

PEOPLES LIMITED

Report and Financial Statements

31 July 2004



PEOPLES LIMITED

REPORT AND FINANCIAL STATEMENTS 2004

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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

Callendar Road
Falkirk
FK1 1SQ

BANKERS

Bank of Scotland
The Mound
Edinburgh
EH1 1YZ

SOLICITORS

Maclay Murray & Spens
151 St Vincent Street
Glasgow
G2 5NJ

AUDITORS

Deloitte & Touche LLP
Edinburgh

PEOPLES LIMITED

NOTICE OF MEETING 2004

Notice is hereby given that the twenty-first annual general meeting of the company will be held at Callendar Road, Falkirk, FK1 1SQ on 31 March 2005 to transact the following business:

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

Callendar Road
Falkirk
FK1 1SQ

By order of the Board,



Stewart M Ramsay
Secretary

4 March 2005

PEOPLES LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 July 2004.

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 profit on ordinary activities before taxation was £17,092 (2003 – loss of £879,664). The loss on ordinary activities after taxation was £22,259 (2003 – loss of £637,020).

During the prior year, certain mis-statements within the assets and liabilities recorded by certain subsidiary undertakings in previous years were identified and were written off to the profit and loss account. The total exceptional write-off included within the above comparative pre-tax loss figures for 2003 was £2,215,000.

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

DIVIDENDS

No dividends were paid during the year. Cumulative dividends on preference shares which accrue over time but which are not due for payment under the company's Articles of Association have been appropriated in full as an 'Other reserve' in non-equity shareholders' funds.

	First preference shares £	Second preference shares £	Fourth preference shares £	Ordinary shares £
2004 – Dividend per share appropriated to 'Other reserve'	7.5p	-	3.75p	-
2004 – Dividend per share paid	-	-	-	-
2003 – Dividend per share paid	7.5p	12.0p	3.75p	-

DIRECTORS AND THEIR INTERESTS

	Number of 10 pence deferred shares at		Number of 10 pence ordinary shares at	
	31 July 2004	31 July 2003	31 July 2004	31 July 2003
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.

PEOPLES LIMITED

DIRECTORS' REPORT (CONTINUED)

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 was adopted effective 31 July 2003 in the prior year financial statements. Graham & Sibbald are external to the group. Since that date and prior to 31 July 2004, properties with a net book value of £2,584,554 were sold to third parties. Given that these assets were carried at open market value, no gain or loss was recorded on disposal.

DISABLED EMPLOYEES

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

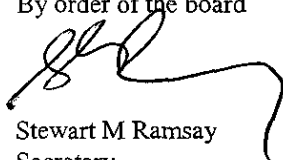
EMPLOYEE CONSULTATION

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

AUDITORS

A resolution to re-appoint Deloitte & Touche LLP as the company's auditors will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
By order of the board



Stewart M Ramsay
Secretary
4 March 2005

STATEMENT OF DIRECTORS' REPONSIBILITIES

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 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.*

CHAIRMAN'S STATEMENT

Given the events referred to in my statement of last year, the current year was always going to be challenging and it was not helped by a difficult and aggressive market place.

It is therefore encouraging to be able to report that during the period under review the Group's turnover has remained constant at £189m and more importantly and as anticipated, the Group has returned to pre-tax profitability, albeit at a modest level.

Equally important the Group's cash position has positively changed by over £6.0m, its bank overdraft has improved by over 57% from its prior year figure and its net debt has reduced by £7.6m representing a reduction of 43%.

Indeed as I write this statement the Group is cash positive, having wiped out its bank overdraft.

Throughout the year the Company has achieved the operational benchmarks and financial milestones identified by the Directors to our Shareholders, Bankers and Trading Partners. The culmination of this good work is the unqualified audit opinion expressed in these accounts.

Current Trading and Outlook

The Company has just completed its first 6 months trading in this financial year and is comfortably ahead of the same period last year. The hard work which has been put into examining every trading, operational discipline and cost is beginning to bear fruit and should see the Group returning over time, to more acceptable financial returns.

The road map for both this year and the next financial year have clearly identified the targets that we have to meet or beat to be successful. All my management and staff are behind the strategy, therefore progress will be achieved.

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 as always, have been supportive of both myself and the Company.



Brian P Gilda
Chairman

4 March 2005

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PEOPLES LIMITED

We have audited the financial statements of Peoples Limited for the year ended 31 July 2004 which comprise the balance sheets, the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the note of consolidated historic cost profits and losses, the consolidated cash flow statement, and the related notes 1 to 22. 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 or material inconsistencies with the financial statements.

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.

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

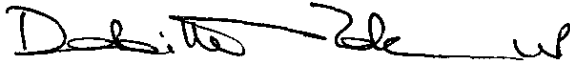
Uncertainty regarding tax balances

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the status of tax recoverable balances recorded by certain subsidiary undertakings in prior years totalling £1,330,000 and included within shareholders' funds at 31 July 2004. Any adjustment that might be required on the future agreement of the matters giving rise to these tax recoverable balances could have a consequential effect on shareholders' funds and on the tax charge in the profit and loss account in the relevant period. The circumstances relating to this uncertainty are set out in note 16. Our opinion is not qualified in this respect.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
PEOPLES LIMITED (CONTINUED)**

Opinion

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 2004 and of the group's loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to read 'Deloitte & Touche', followed by a long horizontal line and a small flourish.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Edinburgh

4 March 2005

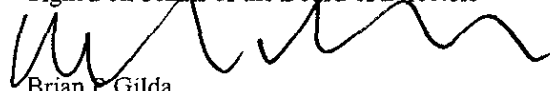
PEOPLES LIMITED

CONSOLIDATED BALANCE SHEET 31 July 2004

	Note	2004 £	2003 £
FIXED ASSETS			
Tangible assets	2	9,433,412	12,280,140
CURRENT ASSETS			
Interest in vehicle residuals			
Repurchases after more than one year		9,158,555	10,789,200
Repurchases within one year		5,301,969	5,133,651
Stocks	4	38,492,412	38,441,056
Debtors	5	12,697,338	17,452,107
Cash at bank and in hand		826,533	667,460
		66,476,807	72,483,474
CREDITORS: amounts falling due within one year	6	(59,321,106)	(65,808,020)
NET CURRENT ASSETS		7,155,701	6,675,454
TOTAL ASSETS LESS CURRENT LIABILITIES		16,589,113	18,955,594
CREDITORS: amounts falling due after more than one year	7	(11,172,089)	(13,516,311)
NET ASSETS		5,417,024	5,439,283
CAPITAL AND RESERVES			
Called up share capital	9	1,042,017	1,042,017
Share premium	9	3,632,172	3,632,172
Capital redemption reserve	9	171,040	171,040
Special reserve	9	576,439	576,439
Revaluation reserve	9	280,477	2,283,792
Profit and loss account	9	(622,621)	(2,266,177)
Other reserve	9	337,500	-
TOTAL SHAREHOLDERS' FUNDS	10	5,417,024	5,439,283
Represented by:			
Equity interests		435,335	795,094
Non-equity interests		4,981,689	4,644,189
		5,417,024	5,439,283

These financial statements were approved by the Board of Directors on 4 March 2005.

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

31 July 2004

	Note	2004 £	2003 £
FIXED ASSETS			
Investments	3	5,353,300	5,353,300
CURRENT ASSETS			
Debtors	5	701,389	636,327
Cash at bank and in hand		5,760,780	6,148,800
		6,462,169	6,785,127
CREDITORS: amounts falling due within one year	6	(2,276,927)	(1,810,484)
NET CURRENT ASSETS		4,185,242	4,974,643
TOTAL ASSETS LESS CURRENT LIABILITIES		9,538,542	10,327,943
CREDITORS: amounts falling due after more than one year	7	(672,000)	(940,000)
NET ASSETS		8,866,542	9,387,943
CAPITAL AND RESERVES			
Called up share capital	9	1,042,017	1,042,017
Share premium	9	3,632,172	3,632,172
Capital redemption reserve	9	171,040	171,040
Special reserve	9	576,439	576,439
Profit and loss account	9	3,107,374	3,966,275
Other reserve	9	337,500	-
TOTAL SHAREHOLDERS' FUNDS		8,866,542	9,387,943
Represented by:			
Equity interests		3,884,853	4,743,754
Non-equity interests		4,981,689	4,644,189
		8,866,542	9,387,943

These financial statements were approved by the Board of Directors on 4 March 2005.

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 2004

	Note	2004 £	2003 £
TURNOVER	12	188,915,015	189,149,339
Cost of sales: other		(183,477,545)	(182,999,321)
Cost of sales: exceptional	14	-	(2,215,000)
Total cost of sales		(183,477,545)	(185,214,321)
GROSS PROFIT		5,437,470	3,935,018
Administrative expenses		(4,759,371)	(4,024,169)
OPERATING PROFIT/(LOSS)		678,099	(89,151)
Interest receivable and similar income		441,428	336,945
Interest payable and similar charges	13	(1,102,435)	(1,127,458)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	12, 14	17,092	(879,664)
Tax (charge)/credit on profit/(loss) on ordinary activities	16	(39,351)	242,644
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(22,259)	(637,020)
Dividends paid and proposed on equity and non-equity shares and appropriations	17	(337,500)	(333,231)
RETAINED LOSS FOR THE FINANCIAL YEAR	9	(359,759)	(970,251)

All activity has arisen from continuing operations.

A statement of movements on reserves is given in note 9.

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 2004

	2004 £	2003 £
Loss for the financial year before dividends	(22,259)	(637,020)
Unrealised surplus arising on revaluation of properties	-	2,283,792
Total recognised gains and losses for the year	(22,259)	1,646,772

NOTE OF CONSOLIDATED HISTORIC COST PROFITS AND LOSSES Year ended 31 July 2004

	2004 £	2003 £
Reported profit/(loss) before taxation	17,092	(879,664)
Revaluation realised upon disposal of properties	2,001,396	-
Historical cost profit/(loss) before taxation	2,018,488	(879,664)
Historical cost profit/(loss) after taxation and dividends	1,641,637	(970,251)

PEOPLES LIMITED

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 July 2004

	Note	2004	2003
		£	£
Net cash inflow from operating activities	18	6,038,056	1,651,244
Returns on investments and servicing of finance			
Interest received		441,428	336,945
Interest paid		(1,095,834)	(1,100,096)
Interest element of finance lease rentals and hire purchase agreements		(6,601)	(27,362)
Non-equity dividends paid		-	(333,231)
Net cash outflow from returns on investments and servicing of finance		(661,007)	(1,123,744)
Taxation			
Corporation tax paid		-	(356,108)
Tax paid		-	(356,108)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(658,295)	(450,965)
Sale of tangible fixed assets		2,913,444	141,812
Purchase of fixed asset investments		(1,750,712)	-
Sale of fixed asset investments		1,750,712	-
Net cash inflow/(outflow) from capital expenditure and financial investment		2,255,149	(309,153)
Equity dividends paid		-	(111,875)
Net cash inflow/(outflow) before financing		7,632,198	(249,636)
Financing			
Issue of new shares		-	1,000,000
Redemption of share capital		-	(725,000)
Repayment of stocking finance		(650,000)	-
Repayment of loans		(688,000)	(688,000)
Capital element of finance lease payments	20	(91,885)	(153,854)
Capital element of hire purchase payments	20	(17,138)	(21,786)
Net cash outflow from financing		(1,447,023)	(588,640)
Increase/(decrease) in cash	19	6,185,175	(838,276)

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2004

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

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 United Kingdom accounting standards.

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 any impairment.

No profit or loss account is presented for Peoples Limited, as provided by s230 of the Companies Act 1985. The company's loss after taxation for the financial year, determined in accordance with the Act, was £521,401 (2003 – profit of £1,352,043).

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:

Freehold buildings	2%
Plant and equipment	10% and 20%
Computer equipment	25%
Motor vehicles	25% and 30%
Long leasehold buildings	2%
Other leased assets	20%

Land is not depreciated.

Revaluation of properties

In the prior year the group implemented a policy of recording certain classes of tangible fixed assets at valuation.

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, where the impact is material, 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2004

1. ACCOUNTING POLICIES (CONTINUED)

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 within "Interest in vehicle residuals". The value of the contractual commitment and the associated asset are estimated on the basis of expected rates of return of the relevant vehicles and expected market value at the date of return.

Taxation

Corporation tax payable is provided on taxable profits at the current tax 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.

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 as at the period end 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.

Leases

The group enters into operating and finance leases.

Assets held under finance leases are initially reported at the fair value of the asset with an equivalent liability categorised as appropriate under creditors due within or after one year. The asset is depreciated over the shorter of the lease term and its useful economic life. Finance charges are allocated to accounting periods over the period of the lease to produce a constant rate of charge on the outstanding balance. Rentals are apportioned between finance charges and reduction of the liability, and allocated to cost of sales and other operating expenses as appropriate. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Further information on charges in the year and future commitments is given in notes 11 and 14.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2004

1. ACCOUNTING POLICIES (CONTINUED)

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. 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 2003	10,689,542	300,000	4,245,107	1,260,346	199,656	16,694,651
Additions	21,788	-	301,946	-	334,561	658,295
Adjustment on prior year revaluation	95,938	-	-	-	-	95,938
Disposals	(2,598,943)	-	(784,243)	-	(261,320)	(3,644,506)
At 31 July 2004	8,208,325	300,000	3,762,810	1,260,346	272,897	13,804,378
Depreciation						
At 31 July 2003	440,599	-	2,762,343	1,151,983	59,586	4,414,511
Charge for the year	137,447	5,131	288,854	92,851	67,296	591,579
Adjustment on prior year revaluation	95,938	-	-	-	-	95,938
Disposals	(14,389)	-	(650,917)	-	(65,756)	(731,062)
At 31 July 2004	659,595	5,131	2,400,280	1,244,834	61,126	4,370,966
Net book value						
At 31 July 2004	7,548,730	294,869	1,362,530	15,512	211,771	9,433,412
At 31 July 2003	10,248,943	300,000	1,482,764	108,363	140,070	12,280,140

Freehold land amounting to £3,868,733 (2003- £3,868,733) 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 £57,713 (2003 - £66,263).

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2004

2. TANGIBLE FIXED ASSETS (CONTINUED)

The valuation, undertaken as at 31 October 2003, was £10,548,943 and this valuation was incorporated into the prior year financial statements effective 31 July 2003. Since that date and prior to 31 July 2004, properties with a net book value of £2,584,554 were sold to third parties. Given that these assets were carried at open market value, no gain or loss was recorded on disposal. No further revaluation has been carried out in the current year.

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

	2004		2003	
	Freehold land and buildings £	Long leasehold buildings £	Freehold land and buildings £	Long leasehold buildings £
Cost	8,222,307	256,587	9,049,508	256,587
Depreciation	(824,085)	(91,687)	(954,388)	(86,556)
Net book value	<u>7,398,222</u>	<u>164,900</u>	<u>8,095,120</u>	<u>170,031</u>

Company

The company has no tangible fixed assets (2003 - £Nil).

3. FIXED ASSET INVESTMENTS

Company	Ordinary shares £	Preference shares £	Long term loan stock £	Capital contribution to subsidiary £	Capital redemption bond £	Total £
At 31 July 2003	4,300	1,000,000	4,349,000	-	-	5,353,300
Additions	-	-	-	-	1,750,712	1,750,712
Capital contribution to subsidiary company	-	-	-	1,750,712	(1,750,712)	-
Provision for impairment	-	-	-	(1,750,712)	-	(1,750,712)
At 31 July 2004	<u>4,300</u>	<u>1,000,000</u>	<u>4,349,000</u>	<u>-</u>	<u>-</u>	<u>5,353,300</u>

Fixed asset investments at 31 July 2004 relate to interests in subsidiary undertakings held directly by the company.

During the period the company acquired, in an arm's length transaction with a third party on normal commercial terms, an investment in the form of a capital redemption bond. The bond was subsequently disposed of by way of transfer for £nil consideration to Peoples Ecosse Limited, a wholly owned subsidiary. At the date of transfer, the directors estimate that the bond had a market value of £1,750,712. This transfer has initially been recorded as an increase in the company's investment in its subsidiary by way of capital contribution, with the directors then providing in full against the increase in investment value given that there is no net change in the value that they would attribute to their interest in subsidiary. This is a company only provision and has no effect on Group net assets or profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2004

3. FIXED ASSET INVESTMENTS (CONTINUED)

Peoples Ecosse Limited subsequently redeemed the bond prior to the year end for its surrender value of £1,750,712 and received that amount in cash from the relevant third party. From a Group perspective, the Group acquired and subsequently redeemed an investment during the period. All ancillary costs, including professional fees were expensed during the period and the redemption of the bond gave rise to no gain or loss for the Group. There were no other additions or disposals of fixed asset investments in the year.

Loan stock due from subsidiary undertakings is repayable in 12 six monthly instalments from 1 July 2006.

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

4. STOCKS

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Vehicles	37,106,681	36,926,523	-	-
Spare parts	1,254,364	1,266,666	-	-
Other stocks	131,367	247,867	-	-
	<u>38,492,412</u>	<u>38,441,056</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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2004

5. DEBTORS

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

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
<i>Amounts falling due within one year:</i>				
Trade debtors	8,831,501	10,731,400	-	-
Prepayments and accrued income	1,344,908	2,810,208	252,657	186,939
Amounts due from fellow group undertakings	-	-	99,030	99,686
Deferred tax asset (note 8)	341,606	380,957	-	-
Value added tax	1,829,621	3,179,840	-	-
Corporation tax recoverable (note 16)	349,702	349,702	349,702	349,702
	<u>12,697,338</u>	<u>17,452,107</u>	<u>701,389</u>	<u>636,327</u>

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Bank overdraft	4,381,617	10,407,719	-	-
Obligations under finance leases	7,284	91,884	-	-
Obligations under hire purchase agreements	18,292	17,138	-	-
Term loan instalments	568,000	568,000	268,000	268,000
Other bank loan	120,000	120,000	-	-
Stocking finance	3,800,000	4,450,000	-	-
Trade creditors	42,632,364	41,484,389	-	-
Amounts due to fellow group undertakings	-	-	1,427,572	982,851
Other taxes and social security costs	363,597	368,525	-	-
Other creditors and accruals	2,127,983	3,166,714	568,906	534,424
Value added tax	-	-	12,449	25,209
Obligations under vehicle repurchase agreements	5,301,969	5,133,651	-	-
	<u>59,321,106</u>	<u>65,808,020</u>	<u>2,276,927</u>	<u>1,810,484</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 2004

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

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Term loans wholly repayable within five years	1,993,250	1,300,000	672,000	940,000
Term loans not wholly repayable within five years	-	1,381,250	-	-
Obligations under finance leases	9,050	16,335	-	-
Obligations under hire purchase agreements	11,234	29,526	-	-
Obligations under vehicle repurchase agreements	9,158,555	10,789,200	-	-
	<u>11,172,089</u>	<u>13,516,311</u>	<u>672,000</u>	<u>940,000</u>

The company term loan of £940,000 (2003 - £1,208,000) is repayable by thirteen quarterly instalments of £67,000 and one final quarterly instalment of £69,000. Interest is payable at variable commercial rates.

A loan of £371,875 (2003 - £459,375) is repayable by seventeen quarterly instalments of £21,875. A term loan of £1,009,375 (2003 - £1,221,875) is repayable by nineteen quarterly instalments of £53,125. A further term loan of £360,000 is repayable by three annual instalments of £120,000. At 31 July 2004 £Nil (2003 - £181,250) 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.

8. DEFERRED TAX

Group	Deferred tax asset
	£
At 31 July 2003	380,957
Charged to profit and loss account (note 16)	<u>(39,351)</u>
At 31 July 2004	<u>341,606</u>

A net deferred tax asset exists at 31 July 2004 and is presented within debtors (see note 5 and comments regarding basis of recognition in note 16). The analysis of the net deferred tax asset is as follows:

	2004	2003
	£	£
Fixed asset timing differences	(193,762)	(154,411)
Losses carried forward	<u>535,368</u>	<u>535,368</u>
	<u>341,606</u>	<u>380,957</u>

The deferred taxation balances have been computed at the expected long term rate of 30% (2003: 30%).

Company

The company has no deferred tax provision (2003 - £Nil).

PEOPLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2004

9. SHARE CAPITAL AND RESERVES

a) Share capital

The authorised and issued share capital of the company at 31 July 2004 comprised:

	Number	Par value £	2004 Capital £	2003 Capital £
Equity share capital:				
Ordinary shares	992,421	0.10	99,243	99,243
Deferred shares	462,185	0.10	46,218	46,218
Total equity authorised share capital			<u>145,461</u>	<u>145,461</u>
Non-equity share capital:				
First preference shares	1,000,000	1.00	1,000,000	1,000,000
Second preference shares	725,000	1.00	725,000	725,000
Fourth preference shares	7,000,000	0.01	70,000	70,000
Total non-equity authorised share capital			<u>1,795,000</u>	<u>1,795,000</u>
Total authorised share capital			<u>1,940,461</u>	<u>1,940,461</u>
			2004	2003
			£	£
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	1,000,000
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>1,012,017</u>
Total allotted, called-up and fully-paid share capital			<u>1,042,017</u>	<u>1,042,017</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2004

9. 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:

	2004 £	2003 £
Issued non-equity shares	1,070,000	1,070,000
Less: issue costs	<u>(57,983)</u>	<u>(57,983)</u>
	<u>1,012,017</u>	<u>1,012,017</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.

The deferred shares carry no voting rights, dividend rights, priority in winding-up or other beneficial rights.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2004

9. SHARE CAPITAL AND RESERVES (CONTINUED)

b) Reserves

	Equity interests				Non-equity interests	
	Revaluation reserve £	Capital redemption Reserve £	Special reserve £	Profit and loss account £	Other reserve	Share premium £
Group						
At 31 July 2003	2,283,792	171,040	576,439	(2,266,177)	-	3,632,172
Revaluation realised upon disposal of properties	(2,001,396)	-	-	2,001,396	-	-
Transfer in respect of revalued properties	(1,919)	-	-	1,919	-	-
Retained loss for the year	-	-	-	(359,759)	-	-
Appropriation (note 17)	-	-	-	-	337,500	-
At 31 July 2004	<u>280,477</u>	<u>171,040</u>	<u>576,439</u>	<u>(622,621)</u>	<u>337,500</u>	<u>3,632,172</u>
Company						
At 31 July 2003	-	171,040	576,439	3,966,275	-	3,632,172
Retained loss for the year	-	-	-	(858,901)	-	-
Appropriation (note 17)	-	-	-	-	337,500	-
At 31 July 2004	<u>-</u>	<u>171,040</u>	<u>576,439</u>	<u>3,107,374</u>	<u>337,500</u>	<u>3,632,172</u>

The 'Other reserve' is distributable. In accordance with Financial Reporting Standard 4, cumulative dividends on preference shares which accrue over time but which are not due for payment under the company's Articles of Association as at 31 July 2004 have been appropriated as an 'Other reserve' in non-equity shareholders' funds (note 17).

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 (2003 - £2,387,680).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2004

10. RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDERS' FUNDS

	2004 £	2003 £
Loss for the financial year	(22,259)	(637,020)
Dividends paid and proposed (see note 17)	-	(333,231)
Unrealised surplus arising on revaluation of properties	-	2,283,792
New shares issued	-	275,000
Net (reduction in)/addition to shareholders' funds	(22,259)	1,588,541
Opening shareholders' funds	5,439,283	3,850,742
Closing shareholders' funds	5,417,024	5,439,283

11. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

a) Capital commitments

The group and the company had no capital commitments at 31 July 2004 (2003 - £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 6 and 7.

c) Lease commitments

The group leases land and buildings on long term leases. The annual rental on these leases is £269,750 (2003-£269,750). The rent payable under these leases is subject to renegotiation at intervals specified in the leases.

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

	2004 Property £	2003 Property £
Group		
Operating leases which expire		
- after more than 5 years	269,750	269,750
	269,750	269,750

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.

12. SEGMENTAL INFORMATION

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2004

13. INTEREST PAYABLE AND SIMILAR CHARGES

	2004 £	2003 £
On bank overdraft and loans		
Repayable within 5 years, by instalments	88,796	78,200
Repayable within 5 years, not by instalments	995,992	838,329
On loans repayable wholly or in part		
Repayable after more than 5 years, by instalments	-	108,076
Interest element of finance lease charges	4,060	22,521
Interest element of hire purchase charges	2,541	4,841
Other interest	11,046	75,491
	<u>1,102,435</u>	<u>1,127,458</u>

14. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	2004 £	2003 £
Depreciation of tangible fixed assets (note 2)		
Owned assets	490,178	409,100
Held under finance leases and hire purchase agreements	101,401	188,129
Auditors' remuneration	65,000	57,000
Staff costs (note 15)	13,258,117	13,094,425
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 (tax-related)	64,400	-
	<u>13,486,646</u>	<u>13,551,164</u>

Exceptional items included in prior year cost of sales

During the prior year, certain mis-statements and unsubstantiated balances were identified within a subsidiary company and were written off to the profit and loss account. The total write-off was recorded as exceptional items within cost of sales amounting to £2,215,000. The tax effect of these exceptional items is included in note 16.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2004

15. STAFF COSTS

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

	2004 £	2003 £
Staff costs during the year (including directors)		
Wages and salaries	12,057,985	11,900,735
Social security costs	1,150,169	1,134,960
Other pension costs	49,963	58,730
	<u>13,258,117</u>	<u>13,094,425</u>

The average monthly number of employees during the year was 649 (2003 - 677).

Directors' remuneration:

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

	2004 £	2003 £
Remuneration:		
Emoluments	298,530	275,002
Company contributions to money purchase pension schemes	38,192	39,023
	<u>336,722</u>	<u>314,025</u>

Pensions:

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

	2004 No.	2003 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:

	2004 £	2003 £
Emoluments	177,415	161,342
Company contributions to money purchase pension schemes	22,279	22,279
	<u>199,694</u>	<u>183,621</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2004

16. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	2004 £	2003 £
United Kingdom corporation tax		
Current tax at 30% (2003 - 30%)	-	6,406
Deferred tax (note 8)		
Adjustment in respect of prior years	37,116	-
Current year origination and reversal of timing differences	2,235	(249,050)
	39,351	(249,050)
Total tax on profit/loss on ordinary activities	39,351	(242,644)

Reconciliation of current tax charge

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 30% (2003 – 30%). The actual current tax charge for the current and prior years differs from 30% for the reasons set out in the following reconciliation:

	2004 £	2003 £
Profit/(loss) on ordinary activities before tax	17,092	(879,664)
Tax on profit/(loss) on ordinary activities at 30%	5,128	(263,899)
Factors affecting charge:		
Permanent differences	34,223	21,255
Fixed asset timing differences	(39,351)	21,552
Losses carried forward	-	227,498
Current tax charge for the year	-	6,406

The prior year exceptional items detailed in note 14 resulted in a tax credit of £664,000 being recognised in 2003.

The balances shown in note 5 for corporation tax recoverable and deferred tax assets are stated after the inclusion of corporation tax recoverable balances totalling £1,330,000 which were recorded by certain subsidiary undertakings in prior years. These tax recoverable balances arose in relation to the write-off of certain balances in 2003 and prior years. The directors consider that these adjustments are fully deductible for corporation tax purposes and have submitted corporation tax computations accordingly. Those tax computations have not yet been agreed and consequently the status of the tax recoverable balances remains unconfirmed at the date of these financial statements. Any adjustment that might be required on the future agreement of those submitted tax computations could have a consequential effect on shareholders' funds and on the tax charge in the profit and loss account in the relevant period.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2004

17. DIVIDENDS

	2004 £	2003 £
Paid and proposed:		
First preference shares		
Interim of Nil (2003 – 3.75p) per share paid	-	21,164
Final of Nil (2003 – 3.75p) per share paid	-	37,500
Second preference shares		
Final of Nil (2003 – 6.0p) per share paid	-	12,067
Fourth preference shares		
Interim of Nil (2003 – 1.875p) per share paid	-	131,250
Final of Nil (2003 – 1.875p) per share paid	-	131,250
	<u>-</u>	<u>333,231</u>
Appropriated as an other reserve:		
First preference shares – 7.5p per share (2003 – Nil)	75,000	-
Fourth preference shares – 3.75p per share (2003 – Nil)	262,500	-
	<u>337,500</u>	<u>-</u>
	<u>337,500</u>	<u>333,231</u>

The results for the year ended 31 July 2004 have been prepared in accordance with Financial Reporting Standard 4. Cumulative dividends on preference shares which accrue over time but which are not due for payment under the company's Articles of Association as at 31 July 2004 (£337,500) have been appropriated in full as an 'Other reserve' in non-equity shareholders' funds.

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

	2004 £	2003 £
Operating profit/(loss)	678,099	(89,151)
Depreciation charges	591,579	597,229
Increase in stocks	(51,356)	(16,468,711)
Decrease/(increase) in debtors	4,717,418	(5,043,370)
Increase in creditors	102,316	22,655,247
	<u>6,038,056</u>	<u>1,651,244</u>
Net cash inflow from operating activities	<u>6,038,056</u>	<u>1,651,244</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2004

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

	2004 £	2003 £
Increase/(decrease) in cash in year	6,185,175	(838,276)
Cash outflow from decrease in debt and lease financing	1,447,023	863,640
Change in net debt resulting from cash flows	7,632,198	25,364
Net debt at beginning of year	(17,714,392)	(17,739,756)
Net debt at end of year	<u>(10,082,194)</u>	<u>(17,714,392)</u>

20. ANALYSIS OF NET DEBT

	2003 £	Cash flow £	Maturity of debt £	2004 £
Cash at bank and in hand	667,460	159,073	-	826,533
Bank overdraft	(10,407,719)	6,026,102	-	(4,381,617)
	(9,740,259)	6,185,175	-	(3,555,084)
Debt due within one year	(688,000)	688,000	(688,000)	(688,000)
Debt due after more than one year	(2,681,250)	-	688,000	(1,993,250)
Finance leases	(108,219)	91,885	-	(16,334)
Hire purchase agreements	(46,664)	17,138	-	(29,526)
Stocking finance	(4,450,000)	650,000	-	(3,800,000)
	<u>(17,714,392)</u>	<u>7,632,198</u>	<u>-</u>	<u>(10,082,194)</u>

21. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption in Financial Reporting Standard 8 not to disclose details of transactions with fellow group undertakings.

22. POST BALANCE SHEET EVENTS

Subsequent to the year-end, the Group has sold its property in Bootle for an amount in line with the net book value of £2.7 million, and received the proceeds in cash, as part of a relocation to new and improved premises at Orrell Lane, Liverpool.