

Arnold Clark Automobiles Limited

36386
Report and Accounts
December 31, 1988

DIRECTORS' REPORT

The directors submit their report and group accounts for the year ended December 31, 1988.

Results and dividends

The trading profit for the year, after taxation and minorities, amounted to £2,066,245.

The directors recommend that no dividend be paid which leaves the profit of £2,066,245 to be retained.

Review of the business

The group's principal activities during the year were the hiring, selling and servicing of motor vehicles.

The group has had a satisfactory year with a significant increase in sales and the maintenance of profits at a satisfactory level.

The directors are of the opinion that the level of activity will be continued in 1989.

On January 1, 1988 the parent company purchased the trade and assets of its subsidiary companies, A. Clark's West End Motors Limited, Grant, Melrose & Tennent Limited and Arnold Clark (Bearsden) Limited for a nominal sum.

Disabled employees

The group gives every consideration to applications for employment from disabled persons where the requirements of the job may be adequately covered by a handicapped or disabled person.

With regard to existing employees and those who have become disabled during the year, the group has continued to examine ways and means of providing continuing employment under normal hours and conditions and to provide training and career development and promotion wherever appropriate.

Directors and their interests

The directors at December 31, 1988 and their interests in the ordinary share capital of the company were as follows:

	<u>At December 31, 1988</u>	<u>At December 31, 1987</u>
J.A. Clark	10,000	9,998
W.G.P. Gall	-	-
Mrs. P.B. Clark	-	-

W.G.P. Gall retires by rotation and, being eligible, offers himself for re-election.

ARNOLD CLARK AUTOMOBILES LIMITED

2.

DIRECTORS' REPORT
(continued)

Auditors

A resolution to reappoint Arthur Young as auditors will be put to the members at the Annual General Meeting.

BY ORDER OF THE BOARD

D Ferguson Kerr

Secretary

July 26, 1989

43 Allison Street,
Glasgow, G42 8NJ



A MEMBER OF ARTHUR YOUNG INTERNATIONAL

3.

Arthur Young

Chartered Accountants
George House, 50 George Square,
Glasgow G2 1RR

REPORT OF THE AUDITORS TO THE MEMBERS OF
ARNOLD CLARK AUTOMOBILES LIMITED

We have audited the accounts on pages 4 to 21 in accordance with approved auditing standards.

In our opinion the accounts, which have been prepared under the historical cost convention, give a true and fair view of the state of affairs of the company and the group at December 31, 1988 and of the profit and source and application of funds of the group for the year then ended and comply with the Companies Act 1985.

Arthur Young

July 26, 1989

ARNOLD CLARK AUTOMOBILES LIMITED

4.

GROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 1988

	<u>Notes</u>	<u>1988</u> £	<u>1987</u> £
Turnover	2	111,230,436	91,366,690
Cost of sales		91,298,306	76,227,463
		<hr/>	<hr/>
Gross profit		19,932,130	15,139,227
Administrative expenses		12,150,267	9,574,327
		<hr/>	<hr/>
Other operating income		7,781,863	5,564,900
Share of losses of associated company		1,580,391	945,738
		(14,501)	(8,045)
		<hr/>	<hr/>
Operating profit	3	9,347,753	6,502,593
		<hr/>	<hr/>
Bank interest receivable		14,715	-
Interest payable	5	6,111,477	3,376,641
		<hr/>	<hr/>
		6,096,762	3,376,641
		<hr/>	<hr/>
Profit on ordinary activities before taxation		3,250,991	3,125,952
Tax on profit on ordinary activities	6	1,184,749	1,151,176
		<hr/>	<hr/>
Profit on ordinary activities after taxation		2,066,245	1,974,776
Minority interest		225	58,280
		<hr/>	<hr/>
Profit attributable to members of the holding company	7	£ 2,066,020	£ 1,916,496
		<hr/>	<hr/>

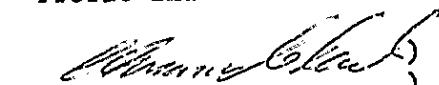

The notes on pages 8 to 21 form part of these accounts.

ARNOLD CLARK AUTOMOBILES LIMITED

5.

GROUP BALANCE SHEET AT DECEMBER 31, 1988

	Notes	£	1988 £	1987 £
Fixed assets:				
Tangible assets	8	69,960,553	45,568,972	
Investments	9	43,327	55,328	
		<u>70,003,880</u>	<u>45,624,300</u>	
Current assets:				
Stocks	10	20,317,727	16,220,977	
Debtors	11	4,663,693	4,866,915	
Cash at bank and in hand		5,553	7,216	
		<u>24,986,973</u>	<u>21,095,108</u>	
Creditors: amounts falling due within one year:				
Stocking loan		10,281,069	8,196,110	
Other current liabilities	12	38,493,665	25,242,251	
		<u>48,774,734</u>	<u>33,438,361</u>	
Net current liabilities		(23,787,761)	(12,343,253)	
Total assets less current liabilities		<u>46,216,119</u>	<u>33,281,047</u>	
Creditors: amounts falling due after more than one year:				
Loans	13	153,670	221,917	
Hire purchase	14	31,078,578	20,877,447	
Obligations under finance leases	15	47,407	5,921	
Rentals in advance		1,617,795	2,093,286	
Provision for liabilities and charges:				
Deferred taxation	16	3,246,761	2,075,413	
		<u>36,144,211</u>	<u>25,273,984</u>	
Minority interests		<u>10,071,908</u>	<u>8,007,063</u>	
		<u>1,673</u>	<u>2,873</u>	
		<u>£10,070,235</u>	<u>£ 8,004,190</u>	
Capital and reserves:				
Called up share capital	17	10,000	10,000	
Capital reserve	18	434,253	434,228	
General reserve	18	20,000	20,000	
Profit and loss account	18	9,605,982	7,539,962	



) Directors

July 26, 1989

£10,070,235 £8,004,190

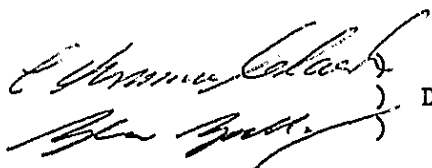
The notes on pages 8 to 21 form part of these accounts.

ARNOLD CLARK AUTOMOBILES LIMITED

6.

BALANCE SHEET AT DECEMBER 31, 1988

	Notes	£	1988 £	1987 £
Fixed assets:				
Tangible assets	8		3,610,177	2,065,305
Investments	9		177,528	44,500
			<u>3,787,705</u>	<u>2,109,805</u>
Current assets:				
Stocks	10	16,181,879		8,162,674
Debtors	11	3,307,341		3,181,586
Cash in hand		3,581		4,115
		<u>19,492,801</u>		<u>11,348,375</u>
Creditors: amounts falling due within one year:				
Stocking loan		8,333,430		4,146,236
Other current liabilities	12	9,320,266		7,031,609
		<u>17,653,696</u>		<u>11,177,845</u>
Net current assets			1,839,105	170,530
Total assets less current liabilities			<u>5,626,810</u>	<u>2,280,335</u>
Creditors: amounts falling due after more than one year:				
Loans	13		153,670	93,083
Obligations under finance leases	15		45,136	-
Provision for liabilities and charges:				
Deferred taxation	16		114,572	63,637
			<u>313,378</u>	<u>156,720</u>
			<u>£ 5,313,432</u>	<u>£ 2,123,615</u>
Capital and reserves:				
Called up share capital	17		10,000	10,000
Profit and loss account	18		3,583,563	2,113,615
Capital reserve	18		1,719,869	-



Directors

July 26, 1989

£5,313,432 £2,123,615

The notes on pages 8 to 21 form part of these accounts.

ARNOLD CLARK AUTOMOBILES LIMITED

7.

GROUP STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1988

	<u>1988</u> £	<u>1987</u> £
Source of funds:		
Profit on ordinary activities before taxation	3,250,991	3,125,952
Adjustment for items not involving the movement of funds:		
Depreciation	12,992,801	7,033,665
Gain on sale of tangible assets	(245,604)	(182,290)
Share of losses before taxation of associates	14,501	8,045
	<hr/>	<hr/>
Total generated from operations	16,012,689	9,985,372
Funds from other sources:		
Proceeds of disposal of tangible fixed assets	15,291,068	9,522,994
Lease finance received	111,722	15,000
Net movement on hire purchase obligations	19,658,293	17,901,983
	<hr/>	<hr/>
	51,073,772	37,425,349
Application of funds:		
Purchase of tangible fixed assets	52,429,846	39,946,818
Finance lease repayment	32,456	1,737
Loan repayment	68,247	68,261
Taxation paid	102,971	239,501
Buyout of minority interest	1,400	-
Increase in investment in associates	2,500	-
	<hr/>	<hr/>
Working capital decrease	£(1,563,648)	£(2,830,968)
	<hr/>	<hr/>
Components of decrease in working capital:		
Stocks	4,096,750	1,911,109
Debtors	(203,222)	(1,213,516)
Creditors	(5,748,024)	(3,446,289)
Stocking loan	(2,084,959)	(88,333)
	<hr/>	<hr/>
	(3,939,455)	(2,837,029)
Movement in net liquid funds:		
Cash at bank and in hand	(1,666)	1,802
Bank overdraft	2,377,473	4,259
	<hr/>	<hr/>
	£(1,563,648)	£(2,830,968)
	<hr/>	<hr/>

The notes on pages 8 to 21 form part of these accounts.

NOTES TO THE ACCOUNTS AT DECEMBER 31, 19881. Accounting policiesAccounting convention

The accounts are prepared under the historical cost convention.

Basis of consolidation

The group accounts consolidate, on either the acquisition or merger basis as appropriate, the accounts of Arnold Clark Automobiles Limited and its subsidiaries made up to December 31 each year.

On December 29, 1987, the company obtained for nil consideration 99.9% of the issued share capital of A. Clark's West End Motors Limited, 97.4% of the issued share capital of Arnold Clark (Bearsden) Limited and 98.5% of the issued share capital of Grant, Melrose & Tennent Limited from Mr. J.A. Clark, a director of the company.

The group accounts include the profits of these subsidiaries for the entire period without any adjustment in respect of that part of the period prior to merger. The comparative figures have been restated as if the companies had been combined throughout the prior period.

No profit and loss account is presented for Arnold Clark Automobiles Limited as provided by S.228 (7) of the Companies Act 1985.

Companies in which the group has an investment comprising an interest of not less than 20% in the voting capital and over which it exerts significant influence are defined as associated companies. Such companies are also related companies as defined in the Companies Act 1985. The group accounts include the appropriate share of these companies' results and reserves based on audited accounts to December 31, 1987.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset over its expected useful life, as follows:

Land and buildings:

Freehold	~ 2% (straight line basis)
Leasehold	~ over the lease term
Garage equipment	~ 15% or 20% (reducing balance basis)
Office equipment : General	~ 15% or 20% (reducing balance basis)
: Computer equipment	~ 40% (reducing balance basis)
Motor vehicles	~ 20% or 25% (reducing balance basis)
Yachts and equipment	~ 5% or 25% (reducing balance basis)

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1988
(continued)

1. Accounting policies
(continued)

Stocks

Stocks are stated at the lower of cost and net realisable value.

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

Deferred taxation

Deferred taxation is provided on the liability method on all timing differences which are expected to reverse in the future, calculated at the rate at which it is estimated that tax will be payable.

Leasing and hire purchase commitments

Assets obtained under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the rental obligations is charged to profit and loss account over the period of the agreement and represents a constant proportion of the balance of capital repayments outstanding.

2. Turnover

Turnover represents the invoiced amount of goods sold and services provided (stated net of value added tax).

The turnover and pre-tax profit by activity is not disclosed as the directors consider this would be prejudicial to the interests of the company.

3. Operating profit

	<u>1988</u> £	<u>1987</u> £
(a) This is stated after charging or (crediting):		
Directors' remuneration (see below)	297,992	246,807
Auditors' remuneration	55,000	57,750
Depreciation - owned assets	245,212	188,659
- assets held under hire purchase contracts	12,747,589	6,045,006
Gain on sale of tangible assets	(245,604)	(182,290)
	=====	=====

ARNOLD CLARK AUTOMOBILES LIMITED AND SUBSIDIARIES

10.

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1988
(continued)

3. Operating profit
(continued)

(b) Directors' remuneration:

	<u>1988</u> £	<u>1987</u> £
Fees	-	35,000
Other emoluments (including pension contributions)	297,992 =====	211,807 =====
Emoluments excluding pension contributions of the Chairman (and highest paid director in 1987)	40,695 =====	70,357 =====

The highest paid director in 1988 received emoluments, excluding pension contributions, of £51,004.

Other directors' emoluments, excluding pension contributions, fell within the following ranges:

	No.	No.
£Nil - £ 5,000	1	1
£30,001 - £35,000	-	-
£40,001 - £45,000	-	1

Included within the chairman's emoluments is £Nil (1987 - £35,000) which was paid through subsidiary companies.

4. Staff costs

	<u>1988</u> £	<u>1987</u> £
Wages and salaries	7,378,502	6,085,684
Social security costs	647,225	502,321
Other pension costs	348,326	243,582
	-----	-----
	£8,374,053 =====	£6,831,587 =====

The average weekly number of employees during the year was made up as follows:

	<u>1988</u> No.	<u>1987</u> No.
Office and management	296	243
Sales	163	97
Servicing	619	495
	-----	-----
	1,078 =====	835 =====

ARNOLD CLARK AUTOMOBILES LIMITED AND SUBSIDIARIES

20.

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1988
(continued)

15. Obligations under finance leases
(continued)

Company

The maturity of these amounts is as follows:

	<u>1988</u> £	<u>1987</u> £
Amounts payable:		
Within one year		
In the second to fifth inclusive	42,236	-
	48,157	-
	-----	-----
Less: finance charges allocated to future periods	90,393	-
	9,216	-
	-----	-----
	£81,177	£ -
	=====	=====
Finance leases are analysed as follows:		
Current obligations		
Non-current obligations	36,041	-
	45,136	-
	-----	-----
	£81,177	£ -
	=====	=====

16. Deferred taxation

Deferred taxation provided in the accounts is the full potential amount, and consists of:

Group

	<u>1988</u>	<u>1987</u>
Accelerated capital allowances	£3,246,761	£2,075,413
	=====	=====

Company

	<u>1988</u>	<u>1987</u>
Accelerated capital allowances	£ 114,572	£ 63,637
	=====	=====

17. Share capital

	<u>1988</u> No.	<u>Authorised</u> <u>1987</u> No.	<u>Allotted, called up</u> <u>and fully paid</u> <u>1988</u>	<u>1987</u>
Ordinary shares of £1 each	10,000	10,000	£10,000	£10,000
	=====	=====	=====	=====

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1988
(continued)

18. Reserves

<u>Group</u>	<u>Capital reserve</u> £	<u>General reserve</u> £	<u>Profit and loss account</u> £
At January 1, 1988	434,228	20,000	7,539,962
Retained profit for year	-	-	2,066,020
Capital reserve formed upon acquisition of minority interests	25	-	-
	£434,253	£ 20,000	£9,605,982
<u>Company</u>			
At January 1, 1988	-	-	2,113,615
Retained profit for year	-	-	1,469,948
Capital reserve formed upon assets and liabilities of subsidiaries	1,719,869	-	-
	£1,719,869	£ -	£3,583,563

19. Contingent liabilities

As agents for Motability Finance Limited, Arnold Clark Finance Limited is committed to purchase all vehicles which are in a suitable condition and have been maintained under a motability contract by the company upon the expiry of the contract. As at December 31, 1988 the company maintained 6,074 (1987 - 4,339) vehicles under contract with a pre-arranged purchase cost of £16,906,070 (1987 - £10,765,840) of which 1,799 (1987 - 446) with a pre-arranged purchase cost of £4,454,771 (1987 - £895,525), terminate within one year.

Under a group registration for Value Added Tax the companies within the group are jointly and severally liable for Value Added Tax due by any member of the group registration. At December 31, 1988 this amounted to £1,579,227 (1987 - £1,179,620).

Under the terms of an inter company guarantee the companies within the group together with Arnold Clark (Paisley) Limited, have jointly and severally guaranteed repayment of all sums due to the Royal Bank of Scotland plc by any of the parties to the guarantee.

20. Capital commitments

<u>Group and Company</u>	<u>1988</u>	<u>1987</u>
Contracted	£ -	£ -
Authorised but not contracted	£ -	£ -