



ARTHURANDERSEN

**Peoples Liverpool Limited**

Financial statements 31 July 2000  
together with directors' and auditors' reports

Registered number: SC112752



## Directors' report

For the year ended 31 July 2000

The directors have pleasure in submitting their annual report on the affairs of the company together with the financial statements and auditors' report for the year ended 31 July 2000.

### Principal activity and review of the business

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

### Results and dividends

Loss on ordinary activities before interest on holding company loan stock and taxation was £354,866 (1999 profit - £674,786). Loss on ordinary activities before taxation was £714,746 (1999 profit - £314,906). Loss on ordinary activities after taxation was £514,746 (1999 profit - £225,510) and this has been deducted from reserves.

### Directors and their interests

The directors who served during the year were:

Brian P Gilda (Chairman)

Stewart M Ramsay

John Brown

Gary Higgins

Jacqueline Waterhouse

David McGoldrick (appointed 4 July 2000)

Messrs Gilda and Ramsay are also directors of the ultimate holding company and their interests in that company's shares are disclosed in the Directors' Report accompanying the group financial statements. The other directors do not beneficially own any shares in any group company.

### Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, 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 will continue in business.

## Directors' report (continued)

### Directors' responsibilities (continued)

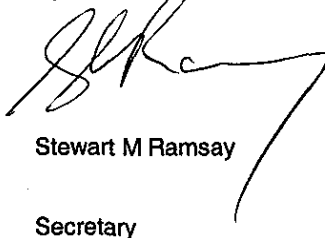
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets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

### Auditors

A resolution to appoint auditors for the ensuing year will be proposed at the annual general meeting.

Glenmavis Garage  
Bathgate  
EH48 4LA

By order of the Board,

A handwritten signature in black ink, appearing to read 'Stewart M Ramsay', is written over the printed name.

Stewart M Ramsay

Secretary

13 October 2000



**To the Shareholders of Peoples Liverpool Limited:**

*We have audited the financial statements on pages 4 to 15 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.*

**Respective responsibilities of directors and auditors**

As described on pages 1 and 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

**Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned 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 of the company's state of affairs at 31 July 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen  
Chartered Accountants and Registered Auditors

191 West George Street  
Glasgow  
G2 2LB

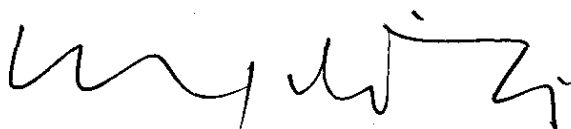
13 October 2000

# Balance sheet

31 July 2000

|                                                                | Notes | 2000<br>£           | 1999<br>£           |
|----------------------------------------------------------------|-------|---------------------|---------------------|
| <b>Fixed assets</b>                                            |       |                     |                     |
| Tangible assets                                                | 2     | <u>6,927,626</u>    | <u>6,759,877</u>    |
| <b>Current assets</b>                                          |       |                     |                     |
| Interest in vehicle residuals                                  |       |                     |                     |
| - repurchases after one year                                   |       | 7,281,858           | 4,787,501           |
| - repurchases within one year                                  |       | 2,221,679           | 2,085,486           |
| Stocks                                                         | 3     | 3,481,432           | 5,098,535           |
| Debtors                                                        | 4     | 5,904,596           | 5,319,750           |
| Cash at bank and in hand                                       |       | <u>597,868</u>      | <u>557,313</u>      |
|                                                                |       | 19,487,433          | 17,848,585          |
| <b>Creditors: Amounts falling due within one year</b>          | 5     | <u>(14,348,088)</u> | <u>(14,527,467)</u> |
| <b>Net current assets</b>                                      |       | <u>5,139,345</u>    | <u>3,321,118</u>    |
| <b>Total assets less current liabilities</b>                   |       | 12,066,971          | 10,080,995          |
| <b>Creditors: Amounts falling due after more than one year</b> | 6     | (9,039,788)         | (6,539,066)         |
| Holding company loan stock                                     | 7     | <u>(2,999,000)</u>  | <u>(2,999,000)</u>  |
| <b>Net assets</b>                                              |       | <u>28,183</u>       | <u>542,929</u>      |
| <b>Capital and reserves</b>                                    |       |                     |                     |
| Called-up share capital                                        |       |                     |                     |
| - equity                                                       | 9     | 1,000               | 1,000               |
| - non-equity                                                   | 9     | 200,000             | 200,000             |
| Share premium account                                          | 10    | 800,000             | 800,000             |
| Profit and loss account                                        | 10    | <u>(972,817)</u>    | <u>(458,071)</u>    |
| <b>Total capital employed</b>                                  | 11    | <u>28,183</u>       | <u>542,929</u>      |

Signed on behalf of the Board



Brian P Gilda

Director

13 October 2000

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

**Profit and loss account**  
For the year ended 31 July 2000

|                                                                                        | Notes  | 2000<br>£     | 1999<br>£    |
|----------------------------------------------------------------------------------------|--------|---------------|--------------|
| <b>Turnover</b>                                                                        | 13     | 105,134,613   | 74,124,829   |
| Cost of sales                                                                          |        | (103,058,805) | (72,161,602) |
| <b>Gross profit</b>                                                                    |        | 2,075,808     | 1,963,227    |
| Administrative expenses (net)                                                          |        | (1,905,191)   | (1,073,951)  |
| <b>Operating profit</b>                                                                |        | 170,617       | 889,276      |
| Interest payable and similar charges                                                   | 14     | (525,483)     | (214,490)    |
| <b>(Loss)/profit on ordinary activities before holding company loan stock interest</b> |        | (354,866)     | 674,786      |
| Interest on holding company loan stock                                                 |        | (359,880)     | (359,880)    |
| <b>(Loss)/profit on ordinary activities before taxation</b>                            | 13, 15 | (714,746)     | 314,906      |
| Tax on (loss)/profit on ordinary activities                                            | 17     | 200,000       | (89,396)     |
| <b>(Loss)/profit for the financial year</b>                                            |        | (514,746)     | 225,510      |
| <b>Accumulated deficit at beginning of year</b>                                        |        | (458,071)     | (683,581)    |
| <b>Accumulated deficit at end of year</b>                                              |        | (972,817)     | (458,071)    |

All activity has arisen from continuing operations. The company has no recognised gains or losses other than the (loss)/profit for each financial year.

A statement of movements on reserves is given in note 10.

The (loss)/profit on ordinary activities for each year is also the historical cost (loss)/profit.

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

## Notes to financial statements

For the year ended 31 July 2000

### 1 Statement of accounting policies

A summary of the principal accounting policies all of which have been applied consistently throughout the year and the preceding year is set out below:

#### *a) Basis of accounting*

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. Assets and liabilities are recognised in the financial statements where, as a result of past transactions or events, the company has rights or other access to future economic benefits controlled by the company, or obligations to transfer economic benefits.

#### *b) Tangible fixed assets*

Tangible fixed assets are shown at original historical cost, net of depreciation and any provision for impairment.

Depreciation is provided by the straight line method calculated to write off the cost, less estimated residual value, of the fixed assets over their estimated useful lives at the following annual rates:

|                     |     |
|---------------------|-----|
| Buildings           | 2%  |
| Plant and equipment | 10% |
| Computer equipment  | 25% |
| Motor vehicles      | 24% |

Profits or losses on the disposal of fixed assets are included in the calculation of operating profit.

#### *c) Stocks*

Stocks are stated at the lower of cost and net realisable value and exclude new vehicles held on a consignment basis, if the stock deposits do not directly relate to the consignment stocks held at any one time. Net realisable value is based on estimated normal selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

#### *d) Repurchase arrangements*

The contractual commitment to repurchase vehicles (predominantly under the 'Motability' scheme) is shown as a liability within 'Creditors: amounts falling due within one year' and 'Creditors: amounts falling due after more than one year' as appropriate. The asset associated with the liability, being the interest in the repurchased vehicles, is disclosed in the balance sheet as 'Interest in vehicle residuals'.

#### *e) Taxation*

Corporation tax payable is provided on taxable profits at the current rate. The taxation liabilities of certain group companies are reduced wholly or in part by the surrender of losses by fellow group companies. The tax benefits arising from group relief are recognised in the financial statements of the surrendering and recipient companies.

## Notes to financial statements (continued)

### 1 Statement of accounting policies (continued)

#### *f) Deferred taxation*

Provision is not made for tax liabilities arising from the allocation of items to different periods for taxation and accounting purposes, except where it is probable that a liability will crystallise. The potential amount of deferred tax not provided for is set out in note 8.

#### *g) Turnover*

Turnover comprises the invoiced value of sales less value added tax and net of all credits and allowances.

#### *h) Leases*

The company enters into operating leases 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 return 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 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.

## Notes to financial statements (continued)

### 2 Tangible fixed assets

The movement in the year was as follows:

|                       | Freehold<br>land and<br>buildings<br>£ | Computers,<br>plant and<br>equipment<br>£ | Leased<br>assets<br>£ | Motor<br>vehicles<br>£ | Total<br>£       |
|-----------------------|----------------------------------------|-------------------------------------------|-----------------------|------------------------|------------------|
| <b>Cost</b>           |                                        |                                           |                       |                        |                  |
| At 31 July 1999       | 6,492,313                              | 1,050,185                                 | 193,671               | 54,195                 | 7,790,364        |
| Additions             | -                                      | 165,578                                   | 195,822               | 126,332                | 487,732          |
| Disposals             | -                                      | -                                         | -                     | (22,426)               | (22,426)         |
| At 31 July 2000       | <u>6,492,313</u>                       | <u>1,215,763</u>                          | <u>389,493</u>        | <u>158,101</u>         | <u>8,255,670</u> |
| <b>Depreciation</b>   |                                        |                                           |                       |                        |                  |
| At 31 July 1999       | 313,104                                | 539,191                                   | 161,266               | 16,926                 | 1,030,487        |
| Charge for the year   | 70,191                                 | 117,168                                   | 86,857                | 34,553                 | 308,769          |
| Disposals             | -                                      | -                                         | -                     | (11,212)               | (11,212)         |
| At 31 July 2000       | <u>383,295</u>                         | <u>656,359</u>                            | <u>248,123</u>        | <u>40,267</u>          | <u>1,328,044</u> |
| <b>Net book value</b> |                                        |                                           |                       |                        |                  |
| At 31 July 1999       | <u>6,179,209</u>                       | <u>510,994</u>                            | <u>32,405</u>         | <u>37,269</u>          | <u>6,759,877</u> |
| <b>Net book value</b> |                                        |                                           |                       |                        |                  |
| At 31 July 2000       | <u>6,109,018</u>                       | <u>559,404</u>                            | <u>141,370</u>        | <u>117,834</u>         | <u>6,927,626</u> |

Freehold land amounting to £ 3,169,733 (1999 - £3,169,733) has not been depreciated.

Leased assets consist entirely of plant and equipment. Included within computers, plant and equipment are assets obtained under hire purchase agreements with a net book value of £51,565 (1999 - £74,483).

### 3 Stocks

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

|              | 2000<br>£        | 1999<br>£        |
|--------------|------------------|------------------|
| Vehicles     | 2,668,463        | 4,532,988        |
| Spare parts  | 616,406          | 393,186          |
| Other stocks | 196,563          | 172,361          |
|              | <u>3,481,432</u> | <u>5,098,535</u> |

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

## Notes to financial statements (continued)

### 4 Debtors

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

|                                      | 2000<br>£        | 1999<br>£        |
|--------------------------------------|------------------|------------------|
| Amounts falling due within one year: |                  |                  |
| Trade debtors                        | 4,420,212        | 4,454,513        |
| Due from fellow group undertakings   | 248,991          | 38,043           |
| Prepayments and accrued income       | 1,072,588        | 827,194          |
| Value added tax                      | 162,805          | -                |
|                                      | <u>5,904,596</u> | <u>5,319,750</u> |

### 5 Creditors: Amounts falling due within one year

The following are included in creditors falling due within one year:

|                                                 | 2000<br>£         | 1999<br>£         |
|-------------------------------------------------|-------------------|-------------------|
| Bank overdraft                                  | 4,730,302         | 3,955,613         |
| Obligations under finance leases                | 49,417            | 25,491            |
| Obligations under hire purchase agreements      | 22,918            | 22,918            |
| Term loan instalment                            | 53,125            | -                 |
| Stocking finance                                | 1,450,000         | 1,450,000         |
| Trade creditors                                 | 4,613,832         | 5,441,727         |
| Corporation tax                                 | -                 | 34,722            |
| Due to fellow group undertakings                | 16,850            | 119,477           |
| Other taxes and social security costs           | 135,139           | 150,029           |
| Other creditors                                 | 1,054,826         | 1,155,756         |
| Value added tax                                 | -                 | 86,248            |
| Obligations under vehicle repurchase agreements | 2,221,679         | 2,085,486         |
|                                                 | <u>14,348,088</u> | <u>14,527,467</u> |

The bank overdraft facilities and term loan are secured by a bond and floating charge over the assets, standard securities over the freehold properties and letters of offset and cross-guarantees with fellow group undertakings. The stocking finance is secured over certain current assets of the company and by cross-guarantees from fellow group undertakings.

## Notes to financial statements (continued)

### 6 Creditors: Amounts falling due after more than one year

The following amounts are included in creditors falling due after more than one year:

|                                                 | 2000             | 1999             |
|-------------------------------------------------|------------------|------------------|
|                                                 | £                | £                |
| Bank term loan                                  | 1,646,875        | 1,700,000        |
| Obligations under vehicle repurchase agreements | 7,281,858        | 4,787,501        |
| Obligations under finance leases                | 82,408           | -                |
| Obligations under hire purchase agreements      | 28,647           | 51,565           |
|                                                 | <u>9,039,788</u> | <u>6,539,066</u> |

The bank term loan of £1,700,000 is repayable by thirty two quarterly instalments of £53,125 commencing 31 May 2001. At 31 July 2000 £796,875 was due after more than five years.

Obligations under vehicle repurchase agreements and hire purchase agreements shown above are due in years two to five.

### 7 Holding company loan stock

The £2,999,000 (1999 - £2,999,000) of loan stock issued to the holding company bears interest at 12% (1999 - 12%) per annum and is redeemable by the company in 12 six monthly instalments from 1 July 2002.

### 8 Deferred taxation

No deferred tax has been provided by the company at 31 July 2000 (1999 - £Nil) because the directors have concluded on the basis of reasonable assumptions and the intentions of management that it is probable that no part of the liability will crystallise.

The unprovided deferred tax which arises from the excess of tax allowances over book depreciation of fixed assets amounts to £28,000 (1999 - £16,900).

## Notes to financial statements (continued)

### 9 Called-up share capital

|                                                            | 2000<br>£  | 1999<br>£  |
|------------------------------------------------------------|------------|------------|
| <i>Authorised</i>                                          |            |            |
| 10,000,000 Ordinary shares of £1 each                      | 10,000,000 | 10,000,000 |
| 200,000 Cumulative redeemable preference shares of £1 each | 200,000    | 200,000    |
| <i>Allotted, called-up and fully-paid</i>                  |            |            |
| Equity share capital:                                      |            |            |
| Ordinary shares of £1 each                                 | 1,000      | 1,000      |
| Non-equity share capital:                                  |            |            |
| 12% cumulative redeemable preference shares of £1 each     | 200,000    | 200,000    |

The authorised share capital of the company may be issued into several classes of share capital and includes attached rights and conditions. The preference shares carry no voting rights and are entitled to receive a fixed cumulative dividend at 12% per annum on their nominal value in priority to any other dividend on shares. However, the non-equity shareholders have waived their entitlement to dividends due.

On a winding up, the preference shares rank ahead of the ordinary shares for the amount of capital contributed and any dividend arrears. The preference shares are redeemable at par.

### 10 Reserves

Of the total reserves shown in the balance sheet, the following amounts are regarded as distributable or otherwise:

|                         | 2000<br>£        | 1999<br>£      |
|-------------------------|------------------|----------------|
| Non-distributable       |                  |                |
| - accumulated deficit   | (972,817)        | (458,071)      |
| - share premium account | 800,000          | 800,000        |
|                         | <u>(172,817)</u> | <u>341,929</u> |

The movement in reserves during the year was:

|                            | Profit and<br>loss account<br>£ | Share<br>premium<br>account<br>£ |
|----------------------------|---------------------------------|----------------------------------|
| Beginning of year          | (458,071)                       | 800,000                          |
| Retained loss for the year | <u>(514,746)</u>                | <u>-</u>                         |
| End of year                | <u>(972,817)</u>                | <u>800,000</u>                   |

## Notes to financial statements (continued)

### 11 Reconciliation of movements in shareholders' funds

|                                      | 2000<br>£ | 1999<br>£ |
|--------------------------------------|-----------|-----------|
| (Loss)/profit for the financial year | (514,746) | 225,510   |
| Opening shareholders' funds          | 542,929   | 317,419   |
| Closing shareholders' funds          | 28,183    | 542,929   |

### 12 Guarantees and other financial commitments

#### a) Capital commitments

At the end of the current and prior year, the company had no capital commitments.

#### b) Contingent liabilities

The group undertakings have granted cross-guarantees and indemnities in relation to borrowings secured on the assets of the companies.

#### c) Lease commitments

The company has entered into non-cancellable operating leases in respect of plant and equipment.

The minimum annual rentals under operating leases are as follows:

|                                | 2000<br>£ | 1999<br>£ |
|--------------------------------|-----------|-----------|
| Operating leases which expire: |           |           |
| - within 1 year                | 1,780     | 2,564     |
| - within 2-5 years             | -         | 1,196     |
|                                | 1,780     | 3,760     |

#### 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 for the company. The directors are of the opinion that no liability is likely to arise from the unlikely event of failure by these other group undertakings.

### 13 Segmental information

All of the company's turnover and (loss)/profit on ordinary activities before taxation was derived from its activities in the United Kingdom.

## Notes to financial statements (continued)

### 14 Interest payable and similar charges

|                                                               | 2000<br>£      | 1999<br>£      |
|---------------------------------------------------------------|----------------|----------------|
| On bank overdraft and loans                                   |                |                |
| - repayable within five years, not by instalments             | 343,448        | 146,419        |
| - repayable wholly or in part after five years by instalments | 131,427        | 28,632         |
| Interest element of finance lease charges                     | 16,844         | 2,739          |
| Interest element of hire purchase agreement charges           | 4,872          | 1,218          |
| Stocking finance interest                                     | 28,892         | 35,482         |
|                                                               | <u>525,483</u> | <u>214,490</u> |

In addition, interest payable on holding company loan stock of £359,880 (1999 - £359,880) is shown on the face of the profit and loss account.

### 15 (Loss)/profit on ordinary activities before taxation

(Loss)/profit on ordinary activities before taxation is stated after charging/(crediting):

|                                                          | 2000<br>£    | 1999<br>£      |
|----------------------------------------------------------|--------------|----------------|
| a) Depreciation of tangible fixed assets (Note 2)        |              |                |
| - owned                                                  | 198,994      | 126,368        |
| - held under finance leases and hire purchase agreements | 109,775      | 28,589         |
| b) Auditors' remuneration                                | 35,000       | 47,700         |
| c) Staff costs (note 16)                                 | 5,964,996    | 3,826,042      |
| d) Operating lease rentals - plant and machinery         | 5,035        | 26,020         |
| e) Loss/(gain) on disposal of tangible fixed assets      | <u>8,374</u> | <u>(1,020)</u> |

No non-audit services were provided to the company during the year (1999 - £Nil) by the auditors.

## Notes to financial statements (continued)

### 16 Staff costs

|                                             | 2000<br>£        | 1999<br>£        |
|---------------------------------------------|------------------|------------------|
| Employee costs during the year amounted to: |                  |                  |
| Wages and salaries                          | 5,487,527        | 3,503,021        |
| Social security costs                       | 477,469          | 323,021          |
|                                             | <u>5,964,996</u> | <u>3,826,042</u> |

The average monthly number of employees during the year was 367 (1999 - 223).

#### Directors' remuneration:

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

|            | 2000<br>£      | 1999<br>£      |
|------------|----------------|----------------|
| Emoluments | <u>167,223</u> | <u>198,123</u> |

The emoluments of the directors who are also directors of the holding company (which includes the chairman) are paid by the holding company, Peoples Limited, and recharged to the company by means of a management charge.

### 17 Tax on (loss)/profit on ordinary activities

|                                                          | 2000<br>£        | 1999<br>£     |
|----------------------------------------------------------|------------------|---------------|
| Corporation tax                                          | -                | 90,000        |
| Group relief surrendered to fellow group undertakings    | (200,000)        | -             |
| Adjustment of current taxation in respect of prior years | -                | (604)         |
|                                                          | <u>(200,000)</u> | <u>89,396</u> |

### 18 Cash flow statement

The company is exempt from the requirement of Financial Reporting Standard 1 (revised) to include a cash flow statement as part of its financial statements because it is a wholly owned subsidiary of Peoples Limited which will produce a consolidated cash flow statement.

### 19 Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard 8 not to disclose results of transactions with fellow group undertakings. Balances due from and to fellow group undertakings have been disclosed at notes 4 and 5 respectively.

## Notes to financial statements (continued)

### **20 Ultimate holding company**

The company is a subsidiary undertaking of Peoples Limited which is registered in Scotland.

*The largest and smallest group of which Peoples Liverpool Limited is a member and for which group financial statements are drawn up is that headed by Peoples Limited, a company registered in Scotland, whose registered office is at Glenmavis Garage, Bathgate, EH48 4LA.*