Deloitte
& Touche

Peoples Liverpool Limited

Financial statements 31 July 2002
together with directors' and auditors' reports

Registered number: SC112752

Deloitte & Touche

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 2002.

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

Profit on ordinary activities before interest on holding company loan stock and taxation was £875,043 (2001 - £220,616). Profit on ordinary activities before taxation was £515,163 (2001– £139,264). Profit on ordinary activities after taxation was £333,345 (2001 restated loss – £80,239) and this has been transferred to reserves. The prior year results have been restated to reflect the adoption, with retrospective impact, of FRS 19, Deferred Taxation, which became effective during the year. Further details are provided in note 2 to the accounts. The directors consider the future prospects of the business to be satisfactory.

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

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' 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.

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 company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

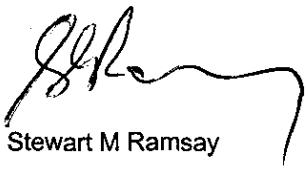
The company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Auditors

During the year, Arthur Andersen resigned as the Company's auditors following the agreement it reached with Deloitte & Touche under which partners and staff from Arthur Andersen joined Deloitte & Touche. The directors used their powers under the Companies Act 1985 to appoint Deloitte & Touche as the Company's auditors to fill the vacancy created by Arthur Andersen's resignation. A resolution to re-appoint Deloitte & Touche as auditors will be put to the Annual General Meeting.

Glenmavis Garage
Bathgate
EH48 4LA

By order of the Board,



Stewart M Ramsay
Secretary

18 October 2002

Deloitte & Touche

Independent Auditors' Report to the Shareholders of Peoples Liverpool Limited:

We have audited the financial statements of Peoples Liverpool Limited for the year ended 31 July 2002 which comprise the Balance Sheet, the Profit and loss account, the Statement of total recognised gains and losses and the related Notes numbered 1 to 21. The financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilties. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assesement 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 circumstances of the company, 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.

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Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 July 2002 and of the company's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors
Glasgow

18 October 2002

Deloitte & Touche

	Notes	2002 £	2001 Restated £
Fixed assets			
Tangible assets	3	7,245,592	6,746,880
Current assets			
Interest in vehicle residuals			
- repurchases after more than one year		7,801,200	8,833,500
- repurchases within one year		4,085,484	2,994,914
Stocks	4	13,222,276	5,389,761
Debtors	5	6,270,317	3,583,733
Cash at bank and in hand		434,098	288,127
		31,813,375	21,090,035
Creditors: Amounts falling due within one year	6	(26,251,524)	(14,553,081)
Net current assets		5,561,851	6,536,954
Total assets less current liabilities		12,807,443	13,283,834
Creditors: Amounts falling due after more than one year	7	(9,510,343)	(10,330,850)
Holding company loan stock due after more than one year	8	(2,999,000)	(2,999,000)
Provisions for liabilities and charges	9	(72,207)	(61,436)
Net assets/(liabilities)		225,893	(107,452)
Capital and reserves			
Called-up share capital			
- equity	10	1,000	1,000
- non-equity	10	200,000	200,000
Share premium account	11	800,000	800,000
Profit and loss account	11	(775,107)	(1,108,452)
Total shareholders' funds/(deficit)	12	225,893	(107,452)
Represented by:			
Equity interests		(774,107)	(1,107,452)
Non-equity interests		1,000,000	1,000,000
		225,893	(107,452)

Signed on behalf of the Board on 18 October 2002:

Brian P Gilda Director

18 October 2002

The accompanying notes are an integral part of this balance sheet

Profit and loss account

For the year ended 31 July 2002

Deloitte & Touche

	Notes	2002	2001 Restated
		£	£
Turnover	14	100,277,952	94,857,347
Cost of sales		(97,431,066)	(92,540,795)
Gross profit		2,846,886	2,316,552
Administrative expenses (net)		(1,674,592)	(1,606,534)
Operating profit		1,172,294	710,018
Interest payable and similar charges	15	(297,251)	(489,402)
Profit on ordinary activities before holding company loan stock interest		875,043	220,616
Interest on holding company loan stock	15	(359,880)	(359,880)
Profit/(loss) on ordinary activities before taxation	14, 16	515,163	(139,264)
Tax on profit/(loss) on ordinary activities	18	(181,818)	59,025
Profit/(loss) for the financial year		333,345	(80,239)
Accumulated deficit at beginning of year		(1,108,452)	(1,028,213)
Accumulated deficit at end of year		(775,107)	(1,108,452)

All activity has arisen from continuing operations.

A statement of movements on reserves is given in note 11.

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

Statement of total recognised gains and losses

For the year ended 31 July 2002

Deloitte & Touche

	2002	2001 Restated
	£	£
Profit/(loss) for the financial year	333,345	(80,239)
Prior period adjustment (note 2)	(61,436)	-
Total recognised gains and losses since last annual report	271,909	(80,239)

The statement of total recognised gains and losses for the year ended 31 July 2001 has been restated for the adoption of FRS 19, Deferred Taxation.

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, with the exception of the policy for deferred taxation, 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%

Land is not depreciated.

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'.

1 Statement of accounting policies (continued)

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.

f) Deferred taxation

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 properties where there is no commitment 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.

This represents a change in policy from prior year at which time SSAP 15 was applied. A summary of this impact of the change in accounting policy is set out in note 2.

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 13 and 16.

2 Restatement of comparatives

The adoption of FRS 19 Deferred Tax has required a change to the accounting treatment of deferred tax and the prior year results have been restated accordingly as follows:

a) Balance sheet

	Deferred tax provision £	Profit and loss account £
As previously reported at 31 July 2001	-	(1,047,016)
Adoption of FRS 19 at 31 July 2000	55,396	(55,396)
Year to 31 July 2001	6,040	(6,040)
31 July 2001 restated	61,436	(1,108,452)

Under FRS 19 the Company is required to make full provision for deferred tax in respect of timing differences recognising in total the potential future tax impact of past transactions. Under SSAP 15 provision for deferred tax was only required if it was expected that timing differences would reverse in the foreseeable future.

b) Profit and loss account

	Taxation £	Loss on ordinary *activities* after taxation £
Year ended 31 July 2001 as previously reported	(65,065)	(74,199)
Adoption of FRS 19	6,040	(6,040)
Year ended 31 July 2001 restated	(59,025)	(80,239)

The adoption of FRS 19 has no material impact on the results for the year ended 31 July 2002.

3 Tangible fixed assets

The movement in the year was as follows:

	Freehold land and buildings £	Computers, plant and equipment £	Leased assets £	Motor vehicles £	Total £
Cost					
At 31 July 2001	6,492,313	1,280,753	424,868	149,677	8,347,611
Additions	614,578	100,154	-	220,308	935,040
Disposals	-	-	-	(159,267)	(159,267)
At 31 July 2002	7,106,891	1,380,907	424,868	210,718	9,123,384
Depreciation					
At 31 July 2001	454,312	780,437	312,157	53,825	1,600,731
Charge for the year	96,499	126,684	56,561	41,808	321,552
Disposals	-	-	-	(44,491)	(44,491)
At 31 July 2002	550,811	907,121	368,718	51,142	1,877,792
Net book value					
At 31 July 2001	6,038,001	500,316	112,711	95,852	6,746,880
Net book value					
At 31 July 2002	*6,556,080*	*473,786*	*56,150*	*159,576*	*7,245,592*

Freehold land amounting to £3,169,733 (2001 - £ 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 £5,729 (2001 - £28,647).

4 Stocks

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

	2002 £	2001 £
Vehicles	12,173,987	4,440,705
Spare parts	929,990	792,140
Other stocks	118,299	156,916
	13,222,276	5,389,761

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:

	2002 £	2001 £
Amounts falling due within one year:		
Trade debtors	4,406,772	2,895,781
Due from fellow group undertakings	31,728	24,825
Prepayments and accrued income	713,682	383,042
Value added tax	1,118,135	280,085
	6,270,317	3,583,733

6 Creditors: Amounts falling due within one year

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

	2002 £	2001 £
Bank overdraft	4,304,938	3,062,201
Obligations under finance leases	49,978	56,143
Obligations under hire purchase agreements	5,729	22,918
Term loan instalment	212,500	212,500
Other bank loan	120,000	-
Stocking finance	1,450,000	1,450,000
Trade creditors	14,193,906	4,486,452
Due to fellow group undertakings	212,740	186,904
Corporation tax	8,428	-
Other taxes and social security costs	156,388	152,758
Other creditors and accruals	1,451,433	1,928,291
Obligations under vehicle repurchase agreements	4,085,484	2,994,914
	26,251,524	14,553,081

The bank overdraft facilities, term loan and other bank 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. Interest is payable on the term loan and other bank loan at commercial rates. The stocking finance is secured over certain current assets of the company and by cross-guarantees from fellow group undertakings.

7 Creditors: Amounts falling due after more than one year

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

	2002 £	2001 £
Bank term loan	1,221,875	1,434,375
Obligations under vehicle repurchase agreements	7,801,200	8,833,500
Obligations under finance leases	7,268	57,246
Obligations under hire purchase agreements	-	5,729
Other bank loan	480,000	-
	9,510,343	10,330,850

The bank term loan totalling £1,434,375 (2001 - £1,646,875) is repayable by twenty seven quarterly instalments of £53,125. At 31 July 2002 £371,875 (2001 - £584,375) was due after more than five years.

7 Creditors: Amounts falling due after more than one year (continued)

The other bank loan of £600,000 is repayable in five annual instalments of £120,000 commencing December 2002. Interest is payable at a commercial rate.

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

8 Holding company loan stock

The £2,999,000 (2001 - £2,999,000) of loan stock issued to the holding company bears interest at 12% (2001 - 12%) per annum and is redeemable by the company in 12 six monthly installments from 1 July 2004.

9 Provisions for liabilities and charges

	Deferred tax £
At 31 July 2001 *as previously reported*	-
Prior year adjustment (note 2)	61,436
At 31 July 2001 restated	61,436
Charge to profit and loss account - current year	10,771
At 31 July 2002	72,207

Analysis of the deferred tax balances is as follows:

	2002 £	2001 Restated £
Fixed asset timing differences	72,207	61,436

The deferred taxation liabilities have been computed at the expected long term rate of 30% (2001: 30%).

Provision has been made for deferred taxation in accordance with FRS 19. Full details of the impact of this on current and prior year results are given in note 2.

10 Called-up share capital

	2002 £	2001 £
Authorised		
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
Allotted, called-up and fully-paid		
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 with 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.

11 Reserves

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

	2002	2001 Restated
	£	£
Non-distributable		
- accumulated deficit	(775,107)	(1,108,452)
- share premium account	800,000	800,000
	24,893	(308,452)

The movement in reserves during the year was:

	Profit and loss account	Share premium account
	£	£
Beginning of year as previously reported	(1,047,016)	800,000
Prior year adjustment (note 2)	(61,436)	-
Beginning of year restated	(1,108,452)	800,000
Retained profit for the year	333,345	-
End of year	(775,107)	800,000

12 Reconciliation of movements in shareholders' funds

	2002	2001 (Restated)
	£	£
Profit/(loss) for the financial year	333,345	(80,239)
Net additions to/(deduction from) shareholders' funds	333,345	(80,239)
Opening shareholders' deficit	(107,452)	(27,213)
Closing shareholders' funds/(deficit)	225,893	(107,452)

The opening shareholders' deficit at 1 August 2001 as previously reported amounted to £46,016 before the prior year adjustment of £61,436 (see note 2).

13 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. The total secured group borrowings are disclosed in the financial statements of Peoples Limited.

c) Lease commitments

The company has no operating lease commitments at the end of the current year or the prior year.

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.

14 Segmental information

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

15 Interest payable and similar charges

	2002 £	2001 £
On bank overdraft and loans		
- repayable within five years, not by instalments	182,941	333,623
- repayable wholly or in part after five years by instalments	96,002	137,400
Interest element of finance lease charges	13,436	13,507
Interest element of hire purchase agreement charges	4,872	4,872
	297,251	489,402

In addition, interest payable on holding company loan stock of £359,880 (2001 - £359,880) is shown on the face of the profit and loss account.

16 Profit/(loss) on ordinary activities before taxation

Profit/(loss) on ordinary activities before taxation is stated after charging:

		2002 £	2001 £
a)	Depreciation of tangible fixed assets (Note 3)		
	- owned	242,073	225,662
	- held under finance leases and hire purchase agreements	79,479	86,952
b)	Auditors' remuneration	35,000	35,000
c)	*Staff costs (note 17)*	6,577,616	6,000,701
d)	Operating lease rentals - plant and machinery	2,760	3,558

No non-audit services were provided to the company during the year (2001 - £Nil) by the auditors.

17 Staff costs

	2002 £	2001 £
Employee costs during the year amounted to:		
Wages and salaries	6,053,832	5,516,695
Social security costs	523,784	484,006
	6,577,616	6,000,701

The average monthly number of employees during the year was 355 (2001 - 350).

Directors' remuneration:

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

	2002 £	2001 £
Emoluments	242,238	204,631

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

17 Staff costs (continued)

Highest paid director:

The directors' remuneration shown above includes the following in respect of the highest paid director:

	2002 £	2001 £
Emoluments	94,849	81,562

18 Tax on profit/(loss) on ordinary activities

	2002 £	2001 Restated £
United Kingdom Corporation tax		
Current at 30% (2001: 30%)	171,047	-
Group relief surrendered to fellow group undertakings	-	(30,070)
Adjustment of current taxation in respect of prior years	-	(34,995)
Deferred - origination and reversal of timing differences	10,771	6,040
	181,818	(59,025)

Adoption of FRS 19 has required a change in the method of accounting for deferred tax. Full details of the impact of this on current and prior year results are given in note 2.

Reconciliation of tax charge/(credit)

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 30% (2001 – 30%). The actual tax charge/(credit) for the current and prior years differs from 30% for the reasons set out in the following reconciliation:

	2002 £	2001 £
Profit/(loss) on ordinary activities before tax	515,163	(139,264)
Tax on profit/(loss) on ordinary activities at 30%	154,549	(41,779)
Factors affecting charge:		
Permanent differences	27,629	17,749
Fixed asset timing differences	(10,771)	(6,040)
Current tax charge/(credit) for the year	171,047	(30,070)

19 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.

20 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 5, 6 and 8.

21 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.