

PEOPLES LIMITED

Annual Report and Financial Statements

31 July 2008



PEOPLES LIMITED

CONTENTS	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	5
Chairman's statement	6
Independent auditors' report	7
Consolidated balance sheet	8
Company balance sheet	9
Consolidated profit and loss account	10
Consolidated statement of total recognised gains and losses	11
Note of consolidated historic cost profits and losses	11
Consolidated cash flow statement	12
Notes to the financial statements	13

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 LLP
Glasgow
United Kingdom

PEOPLES LIMITED

DIRECTORS' REPORT

The directors present their annual report on the affairs of the group and the audited financial statements for the year ended 31 July 2008.

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 car and commercial vehicles and all normal activities associated therewith. There have been no 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 10 the group turnover increased slightly over the prior year, whilst the group's profit on ordinary activities before taxation and preference share dividends increased by 3% over the prior year level. This is due to a continual refocusing on core product areas.

The consolidated balance sheet on page 8 of the financial statements shows a continuing improvement in the group's financial position in terms of net assets. Increased investment in stock and debtors have caused a worsening in the group's cash position.

The group continues to positively manage its cash although the year end increase in the investment in stock and debtors, in addition to the ongoing interest and preference share financing cost, has contributed to a net cash outflow for the year of £2.9 million compared with the £11 million inflow achieved over the previous four years. This position is not typical of the full year which has seen bank overdraft interest expenses only increase by 4.7%. Indeed for a large part of the year the group was cash positive.

The group's net debt increased by £2.3 million during the year but has reduced by £12.1million over the past five 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 increased from £0.16 million to £0.25 million. This increase largely relates to a change in the terms for the other interest.

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 75% 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 bank 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 – 31 December 2007	4,343	-	153,481
Paid – 31 January 2008	32,319	131,250	-
Paid – 31 July 2008	32,320	196,875	-
	<u>68,982</u>	<u>328,125</u>	<u>153,481</u>
2008 – Dividend per share	<u>7.5p</u>	<u>4.69p</u>	<u>81.11p</u>
2007 – Dividend per share	<u>7.5p</u>	<u>3.75p</u>	<u>90.36p</u>

DIRECTORS AND THEIR INTERESTS

	Number of 10 pence deferred shares at		Number of 10 pence ordinary shares at	
	31 July 2008	31 July 2007	31 July 2008	31 July 2007
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.

SHARE CAPITAL

During the year, the company redeemed 138,145 of the first preference shares at par.

AUDIT INFORMATION

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

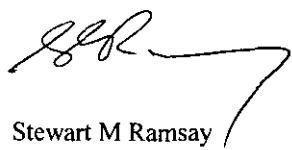
- (1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

AUDITORS

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

Approved by the Board of Directors
and signed on behalf of the Board



Stewart M Ramsay
Secretary

19 December 2008

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 or group 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 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 financial year, with the profit before tax and preference share dividends up from £1.53 million to £1.58 million. Whilst this result is pleasing the end of the year was significantly affected by the 'credit crunch' and the well publicised economic conditions being experienced. Notwithstanding that, 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 2.

Current Trading and Outlook

We have started our financial year against the backdrop of an economy which has been severely affected by the global banking crisis. Some of the events which have unfolded would have been unthinkable 12 months ago and the knock-on effects have had a serious detrimental effect on the Retail Car and Commercial Vehicle Industry.

We hope that the significant measures implemented by the Government recently will have the desired positive result and will minimise the economic effects of any recession.

We have reviewed all our revenue and cost items and have ensured that we are as fit as we can be for the tough times ahead and are confident that with the hard work of all management and staff we will emerge with the best possible results.

Recognition

July 2008 represented a 25 year milestone in the Company's history and I would like to thank all those people both inside and outside the Company who made the journey with me.

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. Gnda
Chairman

19 December 2008

PEOPLES LIMITED

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 2008 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

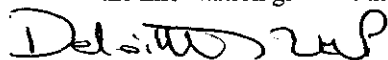
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 2008 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 LLP

Chartered Accountants and Registered Auditors

Glasgow, United Kingdom

19 December 2008

PEOPLES LIMITED

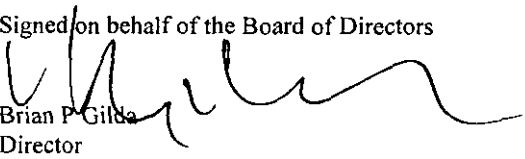
CONSOLIDATED BALANCE SHEET 31 July 2008

	Note	2008 £	2008 £	2007 £	2007 £
NET ASSETS EMPLOYED:					
FIXED ASSETS					
Tangible fixed assets	2		8,913,658		9,206,687
CURRENT ASSETS					
Stocks	4		37,184,331		33,448,978
Debtors	5		9,583,548		7,626,080
Cash at bank and in hand			538,179		1,687,674
			47,306,058		42,762,732
CREDITORS: amounts falling due within one year	6		(48,301,709)		(44,297,261)
NET CURRENT LIABILITIES			(995,651)		(1,534,529)
TOTAL ASSETS LESS CURRENT LIABILITIES			7,918,007		7,672,158
CREDITORS: amounts falling due in more than one year before financing liabilities	7	-	-	181,250	(181,250)
TOTAL NET ASSETS EMPLOYED			7,918,007		7,490,908
FINANCED BY:					
Financing liabilities					
Preference shares	9	873,872	873,872	1,012,017	1,012,017
Total creditors falling due after more than one year		873,872		1,193,267	
Shareholders' funds					
Called up share capital	10		30,000		30,000
Capital redemption reserve	10		309,185		171,040
Special reserve	10		576,439		576,439
Revaluation reserve	10		1,611,878		1,634,498
Profit and loss account	10		884,461		434,742
Other reserve	10		3,632,172		3,632,172
Total shareholders' funds	11		7,044,135		6,478,891
TOTAL FINANCING			7,918,007		7,490,908

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

These financial statements were approved by the Board of Directors on 19 December 2008.

Signed on behalf of the Board of Directors


Brian P. Gildea
Director

PEOPLES LIMITED

COMPANY BALANCE SHEET 31 July 2008

	Note	2008 £	2008 £	2007 £	2007 £
NET ASSETS EMPLOYED:					
FIXED ASSETS					
Investments	3		5,353,300		5,353,300
CURRENT ASSETS					
Debtors	5		395,470		152,345
Cash at bank and in hand			7,621,901		7,036,732
			8,017,371		7,189,077
CREDITORS: amounts falling due within one year	6		(1,355,928)		(1,197,018)
NET CURRENT ASSETS			6,661,443		5,992,059
TOTAL ASSETS LESS CURRENT LIABILITIES			12,014,743		11,345,359
CREDITORS: amounts falling due in more than one year before financing liabilities	7	-	-	-	-
TOTAL NET ASSETS EMPLOYED			12,014,743		11,345,359
FINANCED BY:					
Financing liabilities					
Preference shares	9	873,872	873,872	1,012,017	1,012,017
Total creditors falling due after more than one year		873,872		1,012,017	
Shareholders' funds					
Called up share capital	10		30,000		30,000
Capital redemption reserve	10		309,185		171,040
Special reserve	10		576,439		576,439
Profit and loss account	10		6,593,075		5,923,691
Other reserve	10		3,632,172		3,632,172
Total shareholders' funds			11,140,871		10,333,342
TOTAL FINANCING			12,014,743		11,345,359

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

These financial statements were approved by the Board of Directors on 19 December 2008.

Signed on behalf of the Board of Directors

Brig P Gilda
Director

PEOPLES LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 July 2008

	Note	2008 £	2008 £	2007 £	2007 £
TURNOVER	13		149,243,900		148,116,927
Cost of sales			(143,208,206)		(141,362,252)
GROSS PROFIT			6,035,694		6,754,675
Administrative expenses			(4,205,129)		(5,060,621)
OPERATING PROFIT			1,830,565		1,694,054
Interest receivable and similar income			526,974		497,142
Interest payable and similar charges	14	(775,052)	(775,052)	(656,390)	(656,390)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION AND PREFERENCE SHARE DIVIDENDS			1,582,487		1,534,806
Preference share dividends	18	(397,107)	(397,107)	(337,500)	(337,500)
Total interest payable and similar charges		<u>(1,172,159)</u>		<u>(993,890)</u>	
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	13, 15		1,185,380		1,197,306
Tax on profit on ordinary activities	17		(466,655)		(469,081)
PROFIT FOR THE FINANCIAL YEAR			<u>718,725</u>		<u>728,225</u>

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 2008

	2008 £	2007 £
Profit for the financial year	718,725	728,225
Unrealised surplus on revaluation of properties	-	1,333,328
Total recognised gains and losses	<u>718,725</u>	<u>2,061,553</u>

NOTE OF CONSOLIDATED HISTORIC COST PROFITS AND LOSSES Year ended 31 July 2008

	2008 £	2007 £
Reported profit before taxation	1,185,380	1,197,306
Difference between historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	22,620	1,919
Historical cost profit before taxation	<u>1,208,000</u>	<u>1,199,225</u>
Historical cost profit after taxation	<u>741,345</u>	<u>730,144</u>

PEOPLES LIMITED

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 July 2008

	Note	2008 £	2007 £
Net cash (outflow)/inflow from operating activities	20	(558,586)	2,731,492
Returns on investments and servicing of finance			
Interest received		526,974	497,142
Interest paid		(775,026)	(656,263)
Interest element of finance lease rentals and hire purchase agreements		(26)	(127)
Preference share dividends paid		(397,107)	(337,500)
Net cash outflow from returns on investments and servicing of finance		(645,185)	(496,748)
Taxation			
Corporation tax paid		(612,338)	(333,679)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(470,793)	(384,930)
Sale of tangible fixed assets		124,482	160,815
Net cash outflow from capital expenditure and financial investment		(346,311)	(224,115)
Equity dividends paid		(153,481)	(170,976)
Net cash (outflow)/inflow before financing		(2,315,901)	1,505,974
Financing			
Repayment of loans		(436,000)	(688,000)
Capital element of finance lease payments	22	(6,387)	(10,832)
Redemption of share capital		(138,145)	-
Net cash outflow from financing		(580,532)	(698,832)
(Decrease)/increase in cash in the year	21	(2,896,433)	807,142

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

PEOPLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2008

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 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. 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.

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 permitted by s230 of the Companies Act 1985. The company's profit after taxation for the financial year, determined in accordance with the Act, was £961,010 (2007 – £944,655).

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 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 2008

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 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 2008

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 2007	5,910,807	1,436,095	4,048,710	1,066,471	275,505	12,737,588
Additions	-	-	295,079	-	175,714	470,793
Disposals	-	-	-	(584,535)	(168,364)	(752,899)
At 31 July 2008	5,910,807	1,436,095	4,343,789	481,936	282,855	12,455,482
Depreciation						
At 1 August 2007	3,134	126,593	2,268,237	1,044,438	88,499	3,530,901
Charge for the year	96,891	61,305	414,922	2,843	63,379	639,340
Disposals	-	-	-	(584,535)	(43,882)	(628,417)
At 31 July 2008	100,025	187,898	2,683,159	462,746	107,996	3,541,824
Net book value						
At 31 July 2008	5,810,782	1,248,197	1,660,630	19,190	174,859	8,913,658
At 31 July 2007	5,907,673	1,309,502	1,780,473	22,033	187,006	9,206,687

Freehold land amounting to £2,150,000 (2007 - £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 £23,513 (2007 - £32,063).

The most recent professional valuation of freehold and long leasehold land and buildings was at 31 July 2007. This valuation was done on an Existing Use Value basis (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. That valuation, undertaken as at 31 July 2007, on properties still held at 31 July 2008 was £6,250,000.

The Directors have reviewed the carrying value of the properties and have consulted with their external property advisors, Graham & Sibbald, regarding current market trends and benchmark values within what at present is clearly a more uncertain economic environment. The Group has no intention of disposing of any of its properties in the foreseeable future and so the Existing Use Value remains the most appropriate basis of valuation. Based on the continued trading performance and projected trading results of the Group's various operations, the Directors do not believe that there has been any material change in the Existing Use Value of the properties to the Group as the bases from which it conducts its day to day operations. Based on this the Directors have concluded that no formal interim valuation is required and they remain of the opinion that the value of the properties as recorded remains appropriate.

PEOPLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2008

2. TANGIBLE FIXED ASSETS (CONTINUED)

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

	2008		2007	
	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	1,356,958
Depreciation	(653,558)	(297,705)	(574,232)	(237,983)
Net book value	<u>4,379,055</u>	<u>1,059,253</u>	<u>4,458,381</u>	<u>1,118,975</u>

Company

The company has no tangible fixed assets (2007 - £Nil).

3. FIXED ASSET INVESTMENTS

Company

	Ordinary shares £	Preference shares £	Long term loan stock £	Total £
At 31 July 2007 and 2008	<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 2008 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 2010.

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

Company

Peoples Ecosse Limited

Peoples Liverpool Limited

Total Vehicle Solutions Limited

Peoples Bathgate & Livingston Limited

Liverpool Daily Centre Limited

Peoples Detroit Limited

Peoples Falkirk Limited

Peoples Glasgow Limited

Principal activity

Sale and repair of motor vehicles

Sale and repair of motor vehicles

Sale of motor vehicles

Dormant

Dormant

Dormant

Dormant

Dormant

PEOPLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2008

4. STOCKS

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
Vehicles	35,855,537	32,439,695	-	-
Spare parts	1,123,481	875,321	-	-
Other stocks	205,313	133,962	-	-
	<u>37,184,331</u>	<u>33,448,978</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	
	2008	2007	2008	2007
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	6,082,373	5,587,381	-	-
Prepayments and accrued income	1,775,529	941,227	262,430	140,351
Amounts due from fellow group undertakings	-	-	133,040	11,994
Deferred tax asset (note 8)	275,532	249,509	-	-
Value added tax	1,450,114	847,963	-	-
	<u>9,583,548</u>	<u>7,626,080</u>	<u>395,470</u>	<u>152,345</u>

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
Bank overdraft	1,746,938	-	-	-
Obligations under finance leases	-	6,387	-	-
Term loan instalments	181,250	436,000	-	136,000
Stocking finance	4,450,000	4,450,000	-	-
Trade creditors	37,924,309	35,860,547	-	-
Amounts due to fellow group undertakings	-	-	29,840	92,082
Corporation tax	341,607	461,267	311,518	434,214
Other taxes and social security costs	332,142	357,031	-	-
Other creditors and accruals	3,325,463	2,726,029	949,226	490,961
Value added tax	-	-	65,344	43,761
	<u>48,301,709</u>	<u>44,297,261</u>	<u>1,355,928</u>	<u>1,197,018</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 2008

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

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
Term loans wholly repayable within five years	-	181,250	-	-

A loan of £21,875 (2007 - £109,375) is repayable by one further quarterly instalment of £21,875. A term loan of £159,375 (2007 - £371,875) is repayable by three further quarterly instalments of £53,125. At 31 July 2008 £Nil (2007 - £Nil) was due after more than 5 years. Interest on the above loans is payable at commercial rates.

8. DEFERRED TAX

Group	Deferred tax asset
	£
At 1 August 2007	249,509
Credited to profit and loss account (note 17)	26,023
At 31 July 2008	275,532

A net deferred tax asset exists at 31 July 2008 and is presented within debtors (see note 5). The analysis of the net deferred tax asset is as follows:

	2008	2007
	£	£
Fixed asset timing differences	(259,836)	(285,859)
Losses carried forward	535,368	535,368
	275,532	249,509

The deferred taxation balances have been computed at the expected long term rate of 28% (2007: 28%).

Company

The company has no deferred tax provision (2007 - £Nil).

PEOPLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 July 2008

9. FINANCING LIABILITIES

	Number	Par value £	2008 Capital £	2007 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
			2008 £	2007 £
Allotted, called-up and fully paid				
First preference shares of £1 each	861,855	1.00	861,855	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			873,872	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 variable cumulative dividend, 7.5% per annum as at 31 July 2008, 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 2009 and 2014 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.

During the year the company redeemed 138,145 of the first preference shares at par.

PEOPLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2008

10. SHARE CAPITAL AND RESERVES

a) Share capital

The authorised and issued share capital of the company at 31 July 2008 comprised:

	Number	Par value £	2008 Capital £	2007 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>

			2008 £	2007 £
Allotted, called-up and fully paid				
Share capital:				
Ordinary shares	189,215	0.10	18,922	18,922
Deferred shares	110,785	0.10	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 2007	1,634,498	171,040	576,439	434,742	3,632,172
Transfer in respect of revalued properties	(22,620)	-	-	22,620	-
Shares redeemed	-	138,145	-	(138,145)	-
Profit for the financial year	-	-	-	718,725	-
Equity dividends	-	-	-	(153,481)	-
At 31 July 2008	<u>1,611,878</u>	<u>309,185</u>	<u>576,439</u>	<u>884,461</u>	<u>3,632,172</u>
Company					
At 1 August 2007	-	171,040	576,439	5,923,691	3,632,172
Shares redeemed	-	138,145	-	(138,145)	-
Profit for the financial year	-	-	-	961,010	-
Equity dividends	-	-	-	(153,481)	-
At 31 July 2008	<u>-</u>	<u>309,185</u>	<u>576,439</u>	<u>6,593,075</u>	<u>3,362,172</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 2008

11. RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDERS' FUNDS

	2008	2007
	£	£
Opening shareholders' funds	6,478,891	4,588,314
Profit for the financial year	718,725	728,225
Equity dividends	(153,481)	(170,976)
Revaluation uplift	-	1,333,328
Closing shareholders' funds	<u>7,044,135</u>	<u>6,478,891</u>

12. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

a) Capital commitments

The group and the company had no capital commitments at 31 July 2008 (2007 - £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 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.

The Group has been advised that HRMC are enquiring into certain tax arrangements that the Group entered into in the year ended 31 July 2004 with an estimated tax value of £330,000. A taxpayer operating a similar scheme is appealing the HRMC action, the directors consider that no material liability to the Group will arise and consequently no provision for any liability has been recorded in the financial statements.

c) Lease commitments

The group leases land and buildings on long term leases. The annual rental on these leases is £969,000 (2007 - £880,935). 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:

	2008	2007
	Property	Property
	£	£
Group		
Operating leases which expire less than 1 year	-	42,185
- between 1 and 2 years	-	-
- after more than 5 years	969,000	838,750
	<u>969,000</u>	<u>880,935</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.

PEOPLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2008

14. INTEREST PAYABLE AND SIMILAR CHARGES

	2008 £	2007 £
On bank overdraft and loans		
Repayable within 5 years, by instalments	7,006	28,969
Repayable within 5 years, not by instalments	589,346	562,803
Interest element of finance lease charges	26	127
Other interest	178,674	64,491
	<u>775,052</u>	<u>656,390</u>

15. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:

	2008 £	2007 £
Depreciation of tangible fixed assets (note 2)		
Owned assets	627,947	636,557
Held under finance leases and hire purchase agreements	10,393	12,588
Auditors' remuneration	75,000	70,000
Staff costs (note 16)	11,359,758	11,299,159
Operating lease rentals – plant and machinery		
Plant and machinery	2,760	2,760
Other	838,750	880,935
	<u>12,914,808</u>	<u>12,902,999</u>

No non-audit services were provided to the company during the year (2007 - £Nil) by the auditors.

PEOPLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2008

16. STAFF COSTS

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

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
Staff costs during the year (including directors)				
Wages and salaries	10,318,888	10,263,132	649,982	606,488
Social security costs	987,043	976,372	74,272	67,531
Other pension costs	53,827	59,655	49,242	53,845
	<u>11,359,758</u>	<u>11,299,159</u>	<u>773,496</u>	<u>727,864</u>

The average monthly number of employees in the group during the year was 479 (2007 - 492). The average monthly number of employees in the company during the year was 10 (2007 - 10).

Directors' remuneration:

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

	2008	2007
	£	£
Remuneration:		
Emoluments	344,490	323,530
Company contributions to money purchase pension schemes	49,242	53,845
	<u>393,732</u>	<u>377,375</u>

Pensions:

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

	2008	2007
	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:

	2008	2007
	£	£
Emoluments	208,729	197,775
Company contributions to money purchase pension schemes	29,742	28,242
	<u>238,471</u>	<u>226,017</u>

PEOPLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 July 2008

17. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2008 £	2007 £
United Kingdom corporation tax		
Current tax at 28% (2007 - 30%)	491,607	461,267
Adjustment in respect of prior year	1,071	1,001
	<u>492,678</u>	<u>462,268</u>
Deferred tax (note 8)		
Current year origination and reversal of timing differences	(26,023)	6,813
	<u>(26,023)</u>	<u>6,813</u>
Total tax on profit on ordinary activities	<u>466,655</u>	<u>469,081</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 28% (2007 – 30%). The actual current tax charge for the current and prior years differs from 28% for the reasons set out in the following reconciliation:

	2008 £	2007 £
Profit on ordinary activities before tax	1,185,380	1,197,306
Tax on profit on ordinary activities at 28%	331,906	359,192
Factors affecting charge:		
Permanent differences	22,488	7,638
Fixed asset timing differences	26,023	(6,813)
Preference share dividends	111,190	101,250
	<u>491,607</u>	<u>461,267</u>
Current tax charge for the year	<u>491,607</u>	<u>461,267</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

	2008 £	2007 £
Paid and proposed:		
First preference shares		
Interim of 3.75p (2007 – 3.75p) per share paid	36,662	37,500
Final of 3.75p (2007 – 3.75p) per share paid	32,320	37,500
Fourth preference shares		
Interim of 1.875p (2007 – 1.875p) per share paid	131,250	131,250
Final of 2.81p (2007 – 1.875p) per share paid	196,875	131,250
	<u>397,107</u>	<u>337,500</u>

PEOPLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 July 2008

19. ORDINARY DIVIDENDS

	2008 £	2007 £
Paid 81.11p per share (2007: 90.36p)	153,481	170,976

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

	2008 £	2007 £
Operating profit	1,830,565	1,694,054
Depreciation charges	639,340	649,145
Increase in stocks	(3,735,353)	(44,879)
(Increase)/decrease in debtors	(1,931,445)	200,210
Increase in creditors	2,638,307	232,962
Net cash (outflow)/inflow from operating activities	(558,586)	2,731,492

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

	2008 £	2007 £
(Decrease)/increase in cash in year	(2,896,433)	807,142
Cash outflow from decrease in debt and lease financing	580,532	698,832
Change in net debt resulting from cash flows	(2,315,901)	1,505,974
Net debt at beginning of year	(4,397,980)	(5,903,954)
Net debt at end of year	(6,713,881)	(4,397,980)

22. ANALYSIS OF NET DEBT

	2007 £	Cash flow £	Maturity of debt £	2008 £
Cash at bank and in hand	1,687,674	(1,149,495)	-	538,179
Bank overdraft	-	(1,746,938)	-	(1,746,938)
	1,687,674	(2,896,433)	-	(1,208,759)
Debt due within one year	(436,000)	436,000	(181,250)	(181,250)
Debt due after more than one year	(181,250)	-	181,250	-
Finance leases	(6,387)	6,387	-	-
Stocking finance	(4,450,000)	-	-	(4,450,000)
Preference shares	(1,012,017)	138,145	-	(873,872)
	(4,397,980)	(2,315,901)	-	(6,713,881)

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.