

**PEOPLES LIMITED**

**Annual Report and Financial Statements**

**31 July 2009**



# **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 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 2009.

### **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 decreased by 10.9% over the prior year, whilst the group's profit on ordinary activities before taxation and preference share dividends only decreased by 4.8% over the prior year level. The turnover reduction reflects the current market conditions being experienced. Early identification of this and the early implementation of remedial actions strongly contributed to limiting the decline in profits.

The consolidated balance sheet on page 8 of the financial statements shows a decline of 1.25% in the group's financial position in terms of total net assets. As stated in note 2 the group's freehold and long leasehold land and buildings were revalued as at 31 July 2009, resulting in a reduction of 8.6% to their previous carrying value. Were it not for this revaluation the group's net assets would have increased by 5.3%.

The group continues to positively manage its cash and this, together with reduction in stock and debtor balances, has largely contributed to a net cash inflow for the year of over £5 million from operating activities. As a consequence of this the opportunity was taken to fully repay the stocking loan of £4.45 million, resulting in a net reduction in cash for the year of £0.9 million.

As a consequence of actions noted in the previous paragraph the group's net debt decreased by £3.9 million during the year and has reduced by £16 million over the past six 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 to the use of assets and cash. The group's net interest payable, excluding preference share dividends, has decreased from £0.25 million to £0.22 million.

### **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 largely financed by overdraft facilities. 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 bank overdraft, trade creditors and accruals, all of which are paid on standard terms of payment. The credit risk on liquid funds is considered to be limited due to the widespread consensus that UK banks will be supported by the UK government during the existing financial crisis. The group does not enter into any derivative transactions.

In their consideration of going concern the directors have reviewed the group's future cash flow forecasts (which extend for a period beyond one year from the date of approval of these financial statements), and have received indicative confirmation from their bankers that the current facility would be renewed for a further twelve months when it comes up for renewal. The directors are of the opinion that the group's cash flow forecasts, taking account of reasonably possible changes in trading performance given current market and economic conditions, show that the group will be able to operate within its current facilities and comply with its banking covenants.

After making due enquiries, the directors have a reasonable expectation that the group and the company have adequate resources to continue in operational existence for the foreseeable future. The financial statements have therefore been prepared on a going concern basis.

### **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 15 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.

# PEOPLES LIMITED

## DIRECTORS' REPORT (CONTINUED)

### 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.

### DIVIDENDS

Dividends paid and proposed are as follows:

|                           | First<br>preference<br>shares<br>£ | Fourth<br>preference<br>shares<br>£ | Ordinary<br>shares<br>£ |
|---------------------------|------------------------------------|-------------------------------------|-------------------------|
| Paid – 31 December 2008   | -                                  | -                                   | 158,249                 |
| Paid – 31 July 2009       | 64,639                             | 323,343                             | -                       |
|                           | <u>64,639</u>                      | <u>323,343</u>                      | <u>158,249</u>          |
| 2009 – Dividend per share | <u>7.5p</u>                        | <u>4.62p</u>                        | <u>83.63p</u>           |
| 2008 – Dividend per share | <u>7.5p</u>                        | <u>4.69p</u>                        | <u>81.11p</u>           |

### DIRECTORS AND THEIR INTERESTS

|                  | Number of 10 pence<br>deferred shares at |                 | Number of 10 pence<br>ordinary shares at |                 |
|------------------|------------------------------------------|-----------------|------------------------------------------|-----------------|
|                  | 31 July<br>2009                          | 31 July<br>2008 | 31 July<br>2009                          | 31 July<br>2008 |
| 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.

### FIXED ASSETS

The group's freehold and long leasehold land and buildings were professionally valued on an open market existing use basis at 31 July 2009 by Graham & Sibbald, Chartered Surveyors, at £5,525,000. This valuation has been incorporated into the financial statements. Graham & Sibbald are external to the group.

### SHARE CAPITAL

During the year, the company redeemed 154,184 of the first preference shares at par.

# PEOPLES LIMITED

## DIRECTORS' REPORT (CONTINUED)

### DIRECTORS' RESPONSIBILITIES STATEMENT

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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the group 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, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and group will continue in business.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### AUDIT INFORMATION

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

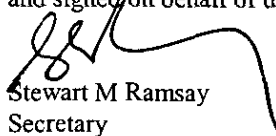
- (1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

### 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

9 October 2009

## PEOPLES LIMITED

### CHAIRMAN'S STATEMENT

Our financial year just ended started against the backdrop of an economy which had been severely affected by the global banking crisis and the well publicised adverse economic conditions arising therefrom. Some of the events which unfolded would have been unthinkable 12 months ago and have had a serious detrimental effect on the retail car and commercial vehicle industry.

Myself and my Board recognised this at an early stage and took corrective actions to ensure that all unnecessary costs were eliminated. The early adoption of these measures ensured that we were best placed to trade through the downturn. We were also helped by falling interest rates together with the VAT reduction and the implementation of the government's scrappage scheme.

Whilst turnover has fallen, reflecting the impact particularly within the commercial vehicle and fleet sector, I am delighted to report that the group results for this financial year show a profit before tax and preference share dividends of £1.5 million, only 4.8% down from last year's record result. Indeed this year's result has probably given me more pleasure than most previous years, simply because of the difficult trading conditions in which it was achieved.

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 current financial year against the backdrop of an economy which is still in recession although the prognosis is much healthier than this time last year. Without doubt, the scrappage scheme has had a more positive effect than was initially thought and, with the recently announced extension, it can only be good news for all concerned with the industry. The negative of course is that the extension will come to an end, probably in February 2010, one month after the government's intention to increase VAT. Both of these actions will have an effect on consumer confidence; we have to hope that by then the economy will have corrected itself sufficiently to nullify these actions.

We continue to review all revenue and cost items to ensure that we are as fit as we can be and are confident that with the hard work of all management and staff we will continue to deliver the best possible results.

#### 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**

9 October 2009

## **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 2009 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 22.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

### **Opinion**

In our opinion the financial statements:

- give a true and fair view, in accordance with the state of the group's and the parent company's affairs as at 31 July 2009 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Companies Act 2006.

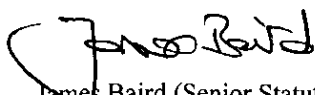
### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



James Baird (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditors  
Glasgow, United Kingdom  
9 October 2009

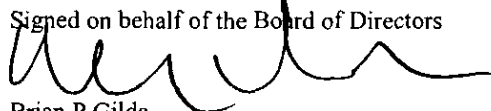
**CONSOLIDATED BALANCE SHEET**  
**31 July 2009**

|                                                       | Note | 2009<br>£    | 2008<br>£    |
|-------------------------------------------------------|------|--------------|--------------|
| <b>NET ASSETS EMPLOYED:</b>                           |      |              |              |
| <b>FIXED ASSETS</b>                                   |      |              |              |
| Tangible fixed assets                                 | 2    | 7,952,833    | 8,913,658    |
| <b>CURRENT ASSETS</b>                                 |      |              |              |
| Stocks                                                | 4    | 23,498,112   | 37,184,331   |
| Debtors                                               | 5    | 5,946,108    | 9,583,548    |
| Cash at bank and in hand                              |      | 420,174      | 538,179      |
|                                                       |      | 29,864,394   | 47,306,058   |
| <b>CREDITORS: amounts falling due within one year</b> | 6    | (29,998,599) | (48,301,709) |
| <b>NET CURRENT LIABILITIES</b>                        |      | (134,205)    | (995,651)    |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>          |      | 7,818,628    | 7,918,007    |
| <b>TOTAL NET ASSETS EMPLOYED</b>                      |      | 7,818,628    | 7,918,007    |
| <b>FINANCED BY:</b>                                   |      |              |              |
| <b>Financing liabilities</b>                          |      |              |              |
| Preference shares                                     | 8    | 719,688      | 873,872      |
| <b>Shareholders' funds</b>                            |      |              |              |
| Called up share capital                               | 9    | 30,000       | 30,000       |
| Capital redemption reserve                            | 9    | 463,369      | 309,185      |
| Special reserve                                       | 9    | 576,439      | 576,439      |
| Revaluation reserve                                   | 9    | 1,074,432    | 1,611,878    |
| Profit and loss account                               | 9    | 1,322,528    | 884,461      |
| Other reserve                                         | 9    | 3,632,172    | 3,632,172    |
| <b>Total shareholders' funds</b>                      | 10   | 7,098,940    | 7,044,135    |
| <b>TOTAL FINANCING</b>                                |      | 7,818,628    | 7,918,007    |

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

These financial statements were approved by the Board of Directors on 9 October 2009.

Signed on behalf of the Board of Directors



Brian P Gilda  
 Director

## PEOPLES LIMITED

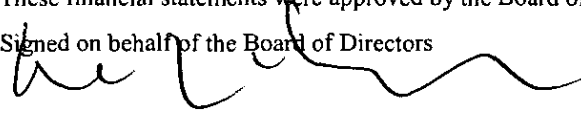
**COMPANY BALANCE SHEET**  
**31 July 2009**

|                                                       | Note | 2009<br>£ | 2008<br>£   |
|-------------------------------------------------------|------|-----------|-------------|
| <b>NET ASSETS EMPLOYED:</b>                           |      |           |             |
| <b>FIXED ASSETS</b>                                   |      |           |             |
| Investments                                           | 3    | 5,353,300 | 5,353,300   |
| <b>CURRENT ASSETS</b>                                 |      |           |             |
| Debtors                                               | 5    | 284,515   | 395,470     |
| Cash at bank and in hand                              |      | 4,704,006 | 7,621,901   |
|                                                       |      | 4,988,521 | 8,017,371   |
| <b>CREDITORS: amounts falling due within one year</b> | 6    | (945,441) | (1,355,928) |
| <b>NET CURRENT ASSETS</b>                             |      | 4,043,080 | 6,661,443   |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>          |      | 9,396,380 | 12,014,743  |
| <b>TOTAL NET ASSETS EMPLOYED</b>                      |      | 9,396,380 | 12,014,743  |
| <b>FINANCED BY:</b>                                   |      |           |             |
| <b>Financing liabilities</b>                          |      |           |             |
| Preference shares                                     | 8    | 719,688   | 873,872     |
| <b>Shareholders' funds</b>                            |      |           |             |
| Called up share capital                               | 9    | 30,000    | 30,000      |
| Capital redemption reserve                            | 9    | 463,369   | 309,185     |
| Special reserve                                       | 9    | 576,439   | 576,439     |
| Profit and loss account                               | 9    | 3,974,712 | 6,593,075   |
| Other reserve                                         | 9    | 3,632,172 | 3,632,172   |
| <b>Total shareholders' funds</b>                      |      | 8,676,692 | 11,140,871  |
| <b>TOTAL FINANCING</b>                                |      | 9,396,380 | 12,014,743  |

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

These financial statements were approved by the Board of Directors on 9 October 2009.

Signed on behalf of the Board of Directors

  
 Brian P Gilda  
 Director

# PEOPLES LIMITED

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 July 2009

|                                                                                             | Note   | 2009<br>£ | 2009<br>£     | 2008<br>£   | 2008<br>£     |
|---------------------------------------------------------------------------------------------|--------|-----------|---------------|-------------|---------------|
| <b>TURNOVER</b>                                                                             | 12     |           | 132,909,735   |             | 149,243,900   |
| Cost of sales                                                                               |        |           | (124,885,878) |             | (143,208,206) |
| <b>GROSS PROFIT</b>                                                                         |        |           | 8,023,857     |             | 6,035,694     |
| Administrative expenses                                                                     |        |           | (6,294,694)   |             | (4,205,129)   |
| <b>OPERATING PROFIT</b>                                                                     |        |           | 1,729,163     |             | 1,830,565     |
| Interest receivable and similar income                                                      |        |           | -             |             | 526,974       |
| Interest payable and similar charges                                                        | 13     | (223,033) | (223,033)     | (775,052)   | (775,052)     |
| <b>PROFIT ON ORDINARY ACTIVITIES<br/>BEFORE TAXATION AND<br/>PREFERENCE SHARE DIVIDENDS</b> |        |           | 1,506,130     |             | 1,582,487     |
| Preference share dividends                                                                  | 17     | (387,982) | (387,982)     | (397,107)   | (397,107)     |
| <b>Total interest payable and similar charges</b>                                           |        | (611,015) |               | (1,172,159) |               |
| <b>PROFIT ON ORDINARY ACTIVITIES<br/>BEFORE TAXATION</b>                                    | 12, 14 |           | 1,118,148     |             | 1,185,380     |
| Tax on profit on ordinary activities                                                        | 16     |           | (386,795)     |             | (466,655)     |
| <b>PROFIT FOR THE FINANCIAL YEAR</b>                                                        |        |           | 731,353       |             | 718,725       |

All activity has arisen from continuing operations.

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

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

**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**Year ended 31 July 2009**

|                                                             | 2009<br>£      | 2008<br>£      |
|-------------------------------------------------------------|----------------|----------------|
| Profit for the financial year                               | 731,353        | 718,725        |
| Unrealised deficit on revaluation of properties (note 2, 9) | (518,299)      | -              |
| Total recognised gains and losses                           | <u>213,054</u> | <u>718,725</u> |

**NOTE OF CONSOLIDATED HISTORIC COST PROFITS AND LOSSES**  
**Year ended 31 July 2009**

|                                                                                                                             | 2009<br>£        | 2008<br>£        |
|-----------------------------------------------------------------------------------------------------------------------------|------------------|------------------|
| Reported profit before taxation                                                                                             | 1,118,148        | 1,185,380        |
| Difference between historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount | 19,147           | 22,620           |
| Historical cost profit before taxation                                                                                      | <u>1,137,295</u> | <u>1,208,000</u> |
| Historical cost profit after taxation                                                                                       | <u>750,500</u>   | <u>741,345</u>   |

**PEOPLES LIMITED**

**CONSOLIDATED CASH FLOW STATEMENT**

**Year ended 31 July 2009**

|                                                                              | Note | 2009<br>£        | £                  | 2008<br>£        | £                  |
|------------------------------------------------------------------------------|------|------------------|--------------------|------------------|--------------------|
| <b>Net cash inflow/(outflow) from operating activities</b>                   | 19   |                  | 5,022,759          |                  | (558,586)          |
| <b>Returns on investments and servicing of finance</b>                       |      |                  |                    |                  |                    |
| Interest received                                                            |      | -                |                    | 526,974          |                    |
| Interest paid                                                                |      | (223,033)        |                    | (775,026)        |                    |
| Interest element of finance lease rentals and hire purchase agreements       |      | -                |                    | (26)             |                    |
| Preference share dividends paid                                              | 17   | <u>(387,982)</u> |                    | <u>(397,107)</u> |                    |
| <b>Net cash outflow from returns on investments and servicing of finance</b> |      |                  | (611,015)          |                  | (645,185)          |
| <b>Taxation</b>                                                              |      |                  |                    |                  |                    |
| Corporation tax paid                                                         |      |                  | (199,587)          |                  | (612,338)          |
| <b>Capital expenditure and financial investment</b>                          |      |                  |                    |                  |                    |
| Purchase of tangible fixed assets                                            |      | (294,721)        |                    | (470,793)        |                    |
| Sale of tangible fixed assets                                                |      | <u>113,287</u>   |                    | <u>124,482</u>   |                    |
| <b>Net cash outflow from capital expenditure and financial investment</b>    |      |                  | (181,434)          |                  | (346,311)          |
| <b>Equity dividends paid</b>                                                 | 18   |                  | <u>(158,249)</u>   |                  | <u>(153,481)</u>   |
| <b>Net cash inflow/(outflow) before financing</b>                            |      |                  | 3,872,474          |                  | (2,315,901)        |
| <b>Financing</b>                                                             |      |                  |                    |                  |                    |
| Repayment of loans                                                           |      | (181,250)        |                    | (436,000)        |                    |
| Capital element of finance lease payments                                    |      | -                |                    | (6,387)          |                    |
| Repayment of stocking finance                                                |      | (4,450,000)      |                    | -                |                    |
| Redemption of preference share capital                                       |      | <u>(154,184)</u> |                    | <u>(138,145)</u> |                    |
| <b>Net cash outflow from financing</b>                                       |      |                  | <u>(4,785,434)</u> |                  | <u>(580,532)</u>   |
| <b>Decrease in cash in the year</b>                                          | 20   |                  | <u>(912,960)</u>   |                  | <u>(2,896,433)</u> |

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

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 July 2009**

**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.

After making enquiries, the directors have a reasonable expectation that the group and the company have adequate resources to continue in operational existence for the foreseeable future. The financial statements have therefore been prepared on a going concern basis.

**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 s408 of the Companies Act 2006. The company's loss after taxation for the financial year, determined in accordance with the Act, was £2,305,930 (2008 – profit £961,010).

**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.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 July 2009**

**1. ACCOUNTING POLICIES (CONTINUED)**

**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.

**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.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 July 2009**

**1. ACCOUNTING POLICIES (CONTINUED)**

**Leases**

The group enters into operating and finance leases.

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

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

**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.

**Financial liabilities and equity**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

# PEOPLES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2009

### 2. TANGIBLE FIXED ASSETS

#### Group

|                          | Freehold<br>land and<br>buildings<br>£ | Long<br>leasehold<br>buildings &<br>improvements<br>£ | Computers,<br>plant and<br>equipment<br>£ | Leased<br>assets<br>£ | Motor<br>vehicles<br>£ | Total<br>£ |
|--------------------------|----------------------------------------|-------------------------------------------------------|-------------------------------------------|-----------------------|------------------------|------------|
| <b>Cost or valuation</b> |                                        |                                                       |                                           |                       |                        |            |
| At 1 August 2008         | 5,910,807                              | 1,436,095                                             | 4,343,789                                 | 481,936               | 282,855                | 12,455,482 |
| Additions                | -                                      | -                                                     | 122,722                                   | -                     | 171,999                | 294,721    |
| Disposals                | -                                      | -                                                     | (22,000)                                  | -                     | (204,960)              | (226,960)  |
| Revaluation              | (700,000)                              | (25,000)                                              | -                                         | -                     | -                      | (725,000)  |
| At 31 July 2009          | 5,210,807                              | 1,411,095                                             | 4,444,511                                 | 481,936               | 249,894                | 11,798,243 |
| <b>Depreciation</b>      |                                        |                                                       |                                           |                       |                        |            |
| At 1 August 2008         | 100,025                                | 187,898                                               | 2,683,159                                 | 462,746               | 107,996                | 3,541,824  |
| Charge for the year      | 96,891                                 | 61,305                                                | 395,136                                   | 2,843                 | 67,785                 | 623,960    |
| Disposals                | -                                      | -                                                     | (18,195)                                  | -                     | (95,478)               | (113,673)  |
| Revaluation              | (192,701)                              | (14,000)                                              | -                                         | -                     | -                      | (206,701)  |
| At 31 July 2009          | 4,215                                  | 235,203                                               | 3,060,100                                 | 465,589               | 80,303                 | 3,845,410  |
| <b>Net book value</b>    |                                        |                                                       |                                           |                       |                        |            |
| At 31 July 2009          | 5,206,592                              | 1,175,892                                             | 1,384,411                                 | 16,347                | 169,591                | 7,952,833  |
| At 31 July 2008          | 5,810,782                              | 1,248,197                                             | 1,660,630                                 | 19,190                | 174,859                | 8,913,658  |

Freehold land amounting to £2,150,000 (2008 - £2,150,000) has not been depreciated.

Freehold and long leasehold land and buildings were professionally valued on an Existing Use Value Basis (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 2009, was £5,525,000.

# PEOPLES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2009

### 2. TANGIBLE FIXED ASSETS (CONTINUED)

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

|                | 2009                                   |                                                       | 2008                                   |                                                       |
|----------------|----------------------------------------|-------------------------------------------------------|----------------------------------------|-------------------------------------------------------|
|                | Freehold<br>land and<br>buildings<br>£ | Long<br>leasehold<br>buildings &<br>improvements<br>£ | Freehold<br>land and<br>buildings<br>£ | Long<br>leasehold<br>buildings &<br>improvements<br>£ |
| Cost           | 5,032,613                              | 1,356,958                                             | 5,032,613                              | 1,356,958                                             |
| Depreciation   | (732,885)                              | (357,427)                                             | (653,558)                              | (297,705)                                             |
| Net book value | <u>4,299,728</u>                       | <u>999,531</u>                                        | <u>4,379,055</u>                       | <u>1,059,253</u>                                      |

#### Company

The company has no tangible fixed assets (2008 - £Nil).

### 3. FIXED ASSET INVESTMENTS

#### Company

|                          | Ordinary<br>shares<br>£ | Preference<br>shares<br>£ | Long term<br>loan stock<br>£ | Total<br>£       |
|--------------------------|-------------------------|---------------------------|------------------------------|------------------|
| At 31 July 2008 and 2009 | <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 2009 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 2011.

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                           |

# PEOPLES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2009

### 4. STOCKS

|              | Group             |                   | Company  |          |
|--------------|-------------------|-------------------|----------|----------|
|              | 2009              | 2008              | 2009     | 2008     |
|              | £                 | £                 | £        | £        |
| Vehicles     | 22,016,273        | 35,855,537        | -        | -        |
| Spare parts  | 1,353,605         | 1,123,481         | -        | -        |
| Other stocks | 128,234           | 205,313           | -        | -        |
|              | <u>23,498,112</u> | <u>37,184,331</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        |                |
|--------------------------------------------|------------------|------------------|----------------|----------------|
|                                            | 2009             | 2008             | 2009           | 2008           |
|                                            | £                | £                | £              | £              |
| Amounts falling due within one year:       |                  |                  |                |                |
| Trade debtors                              | 4,186,908        | 6,082,373        | -              | -              |
| Prepayments and accrued income             | 1,716,367        | 1,775,529        | 284,515        | 262,430        |
| Amounts due from fellow group undertakings | -                | -                | -              | 133,040        |
| Deferred tax asset (note 7)                | 42,833           | 275,532          | -              | -              |
| Value added tax                            | -                | 1,450,114        | -              | -              |
|                                            | <u>5,946,108</u> | <u>9,583,548</u> | <u>284,515</u> | <u>395,470</u> |

### 6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

|                                          | Group             |                   | Company        |                  |
|------------------------------------------|-------------------|-------------------|----------------|------------------|
|                                          | 2009              | 2008              | 2009           | 2008             |
|                                          | £                 | £                 | £              | £                |
| Bank overdraft                           | 2,541,893         | 1,746,938         | -              | -                |
| Term loan instalments                    | -                 | 181,250           | -              | -                |
| Stocking finance                         | -                 | 4,450,000         | -              | -                |
| Trade creditors                          | 23,785,928        | 37,924,309        | -              | -                |
| Amounts due to fellow group undertakings | -                 | -                 | 243,508        | 29,840           |
| Corporation tax                          | 296,116           | 341,607           | -              | 311,518          |
| Other taxes and social security costs    | 294,191           | 332,142           | -              | -                |
| Other creditors and accruals             | 2,672,854         | 3,325,463         | 655,142        | 949,226          |
| Value added tax                          | 407,617           | -                 | 46,791         | 65,344           |
|                                          | <u>29,998,599</u> | <u>48,301,709</u> | <u>945,441</u> | <u>1,355,928</u> |

The bank overdraft facility is 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.

# PEOPLES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2009

### 7. DEFERRED TAX

| Group                                        | Deferred<br>tax asset |
|----------------------------------------------|-----------------------|
|                                              | £                     |
| At 1 August 2008                             | 275,532               |
| Charged to profit and loss account (note 16) | (232,699)             |
| At 31 July 2009                              | <u>42,833</u>         |

A net deferred tax asset exists at 31 July 2009 and is presented within debtors (see note 5). The analysis of the net deferred tax asset is as follows:

|                                | 2009<br>£      | 2008<br>£      |
|--------------------------------|----------------|----------------|
| Fixed asset timing differences | (163,314)      | (259,836)      |
| Losses carried forward         | <u>206,147</u> | <u>535,368</u> |
|                                | <u>42,833</u>  | <u>275,532</u> |

The deferred taxation balances have been computed at the expected long term rate of 28% (2008: 28%).

#### Company

The company has no deferred tax provision (2008 - £Nil).

# PEOPLES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2009

### 8. FINANCING LIABILITIES

|                                                  | Number    | Par value<br>£ | 2009<br>Capital<br>£ | 2008<br>Capital<br>£ |
|--------------------------------------------------|-----------|----------------|----------------------|----------------------|
| <b>Authorised share capital</b>                  |           |                |                      |                      |
| 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               |
| <b>Total preference authorised share capital</b> |           |                | <u>1,795,000</u>     | <u>1,795,000</u>     |
|                                                  |           |                | <b>2009<br/>£</b>    | <b>2008<br/>£</b>    |
| <b>Allotted, called-up and fully paid</b>        |           |                |                      |                      |
| First preference shares of £1 each               | 707,671   | 1.00           | 707,671              | 861,855              |
| 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)             |
| <b>Total preference share capital</b>            |           |                | <u>719,688</u>       | <u>873,872</u>       |

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, 3.0% per annum as at 31 July 2009, 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 2010 and 2015 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 154,184 of the first preference shares at par.

# PEOPLES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2009

### 9. SHARE CAPITAL AND RESERVES

#### a) Share capital

The authorised and issued share capital of the company at 31 July 2009 comprised:

|                                       | Number  | Par value<br>£ | 2009<br>Capital<br>£ | 2008<br>Capital<br>£ |
|---------------------------------------|---------|----------------|----------------------|----------------------|
| <b>Share capital</b>                  |         |                |                      |                      |
| Ordinary shares                       | 992,421 | 0.10           | 99,243               | 99,243               |
| Deferred shares                       | 462,185 | 0.10           | 46,218               | 46,218               |
| <b>Total authorised share capital</b> |         |                | <u>145,461</u>       | <u>145,461</u>       |

|                                           |         |      | 2009<br>£     | 2008<br>£     |
|-------------------------------------------|---------|------|---------------|---------------|
| <b>Allotted, called-up and fully paid</b> |         |      |               |               |
| <b>Share capital:</b>                     |         |      |               |               |
| Ordinary shares                           | 189,215 | 0.10 | 18,922        | 18,922        |
| Deferred shares                           | 110,785 | 0.10 | 11,078        | 11,078        |
| <b>Total share capital</b>                |         |      | <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<br>reserve<br>£ | Capital<br>redemption<br>reserve<br>£ | Special<br>reserve<br>£ | Profit and<br>loss account<br>£ | Other<br>reserve<br>£ |
|-----------------------------------------------|-----------------------------|---------------------------------------|-------------------------|---------------------------------|-----------------------|
| <b>Group</b>                                  |                             |                                       |                         |                                 |                       |
| At 1 August 2008                              | 1,611,878                   | 309,185                               | 576,439                 | 884,461                         | 3,632,172             |
| Transfer in respect of revalued<br>properties | (19,147)                    | -                                     | -                       | 19,147                          | -                     |
| Revaluation deficit                           | (518,299)                   | -                                     | -                       | -                               | -                     |
| Shares redeemed                               | -                           | 154,184                               | -                       | (154,184)                       | -                     |
| Profit for the financial year                 | -                           | -                                     | -                       | 731,353                         | -                     |
| Equity dividends                              | -                           | -                                     | -                       | (158,249)                       | -                     |
| <b>At 31 July 2009</b>                        | <u>1,074,432</u>            | <u>463,369</u>                        | <u>576,439</u>          | <u>1,322,528</u>                | <u>3,632,172</u>      |
| <b>Company</b>                                |                             |                                       |                         |                                 |                       |
| At 1 August 2008                              | -                           | 309,185                               | 576,439                 | 6,593,075                       | 3,632,172             |
| Shares redeemed                               | -                           | 154,184                               | -                       | (154,184)                       | -                     |
| Loss for the financial year                   | -                           | -                                     | -                       | (2,305,930)                     | -                     |
| Equity dividends                              | -                           | -                                     | -                       | (158,249)                       | -                     |
| <b>At 31 July 2009</b>                        | <u>-</u>                    | <u>463,369</u>                        | <u>576,439</u>          | <u>3,974,712</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 (2008 - £2,387,680).

# PEOPLES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2009

### 10. RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDERS' FUNDS

|                               | 2009             | 2008             |
|-------------------------------|------------------|------------------|
|                               | £                | £                |
| Opening shareholders' funds   | 7,044,135        | 6,478,891        |
| Profit for the financial year | 731,353          | 718,725          |
| Equity dividends              | (158,249)        | (153,481)        |
| Revaluation deficit           | (518,299)        | -                |
| Closing shareholders' funds   | <u>7,098,940</u> | <u>7,044,135</u> |

### 11. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

#### a) Capital commitments

The group and the company had no capital commitments at 31 July 2009 (2008 - £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 note 6.

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 (2008 - £969,000). 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:

|                                                | 2009           | 2008           |
|------------------------------------------------|----------------|----------------|
|                                                | Property       | Property       |
|                                                | £              | £              |
| <b>Group</b>                                   |                |                |
| Operating leases which expire less than 1 year | -              | -              |
| - between 1 and 2 years                        | -              | -              |
| - after more than 5 years                      | 969,000        | 969,000        |
|                                                | <u>969,000</u> | <u>969,000</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 2009

### 12. SEGMENTAL INFORMATION

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

### 13. INTEREST PAYABLE AND SIMILAR CHARGES

|                                              | 2009<br>£      | 2008<br>£      |
|----------------------------------------------|----------------|----------------|
| On bank overdraft and loans                  |                |                |
| Repayable within 5 years, by instalments     | 636            | 7,006          |
| Repayable within 5 years, not by instalments | 68,604         | 589,346        |
| Interest element of finance lease charges    | -              | 26             |
| Other interest                               | 153,793        | 178,674        |
|                                              | <u>223,033</u> | <u>775,052</u> |

### 14. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:

|                                                        | 2009<br>£  | 2008<br>£  |
|--------------------------------------------------------|------------|------------|
| Depreciation of tangible fixed assets (note 2)         |            |            |
| Owned assets                                           | 613,567    | 627,947    |
| Held under finance leases and hire purchase agreements | 10,393     | 10,393     |
| Auditors' remuneration for services provided           | 83,235     | 87,445     |
| Staff costs (note 15)                                  | 10,489,157 | 11,359,758 |
| Operating lease rentals – plant and machinery          |            |            |
| Plant and machinery                                    | 2,760      | 2,760      |
| Other                                                  | 969,000    | 838,750    |

A more detailed analysis of auditors' remuneration is provided below.

|                                                       | 2009<br>£     | 2008<br>£     |
|-------------------------------------------------------|---------------|---------------|
| <b>Audit services</b>                                 |               |               |
| Audit of parent company and consolidated accounts     | 10,000        | 10,000        |
| Audit of subsidiary companies pursuant to legislation | 65,000        | 65,000        |
| <b>Total audit fees</b>                               | <u>75,000</u> | <u>75,000</u> |
| <b>Further non-audit services</b>                     |               |               |
| - Tax compliance services                             | 8,235         | 12,445        |
| <b>Total non-audit fees</b>                           | <u>8,235</u>  | <u>12,445</u> |
| <b>Total</b>                                          | <u>83,235</u> | <u>87,445</u> |

# PEOPLES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2009

### 15. STAFF COSTS

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

|                                                          | <b>Group</b>      |                   | <b>Company</b> |                |
|----------------------------------------------------------|-------------------|-------------------|----------------|----------------|
|                                                          | <b>2009</b>       | <b>2008</b>       | <b>2009</b>    | <b>2008</b>    |
|                                                          | <b>£</b>          | <b>£</b>          | <b>£</b>       | <b>£</b>       |
| <b>Staff costs during the year (including directors)</b> |                   |                   |                |                |
| Wages and salaries                                       | 9,545,495         | 10,318,888        | 647,802        | 649,982        |
| Social security costs                                    | 883,310           | 987,043           | 72,729         | 74,272         |
| Other pension costs                                      | 60,352            | 53,827            | 54,166         | 49,242         |
|                                                          | <u>10,489,157</u> | <u>11,359,758</u> | <u>774,697</u> | <u>773,496</u> |

The average monthly number of employees in the group during the year was 425 (2008 - 479). The average monthly number of employees in the company during the year was 9 (2008 - 10).

Directors' remuneration:

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

|                                                         | <b>2009</b>    | <b>2008</b>    |
|---------------------------------------------------------|----------------|----------------|
|                                                         | <b>£</b>       | <b>£</b>       |
| <b>Remuneration:</b>                                    |                |                |
| Emoluments                                              | 380,532        | 344,490        |
| Company contributions to money purchase pension schemes | 54,166         | 49,242         |
|                                                         | <u>434,698</u> | <u>393,732</u> |

**Pensions:**

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

|                        | <b>2009</b> | <b>2008</b> |
|------------------------|-------------|-------------|
|                        | <b>No.</b>  | <b>No.</b>  |
| 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:

|                                                         | <b>2009</b>    | <b>2008</b>    |
|---------------------------------------------------------|----------------|----------------|
|                                                         | <b>£</b>       | <b>£</b>       |
| Emoluments                                              | 231,182        | 208,729        |
| Company contributions to money purchase pension schemes | 32,176         | 29,742         |
|                                                         | <u>263,358</u> | <u>238,471</u> |

# PEOPLES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2009

### 16. TAX ON PROFIT ON ORDINARY ACTIVITIES

|                                                             | 2009<br>£      | 2008<br>£       |
|-------------------------------------------------------------|----------------|-----------------|
| United Kingdom corporation tax                              |                |                 |
| Current tax at 28% (2008 - 28%)                             | 154,096        | 491,607         |
| Adjustment in respect of prior year                         | -              | 1,071           |
|                                                             | <u>154,096</u> | <u>492,678</u>  |
| Deferred tax (note 7)                                       |                |                 |
| Current year origination and reversal of timing differences | 232,699        | (26,023)        |
|                                                             | <u>232,699</u> | <u>(26,023)</u> |
| Total tax on profit on ordinary activities                  | <u>386,795</u> | <u>466,655</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% (2008 – 30%). The actual current tax charge for the current and prior years differs from 28% for the reasons set out in the following reconciliation:

|                                             | 2009<br>£      | 2008<br>£      |
|---------------------------------------------|----------------|----------------|
| Profit on ordinary activities before tax    | 1,118,148      | 1,185,380      |
| Tax on profit on ordinary activities at 28% | 313,081        | 331,906        |
| Factors affecting charge:                   |                |                |
| Permanent differences                       | (34,921)       | 22,488         |
| Fixed asset timing differences              | 96,522         | 26,023         |
| Utilisation of tax losses                   | (329,221)      | -              |
| Preference share dividends                  | 108,635        | 111,190        |
|                                             | <u>154,096</u> | <u>491,607</u> |
| Current tax charge for the year             | <u>154,096</u> | <u>491,607</u> |

### 17. PREFERENCE SHARE DIVIDENDS

|                                               | 2009<br>£      | 2008<br>£      |
|-----------------------------------------------|----------------|----------------|
| Paid and proposed:                            |                |                |
| First preference shares                       |                |                |
| Interim of Nil (2008 – 3.75p) per share paid  | -              | 36,662         |
| Final of 7.5p (2008 – 3.75p) per share paid   | 64,639         | 32,320         |
| Fourth preference shares                      |                |                |
| Interim of Nil (2008 – 1.875p) per share paid | -              | 131,250        |
| Final of 4.62p (2008 – 2.81p) per share paid  | 323,343        | 196,875        |
|                                               | <u>387,982</u> | <u>397,107</u> |

# PEOPLES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2009

### 18. ORDINARY DIVIDENDS

|                                      | 2009<br>£ | 2008<br>£ |
|--------------------------------------|-----------|-----------|
| Paid 83.63p per share (2008: 81.11p) | 158,249   | 153,481   |

### 19. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

|                                                     | 2009<br>£    | 2008<br>£   |
|-----------------------------------------------------|--------------|-------------|
| Operating profit                                    | 1,729,163    | 1,830,565   |
| Depreciation charges                                | 623,960      | 639,340     |
| Decrease/(Increase) in stocks                       | 13,686,219   | (3,735,353) |
| Decrease/(Increase) in debtors                      | 3,404,741    | (1,931,445) |
| (Decrease)/Increase in creditors                    | (14,421,324) | 2,638,307   |
| Net cash inflow/(outflow) from operating activities | 5,022,759    | (558,586)   |

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

|                                                        | 2009<br>£   | 2008<br>£   |
|--------------------------------------------------------|-------------|-------------|
| Decrease in cash in year                               | (912,960)   | (2,896,433) |
| Cash outflow from decrease in debt and lease financing | 4,785,434   | 580,532     |
| Change in net debt resulting from cash flows           | 3,872,474   | (2,315,901) |
| Net debt at beginning of year                          | (6,713,881) | (4,397,980) |
| Net debt at end of year                                | (2,841,407) | (6,713,881) |

### 21. ANALYSIS OF NET DEBT

|                          | 2008<br>£   | Cash flow<br>£ | 2009<br>£   |
|--------------------------|-------------|----------------|-------------|
| Cash at bank and in hand | 538,179     | (118,005)      | 420,174     |
| Bank overdraft           | (1,746,938) | (794,955)      | (2,541,893) |
|                          | (1,208,759) | (912,960)      | (2,121,719) |
| Debt due within one year | (181,250)   | 181,250        | -           |
| Stocking finance         | (4,450,000) | 4,450,000      | -           |
| Preference shares        | (873,872)   | 154,184        | (719,688)   |
|                          | (6,713,881) | 3,872,474      | (2,841,407) |

### 22. RELATED PARTY TRANSACTIONS

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