

Peoples Limited

Financial statements 31 July 2002
together with directors' and auditors' reports

Registered number: SC080359



	Pages
Directors and advisors	2
Notice of meeting	3
Directors' report	4
Chairman's statement	7
Independent auditors' report	8
Consolidated balance sheet	10
<i>Company balance sheet</i>	11
Consolidated profit and loss account	12
Consolidated statement of total recognised gains and losses	13
Consolidated cash flow statement	14
Notes to financial statements	15

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

Deloitte & Touche

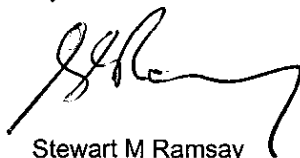
Glasgow

Notice is hereby given that the nineteenth annual general meeting of the company will be held at Glenmavis Garage, Bathgate EH48 4LA on 22 November 2002 to transact the following business:

1. To receive and adopt the directors' report and financial statements for the year ended 31 July 2002 together with the auditors' report.
2. To re-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

18 October 2002

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 2002.

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 £1,118,753 (2001 - £541,478).

Profit on ordinary activities after taxation was £740,984 (2001 restated - £409,863).

The prior year results have been restated to reflect the adoption, with retrospective impact, of FRS 19, Deferred Taxation, which became effective during the year. Further details are provided in note 2 to the accounts.

Dividends

Dividends paid and proposed are as follows:

	Second preference shares £	Fourth preference shares £	Ordinary £
Paid – 31 January 2002	43,500	131,250	-
Paid – 31 July 2002	43,500	131,250	-
Proposed	-	-	111,875
	<u>87,000</u>	<u>262,500</u>	<u>111,875</u>
2002 - Dividend per share	<u>12.0p</u>	<u>3.75p</u>	<u>59.13p</u>
2001 - Dividend per share	<u>12.0p</u>	<u>3.75p</u>	<u>28.62p</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 2002	31 July 2001	31 July 2002	31 July 2001
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 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

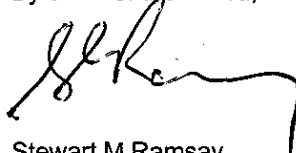
The group places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the group. This is achieved through formal and informal meetings. Employee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

Auditors

During the year, Arthur Andersen resigned as the Company's auditors following the agreement it reached with Deloitte & Touche under which partners and staff from Arthur Andersen joined Deloitte & Touche. The directors used their powers under the Companies Act 1985 to appoint Deloitte & Touche as the Company's auditors to fill the vacancy created by Arthur Andersen's resignation. A resolution to re-appoint Deloitte & Touche as auditors will be put to the Annual General Meeting.

Glenmavis Garage
Bathgate
EH48 4LA

By order of the Board,



Stewart M Ramsay
Secretary

18 October 2002

Chairman's Statement

During the period under review, the Group's turnover increased by just over 7.1% from £156.2m to £167.3m. This increase was due in the main, to a significant increase in unit volumes following the launch in January 2002 of our Ford Direct Supersite in Prescot. This dealership is custom designed for the retailing of used vehicles and now with some seven months in, we have been and are continuing to meet, our budget expectations.

As a consequence of Prescot and other positive events, our pre-tax profits have increased by 107% from £541,478 to £1,118,753, which is both hugely encouraging and also 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 behind the same record period of last year. This is largely due to the September market not reaching Ford volume expectations and gross profits, and also as a consequence of consumers being very selective in an aggressively discounted retail arena.

As I write this statement, I am unsure as to what the full impact will be of the new Block Exemption regulations. It is obvious that change will take place, however I am confident that the Group, with our strength of management and institutional support, can positively influence with Ford, the company's destiny.

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

18 October 2002

Independent Auditors' Report to the Shareholders of Peoples Limited:

We have audited the financial statements of Peoples Limited for the year ended 31 July 2002, which comprise the Balance sheets, Profit and loss account, Statement of total recognised gains and losses, Cash flow statement and the related Notes numbered 1 to 22. 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 and other members of the group 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 and 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 2002 and of the group's profit for the year ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors
Glasgow

18 October 2002

	Notes	2002 £	2001 Restated £
Fixed assets			
Tangible assets	3	10,284,424	9,874,287
Current assets			
Interest in vehicle residuals			
Repurchases after one year		10,645,200	12,883,500
Repurchases within one year		5,655,251	5,509,647
Stocks	5	21,972,345	12,735,843
Debtors	6	12,866,078	9,737,290
Cash at bank and in hand		593,626	599,593
		51,732,500	41,465,873
Creditors: Amounts falling due within one year	7	(42,277,193)	(29,382,083)
Net current assets		9,455,307	12,083,790
Total assets less current liabilities		19,739,731	21,958,077
Creditors: Amounts falling due after more than one year	8	(14,158,026)	(16,671,273)
Provisions for liabilities and charges	9	(175,963)	(160,671)
Net assets		5,405,742	5,126,133
Capital and reserves			
Called-up share capital	10	767,017	767,017
Share premium	10	3,632,172	3,632,172
Capital redemption reserve	10	171,040	171,040
Special reserve	10	576,439	576,439
Profit and loss account	10	259,074	(20,535)
Shareholders' funds	11	5,405,742	5,126,133
Represented by:			
Equity interests		1,036,553	756,944
Non-equity interests		4,369,189	4,369,189
		5,405,742	5,126,133

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

	Notes	2002 £	2001 £
Fixed assets			
Investments	4	5,353,300	5,353,300
Current assets			
Debtors	6	288,886	260,703
Cash at bank and in hand		5,405,145	4,524,234
		5,694,031	4,784,937
Creditors: Amounts falling due within one year	7	(1,745,200)	(1,561,696)
Net current assets		3,948,831	3,223,241
Total assets less current liabilities		9,302,131	8,576,541
Creditors: Amounts falling due after more than one year	8	(1,208,000)	(1,476,000)
Net assets		8,094,131	7,100,541
Capital and reserves			
Called-up share capital	10	767,017	767,017
Share premium	10	3,632,172	3,632,172
Capital redemption reserve	10	171,040	171,040
Special reserve	10	576,439	576,439
Profit and loss account	10	2,947,463	1,953,873
Shareholders' funds		8,094,131	7,100,541
Represented by:			
Equity interests		3,724,942	2,731,352
Non-equity interests		4,369,189	4,369,189
		8,094,131	7,100,541

Signed on behalf of the Board

Brian P Gilda

Director



18 October 2002

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

Consolidated profit and loss account
For the year ended 31 July 2002

**Deloitte
& Touche**

	Notes	2002 £	2001 Restated £
Turnover	13	167,269,082	156,210,158
Cost of sales		(162,448,711)	(151,604,752)
Gross profit		4,820,371	4,605,406
Other operating expenses (net)		(2,896,879)	(3,090,088)
Operating profit		1,923,492	1,515,318
Interest receivable and similar income		294,475	320,535
Interest payable and similar charges	14	(1,099,214)	(1,294,375)
Profit on ordinary activities before taxation	13, 15	1,118,753	541,478
Tax on profit on ordinary activities	17	(377,769)	(131,615)
Profit on ordinary activities after taxation		740,984	409,863
Dividends paid and proposed on equity and non-equity shares	18	(461,375)	(403,648)
Retained profit for the financial year		279,609	6,215
Accumulated deficit at beginning of year		(20,535)	(26,750)
Retained profit/(accumulated deficit) at end of year		259,074	(20,535)

All activity has arisen from continuing operations.

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 statement of total recognised gains and losses
For the year ended 31 July 2002

**Deloitte
& Touche**

	2002	2001 Restated
	£	£
Profit for the financial year	740,984	409,863
Prior period adjustment (note 2)	(160,671)	-
Total recognised gains and losses since last annual report	<u>580,313</u>	<u>409,863</u>

The statement of total recognised gains and losses for the year ended 31 July 2001 has been restated for the adoption of FRS 19, Deferred Taxation.

Consolidated cash flow statement
For the year ended 31 July 2002

**Deloitte
& Touche**

	Notes	2002		2001	
		£	£	£	£
Net cash inflow from operating activities	19		478,317		2,225,004
Returns on investments and servicing of finance					
Interest received		294,475		320,535	
Interest paid		(1,059,043)		(1,252,444)	
Interest element of finance lease rentals and hire purchase agreements		(40,171)		(41,931)	
Non-equity dividends paid		(524,250)		(349,500)	
Net cash outflow from returns on investments and servicing of finance			(1,328,989)		(1,323,340)
Taxation					
Corporation tax paid		(184,640)		(90,504)	
Tax paid			(184,640)		(90,504)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(1,223,203)		(290,667)	
Sale of tangible fixed assets		114,776		97,522	
Net cash outflow from capital expenditure and financial investment			(1,108,427)		(193,145)
Equity dividends paid			(54,148)		(56,472)
Net cash (outflow)/inflow before financing			(2,197,887)		561,543
Financing					
New term loan		600,000		-	
Repayment of loans		(584,666)		(420,084)	
Capital element of finance lease payments	21	(164,420)		(163,518)	
Capital element of hire purchase payments	21	(37,963)		(30,652)	
Net cash outflow from financing			(187,049)		(614,254)
Decrease in cash	20		(2,384,936)		(52,711)

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, with the exception of the policy for deferred taxation, 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 £1,454,965 (2001 - £1,102,182).

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%

Land is not depreciated.

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

In accordance with FRS 19, deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of investment properties where there is no commitment to sell the asset.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

This represents a change in policy from the prior year, at which time SSAP 15 was applied. A summary of the impact of the change in accounting policy is set out in note 2.

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.

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 each 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 Restatement of comparatives

The adoption of FRS 19 Deferred Tax has required a change to the accounting treatment of deferred tax and the prior year group results have been restated accordingly as follows:

a) Balance sheet

	Deferred tax provision £	Profit and loss account £
As previously reported at 31 July 2001	-	140,136
Adoption of FRS 19 at 31 July 2000	138,396	(138,396)
During year ended 31 July 2001	22,275	(22,275)
31 July 2001 restated	<u>160,671</u>	<u>(20,535)</u>

Under FRS 19 the Company is required to make full provision for deferred tax in respect of timing differences recognising in total the potential future tax impact of past transactions. Under SSAP 15 provision for deferred tax was only required if it was expected that timing differences would reverse in the foreseeable future.

2 Restatement of comparatives (continued)

b) Profit and loss account

	Taxation £	Profit on ordinary activities after taxation £
Year ended 31 July 2001 as previously reported	109,340	432,138
Adoption of FRS 19	22,275	(22,275)
Year ended 31 July 2001 restated	<u>131,615</u>	<u>409,863</u>

The adoption of FRS 19 has had no material impact on the group results for the financial year ended 31 July 2002.

The company has no deferred tax liability.

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 2001	8,402,222	256,587	3,647,521	1,231,708	163,844	13,701,882
Additions	614,578	-	388,317	-	220,308	1,223,203
Disposals	-	-	-	-	(159,267)	(159,267)
31 July 2002	<u>9,016,800</u>	<u>256,587</u>	<u>4,035,838</u>	<u>1,231,708</u>	<u>224,885</u>	<u>14,765,818</u>
Depreciation						
31 July 2001	693,150	76,294	2,164,615	828,761	64,775	3,827,595
Charge for year	120,000	5,131	365,937	162,197	45,025	698,290
Disposals	-	-	-	-	(44,491)	(44,491)
31 July 2002	<u>813,150</u>	<u>81,425</u>	<u>2,530,552</u>	<u>990,958</u>	<u>65,309</u>	<u>4,481,394</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>
Net book value						
31 July 2002	<u>8,203,650</u>	<u>175,162</u>	<u>1,505,286</u>	<u>240,750</u>	<u>159,576</u>	<u>10,284,424</u>

3 Tangible fixed assets (continued)

Freehold land amounting to £3,869,973 (2001 - £3,869,973) has not been depreciated.

Leased assets consist entirely of plant and equipment. Included within computers, plant and equipment are assets obtained under hire purchase agreements with a net book value of £64,511 (2001 - £108,804).

Company

The company has no tangible fixed assets (2001 - £Nil).

4 Fixed asset investments

Company	Total £	Ordinary shares £	Preference shares £	Long term loan stock £
At 31 July 2001 and 2002	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.

Loan stock due from subsidiary undertakings is repayable in 12 six monthly instalments from 1 July 2004.

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

Company	Principal activity
Peoples Ecosse Limited (formerly Peoples Edinburgh Limited)	Sale and repair of motor vehicles
Peoples Liverpool Limited	Sale and repair of motor vehicles
Total Vehicle Solutions Limited	Sale of motor vehicles
Peoples Bathgate & Livingston Limited	Non trading
Liverpool Daily Centre Limited	Non trading
Peoples Detroit Limited	Non trading
Peoples Falkirk Limited	Non trading
Peoples Glasgow Limited	Non trading

5 Stocks

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

	Group		Company	
	2002	2001	2002	2001
	£	£	£	£
Vehicles	20,372,109	11,179,480	-	-
Spare parts	1,376,489	1,253,172	-	-
Other stocks	223,747	303,191	-	-
	<u>21,972,345</u>	<u>12,735,843</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	
	2002	2001	2002	2001
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	8,941,367	7,031,918	-	-
Prepayments and accrued income	2,684,081	2,267,233	203,186	260,703
Due from fellow group undertakings	-	-	85,700	-
Value added tax	1,240,630	438,139	-	-
	<u>12,866,078</u>	<u>9,737,290</u>	<u>288,886</u>	<u>260,703</u>

7 Creditors: Amounts falling due within one year

	Group		Company	
	2002 £	2001 £	2002 £	2001 £
Bank overdraft	9,495,609	7,116,640	-	-
Obligations under finance leases	165,161	164,421	-	-
Obligations under hire purchase agreements	21,786	37,962	-	-
Term loan instalments	568,000	584,666	268,000	268,000
Other bank loan	120,000	-	-	-
Stocking finance	4,450,000	4,450,000	-	-
Trade creditors	18,596,761	7,680,103	-	-
Due to fellow group undertakings	-	-	221,554	296,333
Corporation tax	358,130	180,293	349,702	180,293
Other taxes and social security costs	321,423	322,818	-	-
Proposed dividend	111,875	228,898	111,875	228,898
Other creditors and accruals	2,413,197	3,106,635	651,211	586,748
Value added tax	-	-	142,858	1,424
Obligations under vehicle repurchase agreements	5,655,251	5,509,647	-	-
	<u>42,277,193</u>	<u>29,382,083</u>	<u>1,745,200</u>	<u>1,561,696</u>

The bank overdraft facilities, term loan and other bank 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 and accruals' are secured by second charges over certain of the freehold properties.

8 Creditors: Amounts falling due after more than one year

	Group		Company	
	2002 £	2001 £	2002 £	2001 £
Term loan wholly repayable within five years	480,000	-	-	-
Term loan not wholly repayable within five years	2,889,250	3,457,250	1,208,000	1,476,000
Obligations under finance leases	96,912	262,072	-	-
Obligations under hire purchase agreements	46,664	68,451	-	-
Obligations under vehicle repurchase agreements	10,645,200	12,883,500	-	-
	<u>14,158,026</u>	<u>16,671,273</u>	<u>1,208,000</u>	<u>1,476,000</u>

The company term loan of £1,476,000 (2001 - £1,744,000) is repayable by twenty one quarterly instalments of £67,000 and one final quarterly instalment of £69,000. Interest is payable at variable commercial rates.

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

A loan of £546,875 (2001 - £634,375) is repayable by twenty five quarterly instalments of £21,875. A term loan of £1,434,375 (2001 - £1,646,875) is repayable by twenty seven quarterly instalments of £53,125. A further term loan of £600,000 is repayable by five annual instalments of £120,000. At 31 July 2002 £617,250 (2001 - £1,185,250) was due after more than 5 years. Interest on the above loans is payable at commercial rates.

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

9 Provisions for liabilities and charges

Group	Deferred tax £
At 31 July 2001 as previously reported	-
Prior year adjustment	160,671
At 31 July 2001 restated	160,671
Charge to profit and loss account - current year	15,292
At 31 July 2002	<u>175,963</u>

Analysis of the deferred tax balances are as follows:

	2002	2001 Restated
	£	£
Fixed asset timing differences	<u>175,963</u>	<u>160,671</u>

Company

The company has no deferred tax provision (2001 - £Nil).

9 Provisions for liabilities and charges (continued)

The deferred taxation liabilities have been computed at the expected long term rate of 30% (2001: 30%).

Provision has been made for deferred taxation in accordance with FRS 19. Full details of the impact of this on current and prior year results are given in note 2.

10 Share capital and reserves*a) Share capital*

The authorised share capital of the company at 31 July 2002 comprised:

	Number	Par value £	2002 Capital £	2001 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

10 Share capital and reserves (continued)*a) Share capital (continued)*

	2002 £	2001 £
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:

	2002 £	2001 £
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.

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 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 2001 as previously reported	171,040	576,439	140,136	3,632,172
Prior year adjustment (note 2)	-	-	(160,671)	-
At 31 July 2001 restated	171,040	576,439	(20,535)	3,632,172
Retained profit for the year	-	-	279,609	-
At 31 July 2002	171,040	576,439	259,074	3,632,172
Company				
At 31 July 2001	171,040	576,439	1,953,873	3,632,172
Retained profit for the year	-	-	993,590	-
At 31 July 2002	171,040	576,439	2,947,463	3,632,172

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 (2001 - £2,387,680).

11 Reconciliation of movements in shareholders' funds

	2002	2001
	£	Restated £
Profit for the financial year	740,984	409,863
Dividends paid and proposed (see note 18)	(461,375)	(403,648)
Net addition to shareholders' funds	279,609	6,215
Opening shareholders' funds	5,126,133	5,119,918
Closing shareholders' funds	5,405,742	5,126,133

The opening shareholders' funds at 1 August 2001 as previously reported amounted to £5,286,804 before the prior year adjustment of £160,671 (see note 2).

12 Guarantees and other financial commitments*a) Capital commitments*

The group and the company had no capital commitments at 31 July 2002 (2001 - £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. The total secured borrowings of the group are disclosed in notes 7 and 8.

12 Guarantees and other financial commitments (continued)*c) Lease commitments*

The group leases land and buildings on long term leases. The annual rental on these leases is £269,750 (2001 - £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:

	2002		2001	
	Property £	Equipment £	Property £	Equipment £
Group				
Operating leases which expire				
- after more than 5 years	269,750	-	269,000	-
	<u>269,750</u>	<u>-</u>	<u>269,000</u>	<u>-</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.

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

	2002 £	2001 £
On bank overdraft and loans		
- repayable within 5 years, by instalments	1,640	8,051
- repayable within 5 years, not by instalments	758,750	889,827
On loans repayable wholly or in part		
- after 5 years, by instalments	232,751	337,379
Interest element of finance lease charges	30,417	37,059
Interest element of hire purchase charges	9,754	4,872
Other interest	65,902	17,187
	<u>1,099,214</u>	<u>1,294,375</u>

15 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2002 £	2001 £
a) Depreciation of tangible fixed assets (note 3)		
- owned	494,285	445,190
- held under finance leases and hire purchase agreements	204,005	215,314
b) Auditors' remuneration	55,000	62,000
c) Staff costs (note 16)	12,405,244	11,597,172
d) Operating lease rentals – plant and machinery	2,760	3,920
– other	269,750	269,000
e) Non audit services provided by the auditors	6,000	19,750
	<u>12,405,244</u>	<u>11,597,172</u>

16 Staff costs

	2002 £	2001 £
Employee costs during the year, including those for executive directors, amounted to:		
Wages and salaries	11,287,742	10,558,474
Social security costs	1,062,843	985,185
Other pension costs	54,659	53,513
	<u>12,405,244</u>	<u>11,597,172</u>

The average monthly number of employees during the year was 660 (2001 - 650).

16 Staff costs (continued)

Directors' remuneration:

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

	2002 £	2001 £
<i>Remuneration:</i>		
Emoluments	265,970	269,820
Company contributions to money purchase pension schemes	38,442	36,000
	<u>304,412</u>	<u>305,820</u>

Pensions:

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

	2002 Number	2001 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:

	2002 £	2001 £
Emoluments	156,494	159,714
Company contributions to money purchase pension schemes	22,909	21,000
	<u>179,403</u>	<u>180,714</u>

17 Tax on profit on ordinary activities

	2002 £	2001 Restated £
United Kingdom Corporation tax		
Current at 30% (2001: 30%)	358,130	171,635
Adjustment of current taxation in respect of prior years	4,347	(62,295)
Deferred - origination and reversal of timing differences	15,292	22,275
	<u>377,769</u>	<u>131,615</u>

Adoption of FRS 19 has required a change in the method of accounting for deferred tax. Full details of the impact of this on current and prior year results are given in note 2.

Reconciliation of tax charge

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 30% (2001 – 30%). The actual tax charge for the current and prior years differs from 30% for the reasons set out in the following reconciliation:

	2002 £	2001 £
Profit on ordinary activities before tax	1,118,753	541,478
Tax on profit on ordinary activities at 30%	335,626	162,443
Factors affecting charge:		
Permanent differences	37,796	31,467
Fixed asset timing differences	(15,292)	(22,275)
Current tax charge for the year	<u>358,130</u>	<u>171,635</u>

18 Dividends

	2002 £	2001 £
Paid and proposed:		
Second preference shares		
- interim of 6p (2001 - 6.0p) per share paid	43,500	43,500
- final of 6p (2001 - 6.0p) per share paid/proposed	43,500	43,500
Fourth preference shares		
- interim of 1.875p (2001 - 1.875p) per share paid	131,250	131,250
- final of 1.875p (2001 - 1.875p) per share paid/proposed	131,250	131,250
Ordinary shares		
- final of 59.13p (2001 - 29.62p) per share proposed	111,875	54,148
	<u>461,375</u>	<u>403,648</u>

All dividends due for payment under the company's Articles of Association as at 31 July 2002 have been paid or proposed in full.

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

	2002 £	2001 £
Operating profit	1,923,492	1,515,318
Depreciation charges	698,290	660,504
(Increase)/decrease		
- stocks	(9,236,502)	(3,457,779)
- debtors	(3,128,788)	1,717,197
Increase in creditors	10,221,825	1,789,764
Net cash inflow from operating activities	<u>478,317</u>	<u>2,225,004</u>

20 Reconciliation of net cash flow to movement in net debt

	2002 £	2001 £
Decrease in cash in year	(2,384,936)	(52,711)
Cash outflow from decrease in debt and lease financing	187,049	614,254
Change in net debt resulting from cash flows	(2,197,887)	561,543
New finance leases and hire purchase agreements	-	(120,875)
Net debt at beginning of year	(15,541,869)	(15,982,537)
Net debt at end of year	(17,739,756)	(15,541,869)

21 Analysis of net debt

	2001 £	Cash flow £	Maturity of debt £	2002 £
Cash at bank and in hand	599,593	(5,967)	-	593,626
Overdraft	(7,116,640)	(2,378,969)	-	(9,495,609)
Debt due within 1 year	(584,666)	464,666	(568,000)	(688,000)
Debt due after more than 1 year	(3,457,250)	(480,000)	568,000	(3,369,250)
Finance leases	(426,493)	164,420	-	(262,073)
Hire purchase agreements	(106,413)	37,963	-	(68,450)
Stocking finance	(4,450,000)	-	-	(4,450,000)
	(15,541,869)	(2,197,887)	-	(17,739,756)

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.