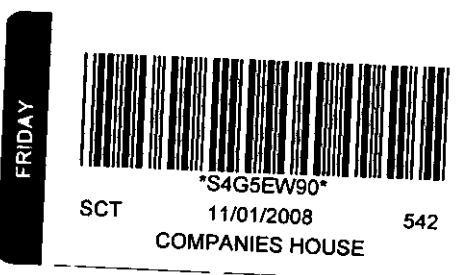


PEOPLES LIMITED

Annual Report and Financial Statements

31 July 2007



PEOPLES LIMITED

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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
Glasgow
United Kingdom

PEOPLES LIMITED

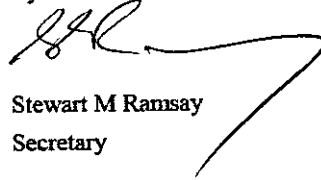
NOTICE OF MEETING 2007

Notice is hereby given that the twenty fourth annual general meeting of the company will be held at Callendar Road, Falkirk, FK1 1SQ on Monday, 5 November 2007 to transact the following business

- 1 To receive and adopt the directors' report and financial statements for the year ended 31 July 2007 together with the auditors' report
- 2 To re-appoint the 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

11 October 2007

PEOPLES LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 July 2007

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The group comprises the holding company and its wholly owned subsidiaries as detailed in note 3. The group's principal activities are the sale and repair of motor vehicles and all normal activities associated therewith. There have not been any significant changes in the group's principal activities in the year under review and the directors are not aware, at the date of this report, of any likely major changes in the group's activities in the next year.

The group continues to invest in its dealership facilities in order to meet the standards required by our manufacturer partners and further investment will continue in the forthcoming year.

As shown in the consolidated profit and loss account on page 11 the group turnover increased by 3.6% over the prior year, whilst the group's profit on ordinary activities before taxation and preference share dividends increased by 28% over the prior year level. This is due to a continual refocusing on core product areas and the elimination of low margin activities.

The consolidated balance sheet on page 9 of the financial statements shows a continuing improvement in the group's financial position both in terms of net assets and cash. During the year the group undertook an interim revaluation of its properties which gave rise to an uplift of £1.33 million over their previous carrying value.

The group continues to positively manage its cash and has produced a net cash inflow for the year of £0.8 million on top of the £10.2 million inflow achieved over the previous three years. The group's bank overdraft has been eliminated and there is £1.69 million of cash at the year end. Indeed for a large part of the year the group was cash positive.

The group's net debt has reduced by £1.5 million during the year and by £14.4 million over the past four years.

There have been no significant events since the balance sheet date.

The group controls its operations largely through a careful monitoring of gross profit levels together with particular attention being directed at the use of assets and cash. The group's net interest payable, excluding preference share dividends, has reduced from £0.21 million to £0.16 million, a reduction of 23% in spite of the increases in bank base rate.

PRINCIPAL RISKS AND UNCERTAINTIES

The group sells new vehicles for both Ford and Mazda, our manufacturer partners, and is dependent on the public's perception of the quality and suitability of their product range compared to the market as a whole. The group is also a significant retailer of used vehicles.

The Group is not dependent on any single customer in any area of its business, the loss of which would have a significant impact on its results.

The Group purchases and sells entirely within the United Kingdom and accordingly has no foreign exchange exposure.

PEOPLES LIMITED

DIRECTORS' REPORT (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

The Group is financed by a combination of stocking finance, term loans and overdraft facilities. At the year end over 90% of the group's net debt was in the form of stocking finance which is secured over the group's vehicle stocks. The group has significant headroom in terms of unutilised overdraft facilities to meet its current and future anticipated requirements. All of the group's net debt costs are linked to finance base rates but the interest rate exposure taking account of recent interest rate movements is not significant to the group's results.

FINANCIAL RISK MANAGEMENT

The group's principal financial assets are bank balances and trade debtors. The group's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of provisions for doubtful debts. The group has no significant concentration of credit risk, with exposure spread over a number of customers. The group's principal financial liabilities comprise a term loan, trade creditors and accruals, all of which are paid on standard terms of payment. The credit risk of liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The group does not enter into any derivative transactions.

ENVIRONMENT

The group recognises the importance of its environmental responsibilities and designs and implements policies to reduce any damage that might be caused by its activities. Initiatives designed to minimise the group's impact on the environment include the safe disposal of waste, recycling and investing money in energy efficiency equipment.

EMPLOYEES

The group has a policy of equal opportunities which applies in relation to recruitment of all new employees and to the management of existing personnel. The group offers all of its staff training relevant to their roles and believe this has contributed positively to the group's results.

Details of the number of employees and related costs can be found in note 16 to the financial statements.

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.

PEOPLES LIMITED

DIRECTORS' REPORT (CONTINUED)

DIVIDENDS

Dividends paid and proposed are as follows

	First preference shares £	Fourth preference shares £	Ordinary shares £
Paid – 23 November 2006			170,976
Paid – 31 January 2007	37,500	131,250	
Paid – 31 July 2007	37,500	131,250	
	75,000	262,500	170,976
2007 – Dividend per share	7 5p	3 75p	90 36p
2006 – Dividend per share	7 5p	3 75p	

DIRECTORS AND THEIR INTERESTS

	Number of 10 pence deferred shares at		Number of 10 pence ordinary shares at	
	31 July 2007	31 July 2006	31 July 2007	31 July 2006
Brian P Gilda	89,398	89,398	160,512	160,512
Stewart M Ramsay	21,387	21,387	28,703	28,703

No director has any beneficial interest in the preference shares Both directors served throughout the year

AUDIT INFORMATION

Each of the persons who is a director at the date of approval of this report confirms that

(1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and

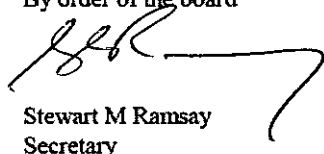
(2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s2342A of the Companies Act 1985

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

11 October 2007

PEOPLES LIMITED

STATEMENT OF DIRECTORS' REPOSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to

- ☐ select suitable accounting policies and then apply them consistently,
- ☐ make judgments and estimates that are reasonable and prudent,
- ☐ state whether applicable UK Accounting Standards have been followed, and
- ☐ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PEOPLES LIMITED

CHAIRMAN'S STATEMENT

I am delighted to report the continued and improved Group results for this year, with the profit before tax and preference share dividends up from £1.2 million to £1.53 million. This result is all the more pleasing as the markets in which we operate remained difficult and margin sensitive.

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

For a greater understanding of our results, an Enhanced Business Review Summary can be found on page 3.

As previously stated the Group is a founder member of The Retail Automotive Alliance (RAA) which comprises 21 like-minded independent Motor Dealer Groups. This membership is having positive influence on a number of operational matters that affect the Group.

Current Trading and Outlook

We have just started a new financial year and the markets in which we operate continue to be exceptionally challenging. In essence this is because of the global banking concerns which have had the unfortunate effect of cascading down to the retail market. Notwithstanding that, 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 again 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 rededicate themselves to the year ahead. The Group has consistently sought to recruit and retain the best employees in the marketplace and this has undoubtedly contributed to our success and is a course of action which will be continued.

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

11 October 2007

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PEOPLES LIMITED

We have audited the group and parent company financial statements (the "financial statements") of Peoples Limited for the year ended 31 July 2007 which comprise the consolidated and company 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 23. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 July 2007 and of the group's profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

Glasgow, United Kingdom

11 October 2007

PEOPLES LIMITED

CONSOLIDATED BALANCE SHEET 31 July 2007

	Note	2007 £	2007 £	2006 £	2006 £
NET ASSETS EMPLOYED					
FIXED ASSETS					
Tangible fixed assets	2		9,206,687		8,298,389
CURRENT ASSETS					
Stocks	4		33,448,978		33,404,099
Debtors	5		7,626,080		7,833,103
Cash at bank and in hand			1,687,674		880,532
			42,762,732		42,117,734
CREDITORS: amounts falling due within one year	6		(44,297,261)		(44,192,154)
NET CURRENT LIABILITIES			(1,534,529)		(2,074,420)
TOTAL ASSETS LESS CURRENT LIABILITIES			7,672,158		6,223,969
CREDITORS: amounts falling due in more than one year before financing liabilities	7	181,250	(181,250)	623,638	(623,638)
TOTAL NET ASSETS EMPLOYED			7,490,908		5,600,331
FINANCED BY:					
Financing liabilities					
Preference shares	9	1,012,017	1,012,017	1,012,017	1,012,017
Total creditors falling due after more than one year		1,193,267		1,635,655	
Shareholders' funds					
Called up share capital	10		30,000		30,000
Capital redemption reserve	10		171,040		171,040
Special reserve	10		576,439		576,439
Revaluation reserve	10		1,634,498		303,089
Profit and loss account	10		434,742		(124,426)
Other reserve	10		3,632,172		3,632,172
Total shareholders' funds	11		6,478,891		4,588,314
TOTAL FINANCING			7,490,908		5,600,331

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

These financial statements were approved by the Board of Directors on 11 October 2007

Signed on behalf of the Board of Directors


Brian P Gilda
Director

PEOPLES LIMITED

COMPANY BALANCE SHEET 31 July 2007

	Note	2007 £	2007 £	2006 £	2006 £
NET ASSETS EMPLOYED					
FIXED ASSETS					
Investments	3		5,353,300		5,353,300
CURRENT ASSETS					
Debtors	5		152,345		177,503
Cash at bank and in hand			7,036,732		6,857,479
			7,189,077		7,034,982
CREDITORS amounts falling due within one year	6		(1,197,018)		(1,680,602)
NET CURRENT ASSETS			5,992,059		5,354,380
TOTAL ASSETS LESS CURRENT LIABILITIES			11,345,359		10,707,680
CREDITORS: amounts falling due in more than one year before financing liabilities	7			136,000	(136,000)
TOTAL NET ASSETS EMPLOYED			11,345,359		10,571,680
FINANCED BY					
Financing liabilities					
Preference shares	9	1,012,017	1,012,017	1,012,017	1,012,017
Total creditors falling due after more than one year		1,012,017		1,148,017	
Shareholders' funds					
Called up share capital	10		30,000		30,000
Capital redemption reserve	10		171,040		171,040
Special reserve	10		576,439		576,439
Profit and loss account	10		5,923,691		5,150,012
Other reserve	10		3,632,172		3,632,172
Total shareholders' funds			10,333,342		9,559,663
TOTAL FINANCING			11,345,359		10,571,680

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

These financial statements were approved by the Board of Directors on 11 October 2007

Signed on behalf of the Board of Directors


Brian P Gilda
Director

PEOPLES LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 July 2007

	Note	2007 £	2007 £	2006 £	2006 £
TURNOVER	13		148,116,927		142,953,475
Cost of sales			(141,362,252)		(137,007,474)
GROSS PROFIT			6,754,675		5,946,001
Administrative expenses			(5,060,621)		(4,536,600)
OPERATING PROFIT			1,694,054		1,409,401
Interest receivable and similar income			497,142		476,240
Interest payable and similar charges	14	(656,390)	(656,390)	(682,811)	(682,811)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION AND PREFERENCE SHARE DIVIDENDS			1,534,806		1,202,830
Preference share dividends	18	(337,500)	(337,500)	(337,500)	(337,500)
Total interest payable and similar charges		(993,890)		(1,020,311)	
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	13, 15		1,197,306		865,330
Tax on profit on ordinary activities	17		(469,081)		(388,475)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			728,225		476,855

All activity has arisen from continuing operations

A statement of movements on reserves is given in note 10

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 2007

	2007 £	2006 £
Profit for the year	728,225	476,855
Unrealised surplus on revaluation of properties	1,333,328	
Total recognised gains and losses	<u>2,061,553</u>	<u>476,855</u>

The accompanying notes are an integral part of this consolidated statement of total recognised gains and losses

NOTE OF CONSOLIDATED HISTORIC COST PROFITS AND LOSSES Year ended 31 July 2007

	2007 £	2006 £
Reported profit before taxation	1,197,306	865,330
Difference between historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	1,919	1,919
Historical cost profit before taxation	<u>1,199,225</u>	<u>867,249</u>
Historical cost profit after taxation	<u>730,144</u>	<u>478,774</u>

The accompanying notes are an integral part of this note of consolidated historic cost profits and losses

PEOPLES LIMITED

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 July 2007

	Note	2007 £	£	2006 £	£
Net cash inflow from operating activities	20		2,731,492		2,531,493
Returns on investments and servicing of finance					
Interest received		497,142		476,240	
Interest paid		(656,263)		(682,011)	
Interest element of finance lease rentals and hire purchase agreements		(127)		(800)	
Preference share dividends paid		(337,500)		(337,500)	
Net cash outflow from returns on investments and servicing of finance			(496,748)		(544,071)
Taxation					
Corporation tax paid			(333,679)		(90,159)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(384,930)		(682,924)	
Sale of tangible fixed assets		160,815		142,234	
Net cash outflow from capital expenditure and financial investment			(224,115)		(540,690)
Equity dividends paid			(170,976)		
Net cash inflow before financing			1,505,974		1,356,573
Financing					
Repayment of loans		(688,000)		(688,000)	
Capital element of finance lease payments	22	(10,832)		(17,124)	
Capital element of hire purchase payments				(11,234)	
Net cash outflow from financing			(698,832)		(716,358)
Increase in cash in the year	21		807,142		640,215

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

PEOPLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2007

1 ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the current and 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 £944,655 (2006 – £889,013).

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

The group has 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.

PEOPLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2007

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.

Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. 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 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 12 and 15.

Retirement plan

The group operates an executive retirement plan for its executive directors. This is a defined contribution scheme. Contributions are charged to the profit and loss account as incurred. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Certain subsidiary companies each operate a company personal pension scheme on behalf of certain employees. These are defined contribution schemes. Contributions are charged to the profit and loss account as incurred.

PEOPLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 July 2007

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 1 August 2006	5,018,631	1,362,273	3,907,889	1,066,471	275,087	11,630,351
Additions		38,098	140,821		206,011	384,930
Disposals					(205,593)	(205,593)
Revaluation	892,176	35,724				927,900
At 31 July 2007	5,910,807	1,436,095	4,048,710	1,066,471	275,505	12,737,588
Depreciation						
At 1 August 2006	301,210	91,828	1,830,858	1,040,400	67,666	3,331,962
Charge for the year	79,047	63,070	437,379	4,038	65,611	649,145
Disposals					(44,778)	(44,778)
Revaluation	(377,123)	(28,305)				(405,428)
At 31 July 2007	3,134	126,593	2,268,237	1,044,438	88,499	3,530,901
Net book value						
At 31 July 2007	5,907,673	1,309,502	1,780,473	22,033	187,006	9,206,687
At 31 July 2006	4,717,421	1,270,445	2,077,031	26,071	207,421	8,298,389

Freehold land amounting to £2,150,000 (2006 £2,150,000) 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 £32,063 (2006 £40,613).

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.

The valuation, undertaken as at 31 July 2007, on properties still held at 31 July 2007 was £6,250,000.

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

	2007		2006	
	Freehold land and buildings £	Long leasehold buildings & improvements £	Freehold land and buildings £	Long leasehold buildings & improvements £
Cost	5,032,613	1,356,958	5,032,613	1,318,860
Depreciation	(574,232)	(237,983)	(494,906)	(175,780)
Net book value	4,458,381	1,118,975	4,537,707	1,143,080

Company

The company has no tangible fixed assets (2006 £Nil)

PEOPLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2007

3 FIXED ASSET INVESTMENTS

Company	Ordinary shares £	Preference shares £	Long term loan stock £	Total £
At 31 July 2006 and 2007	<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 2007 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 2009

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	Dormant
Liverpool Daily Centre Limited	Dormant
Peoples Detroit Limited	Dormant
Peoples Falkirk Limited	Dormant
Peoples Glasgow Limited	Dormant

4. STOCKS

	Group 2007 £	2006 £	Company 2007 £	2006 £
Vehicles	32,439,695	32,362,050		
Spare parts	875,321	904,785		
Other stocks	<u>133,962</u>	<u>137,264</u>		
	<u>33,448,978</u>	<u>33,404,099</u>		

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

PEOPLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2007

5 DEBTORS

The following are included in the net book value of debtors

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Amounts falling due within one year				
Trade debtors	5,587,381	6,025,480		
Prepayments and accrued income	941,227	866,279	140,351	88,187
Amounts due from fellow group undertakings			11,994	89,316
Deferred tax asset (note 8)	249,509	256,322		
Value added tax	847,963	685,022		
	<u>7,626,080</u>	<u>7,833,103</u>	<u>152,345</u>	<u>177,503</u>

6. CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Obligations under finance leases	6,387	10,831		
Term loan instalments	436,000	568,000	136,000	268,000
Other bank loan		120,000		
Stocking finance	4,450,000	4,450,000		
Trade creditors	35,860,547	34,973,934		
Amounts due to fellow group undertakings			92,082	185,579
Corporation tax	461,267	332,678	434,214	306,865
Other taxes and social security costs	357,031	352,332		
Other creditors and accruals	2,726,029	3,046,879	490,961	566,160
Value added tax			43,761	16,498
Accrued preference share dividends		337,500		337,500
	<u>44,297,261</u>	<u>44,192,154</u>	<u>1,197,018</u>	<u>1,680,602</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.

PEOPLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2007

7. CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Term loans wholly repayable within five years	181,250	617,250		136,000
Obligations under finance leases		6,388		
	<u>181,250</u>	<u>623,638</u>		<u>136,000</u>

A loan of £109,375 (2006 £196,875) is repayable by five quarterly instalments of £21,875. A term loan of £371,875 (2006 £584,375) is repayable by seven quarterly instalments of £53,125. At 31 July 2007 £nil (2006 £Nil) was due after more than 5 years. Interest on the above loans is payable at commercial rates.

The company term loan of £136,000 (2006 £404,000) is repayable by one quarterly instalment of £67,000 and one final quarterly instalment of £69,000. Interest is payable at variable commercial rates.

Obligations under finance leases shown above are due during the next year. Obligations under finance lease agreements are secured on the assets obtained under the agreements.

8. DEFERRED TAX

Group	Deferred tax asset
	£
At 1 August 2006	256,322
Charged to profit and loss account (note 17)	<u>(6,813)</u>
At 31 July 2007	<u>249,509</u>

A net deferred tax asset exists at 31 July 2007 and is presented within debtors (see note 5). The analysis of the net deferred tax asset is as follows:

	2007	2006
	£	£
Fixed asset timing differences	(285,859)	(279,046)
Losses carried forward	<u>535,368</u>	<u>535,368</u>
	<u>249,509</u>	<u>256,322</u>

The deferred taxation balances have been computed at the expected long term rate of 28% (2006 30%).

Company

The company has no deferred tax provision (2006 £Nil).

PEOPLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2007

9. FINANCING LIABILITIES

	Number	Par value £	2007 Capital £	2006 Capital £
Authorised 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 preference authorised share capital			1,795,000	1,795,000
			2007 £	2006 £
Allotted, called up and fully paid				
First preference shares of £1 each	1,000,000	1 00	1,000,000	1,000,000
Fourth preference shares of 1p each	7,000,000	0 01	70,000	70,000
Issue costs of preference share capital			(57,983)	(57,983)
Total preference share capital			1,012,017	1,012,017

The rights attaching to preference shares 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 first 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 are redeemable between 2008 and 2013 in equal annual amounts.

The holders of the fourth preference shares have an option to acquire 22.5% of the enlarged ordinary share capital at par.

PEOPLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2007

10 SHARE CAPITAL AND RESERVES

a) Share capital

The authorised and issued share capital of the company at 31 July 2007 comprised

	Number	Par value £	2007 Capital £	2006 Capital £
Share capital.				
Ordinary shares	992,421	0 10	99,243	99,243
Deferred shares	462,185	0 10	46,218	46,218
Total authorised share capital			<u>145,461</u>	<u>145,461</u>
			2007 £	2006 £
Allotted, called up and fully paid				
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 share capital			<u>30,000</u>	<u>30,000</u>

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

b) Reserves

	Revaluation reserve £	Capital redemption reserve £	Special reserve £	Profit and loss account £	Other reserve £
Group					
At 1 August 2006	303,089	171,040	576,439	(124,426)	3,632,172
Transfer in respect of revalued properties	(1,919)			1,919	
Revaluation uplift	1,333,328				
Profit for the year				728,225	
Equity dividends				(170,976)	
At 31 July 2007	<u>1,634,498</u>	<u>171,040</u>	<u>576,439</u>	<u>434,742</u>	<u>3,632,172</u>
Company					
At 1 August 2006		171,040	576,439	5,150,012	3,632,172
Profit for the year				944,655	
Equity dividends				(170,976)	
At 31 July 2007		<u>171,040</u>	<u>576,439</u>	<u>5,923,691</u>	<u>3,632,172</u>

The 'Special reserve' is non distributable as long as any debt of the company existing as at 5 July 1989 remains outstanding. The Other Reserve relates to premiums received upon the issue of preference shares. The capital redemption reserve and the other reserve are 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 (2006 £2,387,680)

PEOPLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2007

11 RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDERS' FUNDS

	2007	2006
	£	£
Opening shareholders' funds	4,588,314	4,111,459
Profit for the year	728,225	476,855
Equity dividends	(170,976)	
Revaluation uplift	1,333,328	
Closing shareholders' funds	<u>6,478,891</u>	<u>4,588,314</u>

12. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

a) Capital commitments

The group and the company had no capital commitments at 31 July 2007 (2006 £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.

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. This amount is payable following the floatation, disposal or take-over of the company and as these events are not anticipated by the directors, the liability is not recognised in the financial statements.

c) Lease commitments

The group leases land and buildings on long term leases. The annual rental on these leases is £880,935 (2006 £866,935). 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

	2007	2006
	Property	Property
	£	£
Group		
Operating leases which expire less than 1 year	42,185	42,185
between 1 and 2 years	838,750	824,750
after more than 5 years	<u>880,935</u>	<u>866,935</u>

The company has no operating leases

d) VAT

The company is registered for VAT purposes in a group of undertakings which share a common registration number. As a result, it has jointly guaranteed the VAT liability of certain other group undertakings and failure by these other group undertakings would give rise to additional liabilities of the company. The directors are of the opinion that no liability is likely to arise.

13 SEGMENTAL INFORMATION

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

PEOPLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 July 2007

14. INTEREST PAYABLE AND SIMILAR CHARGES

	2007 £	2006 £
On bank overdraft and loans		
Repayable within 5 years, by instalments	28,969	49,404
Repayable within 5 years, not by instalments	562,803	592,967
Interest element of finance lease charges	127	536
Interest element of hire purchase charges		264
Other interest	64,491	39,640
	<u>656,390</u>	<u>682,811</u>

15. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging

	2007 £	2006 £
Depreciation of tangible fixed assets (note 2)		
Owned assets	636,557	634,916
Held under finance leases and hire purchase agreements	12,588	16,893
Auditors' remuneration	70,000	65,000
Staff costs (note 16)	11,299,159	11,448,019
Operating lease rentals – plant and machinery		
Plant and machinery	2,760	2,760
Other	880,935	866,935
	<u>12,890,909</u>	<u>12,968,523</u>

PEOPLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2007

16 STAFF COSTS

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

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Staff costs during the year (including directors)				
Wages and salaries	10,263,132	10,387,880	606,488	579,579
Social security costs	976,372	1,004,855	67,531	67,531
Other pension costs	59,655	55,284	53,845	49,212
	<u>11,299,159</u>	<u>11,448,019</u>	<u>727,864</u>	<u>696,322</u>

The average monthly number of employees in the group during the year was 492 (2006 522) The average monthly number of employees in the company during the year was 10 (2006 – 10)

Directors' remuneration

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

	2007	2006
	£	£
Remuneration:		
Emoluments	323,530	302,693
Company contributions to money purchase pension schemes	53,845	49,212
	<u>377,375</u>	<u>351,905</u>

Pensions:

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

	2007	2006
	No	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

	2007	2006
	£	£
Emoluments	197,775	187,678
Company contributions to money purchase pension schemes	28,242	33,299
	<u>226,017</u>	<u>220,977</u>

PEOPLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 July 2007

17 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2007 £	2006 £
United Kingdom corporation tax		
Current tax at 30% (2006 – 30%)	461,267	332,678
Adjustment in respect of prior year	1,001	45,134
	<u>462,268</u>	<u>377,812</u>
Deferred tax (note 8)		
Adjustment in respect of prior years		(30,451)
Current year origination and reversal of timing differences	6,813	41,114
	<u>6,813</u>	<u>10,663</u>
Total tax on profit on ordinary activities	<u>469,081</u>	<u>388,475</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% (2006 – 30%). The actual current tax charge for the current and prior years differs from 30% for the reasons set out in the following reconciliation

	2007 £	2006 £
Profit on ordinary activities before tax	1,197,306	865,330
Tax on profit on ordinary activities at 30%	359,192	259,599
Factors affecting charge		
Permanent differences	7,638	(17,508)
Fixed asset timing differences	(6,813)	(10,663)
Preference share dividends	101,250	101,250
Current tax charge for the year	<u>461,267</u>	<u>332,678</u>

Following the substantive enactment of the Finance Bill in June 2007, the standard rate of corporation tax has been reduced to 28% with effect from 6 April 2008

18 PREFERENCE SHARE DIVIDENDS

	2007 £	2006 £
Paid and proposed		
First preference shares		
Interim of 3 75p (2006 – 3 75p) per share paid	37,500	37,500
Final of 3 75p (2006 – 3 75p) per share paid	37,500	37,500
Fourth preference shares		
Interim of 1 875p (2006 – 1 875p) per share paid	131,250	131,250
Final of 1 875p (2006 – 1 875p) per share paid	131,250	131,250
	<u>337,500</u>	<u>337,500</u>

PEOPLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2007

19. ORDINARY DIVIDENDS

	2007 £	2006 £
Paid 90 36p per share	170,976	

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

	2007 £	2006 £
Operating profit	1,694,054	1,409,401
Depreciation charges	649,145	651,809
Increase in stocks	(44,879)	(6,256,033)
Decrease in debtors	200,210	1,858,994
Increase in creditors	232,962	4,867,322
Net cash inflow from operating activities	2,731,492	2,531,493

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

	2007 £	2006 £
Increase in cash in year	807,142	640,215
Cash outflow from decrease in debt and lease financing	698,832	716,358
Change in net debt resulting from cash flows	1,505,974	1,356,573
Net debt at beginning of year	(5,903,954)	(7,260,527)
Net debt at end of year	(4,397,980)	(5,903,954)

22. ANALYSIS OF NET DEBT

	2006 £	Cash flow £	Maturity of debt £	2007 £
Cash at bank and in hand	880,532	807,142		1,687,674
Debt due within one year	(688,000)	688,000	(436,000)	(436,000)
Debt due after more than one year	(617,250)		436,000	(181,250)
Finance leases	(17,219)	10,832		(6,387)
Stocking finance	(4,450,000)			(4,450,000)
Preference shares	(1,012,017)			(1,012,017)
	(5,903,954)	1,505,974		(4,397,980)

23. 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