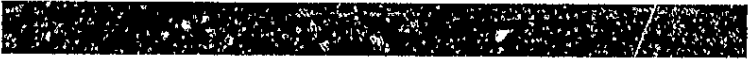




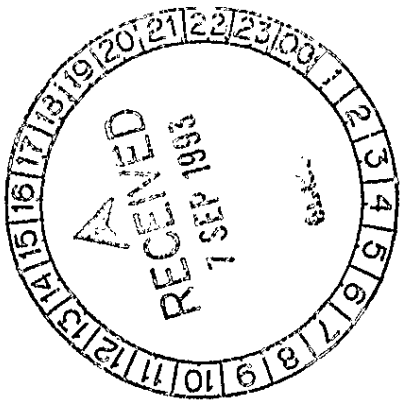
REPORT AND ACCOUNTS

Arnold Clark Finance Limited

31 DECEMBER 1992



REGISTERED NUMBER: 39597



DIRECTORS' REPORT

The directors submit their report and accounts for the year ended 31 December 1992.

RESULTS AND DIVIDENDS

The profit on ordinary activities before taxation amounted to £2,398,299. The trading profit for the year, after taxation, amounted to £1,608,383.

The directors recommend that no dividend be paid which leaves the profit of £1,608,383 to be retained.

REVIEW OF THE BUSINESS

The company's principal activity during the year was the hiring of motor vehicles.

The directors are pleased to report that despite the company's sales activity showing a slight decrease reflecting current economic trends, the profit has shown a considerable increase. This increase has arisen from a large reduction in interest charges, effective control of overhead expenditure and the maintenance of our quality customer base. The directors are of the opinion that this level of activity will be continued successfully in 1993.

The balance sheet discloses net current liabilities of £30.3m, arising primarily as a result of hire purchase payments due on contract hire vehicles. These payments will be met from the vehicle rental incomes receivable in 1993 arising under the relevant contract hire agreements.

DIRECTORS AND THEIR INTERESTS

The directors of the company during the year and at the date of this report are:

J A Clark
H D Wallace

No director had any interest in the ordinary share capital of the company during the year. The interests of J A Clark in the share capital of Arnold Clark Automobiles Limited, the ultimate holding company, are disclosed in those accounts. H D Wallace has no interest in the ordinary share capital of the holding company.

J A Clark retires by rotation and, being eligible, offers himself for re-election.

AUDITORS

Ernst & Young have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be submitted at the annual general meeting.

By order of the Board

D Ferguson Kerr

D Ferguson Kerr
Secretary

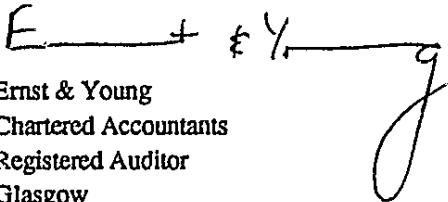
31 March 1993

43 Allison Street,
Glasgow, G42 8NJ

REPORT OF THE AUDITORS
to the members of Arnold Clark Finance Limited

We have audited the accounts on pages 3 to 11 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31 December 1992 and of the profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young
Chartered Accountants
Registered Auditor
Glasgow

31 March 1993

Arnold Clark Finance Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 1992

	Notes	1992 £	1991 £
TURNOVER	2	38,762,300	40,558,489
Cost of sales		26,432,873	27,536,803
GROSS PROFIT		12,329,427	13,021,686
Administrative expenses		3,231,585	2,805,237
Operating profit	3	9,097,842	10,216,449
Bank interest receivable		-	425,327
Interest payable	6	6,699,543	8,954,123
		6,699,543	8,528,796
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,398,299	1,687,653
Tax on profit on ordinary activities	7	789,916	517,891
RETAINED PROFIT FOR THE YEAR		1,608,383	1,169,762
Retained profit brought forward		5,675,833	4,506,071
Retained profit carried forward		7,284,216	5,675,833

Arnold Clark Finance Limited

BALANCE SHEET

at 31 December 1992

	Notes	1992 £	1991 £
FIXED ASSETS			
Tangible assets	8	69,362,791	77,202,032
CURRENT ASSETS			
Debtors	10	4,449,849	4,443,564
Cash at bank and in hand		5,881,782	5,776,541
		10,331,631	10,220,105
CREDITORS: amounts falling due within one year	11	40,655,304	47,950,357
NET CURRENT LIABILITIES		30,323,673	37,730,252
TOTAL ASSETS LESS CURRENT LIABILITIES		39,039,118	39,471,780
CREDITORS: amounts falling due after more than one year:			
Obligations under hire purchase contracts	13	27,277,760	29,035,625
Rentals in advance		1,196,763	953,091
		28,474,523	29,988,716
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	14	3,265,379	3,792,231
		7,299,216	5,690,833
CAPITAL AND RESERVES			
Called up share capital	15	15,000	15,000
Profit and loss account		7,284,216	5,675,833
		7,299,216	5,690,833

J A Clark

H D Wallace

31 March 1993

Directors

Arnold Clark Finance Limited

CASH FLOW STATEMENT

for the year ended 31 December 1992

	Notes	1992 £	1991 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	4	<u>24,756,960</u>	<u>34,633,343</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest receivable		-	425,327
Interest payable		<u>(6,769,781)</u>	<u>(9,556,938)</u>
NET CASH OUTFLOW FROM RETURNS ON INVESTMENT AND SERVICING OF FINANCE		<u>(6,769,781)</u>	<u>(9,131,611)</u>
TAXATION			
Corporation tax paid		<u>(49,870)</u>	<u>(134,312)</u>
INVESTING ACTIVITIES			
Payments to acquire fixed assets		<u>(35,697,274)</u>	<u>(38,995,834)</u>
Receipts from sales of fixed assets		<u>26,934,559</u>	<u>28,386,783</u>
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		<u>(8,762,715)</u>	<u>(10,609,051)</u>
NET CASH INFLOW BEFORE FINANCING		<u>9,174,594</u>	<u>14,758,369</u>
FINANCING			
Repayment of amounts borrowed		<u>(41,412,336)</u>	<u>(45,532,817)</u>
New hire purchase borrowings		<u>32,342,983</u>	<u>33,937,777</u>
NET CASH OUTFLOW FROM FINANCING	12	<u>(9,069,353)</u>	<u>(11,595,040)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	9	<u>105,241</u>	<u>3,163,329</u>

NOTES TO THE ACCOUNTS

at 31 December 1992

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

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 evenly over its expected useful life, as follows:

Fixtures and fittings	- 15% (reducing balance basis)
Motor vehicles	- 20% (reducing balance basis)
Computer equipment	- 40% (reducing balance basis)
Freehold property	- 2% (straight line)

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 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 the profit and loss account over the period of the agreement and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Pensions

Contributions to pension schemes in respect of current and past service, ex gratia pensions and cost of living adjustments to existing pensions are based on the advice of actuaries. Contributions are charged to the profit and loss account on a basis that spreads the expected cost of providing pensions over the employee's working lives within the group. Variations in the pension cost, which are identified as a result of actuarial variations, are amortised over the average expected working lives of the employees in proportion to their expected payroll costs. Differences between the amounts funded and the amounts charged to the profit and loss account are treated either as provisions or prepayments in the balance sheets.

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 all arises in the U.K. and is attributable to the company's principal activity.

3. OPERATING PROFIT

	1992	1991
	£	£
(a) This is stated after charging or (crediting):		
Directors' remuneration (see below)	72,906	69,035
Auditors' remuneration - audit services	11,500	10,000
Depreciation - owned assets	84,955	110,996
- assets under hire purchase contracts	16,508,882	17,240,171
Loss/(gain) on disposal of fixed assets	8,119	(10,992)

The remuneration of the auditors in respect of non audit services amounted to £5,210.

Arnold Clark Finance Limited

NOTES TO THE ACCOUNTS

at 31. December 1992

3. OPERATING PROFIT (continued)

	1992 £	1991 £
(b) Directors' remuneration:		
Fees	-	-
Other emoluments (including pension contributions)	69,822	69,035
	<u>69,822</u>	<u>69,035</u>

The emoluments of the chairman, excluding pension contributions, were £Nil (1991 - £Nil). The emoluments of the highest paid director were £64,604 (1991 - £64,725).

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

	1992 £	1991 £
Operating profit	9,097,842	10,216,449
Depreciation	16,593,837	17,351,167
Adjustment on disposal of fixed assets	8,119	(10,992)
(Increase)/decrease in working capital:		
Debtors	(6,285)	3,508,925
Creditors	(936,553)	3,567,794
Net cash inflow/(outflow) from operating activities	<u>24,756,960</u>	<u>34,633,343</u>

5. STAFF COSTS

	1992 £	1991 £
Wages and salaries	1,771,973	1,542,501
Social security costs	163,797	122,274
Other pension costs	46,787	48,843
	<u>1,982,557</u>	<u>1,713,618</u>

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

	No.	No.
Office and management	113	119
Sales	59	57
	<u>172</u>	<u>176</u>

NOTES TO THE ACCOUNTS

at 31 December 1992

6. INTEREST PAYABLE

	1992 £	1991 £
Hire purchase	<u>6,699,543</u>	<u>8,954,123</u>

7. TAXATION CHARGE

	1992 £	1991 £
Based on the profit for the year:		
Corporation tax at 33% (1991 - 33.25%)	1,323,174	923,920
Deferred taxation	<u>(518,408)</u>	<u>(366,455)</u>
	804,766	557,465
Taxation under/(over) provided in previous years:		
Corporation tax	(6,406)	119,137
Deferred taxation	<u>(8,444)</u>	<u>(158,711)</u>
	<u>789,916</u>	<u>517,891</u>

8. TANGIBLE FIXED ASSETS

	Freehold property £	Computer equipment £	Motor vehicles £	Fixtures and fittings £	Total £
Cost:					
At 1 January 1992	127,014	438,381	107,861,555	26,351	108,453,301
Additions	-	54,630	35,642,644	-	35,697,274
Disposals	-	(42,030)	(46,064,875)	-	(46,106,905)
At 31 December 1992	<u>127,014</u>	<u>450,981</u>	<u>97,439,324</u>	<u>26,351</u>	<u>98,043,670</u>
Depreciation:					
At 1 January 1992	7,245	266,928	30,968,393	8,703	31,251,269
Provided during the year	2,540	79,768	16,508,882	2,647	16,593,837
Disposals	-	(28,411)	(19,135,816)	-	(19,164,227)
At 31 December 1992	<u>9,785</u>	<u>318,285</u>	<u>28,341,459</u>	<u>11,350</u>	<u>28,680,879</u>
Net book value:					
At 31 December 1992	<u>117,229</u>	<u>132,696</u>	<u>69,097,865</u>	<u>15,001</u>	<u>69,362,791</u>
At 1 January 1992	<u>119,769</u>	<u>171,453</u>	<u>76,893,162</u>	<u>17,648</u>	<u>77,202,032</u>

All of the company's motor vehicles are purchased by way of hire purchase agreements and are held for use in operating leases.

NOTES TO THE ACCOUNTS

at 31 December 1992

9. CASH AND CASH EQUIVALENTS

Analysis of changes in cash and cash equivalents during the year

	1992 £	1991 £
Balance at 1 January 1992	5,776,541	2,613,212
Net cash inflow	105,241	3,163,329
Balance at 31 December 1992	<u>5,881,782</u>	<u>5,776,541</u>

10. DEBTORS

	1992 £	1991 £
Trade debtors	219,693	540,260
Amount due by parent company	2,514,905	2,567,113
Amounts due by fellow subsidiaries	-	76,484
Other debtors	1,007,501	354,433
Prepayments and accrued income	707,750	905,274
	<u>4,449,849</u>	<u>4,443,564</u>

11. CREDITORS: amounts falling due within one year

	1992 £	1991 £
Obligations under hire purchase contracts (note 13)	24,341,825	31,653,313
Trade creditors	388,522	2,826,903
Corporation tax payable	2,190,818	923,920
Other taxes and social security costs	1,010,272	1,189,084
Other creditors	1,492,040	1,076,316
Accruals and deferred income	10,782,945	10,268,764
Amounts due to fellow subsidiaries	448,882	12,057
	<u>40,655,304</u>	<u>47,950,357</u>

12. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	1992		1991	
	Share capital £	Hire purchase finance £	Share capital £	Hire purchase finance £
Balance at 1 January	15,000	60,688,938	15,000	72,283,978
Cash inflow/(outflow) from financing	-	(9,069,353)	-	(11,595,040)
Balance at 31 December	<u>15,000</u>	<u>51,619,585</u>	<u>15,000</u>	<u>60,688,938</u>

NOTES TO THE ACCOUNTS

at 31 December 1992

13. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS

	1992 £	1991 £
Amounts payable within one year (note 11)	24,341,825	31,653,313
Over one year:		
In the second to fifth year inclusive	27,277,760	29,035,625
	<u>51,619,585</u>	<u>60,688,938</u>

14. DEFERRED TAXATION

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

	1992 £	1991 £
Accelerated capital allowances	<u>3,265,379</u>	<u>3,792,231</u>

15. SHARE CAPITAL

	1992 No.	Authorised 1991 No.	Allotted, called up and fully paid 1992 £	1991 £
Ordinary shares of £1 each	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>

16. PENSION COMMITMENTS

The company, together with other companies in the Arnold Clark Automobiles Group, operate a group scheme which is a defined benefit scheme under which a common group rate applies in respect of contributions payable by all sponsoring employees. Details of actuarial valuation of the group scheme are contained in the accounts of Arnold Clark Automobiles Limited.

17. OTHER FINANCIAL COMMITMENTS

As agents for Motability Finance Limited, the company 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 31 December 1992 the company maintained 6,306 (1991 - 7,663) vehicles under contract with a pre-arranged purchase cost of £24,548,479 (1991 - £27,262,706) of which 2,575 (1991 - 3,641) with a pre-arranged purchase cost of £9,044,558 (1991 - £11,099,715) terminate within one year.

18. CONTINGENT LIABILITIES

Under a group registration for Value Added Tax the company is jointly and severally liable for Value Added Tax due by any member company of the group registration. At 31 December 1992 the liability amounted to £1,413,527 (1991 - £1,391,650).

Under the terms of an inter company guarantee granted to The Royal Bank of Scotland plc the company has together with Arnold Clark Automobiles Limited, Macharg Rennie & Lindsay Limited, Arnold Clark (Paisley) Limited and Ron Hutcheson (Motors) Limited jointly and severally guaranteed repayment of all sums due to The Royal Bank of Scotland plc by any of the parties to the guarantee.

NOTES TO THE ACCOUNTS

at 31 December 1992

19. ULTIMATE PARENT COMPANY

The directors report that Arnold Clark Automobiles Limited (registered in Scotland) is the company's ultimate parent company. This is the only parent undertaking for which group accounts are drawn up and of which the company is a member. The address from which copies of these group accounts are available to the public is: The Registrar of Companies, Companies House, 100-102 George Street, Edinburgh, EH2 3DJ.