

PEOPLES LIMITED

Report and Financial Statements

31 July 2003



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PEOPLES LIMITED

REPORT AND FINANCIAL STATEMENTS 2003

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PEOPLES LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

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

Deloitte & Touche LLP
Glasgow

PEOPLES LIMITED

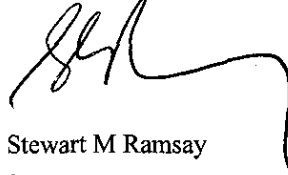
NOTICE OF MEETING 2003

Notice is hereby given that the twentieth annual general meeting of the company will be held at Glenmavis Garage, Bathgate EH48 4LA on 16 July 2004 at 10.00 am to transact the following business:

1. To receive and adopt the directors' report and financial statements for the year ended 31 July 2003 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 June 2004

PEOPLES LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 July 2003.

ACTIVITIES

The principal activity of the group is the sale and repair of motor vehicles and all normal activities associated therewith.

RESULTS AND FUTURE PROSPECTS

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

The loss on ordinary activities after taxation was £637,020 (2002 restated – loss of £503,016). During the current year, the directors became aware of a number of misstatements within the assets and liabilities recorded by certain subsidiary undertakings in previous years. The results of the group in the prior period, as well as the balance sheet at 31 July 2002 and the reserves brought forward from 31 July 2001, have been restated accordingly. In addition, certain balances totalling £2,215,000 with a lack of supporting documentation have been written off to the current year profit and loss account. These are disclosed as exceptional items within cost of sales. Details of the prior year adjustments and current year exceptional items, together with the related tax effect, are set out in the notes to the financial statements.

A full review of the group's business and future prospects is provided in the Chairman's Statement on page 6.

POST-BALANCE SHEET EVENT – DISPOSAL OF PROPERTY

After the balance sheet date the group disposed of a property. Details of the transaction are provided in note 23 to the financial statements.

DIVIDENDS

Dividends paid and proposed are as follows:

	First preference shares £	Second preference shares £	Fourth preference shares £	Ordinary shares £
Paid – 21 October 2002	-	12,067	-	-
Paid – 31 January 2003	21,164	-	131,250	-
Paid – 31 July 2003	37,500	-	131,250	-
	58,664	12,067	262,500	-
2003 – Dividend per share	7.5p	12.0p	3.75p	-
2002 – Dividend per share	-	12.0p	3.75p	59.13p

PEOPLES LIMITED

DIRECTORS' REPORT (CONTINUED)

DIRECTORS AND THEIR INTERESTS

	Number of 10 pence deferred shares at		Number of 10 pence ordinary shares at	
	31 July 2003	31 July 2002	31 July 2003	31 July 2002
Brian P Gilda	89,398	89,398	151,070	151,070
Stewart M Ramsay	21,387	21,387	38,145	38,145

No director has any beneficial interest in the preference shares.

FIXED ASSETS

The group's freehold and long leasehold land and buildings were professionally valued on an open market existing use or market value basis, as appropriate, as of 31 October 2003 by Graham & Sibbald, Chartered Surveyors, at £10,548,943. This valuation has been incorporated into these financial statements. Graham & Sibbald are external to the group.

SHARE CAPITAL

During the year the company allotted 1,000,000 first preference shares with a nominal value of £1 each at par. Out of the proceeds of this issue the company redeemed 725,000 second preference shares at par value of £1 per share.

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

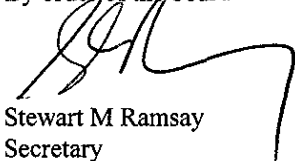
The group places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the group. This is achieved through formal and informal meetings. Employee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

AUDITORS

On 1 August 2003, Deloitte & Touche, the company's auditors, transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. Deloitte & Touche LLP will be proposed for re-appointment.

Approved by the Board of Directors

By order of the board



Stewart M Ramsay
Secretary
18 June 2004

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 the group as at the end of the financial year 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company or 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 to enable them to ensure that the financial statements comply with the Companies Act. They are also responsible for the system of internal control, safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

CHAIRMAN'S STATEMENT

Prior to handing over to our auditors the working papers which pertained to the audit for the year ending July 2003, I was alerted to a number of mis-statements within the assets and liabilities recorded by certain subsidiary undertakings both in the current and prior years.

At the time the sums involved were deemed to be meaningful but not significant however after a great deal of work put in by our expanded accounts team it became apparent that substantial balances could not be verified and that a further and far more detailed external forensic accounting exercise was required to be carried out, in order to satisfy the Directors of the reasons.

During the course of this work all interested parties were kept fully informed. The work has now been completed and the relevant matters have been dealt with in these accounts.

I am satisfied that the work done in this regard has been rigorous, detailed and complete. Internal procedures and controls have been amended and will continue to be reviewed to ensure no future recurrence.

Current Trading

The Company has completed nine months trading in this financial year and is profitable.

Notwithstanding the challenging market conditions of this April, May and June period, the Company has already achieved significant financial milestones and is working to substantially achieve the operational benchmarks earlier identified by the Directors to our Shareholders, Bankers and Trading Partners.

Outlook

At this time of year we are preparing our budgets for the forthcoming Financial Year, we will examine every trading, operational discipline and cost to enable the Company to put behind it the unsatisfactory set of results already referred to. This should as a consequence allow the Company to return to acceptable financial returns and to grow our business profitably over time.

Our People

As always, I would like to thank all those members of staff who worked tirelessly during the year to improve their contribution to the well-being of the Company and ask them to re-dedicate themselves to the year ahead.

Support

I would like to record my gratitude to my Shareholders, Bankers and Trading Partners who during this last difficult period have been patient, understanding and most importantly, supportive of myself and the Company.



Brian P Gilda
Chairman

18 June 2004

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PEOPLES LIMITED

We have audited the financial statements of Peoples Limited for the year ended 31 July 2003 which comprise the balance sheets, the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated cash flow statement, and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 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 directors' report and Chairman's statement for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board except that the scope of our work was limited as explained below. 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 company's circumstances, consistently applied and adequately disclosed.

We planned 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.

However, the evidence available to us was limited as there was a lack of control and of documentation to support certain balances in respect of certain subsidiary undertakings which have been written off to the current year profit and loss account as an exceptional item totalling £2,215,000 and as prior year adjustments totalling £1,777,000 and £444,000 with tax credits of £664,000 in the current year and £533,000 and £133,000 in the prior years which have been recognised in respect of these and which are included within tax recoverable balances in the balance sheet of £1,330,000. To the extent that any adjustment might have been found to be necessary as at 31 July 2003 or that the balances might be attributable to prior periods, any adjustment would have a consequential effect on the shareholders' deficit and on the profit and loss accounts for the relevant periods.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PEOPLES LIMITED

Qualified opinion arising from limitation in audit scope

Except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence regarding the matters set out above, in our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 July 2003 and of the group's loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

In respect alone of the limitations on our work referred to above and any consequential effect on shareholders' funds and the profit and loss accounts for the relevant periods, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Glasgow

18 June 2004

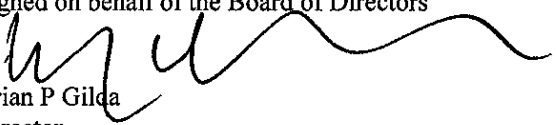
PEOPLES LIMITED

CONSOLIDATED BALANCE SHEET Year ended 31 July 2003

	Note	2003 £	2002 Restated (note 2) £
FIXED ASSETS			
Tangible assets	3	12,280,140	10,284,424
CURRENT ASSETS			
Interest in vehicle residuals			
Repurchases within one year		5,133,651	5,655,251
Repurchases after one year		10,789,200	10,645,200
Stocks	5	38,441,056	21,972,345
Debtors	6	17,452,107	11,811,985
Cash at bank and in hand		667,460	593,626
		72,483,474	50,678,407
CREDITORS: amounts falling due within one year	7	(65,808,020)	(42,954,063)
NET CURRENT ASSETS		6,675,454	7,724,344
TOTAL ASSETS LESS CURRENT LIABILITIES		18,955,594	18,008,768
CREDITORS: amounts falling due after more than one year	8	(13,516,311)	(14,158,026)
NET ASSETS		5,439,283	3,850,742
CAPITAL AND RESERVES			
Called up share capital	10	1,042,017	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
Revaluation reserve	10	2,283,792	-
Profit and loss account	10	(2,266,177)	(1,295,926)
TOTAL SHAREHOLDERS' FUNDS	11	5,439,283	3,850,742
Represented by:			
Equity interests		795,094	(518,447)
Non-equity interests		4,644,189	4,369,189
		5,439,283	3,850,742

These financial statements were approved by the Board of Directors on 18 June 2004.

Signed on behalf of the Board of Directors


Brian P Gilda
Director

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

PEOPLES LIMITED

COMPANY BALANCE SHEET Year ended 31 July 2003

	Note	2003 £	2002 £
FIXED ASSETS			
Investments	4	5,353,300	5,353,300
CURRENT ASSETS			
Debtors	6	636,327	288,886
Cash at bank and in hand		6,148,800	5,405,145
		6,785,127	5,694,031
CREDITORS: amounts falling due within one year	7	(1,810,484)	(1,745,200)
NET CURRENT ASSETS		4,974,643	3,948,831
TOTAL ASSETS LESS CURRENT LIABILITIES		10,327,943	9,302,131
CREDITORS: amounts falling due after more than one year	8	(940,000)	(1,208,000)
NET ASSETS		9,387,943	8,094,131
CAPITAL AND RESERVES			
Called up share capital	10	1,042,017	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	3,966,275	2,947,463
Shareholders' funds		9,387,943	8,094,131
Represented by:			
Equity interests		4,743,754	3,724,942
Non-equity interests		4,644,189	4,369,189
		9,387,943	8,094,131

These financial statements were approved by the Board of Directors on 18 June 2004.

Signed on behalf of the Board of Directors



Brian P Gilda
Director

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

PEOPLES LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT Year ended 31 July 2003

	Note	2003 £	2002 Restated (note 2) £
TURNOVER	13	189,149,339	167,269,082
Cost of sales: other		(182,999,321)	(163,686,711)
Cost of sales: exceptional	15	(2,215,000)	-
Total cost of sales		(185,214,321)	(163,686,711)
GROSS PROFIT		3,935,018	3,582,371
Administrative expenses		(4,024,169)	(3,435,879)
OPERATING (LOSS)/PROFIT		(89,151)	146,492
Interest receivable and similar income		336,945	294,475
Interest payable and similar charges	14	(1,127,458)	(1,099,214)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	13, 15	(879,664)	(658,247)
Tax on loss on ordinary activities	17	242,644	155,231
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(637,020)	(503,016)
Dividends paid and proposed on equity and non-equity shares	18	(333,231)	(461,375)
RETAINED LOSS FOR THE FINANCIAL YEAR		(970,251)	(964,391)
Accumulated deficit at beginning of year		(1,295,926)	(331,535)
Accumulated deficit at end of year		(2,266,177)	(1,295,926)

All activity has arisen from continuing operations.

There is no difference between the loss on ordinary activities before taxation and the loss for the financial year and their historic cost equivalents.

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.

PEOPLES LIMITED**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**
Year ended 31 July 2003

	Note	2003 £	2002 Restated (note 2) £
Loss for the financial year		(970,251)	(964,391)
Unrealised surplus arising on revaluation of properties	10	2,283,792	-
		<u>1,313,541</u>	<u>(964,391)</u>
Total recognised gains and losses for the year		1,313,541	(964,391)
Prior period adjustment (note 2)		<u>(1,555,000)</u>	<u></u>
		<u>(241,459)</u>	
Total recognised gains and losses since last annual report		<u>(241,459)</u>	

PEOPLES LIMITED

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 July 2003

	Note	2003 £	2002 £
Net cash inflow from operating activities	19	1,651,244	478,317
Returns on investments and servicing of finance			
Interest received		336,945	294,475
Interest paid		(1,100,096)	(1,059,043)
Interest element of finance lease rentals and hire purchase agreements		(27,362)	(40,171)
Non-equity dividends paid		(333,231)	(524,250)
Net cash outflow from returns on investments and servicing of finance		(1,123,744)	(1,328,989)
Taxation			
Corporation tax paid		(356,108)	(184,640)
Tax paid		(356,108)	(184,640)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(450,965)	(1,223,203)
Sale of tangible fixed assets		141,812	114,776
Net cash outflow from capital expenditure and financial investment		(309,153)	(1,108,427)
Equity dividends paid		(111,875)	(54,148)
Net cash outflow before financing		(249,636)	(2,197,887)
Financing			
Issue of new shares		1,000,000	-
Redemption of share capital		(725,000)	-
New term loan		-	600,000
Repayment of loans		(688,000)	(584,666)
Capital element of finance lease payments	21	(153,854)	(164,420)
Capital element of hire purchase payments	21	(21,786)	(37,963)
Net cash outflow from financing		(588,640)	(187,049)
Decrease in cash	20	(838,276)	(2,384,936)

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2003

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year, with the exception of the policy for revaluation of land and buildings which is explained below.

Basis of accounting

The financial statements are prepared under the historical cost convention, modified to include the revaluation of land and buildings, 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.

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 £1,352,043 (2002 - £1,454,965).

Tangible fixed assets and depreciation

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

Depreciation is provided by the straight-line method calculated to write-off the cost or valuation 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2003

1. ACCOUNTING POLICIES (CONTINUED)

Revaluation of properties

In the current year the group implemented a policy of recording certain classes of tangible fixed assets at valuation. No prior year adjustment has been recorded in respect of this change in accounting policy as the directors consider that it is not practical at this stage to obtain a reliable valuation of the properties at 31 July 2002.

The group's freehold land and buildings and long leasehold properties, each of which are considered to represent a single class of assets, are revalued individually under a 5 year cycle, comprising a full valuation once every five years, an interim valuation in the third year of each cycle and a review in each other year of the cycle (followed by an interim valuation in the event that the review indicates a material change in value). The surplus or deficit on book value is transferred to the revaluation reserve, except that a deficit which is in excess of any previously recognised surplus over depreciated cost relating to the same property (or the reversal of such a deficit) is charged (or credited) to the profit and loss account. A deficit which represents a clear consumption of economic benefits is charged to the profit and loss account regardless of any previous recorded surplus.

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement in reserves.

On the disposal of, or recognition of a provision for impairment of, a revalued fixed asset any related balance remaining in the revaluation reserve is also transferred to the profit and loss account as a movement in reserves.

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.

Repurchase arrangements

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".

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 the surrender of losses by fellow group companies. The tax benefits arising from group relief are recognised in the financial statements of the surrendering and recipient companies.

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 the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of investment or other 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.

Turnover

Turnover comprises the invoiced value of sales less value added tax and net of all credits and allowances.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2003

1. ACCOUNTING POLICIES (CONTINUED)

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.

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.

PEOPLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 July 2003

2. PRIOR PERIOD ADJUSTMENT

Balance sheet

During the current year, a number of misstatements were identified within the assets and liabilities recorded in previous years. The relevant balance sheet captions and profit and loss account reserves have been restated accordingly.

	Deferred tax (liability)/asset £	Other debtors £	Creditors < 1 year £	Profit and loss account £
As previously reported at 31 July 2002	(175,963)	12,866,078	(42,277,193)	259,074
Prior year adjustment at 31 July 2001	-	(311,000)	-	(311,000)
Prior year adjustment in year ended 31 July 2002	307,870	(875,000)	(676,870)	(1,244,000)
At 31 July 2002 restated	131,907	11,680,078	(42,954,063)	(1,295,926)

Profit and loss account

As certain of the misstatements referred to above arose in the year ended 31 July 2002, the profit and loss account comparatives have also been restated as follows:

	Cost of Sales: other £	Administrative expenses £	Loss on ordinary activities before tax £	Tax £	Loss on ordinary activities after taxation £
Year ended 31 July 2002 as previously reported	(162,448,711)	(2,896,879)	1,118,753	(377,769)	740,984
Prior year adjustment	(1,238,000)	(539,000)	(1,777,000)	533,000	(1,244,000)
Year ended 31 July 2002 restated	(163,686,711)	(3,435,879)	(658,247)	155,231	(503,016)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2003

3. TANGIBLE FIXED ASSETS

Group	Freehold land and buildings £	Long leasehold buildings £	Computers, plant and equipment £	Leased assets £	Motor vehicles £	Total £
Cost or valuation						
At 31 July 2002	9,016,800	256,587	4,035,838	1,231,708	224,885	14,765,818
Additions	33,708	-	209,269	28,638	179,350	450,965
Revaluations	1,640,034	43,413	-	-	-	1,683,447
Disposals	(1,000)	-	-	-	(204,579)	(205,579)
At 31 July 2003	10,689,542	300,000	4,245,107	1,260,346	199,656	16,694,651
Depreciation						
At 31 July 2002	813,150	81,425	2,530,552	990,958	65,309	4,481,394
Charge for the year	141,238	5,131	231,791	161,025	58,044	597,229
Adjustments on revaluations	(513,789)	(86,556)	-	-	-	(600,345)
Disposals	-	-	-	-	(63,767)	(63,767)
At 31 July 2003	440,599	-	2,762,343	1,151,983	59,586	4,414,511
Net book value						
At 31 July 2003	10,248,943	300,000	1,482,764	108,363	140,070	12,280,140
At 31 July 2002	8,203,650	175,162	1,505,286	240,750	159,576	10,284,424

Freehold land amounting to £3,868,733 (2002- £3,869,733) 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 £66,263 (2002 - £64,511).

Freehold and long leasehold land and buildings were professionally valued at Open Market Value (for properties considered surplus to requirements, in which case expected selling costs have not been deducted as they are not considered to be material) or Existing Use Value (for all other properties, in which case notional directly attributable acquisition costs have not been included as they are not considered to be material) as appropriate by Graham & Sibbald, Chartered Surveyors who are external to the company.

The valuation, undertaken as at 31 October 2003, was £10,548,943. The directors do not consider that a materially different valuation would result if undertaken at 31 July 2003, and this valuation has been incorporated into these financial statements.

If land and buildings had not been revalued they would have been included at the following amounts:

	2003		2002	
	Freehold land and buildings £	Long leasehold buildings £	Freehold land and buildings £	Long leasehold buildings £
Cost	9,049,508	256,587	9,016,800	256,587
Depreciation	(954,388)	(86,556)	(813,150)	(81,425)
Net book value	8,095,120	170,031	8,203,650	175,162

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2003

3. TANGIBLE FIXED ASSETS (CONTINUED)

Company

The company has no tangible fixed assets (2002 - £Nil).

4. FIXED ASSET INVESTMENTS

	Total	Ordinary	Preference	Long term
	£	shares	shares	loan stock
		£	£	£
Company				
At 31 July 2002 and 2003	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 2005.

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	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

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Vehicles	36,926,523	20,372,109	-	-
Spare parts	1,266,666	1,376,489	-	-
Other stocks	247,867	223,747	-	-
	<u>38,441,056</u>	<u>21,972,345</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.

PEOPLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2003

6. DEBTORS

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

	Group		Company	
	2003	2002 Restated (note 2)	2003	2002
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	10,731,400	8,725,367	-	-
Prepayments and accrued income	2,810,208	1,391,081	186,939	203,186
Due from fellow group undertakings	-	-	99,686	85,700
Deferred tax asset (note 9)	380,957	131,907	-	-
Value added tax	3,179,840	1,563,630	-	-
Corporation tax recoverable	349,702	-	349,702	-
	<u>17,452,107</u>	<u>11,811,985</u>	<u>636,327</u>	<u>288,886</u>

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2003	2002 Restated (note 2)	2003	2002
	£	£	£	£
Bank overdraft	10,407,719	9,495,609	-	-
Obligations under finance leases	91,884	165,161	-	-
Obligations under hire purchase agreements	17,138	21,786	-	-
Term loan instalments	568,000	568,000	268,000	268,000
Other bank loan	120,000	120,000	-	-
Stocking finance	4,450,000	4,450,000	-	-
Trade creditors	41,484,389	19,485,761	-	-
Due to fellow group undertakings	-	-	982,851	571,256
Other taxes and social security costs	368,525	321,423	-	-
Proposed dividend	-	111,875	-	111,875
Other creditors and accruals	3,166,714	2,559,197	534,424	651,211
Value added tax	-	-	25,209	142,858
Obligations under vehicle repurchase agreements	5,133,651	5,655,251	-	-
	<u>65,808,020</u>	<u>42,954,063</u>	<u>1,810,484</u>	<u>1,745,200</u>

The bank overdraft facilities, term loan and other bank loan are secured by floating charges over the assets of the group, 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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2003

8. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Term loan wholly repayable within five years	1,300,000	480,000	-	-
Term loan not wholly repayable within five years	1,381,250	2,889,250	940,000	1,208,000
Obligations under finance leases	16,335	96,912	-	-
Obligations under hire purchase agreements	29,526	46,664	-	-
Obligations under vehicle repurchase agreements	10,789,200	10,645,200	-	-
	<u>13,516,311</u>	<u>14,158,026</u>	<u>940,000</u>	<u>1,208,000</u>

The company term loan of £1,208,000 (2002 - £1,476,000) is repayable by seventeen quarterly instalments of £67,000 and one final quarterly instalment of £69,000. Interest is payable at variable commercial rates.

A loan of £459,375 (2002 - £546,875) is repayable by twenty one quarterly instalments of £21,875. A term loan of £1,221,875 (2002 - £1,434,375) is repayable by twenty three quarterly instalments of £53,125. A further term loan of £480,000 is repayable by four annual instalments of £120,000. At 31 July 2003 £181,250 (2002 - £617,250) 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 year's two to five. Obligations under vehicle repurchase agreements are unsecured. Obligations under finance lease and hire purchase agreements are secured on the assets obtained under the agreements.

9. DEFERRED TAX

Group	Deferred tax asset Restated (note 2) £
At 31 July 2002	131,907
Credited to profit and loss account – current year (note 17)	249,050
At 31 July 2003	<u>380,957</u>

A net deferred tax asset exists at 31 July 2003. The asset is presented within debtors (see note 6). The analysis of the net deferred tax asset is as follows:

	2003	2002
	£	£
Fixed asset timing differences	(154,411)	(175,963)
Losses carried forward	535,368	307,870
	<u>380,957</u>	<u>131,907</u>

The deferred taxation balances have been computed at the expected long term rate of 30% (2002: 30%).

Company

The company has no deferred tax provision (2002 - £Nil).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2003

10. SHARE CAPITAL AND RESERVES

a) Share capital

The authorised share capital of the company at 31 July 2003 comprised:

	Number	Par value £	2003 Capital £	2002 Capital £
Equity share capital:				
Ordinary shares	992,421	0.10	99,243	777,302
Deferred shares	462,185	0.10	46,218	46,218
Total equity authorised share capital			<u>145,461</u>	<u>823,520</u>
Non-equity share capital:				
First preference shares	1,000,000	1.00	1,000,000	29,941
Second preference shares	725,000	1.00	725,000	1,000,000
Third preference shares	-	-	-	17,000
Fourth preference shares	7,000,000	0.01	70,000	70,000
Total non-equity authorised share capital			<u>1,795,000</u>	<u>1,116,941</u>
Total authorised share capital			<u>1,940,461</u>	<u>1,940,461</u>
			2003 £	2002 £
Allotted, called-up and fully paid				
Equity share capital:				
Ordinary shares of 10p each	189,215		18,922	18,922
Deferred shares of 10p each	110,785		11,078	11,078
Total equity share capital			<u>30,000</u>	<u>30,000</u>
Non-equity share capital:				
First preference shares of £1 each	1,000,000		1,000,000	-
Second preference shares of £1 each			-	725,000
Fourth preference shares of 1p each	7,000,000		70,000	70,000
Issue costs of non-equity share capital			(57,983)	(57,983)
Total non-equity share capital			<u>1,012,017</u>	<u>737,017</u>
Total allotted, called-up and fully-paid share capital			<u>1,042,017</u>	<u>767,017</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2003

10. SHARE CAPITAL AND RESERVES (CONTINUED)

a) Share capital (continued)

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:

	2003	2002
	£	£
Issued non-equity shares	1,070,000	795,000
Less: issue costs	<u>(57,983)</u>	<u>(57,983)</u>
	<u><u>1,012,017</u></u>	<u><u>737,017</u></u>

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

The first preference shares carry a right to a fixed cumulative dividend at 7.5% 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. First preference shares are redeemable at par.

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

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.

During the year the company allotted 1,000,000 first preference shares with a nominal value of £1 each at par. Out of the proceeds of this issue the company redeemed 725,000 second preference shares at par value of £1 per share.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2003

10. SHARE CAPITAL AND RESERVES (CONTINUED)

b) Reserves

	Equity Interests				Non-Equity Interests
	Revaluation reserve £	Capital Redemption Reserve £	Special reserve £	Profit and loss account (note 2) £	Share premium £
Group					
At 31 July 2002 as previously stated	-	171,040	576,439	259,074	3,632,172
Prior year adjustment (note 2)	-	-	-	(1,555,000)	-
	-	171,040	576,439	(1,295,926)	3,632,172
Revaluation surplus	2,283,792	-	-	-	-
Retained loss for the year	-	-	-	(970,251)	-
At 31 July 2003	2,283,792	171,040	576,439	(2,266,177)	3,632,172
Company					
At 31 July 2002	-	171,040	576,439	2,947,463	3,632,172
Retained profit for the year	-	-	-	1,018,812	-
At 31 July 2003	-	171,040	576,439	3,966,275	3,632,172

The revaluation surplus relates to the revaluation of the Group's land and buildings detailed in note 3.

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 (2002 - £2,387,680).

11. RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDERS' FUNDS

	2003 £	2002 Restated (note 2) £
Loss for the financial year	(637,020)	(503,016)
Dividends paid and proposed (see note 18)	(333,231)	(461,375)
Unrealised surplus arising on revaluation of properties	2,283,792	-
New shares issued, net (see note 10)	275,000	-
Net addition to/(reduction in) shareholders' funds	1,588,541	(964,391)
Opening shareholders' funds (originally funds of £5,405,742 before deducting prior year adjustment of (£1,555,000))	3,850,742	4,815,133
Closing shareholders' funds	5,439,283	3,850,742

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2003

12. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

a) Capital commitments

The group and the company had no capital commitments at 31 July 2003 (2002 - £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.

c) Lease commitments

The group leases land and buildings on long term leases. The annual rental on these leases is £269,750 (2002-£269,750). 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:

	2003 Property £	2002 Property £
Group		
Operating leases which expire		
- after more than 5 years	269,750	269,750
	<u>269,750</u>	<u>269,750</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 in the unlikely event of failure by these other group undertakings.

13. SEGMENTAL INFORMATION

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

14. INTEREST PAYABLE AND SIMILAR CHARGES

	2003 £	2002 £
On bank overdraft and loans		
Repayable within 5 years, by instalments	78,200	1,640
Repayable within 5 years, not by instalments	838,329	758,750
On loans repayable wholly or in part		
After more than 5 years, by instalments	108,076	232,751
Interest element of finance lease charges	22,521	30,417
Interest element of hire purchase charges	4,841	9,754
Other interest	75,491	65,902
	<u>1,127,458</u>	<u>1,099,214</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2003

15. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Loss on ordinary activities before taxation is stated after charging:

	2003	2002
	£	£
Depreciation of tangible fixed assets (note 3)		
Owned assets	409,100	494,285
Held under finance leases and hire purchase agreements	188,129	204,005
Auditors' remuneration	57,000	55,000
Staff costs (note 16)	13,094,425	12,405,244
Operating lease rentals – plant and machinery		
Plant and machinery	2,760	2,760
Other	269,750	269,750
Non audit services provided by the auditors	-	6,000
	<u> </u>	<u> </u>

Exceptional item included in cost of sales

During the year, certain mis-statements and unsubstantiated balances were identified within a subsidiary company and have been written off to the profit and loss account. The total write off is recorded as an exceptional item within cost of sales amounting to £2,215,000. The tax effect of this exceptional item is disclosed in note 17.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2003

16. STAFF COSTS

Employee costs during the year, including those for executive directors, amounted to:

	2003 £	2002 £
Staff costs during the year (including directors)		
Wages and salaries	11,900,735	11,287,742
Social security costs	1,134,960	1,062,843
Other pension costs	58,730	54,659
	<u>13,094,425</u>	<u>12,405,244</u>

The average monthly number of employees during the year was 677 (2002 - 660).

Directors' remuneration:

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

	2003 £	2002 £
Remuneration:		
Emoluments	275,002	265,970
Company contributions to money purchase pension schemes	39,023	38,442
	<u>314,025</u>	<u>304,412</u>

Pensions:

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

	2003 No.	2002 No.
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:

	2003 £	2002 £
Emoluments	161,342	156,494
Company contributions to money purchase pension schemes	22,279	22,909
	<u>183,621</u>	<u>179,403</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2003

17. TAX ON LOSS ON ORDINARY ACTIVITIES

	2003 £	2002 Restated (note 2) £
United Kingdom corporation tax at 30% (2002 - 30%)	6,406	137,347
Deferred – origination and reversal of timing differences (note 9)	(249,050)	(292,578)
	<u>(242,644)</u>	<u>(155,231)</u>

Reconciliation of tax credit

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 30% (2002 – 30%). The actual tax (credit)/charge for the current and prior years differs from 30% for the reasons set out in the following reconciliation:

	2003 £	2002 Restated (note 2) £
Loss on ordinary activities before tax	(879,664)	(658,247)
Tax on loss on ordinary activities at 30%	(263,899)	(197,474)
Factors affecting charge:		
Permanent differences	21,255	42,243
Fixed asset timing differences	21,552	(15,292)
Losses carried forward	227,498	307,870
Current tax charge for the year	<u>6,406</u>	<u>137,347</u>

The exceptional item detailed in note 15 and prior year adjustments detailed in note 2 resulted in a tax credit of £664,000 being recognised in 2003 and a tax credit of £533,000 being recognised in 2002.

18. DIVIDENDS

	2003 £	2002 £
Paid and proposed:		
First preference shares		
Interim of 3.75p (2002 – 0p) per share paid	21,164	-
Final of 3.75p (2002 – 0p) per share paid	37,500	-
Second preference shares		
Interim of 6p (2002 – 6.0p) per share paid	-	43,500
Final of 6p (2002 – 6.0p) per share paid/proposed	12,067	43,500
Fourth preference shares		
Interim of 1.875p (2002 – 1.875p) per share paid	131,250	131,250
Final of 1.875p (2002 – 1.875p) per share paid/proposed	131,250	131,250
Ordinary shares		
Final of nil p (2002 – 59.13p) per share proposed	-	111,875
	<u>333,231</u>	<u>461,375</u>

All dividends due for payment under the company's Articles of Association as at 31 July 2003 have been paid in full.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2003

19. RECONCILIATION OF OPERATING (LOSS)/PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2003 £	2002 Restated (note 2) £
Operating (loss)/profit	(89,151)	146,492
Depreciation charges	597,229	698,290
Increase in stocks	(16,468,711)	(9,236,502)
Increase in debtors	(5,043,370)	(1,106,788)
Increase in creditors	22,655,247	9,976,825
Net cash inflow from operating activities	<u>1,651,244</u>	<u>478,317</u>

20. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2003 £	2002 £
Decrease in cash in year	(838,276)	(2,384,936)
Cash outflow from decrease in debt and lease financing	<u>863,640</u>	<u>187,049</u>
Change in net debt resulting from cash flows	25,364	(2,197,887)
Net debt at beginning of year	<u>(17,739,756)</u>	<u>(15,541,869)</u>
Net debt at end of year	<u>(17,714,392)</u>	<u>(17,739,756)</u>

21. ANALYSIS OF NET DEBT

	2002 £	Cash flow £	Maturity of debt £	2003 £
Cash at bank and in hand	593,626	73,834	-	667,460
Bank overdraft	<u>(9,495,609)</u>	<u>(912,110)</u>	-	<u>(10,407,719)</u>
	(8,901,983)	(838,276)	-	(9,740,259)
Debt due within one year	(688,000)	688,000	(688,000)	(688,000)
Debt due after more than one year	(3,369,250)	-	688,000	(2,681,250)
Finance leases	(262,073)	153,854	-	(108,219)
Hire purchase agreements	(68,450)	21,786	-	(46,664)
Stocking finance	<u>(4,450,000)</u>	<u>-</u>	<u>-</u>	<u>(4,450,000)</u>
	<u>(17,739,756)</u>	<u>25,364</u>	<u>-</u>	<u>(17,714,392)</u>

22. RELATED PARTY TRANSACTIONS

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

PEOPLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2003

23. POST-BALANCE SHEET EVENT

In April 2004 the group disposed of its Glasgow dealership. The consideration received was equal to the carrying value of the property disposed of.