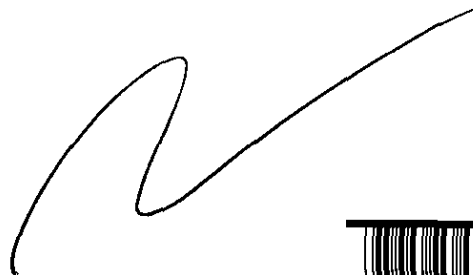


Peoples Limited

Financial statements 31 July 2001
together with directors' and auditors' reports

Registered number: SC080359



Contents

Pages

Directors and advisors	2
Notice of meeting	3
Directors' report	4
Chairman's statement	7
<i>Auditors' report</i>	8
Consolidated balance sheet	10
Company balance sheet	11
Consolidated profit and loss account	12
Consolidated cash flow statement	13
Notes to financial statements	14

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

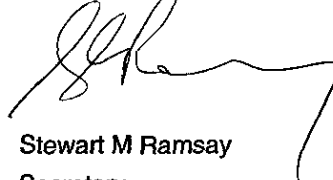
Notice of meeting

Notice is hereby given that the eighteenth annual general meeting of the company will be held at Glenmavis Garage, Bathgate EH48 4LA on 30 November 2001 to transact the following business:

1. To receive and adopt the directors' report and financial statements for the year ended 31 July 2001 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 2001

Directors' report

For the year ended 31 July 2001

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 2001.

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 12.

Profit on ordinary activities before taxation was £541,478 (2000 - £564,715).

Profit on ordinary activities after taxation was £432,138 (2000 - £411,502).

Dividends

Dividends paid and proposed are as follows:

	Second preference shares £	Fourth preference shares £	Ordinary £
Paid – 31 July 2001	43,500	131,250	-
Proposed	43,500	131,250	54,148
	<u>87,000</u>	<u>262,500</u>	<u>54,148</u>
2001 - Dividend per share	<u>12.0p</u>	<u>3.75p</u>	<u>28.62p</u>
2000 - Dividend per share	<u>12.0p</u>	<u>3.75p</u>	<u>29.85p</u>

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 2001	31 July 2000	31 July 2001	31 July 2000
Brian P Gilda	89,398	89,398	151,070	151,070
Stewart 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.

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

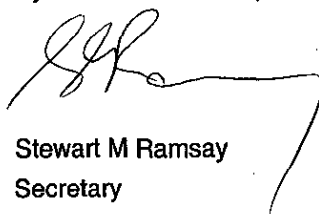
The group places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the group. This is achieved through formal and informal meetings. Employee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

15 October 2001

Chairman's statement

During the period under review, the Group's turnover decreased by 10.7% from £175.0m to £156.2m. This reduction was due in the first instance to a changed treatment of turnover with regard to certain Iveco Truck transactions. Secondly, the impact on used car stock balance and carrying values of our returning Motability vehicles has adversely effected the total volume of retail used vehicles sold from the record high of last year.

Thankfully our pre-tax profits have only reduced by 4.1% from £564,715 to £541,478, which whilst disappointing, is significantly better than some other retailers in our sector.

Current trading and outlook

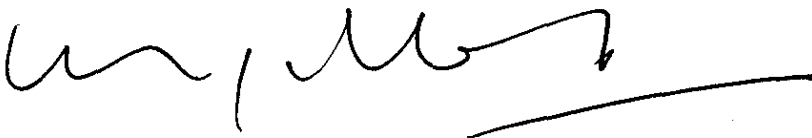
Our first two months trading to September are behind us and the results show us above the same period last year. This is largely due to the September market reaching expectation as a consequence of consumers returning to an aggressively discounted retail arena. As I write this statement, I am unsure as to what impact the effects of the terrorist attacks on America will have on the world economy, never mind the UK economy. However, I hope that with decisive leadership and positive action, business and trading conditions will improve and we in the car, van and truck industry, can ultimately benefit from that renewed confidence.

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 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 2001

Independent Auditors' Report to the Shareholders of Peoples Limited:

We have audited the financial statements of Peoples Limited for the year ended 31 July 2001, which comprise the Profit and Loss Account, the Balance Sheets, the Cash Flow statement and the related Notes on pages 14 to 28. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the other information contained in the Annual Report as described in the contents section, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with United Kingdom 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, 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 2001 and of the group's profit for the year 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 2001

Consolidated balance sheet

31 July 2001

	Notes	2001 £	2000 £
Fixed assets			
Tangible assets	2	9,874,287	10,220,771
Current assets			
Interest in vehicle residuals			
Repurchases after one year		12,883,500	11,875,141
Repurchases within one year		5,509,647	4,665,374
Stocks	4	12,735,843	9,278,064
Debtors	5	9,737,290	11,454,487
Cash at bank and in hand		599,593	955,595
		41,465,873	38,228,661
Creditors: Amounts falling due within one year	6	(29,382,083)	(26,849,900)
Net current assets		12,083,790	11,378,761
Total assets less current liabilities		21,958,077	21,599,532
Creditors: Amounts falling due after more than one year	7	(16,671,273)	(16,341,218)
Net assets		5,286,804	5,258,314
Capital and reserves			
Called-up share capital	9a	767,017	767,017
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	140,136	111,646
Shareholders' funds	10	5,286,804	5,258,314
Represented by:			
Equity interests		917,615	889,125
Non-equity interests		4,369,189	4,369,189
		5,286,804	5,258,314

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

Company balance sheet

31 July 2001

	Notes	2001 £	2000 £
Fixed assets			
Investments	3	5,353,300	5,353,300
Current assets			
Debtors	5	260,703	259,573
Cash at bank and in hand		4,524,234	4,314,962
		4,784,937	4,574,535
Creditors: Amounts falling due within one year	6	(1,561,696)	(1,781,828)
Net current assets		3,223,241	2,792,707
Total assets less current liabilities		8,576,541	8,146,007
Creditors: Amounts falling due after more than one year	7	(1,476,000)	(1,744,000)
Net assets		7,100,541	6,402,007
Capital and reserves			
Called-up share capital	9a	767,017	767,017
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	1,953,873	1,255,339
Shareholders' funds		7,100,541	6,402,007
Represented by:			
Equity interests		2,731,352	2,032,818
Non-equity interests		4,369,189	4,369,189
		7,100,541	6,402,007

Signed on behalf of the Board

Brian P Gilda



Director

15 October 2001

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

Consolidated profit and loss account

For the year ended 31 July 2001

	Notes	2001 £	2000 £
Turnover	12	156,210,158	175,024,992
Cost of sales		<u>(151,604,752)</u>	<u>(170,378,049)</u>
Gross profit		4,605,406	4,646,943
Other operating expenses (net)		<u>(3,090,088)</u>	<u>(3,141,560)</u>
Operating profit		1,515,318	1,505,383
<i>Interest receivable and similar income</i>		320,535	294,185
<i>Interest payable and similar charges</i>	13	<u>(1,294,375)</u>	<u>(1,234,853)</u>
Profit on ordinary activities before taxation	12, 14	541,478	564,715
Tax on profit on ordinary activities	16	<u>(109,340)</u>	<u>(153,213)</u>
Profit on ordinary activities after taxation		432,138	411,502
Dividends paid and proposed on equity and non-equity shares	17	<u>(403,648)</u>	<u>(410,969)</u>
Retained profit for the financial year		28,490	533
Retained profit at beginning of year		<u>111,646</u>	<u>111,113</u>
Retained profit at end of year		<u>140,136</u>	<u>111,646</u>

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

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 2001

	Notes	2001		2000	
		£	£	£	£
Net cash inflow (outflow) from operating activities	18		2,225,004		(628,220)
Returns on investments and servicing of finance					
Interest received		320,535		294,185	
Interest paid		(1,252,444)		(1,183,708)	
Interest element of finance lease rentals and hire purchase agreements		(41,931)		(51,145)	
Non-equity dividends paid		(349,500)		(179,747)	
Net cash outflow from returns on investments and servicing of finance			(1,323,340)		(1,120,415)
Taxation					
Corporation tax paid		(90,504)		(322,284)	
Tax paid			(90,504)		(322,284)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(290,667)		(737,931)	
Sale of tangible fixed assets		97,522		98,933	
Net cash outflow for capital expenditure and financial investment			(193,145)		(638,998)
Equity dividends paid			(56,472)		(132,820)
Net cash inflow (outflow) before financing			561,543		(2,842,737)
Financing					
Issue expenses		-		(2,300)	
Redemption of share capital		-		(200,000)	
Repayment of loans	20	(420,084)		(301,333)	
Capital element of finance lease payments	20	(163,518)		(210,645)	
Capital element of hire purchase payments	20	(30,652)		(22,918)	
Net cash outflow from financing			(614,254)		(737,196)
Decrease in cash	19		(52,711)		(3,579,933)

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

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 £1,102,182 (2000 - £1,188,861).

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.

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.

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.

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 2000	8,402,222	256,587	3,402,296	1,196,333	188,444	13,445,882
Additions	-	-	255,275	35,375	120,892	411,542
Disposals	-	-	(10,050)	-	(145,492)	(155,542)
31 July 2001	<u>8,402,222</u>	<u>256,587</u>	<u>3,647,521</u>	<u>1,231,708</u>	<u>163,844</u>	<u>13,701,882</u>
Depreciation						
31 July 2000	598,633	71,163	1,857,785	636,365	61,165	3,225,111
Charge for year	94,517	5,131	308,747	192,396	59,713	660,504
Disposals	-	-	(1,917)	-	(56,103)	(58,020)
31 July 2001	<u>693,150</u>	<u>76,294</u>	<u>2,164,615</u>	<u>828,761</u>	<u>64,775</u>	<u>3,827,595</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>
Net book value						
31 July 2001	<u>7,709,072</u>	<u>180,293</u>	<u>1,482,906</u>	<u>402,947</u>	<u>99,069</u>	<u>9,874,287</u>

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 2001 was £812,844 (2000 - £834,975).

Freehold land amounting to £3,869,973 (2000 - £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 £108,804 (2000 - £51,565)

Company

The company has no tangible fixed assets (2000 - £Nil).

3 Fixed asset investments

Company	Total £	Ordinary shares £	Preference shares £	Long term loan stock £
At 31 July 2000 and 2001	<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	Sale of motor vehicles
Peoples Detroit Limited	Non trading

4 Stocks

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

	Group		Company	
	2001	2000	2001	2000
	£	£	£	£
Vehicles	11,179,480	7,747,704	-	-
Spare parts	1,253,172	1,243,629	-	-
Other stocks	303,191	286,731	-	-
	<u>12,735,843</u>	<u>9,278,064</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	
	2001	2000	2001	2000
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	7,031,918	8,059,469	-	-
Prepayments and accrued income	2,267,233	3,135,938	260,703	259,573
Value added tax	438,139	259,080	-	-
	<u>9,737,290</u>	<u>11,454,487</u>	<u>260,703</u>	<u>259,573</u>

6 Creditors: Amounts falling due within one year

	Group		Company	
	2001	2000	2001	2000
	£	£	£	£
Bank overdraft	7,116,640	7,419,931	-	-
Obligations under finance leases	164,421	159,124	-	-
Obligations under hire purchase agreements	37,962	22,918	-	-
Term loan instalments	584,666	420,082	268,000	268,000
Stocking finance	4,450,000	4,450,000	-	-
Trade creditors	7,680,103	6,656,063	-	-
Due to fellow group undertakings	-	-	296,333	346,693
Corporation tax	180,293	161,457	180,293	153,000
Other taxes and social security costs	322,818	295,866	-	-
Proposed dividend	228,898	231,222	228,898	231,222
Other creditors and accruals	3,106,635	2,367,863	586,748	766,259
Value added tax	-	-	1,424	16,654
Obligations under vehicle repurchase agreements	5,509,647	4,665,374	-	-
	<u>29,382,083</u>	<u>26,849,900</u>	<u>1,561,696</u>	<u>1,781,828</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	
	2001	2000	2001	2000
	£	£	£	£
<i>Term loan wholly repayable within five years</i>	-	16,668	-	-
Term loan not wholly repayable within five years	3,457,250	4,025,250	1,476,000	1,744,000
Obligations under finance leases	262,072	395,512	-	-
Obligations under hire purchase agreements	68,451	28,647	-	-
Obligations under vehicle repurchase agreements	12,883,500	11,875,141	-	-
	<u>16,671,273</u>	<u>16,341,218</u>	<u>1,476,000</u>	<u>1,744,000</u>

The company term loan of £1,744,000 is repayable by twenty five quarterly instalments of £67,000 and one final quarterly instalment of £69,000. Interest is payable at variable rates.

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 £634,375 is repayable by twenty nine quarterly instalments of £21,875. A term loan of £1,646,875 is repayable by thirty one quarterly instalments of £53,125. At 31 July 2001 £1,185,250 (2000 - £1,753,250) 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 2001 (2000 - £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	
	2001	2000	2001	2000
	£	£	£	£
Capital allowances in excess of depreciation	161,720	111,000	-	-

9 Share capital and reserves

a) Share capital

The authorised share capital of the company at 31 July 2001 comprised:

	Number	Par value £	2001 Capital £	2000 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

9 Share capital and reserves (continued)

a) Share capital (continued)

	2001 £	2000 £
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	725,000
Fourth preference shares of 1p each	70,000	70,000
Issue costs of non-equity share capital	(57,983)	(57,983)
Total non-equity share capital	737,017	737,017
Total allotted, called-up and fully-paid share capital	767,017	767,017

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:

	2001 £	2000 £
Issued non-equity shares	795,000	795,000
Less: issue costs	(57,983)	(57,983)
	737,017	737,017

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 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.

9 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 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 £	Special Reserve £	Profit and loss account £	Share premium £
Group				
At 31 July 2000	171,040	576,439	111,646	3,632,172
Retained profit for the year	-	-	28,490	-
At 31 July 2001	171,040	576,439	140,136	3,632,172
Company				
At 31 July 2000	171,040	576,439	1,255,339	3,632,172
Retained profit for the year	-	-	698,534	-
At 31 July 2001	171,040	576,439	1,953,873	3,632,172

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 (2000 - £2,387,680).

10 Reconciliation of movements in shareholders' funds

	2001 £	2000 £
Profit for the financial year	432,138	411,502
Dividends paid and proposed (see note 17)	(403,648)	(410,969)
	<u>28,490</u>	<u>533</u>
Share issue costs	-	(2,300)
Redemption of shares	-	(200,000)
Opening shareholders' funds	<u>5,258,314</u>	<u>5,460,081</u>
Closing shareholders' funds	<u>5,286,804</u>	<u>5,258,314</u>

11 Guarantees and other financial commitments

a) Capital commitments

The group and the company had no capital commitments at 31 July 2001 (2000 - £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.

11 Guarantees and other financial commitments (continued)

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 (2000 - £269,000). 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:

	2001		2000	
	Property £	Equipment £	Property £	Equipment £
Group				
Operating leases which expire				
- within 1 year	-	-	-	1,780
- within 2-5 years	-	-	-	362
- after 5 years	269,000	-	269,000	-
	<u>269,000</u>	<u>-</u>	<u>269,000</u>	<u>2,142</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

	2001 £	2000 £
On bank overdraft and loans		
- repayable within 5 years, by instalments	8,051	10,845
- repayable within 5 years, not by instalments	889,827	786,585
On loans repayable wholly or in part		
- after 5 years, by instalments	337,379	349,015
Interest element of finance lease charges	37,059	46,273
Interest element of hire purchase charges	4,872	4,872
Other interest	17,187	37,263
	<u>1,294,375</u>	<u>1,234,853</u>

14 Profit on ordinary activities before taxation

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

	2001 £	2000 £
a) Depreciation of tangible fixed assets (note 2)		
- owned	445,190	385,752
- held under finance leases and hire purchase agreements	215,314	238,426
b) Auditors' remuneration	70,000	70,000
c) Staff costs (note 15)	11,597,172	11,819,247
d) Profit on disposal of fixed assets	-	(87,219)
e) Operating lease rentals – plant and machinery	3,920	5,397
– other	269,000	269,000
f) Non audit services provided by the auditors	<u>19,750</u>	<u>6,000</u>

15 Staff costs

	2001 £	2000 £
Employee costs during the year, including those for executive directors, amounted to:		
Wages and salaries	10,558,474	10,730,561
Social security costs	985,185	1,027,711
Other pension costs	53,513	60,975
	<u>11,597,172</u>	<u>11,819,247</u>

The average monthly number of employees during the year was 650 (2000 - 690).

15 Staff costs (continued)

Directors' remuneration:

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

<i>Remuneration:</i>	2001 £	2000 £
Emoluments	269,820	260,794
Company contributions to money purchase pension schemes	36,000	36,000
	<u>305,820</u>	<u>296,794</u>

Pensions:

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

	2001 Number	2000 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:

	2001 £	2000 £
Emoluments	159,714	155,787
Company contributions to money purchase pension schemes	21,000	21,000
	<u>180,714</u>	<u>176,787</u>

16 Tax on profit on ordinary activities

	2001 £	2000 £
Corporation tax	171,635	161,457
Adjustment of current taxation in respect of prior year	(62,295)	(8,244)
	<u>109,340</u>	<u>153,213</u>

17 Dividends

	2001 £	2000 £
Paid and proposed:		
Second preference shares		
- interim of 6p (2000 - 6.0p) per share paid	43,500	48,497
- final of 6p (2000 - 6.0p) per share proposed/paid	43,500	43,500
Fourth preference shares		
- interim of 1.875p (2000 - 1.875p) per share paid	131,250	131,250
- final of 1.875p (2000 - 1.875p) per share proposed/paid	131,250	131,250
Ordinary shares		
- final of 28.62p (2000 - 29.85p) per share proposed	54,148	56,472
	<u>403,648</u>	<u>410,969</u>

All dividends due for payment under the company's Articles of Association as at 31 July 2001 have been paid or proposed in full.

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

	2001 £	2000 £
Operating profit	1,515,318	1,505,383
Depreciation charges	660,504	624,178
Profit on sale of fixed assets	-	(87,219)
Decrease/(increase)		
- stocks	(3,457,779)	493,579
- debtors	1,717,197	(1,622,441)
Increase/(decrease) in creditors	1,789,764	(1,541,700)
Net cash inflow/(outflow) from operating activities	<u>2,225,004</u>	<u>(628,220)</u>

19 Reconciliation of net cash flow to movement in net debt

	2001 £	2000 £
Decrease in cash in year	(52,711)	(3,579,933)
Cash outflow from decrease in debt and lease financing	614,254	534,896
Change in net debt resulting from cash flows	561,543	(3,045,037)
New finance leases and hire purchase agreements	(120,875)	(373,045)
Net debt at beginning of year	(15,982,537)	(12,564,455)
Net debt at end of year	(15,541,869)	(15,982,537)

20 Analysis of net debt

	2000 £	Cash flow £	New finance leases £	2001 £
Cash in hand and at bank	955,595	(356,002)	-	599,593
Overdraft	(7,419,931)	303,291	-	(7,116,640)
Debt due within 1 year	(420,082)	(164,584)	-	(584,666)
Debt due after 1 year	(4,041,918)	584,668	-	(3,457,250)
Finance leases	(554,636)	163,518	(35,375)	(426,493)
Hire purchase agreements	(51,565)	30,652	(85,500)	(106,413)
Stocking finance	(4,450,000)	-	-	(4,450,000)
	(15,982,537)	561,543	(120,875)	(15,541,869)

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.