Lease commitments

The group has entered into non-cancellable leases in respect of workshop and office equipment. In addition, the group leases land and buildings on long term leases. The annual rental on these leases is £269,000 (1999 - £19,000). The rent payable under these leases is subject to renegotiation at intervals specified in the leases.

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

	2000		1999	
	Property £	Equipment £	Property £	Equipment £
Group				
Operating leases which expire				
- within 1 year	-	1,780	-	2,564
- within 2-5 years	-	362	-	1,558
- after 5 years	269,000	-	19,000	-
	<u>269,000</u>	<u>2,142</u>	<u>19,000</u>	<u>4,122</u>

The company has no operating leases.

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 Segmental information

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

Notes to financial statements (continued)

13 Interest payable and similar charges

	2000 £	1999 £
On bank overdraft and loans		
- repayable within 5 years, by instalments	10,845	11,916
- repayable within 5 years, not by instalments	786,585	508,167
On loans repayable wholly or in part		
- after 5 years, by instalments	349,015	280,903
Interest element of finance lease charges	51,145	7,986
Other interest	37,263	57,502
	<u>1,234,853</u>	<u>866,474</u>

14 Profit on ordinary activities before taxation

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

	2000 £	1999 £
a) Depreciation of tangible fixed assets (note 2)		
- owned	385,752	296,418
- held under finance leases and hire purchase agreements	238,426	74,235
b) Auditors' remuneration	70,000	90,000
c) Staff costs (note 15)	11,819,247	9,022,841
d) Profit on disposal of fixed assets	(87,219)	(2,720)
e) Operating lease rentals – plant and machinery	5,397	41,110
- other	269,000	19,000
f) Non audit services provided by the auditors	6,000	9,895

15 Staff costs

	2000 £	1999 £
Employee costs during the year, including those for executive directors, amounted to:		
Wages and salaries	10,730,561	8,211,128
Social security costs	1,027,711	759,824
Other pension costs	60,975	51,889
	<u>11,819,247</u>	<u>9,022,841</u>

The average monthly number of employees during the year was 690 (1999 - 510).

Notes to financial statements (continued)

Directors' remuneration:

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

	2000 £	1999 £
<i>Remuneration:</i>		
Emoluments	260,794	218,262
Company contributions to money purchase pension schemes	36,000	29,625
	<u>296,794</u>	<u>247,887</u>

Pensions:

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

	2000 Number	1999 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:

	2000 £	1999 £
Emoluments	155,787	124,459
Company contributions to money purchase pension schemes	21,000	16,500
	<u>176,787</u>	<u>140,959</u>

16 Tax on profit on ordinary activities

	2000 £	1999 £
Corporation tax	161,457	401,869
Adjustment of current taxation in respect of prior year	(8,244)	3,523
	<u>153,213</u>	<u>405,392</u>

Notes to financial statements (continued)

17 Dividends

	2000 £	1999 £
Paid and proposed:		
Second preference shares		
- interim of 6p (1999 – Nil) per share paid	4,997	-
- interim of 6p (1999 – 6.0p) per share paid	43,500	55,500
- final of 6p (1999 – 6.0p) per share proposed/paid	43,500	55,500
Fourth preference shares		
- interim of 3.75p (1999 – 3.75p) per share paid	131,250	76,875
- final of 3.75p (1999 – 3.75p) per share proposed/paid	131,250	78,067
Ordinary shares		
- final of 29.85p (1999 – 70.20p) per share proposed	56,472	132,820
	<u>410,969</u>	<u>398,762</u>

The first and third preference shares were redeemed in full during 1999.

All dividends due for payment under the company's Articles of Association as at 31 July 2000 have been paid or proposed in full.

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

	2000 £	1999 £
Operating profit	1,505,383	2,147,698
Depreciation charges	624,178	370,653
Profit on sale of fixed assets	(87,219)	(2,720)
Decrease/(increase)		
- stocks	493,579	(1,855,779)
- debtors	(1,622,441)	(5,656,701)
(Decrease)/increase in creditors	(1,541,700)	3,715,429
Net cash outflow from operating activities	<u>(628,220)</u>	<u>(1,281,420)</u>

Notes to financial statements (continued)

19 Reconciliation of net cash flow to movement in net debt

	2000 £	1999 £
Decrease in cash in year	(3,579,933)	(3,168,741)
Cash inflow from increase in debt and lease financing	534,896	(1,330,127)
Cash inflow from increase in stocking finance	-	(1,100,000)
Change in net debt resulting from cash flows	(3,045,037)	(5,598,868)
New finance leases and hire purchase agreements	(373,045)	(397,004)
Net debt at beginning of year	(12,564,455)	(6,568,583)
Net debt at end of year	<u>(15,982,537)</u>	<u>(12,564,455)</u>

20 Analysis of net debt

	1999 £	Cash flow £	New finance leases £	2000 £
Cash in hand and at bank	753,377	202,218	-	955,595
Overdraft	(3,637,780)	(3,782,151)	-	(7,419,931)
Debt due within 1 year	(301,332)	(118,750)	-	(420,082)
Debt due after 1 year	(4,462,001)	420,083	-	(4,041,918)
Finance leases	(392,236)	210,645	(373,045)	(554,636)
Hire purchase agreements	(74,483)	22,918	-	(51,565)
Stocking finance	(4,450,000)	-	-	(4,450,000)
	<u>(12,564,455)</u>	<u>(3,045,037)</u>	<u>(373,045)</u>	<u>(15,982,537)</u>

21 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 5 and 6 respectively.