

PEOPLES LIMITED

Report and Financial Statements

31 July 2005



PEOPLES LIMITED

REPORT AND FINANCIAL STATEMENTS 2005

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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

INDEPENDENT AUDITORS

Deloitte & Touche LLP
Edinburgh

PEOPLES LIMITED

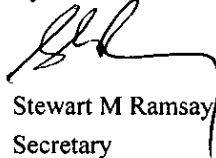
NOTICE OF MEETING 2005

Notice is hereby given that the twenty-second annual general meeting of the company will be held at Callendar Road, Falkirk, FK1 1SQ on Friday, 25 November 2005 to transact the following business:

1. To receive and adopt the directors' report and financial statements for the year ended 31 July 2005 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
FK1 1SQ

By order of the Board



Stewart M Ramsay
Secretary

31 October 2005

PEOPLES LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 July 2005.

ACTIVITIES, RESULTS AND FUTURE PROSPECTS

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

The results of the group for the year are set out in detail on page 10.

The profit on ordinary activities before taxation was £506,931 (2004 – profit of £17,092). The profit on ordinary activities after taxation was £381,452 (2004 – loss of £22,259).

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

DIVIDENDS

Dividends paid and proposed are as follows:

	First preference shares £	Fourth preference shares £	Ordinary shares £
Paid – 31 January 2005	37,500	131,250	-
Paid – 31 July 2005	37,500	131,250	-
	75,000	262,500	-
2005 – Dividend per share	7.5p	3.75p	-
2004 – Dividend per share appropriated to 'other reserve'	7.5p	3.75p	-

DIRECTORS AND THEIR INTERESTS

	Number of 10 pence deferred shares at		Number of 10 pence ordinary shares at	
	31 July 2005	31 July 2004	31 July 2005	31 July 2004
Brian P Gilda	89,398	89,398	160,512	151,070
Stewart M Ramsay	21,387	21,387	28,703	38,145

No director has any beneficial interest in the preference shares.

DIRECTORS' REPORT (CONTINUED)

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.

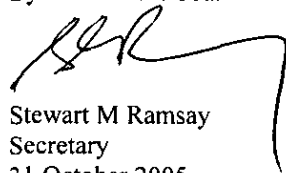
EMPLOYEE CONSULTATION

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
31 October 2005

STATEMENT OF DIRECTORS' REPOSNSIBILITIES

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 the system of internal control, 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

In my statement last year I referred to the hard work which had been put into examining every trading, operational discipline and cost. It is therefore encouraging to be able to report the Group returning to more acceptable financial returns this year, with the profit before tax up from £17,000 to £507,000. This result is all the more pleasing as the market remained difficult and margin sensitive, particularly in the latter half of our financial year.

The Group took a conscious decision during the year to significantly scale back its high value but low margin activities which, while generating turnover, added very little to the bottom line. This has seen turnover fall back from £189 million to £151 million although I believe the decision is vindicated in light of the improvement at the operating profit level.

We have continued to positively manage our cash and again I can report that we have produced a net cash inflow of £3.6 million on top of last years £6 million. Our bank overdraft has fallen by £4.1 million from the prior year figure and indeed for a large part of the year we were cash positive. Our net debt has reduced by £3.8 million representing a reduction of £11.5 million over the past two years.

Again throughout the year the Company has achieved the operational benchmarks and financial milestones identified by the Directors to our Shareholders, Bankers and Trading Partners.

Current Trading and Outlook

We have just started a new financial year and the markets in which we operate continue to be very challenging and are not helped by lacklustre consumer confidence and recent UK and World events. We therefore have to redouble our efforts to ensure that the Group continues to report acceptable financial returns.

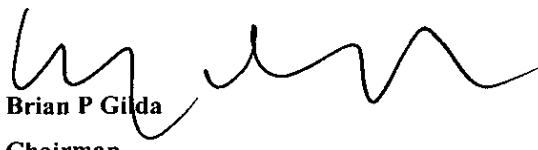
We have set out our strategy for the year ahead and are confident that with the hard work of all management and staff, progress will be achieved.

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

31 October 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 2005 which comprise the balance sheets, the consolidated profit and loss account, the note of consolidated historic cost profits and losses, the consolidated cash flow statement, and the related notes 1 to 21. 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. 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.

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 2005 and of the group's profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Edinburgh

31 October 2005

PEOPLES LIMITED

CONSOLIDATED BALANCE SHEET

31 July 2005

	Note	2005 £	2004 £
FIXED ASSETS			
Tangible assets	2	<u>8,409,508</u>	<u>9,433,412</u>
CURRENT ASSETS			
Interest in vehicle residuals			
Repurchases after more than one year		9,732,932	9,158,555
Repurchases within one year		4,827,500	5,301,969
Stocks	4	27,148,066	38,492,412
Debtors	5	9,702,760	12,697,338
Cash at bank and in hand		<u>479,143</u>	<u>826,533</u>
		51,890,401	66,476,807
CREDITORS: amounts falling due within one year	6	<u>(43,783,532)</u>	<u>(59,321,106)</u>
NET CURRENT ASSETS		<u>8,106,869</u>	<u>7,155,701</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		16,516,377	16,589,113
CREDITORS: amounts falling due after more than one year	7	<u>(11,055,401)</u>	<u>(11,172,089)</u>
NET ASSETS		<u>5,460,976</u>	<u>5,417,024</u>
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	305,008	280,477
Profit and loss account	9	(603,200)	(622,621)
Other reserve	9	<u>337,500</u>	<u>337,500</u>
TOTAL SHAREHOLDERS' FUNDS	10	<u>5,460,976</u>	<u>5,417,024</u>
Represented by:			
Equity interests		479,287	435,335
Non-equity interests		<u>4,981,689</u>	<u>4,981,689</u>
		<u>5,460,976</u>	<u>5,417,024</u>

These financial statements were approved by the Board of Directors on 31 October 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 2005

	Note	2005 £	2004 £
FIXED ASSETS			
Investments	3	5,353,300	5,353,300
CURRENT ASSETS			
Debtors	5	213,389	701,389
Cash at bank and in hand		6,363,190	5,760,780
		6,576,579	6,462,169
CREDITORS: amounts falling due within one year	6	(1,505,712)	(2,276,927)
NET CURRENT ASSETS		5,070,867	4,185,242
TOTAL ASSETS LESS CURRENT LIABILITIES		10,424,167	9,538,542
CREDITORS: amounts falling due after more than one year	7	(404,000)	(672,000)
NET ASSETS		10,020,167	8,866,542
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	4,260,999	3,107,374
Other reserve	9	337,500	337,500
TOTAL SHAREHOLDERS' FUNDS		10,020,167	8,866,542
Represented by:			
Equity interests		5,038,478	3,884,853
Non-equity interests		4,981,689	4,981,689
		10,020,167	8,866,542

These financial statements were approved by the Board of Directors on 31 October 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 2005

	Note	2005 £	2004 £
TURNOVER	12	150,789,440	188,915,015
Cost of sales		(145,932,130)	(183,477,545)
GROSS PROFIT		4,857,310	5,437,470
Administrative expenses		(4,091,475)	(4,759,371)
OPERATING PROFIT		765,835	678,099
Interest receivable and similar income		426,401	441,428
Interest payable and similar charges	13	(685,305)	(1,102,435)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	12, 14	506,931	17,092
Tax charge on profit on ordinary activities	16	(125,479)	(39,351)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		381,452	(22,259)
Dividends paid and proposed on equity and non-equity shares and appropriations	17	(337,500)	(337,500)
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR	9	43,952	(359,759)

All activity has arisen from continuing operations.

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

The group has recognised no gains or losses other than the profit/(loss) for the current and preceding periods and, accordingly, no Statement of Total Recognised Gains and Losses is presented.

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

NOTE OF CONSOLIDATED HISTORIC COST PROFITS AND LOSSES
Year ended 31 July 2005

	2005	2004
	£	£
Reported profit before taxation	506,931	17,092
Revaluation realised upon disposal of properties	-	2,001,396
Historical cost profit before taxation	506,931	2,018,488
Historical cost profit after taxation and dividends	43,952	1,641,637

CONSOLIDATED CASH FLOW STATEMENT**Year ended 31 July 2005**

	Note	2005 £	£	2004 £	£
Net cash inflow from operating activities	18		3,599,725		6,038,056
Returns on investments and servicing of finance					
Interest received		426,401		441,428	
Interest paid		(683,089)		(1,095,834)	
Interest element of finance lease rentals and hire purchase agreements		(2,216)		(6,601)	
Non-equity dividends paid		(337,500)		-	
Net cash outflow from returns on investments and servicing of finance			(596,404)		(661,007)
Taxation					
Corporation tax paid		(5,834)		-	
Corporation tax recovered		349,702		-	
Tax recovered			343,868		-
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(2,413,979)		(658,295)	
Sale of tangible fixed assets		2,928,904		2,913,444	
Purchase of fixed asset investments		-		(1,750,712)	
Sale of fixed asset investments		-		1,750,712	
Net cash inflow from capital expenditure and financial investment			514,925		2,255,149
Net cash inflow before financing			3,862,114		7,632,198
Financing					
New/(repayment) of stocking finance		650,000		(650,000)	
Repayment of loans		(688,000)		(688,000)	
Capital element of finance lease payments	20	(10,421)		(91,885)	
Capital element of hire purchase payments	20	(18,292)		(17,138)	
Net cash outflow from financing			(66,713)		(1,447,023)
Increase in cash	19		3,795,401		6,185,175

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2005

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 profit after taxation for the financial year, determined in accordance with the Act, was £1,491,125 (2004 – loss of £521,401).

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 2005

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. Revenue is recognised on the sale of vehicles when the risks and rewards of ownership are transferred. All other revenues are recognised as they are earned according to the relevant performance conditions.

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 2005

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 & improvements £	Computers, plant and equipment £	Leased assets £	Motor vehicles £	Total £
Cost or valuation						
At 31 July 2004	8,208,325	300,000	3,762,810	1,260,346	272,897	13,804,378
Additions	-	833,588	1,329,709	28,430	250,682	2,442,409
Adjustment to prior year disposals	-	14,276	-	-	-	14,276
Disposals	(3,189,694)	-	(1,478,372)	(222,305)	(232,100)	(5,122,471)
At 31 July 2005	5,018,631	1,147,864	3,614,147	1,066,471	291,479	11,138,592
Depreciation						
At 31 July 2004	659,595	5,131	2,400,280	1,244,834	61,126	4,370,966
Charge for the year	107,575	21,319	348,112	9,528	61,985	548,519
Adjustment to prior year disposals	-	3,166	-	-	-	3,166
Disposals	(545,007)	-	(1,354,688)	(222,305)	(71,567)	(2,193,567)
At 31 July 2005	222,163	29,616	1,393,704	1,032,057	51,544	2,729,084
Net book value						
At 31 July 2005	4,796,468	1,118,248	2,220,443	34,414	239,935	8,409,508
At 31 July 2004	7,548,730	294,869	1,362,530	15,512	211,771	9,433,412

Freehold land amounting to £2,150,000 (2004 - £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 £49,163 (2004 - £57,713).

Freehold and long leasehold land and buildings were professionally valued at Existing Use Value (in which case notional directly attributable acquisition costs have not been included as they are not considered to be material) by Graham & Sibbald, Chartered Surveyors who are external to the company.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2005

2. TANGIBLE FIXED ASSETS (CONTINUED)

The valuation, undertaken as at 31 October 2003, on properties still held at 31 July 2005 was £5,250,000. The directors are not aware of any material change in the value of the previously revalued assets and therefore the valuation has not been updated.

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

	2005		2004	
	Freehold land and buildings £	Long leasehold buildings & improvements £	Freehold land and buildings £	Long leasehold buildings & improvements £
Cost	5,032,613	1,104,451	8,222,307	256,587
Depreciation	(415,580)	(114,436)	(824,085)	(91,687)
Net book value	<u>4,617,033</u>	<u>990,015</u>	<u>7,398,222</u>	<u>164,900</u>

Company

The company has no tangible fixed assets (2004 - £Nil).

3. FIXED ASSET INVESTMENTS

Company

	Ordinary shares £	Preference shares £	Long term loan stock £	Total £
At 31 July 2004 and 2005	<u>4,300</u>	<u>1,000,000</u>	<u>4,349,000</u>	<u>5,353,300</u>

Fixed asset investments at 31 July 2005 relate to interests in subsidiary undertakings held directly by the company.

There were no 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 2007.

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2005

4. STOCKS

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Vehicles	26,045,667	37,106,681	-	-
Spare parts	925,808	1,254,364	-	-
Other stocks	176,591	131,367	-	-
	<u>27,148,066</u>	<u>38,492,412</u>	<u>-</u>	<u>-</u>

The directors consider that there is no material difference between the balance sheet value and replacement cost of each of the above stock categories.

5. DEBTORS

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

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	8,183,115	8,831,501	-	-
Prepayments and accrued income	1,252,660	1,344,908	181,993	252,657
Amounts due from fellow group undertakings	-	-	31,396	99,030
Deferred tax asset (note 8)	266,985	341,606	-	-
Value added tax	-	1,829,621	-	-
Corporation tax recoverable	-	349,702	-	349,702
	<u>9,702,760</u>	<u>12,697,338</u>	<u>213,389</u>	<u>701,389</u>

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Bank overdraft	238,826	4,381,617	-	-
Obligations under finance leases	17,124	7,284	-	-
Obligations under hire purchase agreements	11,234	18,292	-	-
Term loan instalments	568,000	568,000	268,000	268,000
Other bank loan	120,000	120,000	-	-
Stocking finance	4,450,000	3,800,000	-	-
Trade creditors	29,476,796	42,632,364	-	-
Amounts due to fellow group undertakings	-	-	448,174	1,427,572
Corporation tax	45,024	-	39,400	-
Other taxes and social security costs	349,982	363,597	-	-
Other creditors and accruals	2,864,672	2,127,983	739,466	568,906
Value added tax	814,374	-	10,672	12,449
Obligations under vehicle repurchase agreements	4,827,500	5,301,969	-	-
	<u>43,783,532</u>	<u>59,321,106</u>	<u>1,505,712</u>	<u>2,276,927</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 undertaking.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2005

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

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Term loans wholly repayable within five years	1,305,250	1,993,250	404,000	672,000
Obligations under finance leases	17,219	9,050	-	-
Obligations under hire purchase agreements	-	11,234	-	-
Obligations under vehicle repurchase agreements	9,732,932	9,158,555	-	-
	<u>11,055,401</u>	<u>11,172,089</u>	<u>404,000</u>	<u>672,000</u>

The company term loan of £672,000 (2004 - £940,000) is repayable by nine quarterly instalments of £67,000 and one final quarterly instalment of £69,000. Interest is payable at variable commercial rates.

A loan of £284,375 (2004 - £371,875) is repayable by thirteen quarterly instalments of £21,875. A term loan of £796,875 (2004 - £1,009,375) is repayable by fifteen quarterly instalments of £53,125. A further term loan of £240,000 is repayable by two annual instalments of £120,000. At 31 July 2005 £nil (2004 - £Nil) 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 2004	341,606
Charged to profit and loss account (note 16)	(74,621)
At 31 July 2005	<u>266,985</u>

A net deferred tax asset exists at 31 July 2005 and is presented within debtors (see note 5). The analysis of the net deferred tax asset is as follows:

	2005	2004
	£	£
Fixed asset timing differences	(268,383)	(193,762)
Losses carried forward	<u>535,368</u>	<u>535,368</u>
	<u>266,985</u>	<u>341,606</u>

The deferred taxation balances have been computed at the expected long term rate of 30% (2004: 30%).

Company

The company has no deferred tax provision (2004 - £Nil).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2005

9. SHARE CAPITAL AND RESERVES

a) Share capital

The authorised and issued share capital of the company at 31 July 2005 comprised:

	Number	Par value £	2005 Capital £	2004 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>
			2005 £	2004 £
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 2005

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:

	2005 £	2004 £
Issued non-equity shares	1,070,000	1,070,000
Less: issue costs	(57,983)	(57,983)
	<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.

The holders of ordinary shares have full voting and dividend rights but no priority on winding-up or similar rights.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2005

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 2004	280,477	171,040	576,439	(622,621)	337,500	3,632,172
Realisation of deficit on prior year revaluation	26,450	-	-	(26,450)	-	-
Transfer in respect of revalued properties	(1,919)	-	-	1,919	-	-
Retained profit for the year	-	-	-	43,952	-	-
At 31 July 2005	<u>305,008</u>	<u>171,040</u>	<u>576,439</u>	<u>(603,200)</u>	<u>337,500</u>	<u>3,632,172</u>
Company						
At 31 July 2004	-	171,040	576,439	3,107,374	337,500	3,632,172
Retained profit for the year	-	-	-	1,153,625	-	-
At 31 July 2005	<u>-</u>	<u>171,040</u>	<u>576,439</u>	<u>4,260,999</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 2005 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 (2004 - £2,387,680).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2005

10. RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDERS' FUNDS

	2005	2004
	£	£
Profit/(loss) for the financial year	381,452	(22,259)
Dividends paid and proposed (see note 17)	(337,500)	-
Net addition to/(reduction in) shareholders' funds	43,952	(22,259)
Opening shareholders' funds	5,417,024	5,439,283
Closing shareholders' funds	5,460,976	5,417,024

11. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

a) Capital commitments

The group and the company had no capital commitments at 31 July 2005 (2004 - £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 £866,935 (2004 - £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:

	2005	2004
	Property	Property
	£	£
Group		
Operating leases which expire		
- between 1 and 2 years	42,185	-
- after more than 5 years	824,750	269,750
	866,935	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 2005

13. INTEREST PAYABLE AND SIMILAR CHARGES

	2005	2004
	£	£
On bank overdraft and loans		
Repayable within 5 years, by instalments	76,263	88,796
Repayable within 5 years, not by instalments	568,199	995,992
Interest element of finance lease charges	827	4,060
Interest element of hire purchase charges	1,389	2,541
Other interest	38,627	11,046
	<u>685,305</u>	<u>1,102,435</u>

14. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:

	2005	2004
	£	£
Depreciation of tangible fixed assets (note 2)		
Owned assets	530,441	490,178
Held under finance leases and hire purchase agreements	18,078	101,401
Auditors' remuneration	65,000	65,000
Staff costs (note 15)	11,957,306	13,258,117
Operating lease rentals – plant and machinery		
Plant and machinery	2,760	2,760
Other	468,942	269,750
Non-audit services provided by the auditors (tax-related)	<u>-</u>	<u>64,400</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2005

15. STAFF COSTS

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

	2005 £	2004 £
Staff costs during the year (including directors)		
Wages and salaries	10,875,160	12,057,985
Social security costs	1,037,035	1,150,169
Other pension costs	45,111	49,963
	<u>11,957,306</u>	<u>13,258,117</u>

The average monthly number of employees during the year was 556 (2004 - 649).

Directors' remuneration:

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

	2005 £	2004 £
Remuneration:		
Emoluments	282,655	298,530
Company contributions to money purchase pension schemes	38,192	38,192
	<u>320,847</u>	<u>336,722</u>

Pensions:

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

	2005 No.	2004 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:

	2005 £	2004 £
Emoluments	177,760	177,415
Company contributions to money purchase pension schemes	22,279	22,279
	<u>200,039</u>	<u>199,694</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2005

16. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2005	2004
	£	£
United Kingdom corporation tax		
Current tax at 30% (2004 - 30%)	45,024	-
Adjustment in respect of prior year	5,834	-
	<u>50,858</u>	<u>-</u>
Deferred tax (note 8)		
Adjustment in respect of prior years	(25,181)	37,116
Current year origination and reversal of timing differences	99,802	2,235
	<u>74,621</u>	<u>39,351</u>
Total tax on profit on ordinary activities	<u>125,479</u>	<u>39,351</u>

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% (2004 - 30%). The actual current tax charge for the current and prior years differs from 30% for the reasons set out in the following reconciliation:

	2005	2004
	£	£
Profit on ordinary activities before tax	506,931	17,092
Tax on profit on ordinary activities at 30%	152,079	5,128
Factors affecting charge:		
Permanent differences	(32,434)	34,223
Fixed asset timing differences	(74,621)	(39,351)
Current tax charge for the year	<u>45,024</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2005

17. DIVIDENDS

	2005	2004
	£	£
Paid and proposed:		
First preference shares		
Interim of 3.75p (2004 – Nil) per share paid	37,500	-
Final of 3.75p (2004 – Nil) per share paid	37,500	-
Fourth preference shares		
Interim of 1.875p (2004 – Nil) per share paid	131,250	-
Final of 1.875p (2004 – Nil) per share paid	131,250	-
	<u>337,500</u>	<u>-</u>
Appropriated as an other reserve:		
First preference shares – 7.5p per share (2004 – Nil)	-	75,000
Fourth preference shares – 3.75p per share (2004 – Nil)	-	262,500
	<u>-</u>	<u>337,500</u>
	<u>337,500</u>	<u>337,500</u>

The results for the year ended 31 July 2005 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 2005 (£337,500) have been appropriated in full as an 'Other reserve' in non-equity shareholders' funds.

18. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2005	2004
	£	£
Operating profit	765,835	678,099
Non-cash adjustment to prior year fixed asset disposals	(11,110)	-
Depreciation charges	548,519	591,579
Decrease/(increase) in stocks	11,344,346	(51,356)
Decrease in debtors	2,570,255	4,717,418
(Decrease)/increase in creditors	(11,618,120)	102,316
Net cash inflow from operating activities	<u>3,599,725</u>	<u>6,038,056</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2005

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

	2005	2004
	£	£
Increase in cash in year	3,795,401	6,185,175
Cash outflow from decrease in debt and lease financing	66,713	1,447,023
	<u>3,862,114</u>	<u>7,632,198</u>
Change in net debt resulting from cash flows	3,862,114	7,632,198
New finance leases	(28,430)	
Net debt at beginning of year	(10,082,194)	(17,714,392)
	<u>(6,248,510)</u>	<u>(10,082,194)</u>
Net debt at end of year	<u>(6,248,510)</u>	<u>(10,082,194)</u>

20. ANALYSIS OF NET DEBT

	2004	Cash flow	Non-cash	Maturity	2005
	£	£	movement	of debt	£
			£	£	
Cash at bank and in hand	826,533	(347,390)	-	-	479,143
Bank overdraft	(4,381,617)	4,142,791	-	-	(238,826)
	<u>(3,555,084)</u>	<u>3,795,401</u>	<u>-</u>	<u>-</u>	<u>240,317</u>
Debt due within one year	(688,000)	688,000	-	(688,000)	(688,000)
Debt due after more than one year	(1,993,250)	-	-	688,000	(1,305,250)
Finance leases	(16,334)	10,421	(28,430)	-	(34,343)
Hire purchase agreements	(29,526)	18,292	-	-	(11,234)
Stocking finance	(3,800,000)	(650,000)	-	-	(4,450,000)
	<u>(10,082,194)</u>	<u>3,862,114</u>	<u>(28,430)</u>	<u>-</u>	<u>(6,248,510)</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.