

# Arnold Clark Finance Limited Annual Report

31 December 2013

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COMPANIES HOUSE

## Directors, Principal Officers and Advisers

### Directors

Sir Arnold Clark	DUniv FIMl	Chairman
H D Wallace		Managing Director
E Hawthorne	B A CA	Director
D M Cooper	BAcc (Hons) FCCA	Director

### Other Principal Officers

S K Thorpe	BA (Hons) FCA	Company Secretary
A J Clark		General Manager Hire Drive
A J Gillon		General Manager Public Sector

### Registered Office

134 Nithsdale Drive  
Glasgow G41 2PP

### Principal Bankers

The Royal Bank of Scotland plc  
1304 Duke Street, Glasgow G31 5PZ

### Auditors

Ernst & Young LLP  
G1, 5 George Square, Glasgow G2 1DY

### Tax Advisers

Grant Thornton UK LLP  
95 Bothwell Street, Glasgow G2 7JZ

### VAT Advisers

Deloitte LLP  
1 City Square, Leeds LS1 2AL

## Managing Director's Statement

Registered Number: 39597 (Scotland)

### Review

I am delighted to report that the company increased its turnover by 1.1% to achieve a new record turnover figure of £170m. Residual values on used cars continued to be strong during 2013 and this, accompanied by low interest rates, contributed to profits before tax of £12.0m.

It was pleasing that we managed to increase both our contract hire and daily rental fleet again during 2013. As a result, we managed to move up two places to number seven in the Fleet News Top 50 in fleet size out of all the UK contract hire companies.

Our daily rental business performed very well again in 2013, with turnover increasing by 6.5% to £39.4m. Whilst daily rental remains very competitive, it was most pleasing to see another significant increase in both our private and corporate sales streams in the year.

Our continued focus on overheads meant that there were no significant increases in 2013, resulting in a very satisfactory performance for the year.

### Growth

The total fleet continued to grow in line with our expectations owing to the consolidation of existing customer partnerships as well as a sustained effort to develop new business. The total owned fleet increased by 0.7% to 44,639 vehicles, and our managed customer vehicles also increased by 4.7% to 60,708.

### Staff

Our long term success can be attributed to the enthusiasm and professionalism of all our staff and I wish to record my gratitude to all of them for their dedication and commitment. Displaying immense loyalty to the company, our staff take great pride in their ability to build and maintain strong relationships with our customers.

### Outlook

2014 is going to be a very exciting year as we are going to launch three new systems during this year. Autocentre is our new on-line fleet management tool and this, along with our new Whole Life Cost & Mileage Capture applications, will be available to all customers by the end of June.

The market expectation for 2014 is that vehicle registrations in the UK will not change significantly from what we saw in 2013. This should result in little change in residual values during 2014, which along with continued low interest rates should make 2014 an excellent year.

As part of one of the largest privately owned vehicle retailers in Europe, the continued success of the group during the recent difficult economic times allows us to continue to provide an unparalleled level of service to all our customers. I believe that our continued focus on building and maintaining a high quality customer base will lead to further company growth in 2014 and beyond.



H D Wallace  
Managing Director  
28 March 2014

# Strategic Report

for the year ended 31 December 2013

Registered Number: 39597 (Scotland)

The directors present their strategic report for the year ended 31 December 2013.

## Review of the business

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

The balance sheet discloses net current liabilities of £185 million arising primarily as a result of hire purchase payments due on contract hire vehicles. These payments will be met from vehicle rental incomes receivable in the future under the relevant contract hire agreements.

The company's key financial and other performance indicators during the year were as follows:

	2013	2012	Change (%)
Turnover	£170m	£168m	1.1%
Contract hire fleet	36,805	36,651	0.4%
Daily rental fleet	7,834	7,682	2.0%
Managed customer vehicles	60,708	58,008	4.7%

The increases in turnover, contract hire fleet and daily rental fleet during the year are all entirely attributable to the continued organic growth of the company. The forecasts for 2014 are for this trend to continue. A further review of the business is included in the Managing Director's Statement on page 3.

## Principal risks and uncertainties

The main risks and uncertainties associated with the company's operations are set out below.

**Financial instrument risk:** The company's principal financial instruments comprise cash, cash equivalents and hire purchase contracts. Other financial assets and liabilities, such as trade creditors and trade debtors, arise directly from operating activities.

**Interest rate risk:** The company invests surplus cash in a floating rate interest yielding bank deposit account and has access to a floating rate interest bearing overdraft facility. Hire purchase agreements are entered into at floating interest rates. The company's interest income and expenses are therefore affected by movements in interest rates. The company does not undertake active hedging of this risk.

**Credit risk:** The company has external debtors; however, the company undertakes assessments of its customers in order to ensure that credit is not extended where there is a likelihood of default.

**Liquidity risk:** The company aims to mitigate liquidity risk by managing cash generated by its operations.

**General economic conditions:** The company's performance is influenced by general economic conditions and business confidence. Business confidence in the UK remains fragile as a result of the wider economic conditions and therefore discretionary expenditure has been reduced by many customers, which may impact the number and type of vehicles taken on contract in the year.

Arnold Clark Finance Limited


## Strategic Report

for the year ended 31 December 2013

Registered Number: 39597 (Scotland)

**Residual Value Risk:** The residual value risk is defined by the company as the exposure to potential loss at contract end due to the resale values of assets declining below the estimates made at lease inception. The company monitors this exposure on a continuous basis and adjusts its residual values for both new and existing leases accordingly.

On behalf of the board

A handwritten signature in black ink, appearing to read 'H D Wallace', followed by a long horizontal flourish.

H D Wallace  
Managing Director  
28 March 2014

## Directors' Report

for the year ended 31 December 2013

Registered Number: 39597 (Scotland)

The directors present their report for the year ended 31 December 2013.

### Results and dividends

The profit on ordinary activities before taxation amounted to £12,025,000 (2012 - £11,398,000). The profit for the year after taxation amounted to £12,658,000 (2012 - £10,665,000).

No interim dividend was paid during the year (2012 - £20,000,000). The directors do not recommend a final dividend leaving £12,658,000 to be transferred to reserves (2012 - £9,335,000 transferred from reserves).

### Employee involvement

Regular meetings are held between management and employees to allow a free flow of information and exchange of ideas.

### Disabled employees

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

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

### Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the Directors' Report are listed on page 2. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant information and to establish that the company's auditors are aware of that information.

### Auditors

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

On behalf of the board



H D Wallace  
Managing Director  
28 March 2014

# Statement of Directors' Responsibilities

in respect of the financial statements

Registered Number: 39597 (Scotland)

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the 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 United Kingdom 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.

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

# Independent Auditors' Report

to the members of Arnold Clark Finance Limited

We have audited the financial statements of Arnold Clark Finance Limited for the year ended 31 December 2013 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, the Statement of Cash Flows and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

# Independent Auditors' Report

to the members of Arnold Clark Finance Limited

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

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

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

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

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

*Ernst & Young LLP*

Mark Harvey (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Glasgow

*28 March 2014*

Arnold Clark Finance Limited

## Profit & Loss Account

for the year ended 31 December 2013

Registered Number: 39597 (Scotland)

	Notes	2013 £000	2012 £000
Turnover	2	169,783	167,965
Cost of sales		(119,983)	(118,303)
Gross profit		49,800	49,662
Administrative expenses		(29,355)	(29,376)
Operating profit	3	20,445	20,286
Interest payable	6	(8,420)	(8,888)
Profit on ordinary activities before taxation		12,025	11,398
Tax on profit on ordinary activities	7	633	(733)
Profit on ordinary activities after taxation	14	12,658	10,665

All operations were classed as continuing operations during the year.

### Statement of Total Recognised Gains and Losses

There are no recognised gains or losses other than the profit attributable to shareholders of the company of £12,658,000 in the year ended 31 December 2013 and the profit of £10,665,000 in the year ended 31 December 2012.

Arnold Clark Finance Limited

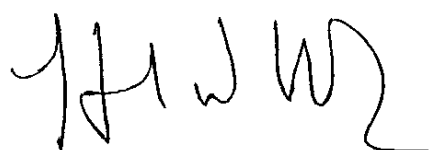
# Balance Sheet

at 31 December 2013

Registered Number: 39597 (Scotland)

	Notes	2013 £000	2012 £000
<b>Fixed assets</b>			
Tangible assets	8	430,049	413,381
<b>Current assets</b>			
Stocks		22,296	16,844
Debtors	9	15,067	15,165
Cash at bank and in hand		54,097	31,253
		<u>91,460</u>	<u>63,262</u>
<b>Creditors: amounts falling due within one year</b>	10	<u>(276,102)</u>	<u>(247,994)</u>
<b>Net current liabilities</b>		<u>(184,642)</u>	<u>(184,732)</u>
<b>Total assets less current liabilities</b>		245,407	228,649
<b>Creditors: amounts falling due after more than one year</b>	11	(174,899)	(168,123)
<b>Provisions for liabilities and charges</b>			
Deferred taxation	7(c)	(22,880)	(25,556)
<b>Net assets</b>		<u>47,628</u>	<u>34,970</u>
<b>Capital and reserves</b>			
Called up share capital	13	15	15
Profit and loss account	14	47,613	34,955
<b>Equity shareholders' funds</b>	14	<u>47,628</u>	<u>34,970</u>

Approved by the board on 28 March 2014



H D Wallace  
Managing Director



E Hawthorne  
Director

# Statement of Cash Flows

for the year ended 31 December 2013

Registered Number: 39597 (Scotland)

	Notes	2013 £000	2012 £000
<b>Net cash inflow from operating activities</b>	15(a)	137,115	131,644
<b>Returns on investments and servicing of finance</b>			
Interest element of hire purchase contracts		(8,323)	(9,028)
		<u>(8,323)</u>	<u>(9,028)</u>
<b>Taxation received / (paid)</b>		969	(885)
<b>Capital expenditure and financial investment</b>			
Payments to acquire fixed assets		(415,305)	(362,437)
Receipts from sales of fixed assets		284,534	226,601
		<u>(130,771)</u>	<u>(135,836)</u>
<b>Equity dividends paid</b>		-	(20,000)
<b>Net cash outflow before financing</b>		(1,010)	(34,105)
<b>Financing</b>			
Repayment of capital element of hire purchase contracts		(312,076)	(306,189)
New hire purchase contracts		335,930	352,194
		<u>23,854</u>	<u>46,005</u>
<b>Increase in cash</b>		<u>22,844</u>	<u>11,900</u>
<b>Reconciliation of net cash flow to movement in net debt</b>			
Increase in cash		22,844	11,900
Repayment of capital element of hire purchase contracts		312,076	306,189
Inception of new hire purchase contracts		(335,930)	(352,194)
<b>Movement in net debt</b>		<u>(1,010)</u>	<u>(34,105)</u>
<b>Net debt at 1 January</b>	15(b)	(328,228)	(294,123)
<b>Net debt at 31 December</b>	15(b)	<u>(329,238)</u>	<u>(328,228)</u>

# Notes to the Financial Statements

for the year ended 31 December 2013

Registered Number: 39597 (Scotland)

## 1. Accounting policies

### Basis of preparation

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

### Going concern

The company's business activities, a review of the business and a description of the principal risks and uncertainties, together with the company's financial risk management processes and narrative regarding its exposure to key financial risks are outlined in the Strategic Report.

The company funds vehicles purchased for the company's hire fleet using hire purchase contracts from a number of providers. The vehicles are accounted for as fixed assets and a corresponding liability is recognised, an element of which will be classified as a current liability. This gives rise to the company's net current liabilities position at the year end. The directors have reviewed the company's forecast cash flows and these are sufficient to meet the liabilities as they fall due.

Taking into account the above and after making enquiries, the directors believe that the company has adequate resources to meet its liabilities as they fall due for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the accounts.

### 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:

Freehold property	-	2% (straight line business)
Fixtures and fittings	-	15% (reducing balance basis)
Computer equipment	-	40% (reducing balance basis)
Motor vehicles	: Own use	- 20% or 25% (reducing balance basis)
	: Contract hire vehicles	- straight line over the term of the hire contract

### Stock

Motor vehicles held for resale 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.

### Leasing and hire purchase commitments

Assets held under hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under hire purchase contracts are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged in the profit and loss account over the periods of the hire purchase contracts and represent a constant proportion of the balance of the capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

# Notes to the Financial Statements

for the year ended 31 December 2013

Registered Number: 39597 (Scotland)

## 1. Accounting policies (continued)

### Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

### Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

## 2. Turnover

Turnover represents the amounts due for goods sold and services provided stated net of discounts and value added tax.

Rentals receivable on vehicles held for use in operating leases are recognised on a straight line basis over the term of the lease. The maintenance element of any rental payment is recognised as the maintenance is performed.

The turnover and pre-tax profit all arises in the United Kingdom and is attributable to the company's principal continuing activity.

## 3. Operating profit

This is stated after charging:		2013	2012
		£000	£000
Depreciation	- owned assets	245	161
	- assets held under hire purchase contracts	113,858	105,240

The auditors remuneration of £26,000 (2012 - £25,000) was paid by the parent undertaking.

# Notes to the Financial Statements

for the year ended 31 December 2013

Registered Number: 39597 (Scotland)

## 4. Staff costs

	2013 £000	2012 £000
Wages and salaries	13,313	12,297
Social security costs	1,153	1,080
Pension costs	238	164
	<b>14,704</b>	<b>13,541</b>

The monthly average number of employees during the year was as follows:

	2013 No.	2012 No.
Office and management	435	410
Sales	164	157
	<b>599</b>	<b>567</b>

## 5. Directors' emoluments

	2013 £000	2012 £000
Emoluments	182	191

## 6. Interest payable and similar charges

	2013 £000	2012 £000
Finance charges payable under hire purchase contracts	8,420	8,888

## 7. Tax

### (a) Tax on profit on ordinary activities

The tax (credit) / charge is made up as follows:

	2013 £000	2012 £000
<b>Current tax:</b>		
UK corporation tax	2,126	(3,814)
Adjustments in respect of previous years	(83)	10
Total current tax (note 7(b))	<b>2,043</b>	<b>(3,804)</b>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	579	6,147
Effect of decreased tax rate on opening liability	(3,345)	(1,688)
Adjustments in respect of previous years	90	78
Total deferred tax charge (note 7(c))	<b>(2,676)</b>	<b>4,537</b>
Tax on profit on ordinary activities	<b>(633)</b>	<b>733</b>

# Notes to the Financial Statements

for the year ended 31 December 2013

Registered Number: 39597 (Scotland)

## 7. Tax (continued)

### (b) Factors affecting current tax charge

The tax assessed on profit on ordinary activities for the year is lower (2012 - lower) than the standard rate of corporation tax in the UK of 23.25% (2012 - 24.5%). The differences are reconciled below:

	2013 £000	2012 £000
Profit on ordinary activities before tax	12,025	11,398
Profit on ordinary activities multiplied by standard rate of corporation tax to the group of 23.25% (2012 - 24.5%)	2,796	2,793
Expenses not deductible for tax purposes	8	4
Accelerated capital allowances	(678)	(6,611)
Adjustments in respect of previous years	(83)	10
Total current tax (note 7(a))	2,043	(3,804)

### (c) Deferred tax

The deferred tax included in provisions for liabilities and charges within the balance sheet is as follows:

	2013 £000	2012 £000
Accelerated capital allowances	22,890	25,566
Other timing differences	(10)	(10)
	22,880	25,556

	£000
At 1 January 2013	25,556
Deferred tax charge in profit and loss account (note 7 (a))	(2,676)
At 31 December 2013	22,880

### (d) Factors that may affect future tax charges

The UK Government has announced that it intends to reduce the rate of UK corporation tax to 20% by 1 April 2015. The rate of corporation tax reduced to 24% from 1 April 2012 and to 23% from 1 April 2013. A reduction to 21%, effective on 1 April 2014, and a further reduction to 20%, effective from 1 April 2015, were included in the Finance Bill that was substantively enacted on 2 July 2012. The deferred tax balances as at 31 December 2013 have been restated at a rate of 20%. The reduction to 20% had the effect of reducing the deferred tax balance by £3,345,000.

# Notes to the Financial Statements

for the year ended 31 December 2013

Registered Number: 39597 (Scotland)

## 8. Tangible fixed assets

	Freehold property £000	Computer equipment £000	Motor vehicles £000	Fixtures and fittings £000	Total £000
<b>Cost:</b>					
At 1 January 2013	71	2,981	585,733	1,006	589,791
Additions	-	141	415,038	126	415,305
Disposals	-	(43)	(389,580)	-	(389,623)
At 31 December 2013	71	3,079	611,191	1,132	615,473
<b>Depreciation:</b>					
At 1 January 2013	35	2,877	172,867	631	176,410
Provided during the year	2	117	113,858	126	114,103
Disposals	-	(42)	(105,047)	-	(105,089)
At 31 December 2013	37	2,952	181,678	757	185,424
<b>Net book value:</b>					
At 31 December 2013	34	127	429,513	375	430,049
At 31 December 2012	36	104	412,866	375	413,381

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

## 9. Debtors

	2013 £000	2012 £000
Trade debtors	11,979	11,284
Other debtors	733	628
Corporation tax recoverable	-	886
Prepayments and accrued income	2,317	2,367
Amounts due from group undertakings	38	-
	<u>15,067</u>	<u>15,165</u>

# Notes to the Financial Statements

for the year ended 31 December 2013

Registered Number: 39597 (Scotland)

## 10. Creditors: amounts falling due within one year

	2013 £000	2012 £000
Obligations under hire purchase contracts (note 12)	213,715	197,122
Trade creditors	10,765	6,182
Current corporation tax	2,126	-
Other taxes and social security costs	2,148	2,279
Other creditors	13,313	12,805
Accruals and deferred income	29,824	27,963
Amounts due to group undertakings	4,211	1,643
	<b>276,102</b>	<b>247,994</b>

## 11. Creditors: amounts falling due after more than one year

	2013 £000	2012 £000
Obligations under hire purchase contracts (note 12)	169,620	162,359
Rentals in advance	5,279	5,764
	<b>174,899</b>	<b>168,123</b>

## 12. Obligations under leases and hire purchase contracts

Amounts due under hire purchase contract:

Amounts payable:	2013 £000	2012 £000
Within one year (note 10)	213,715	197,122
In two to five years (note 11)	169,620	162,359
	<b>383,335</b>	<b>359,481</b>

The hire purchase contracts are secured on the vehicles funded.

Annual commitments under non-cancellable operating leases, all of which relate to property, are as follows:

Operating leases which expire:	2013 £000	2012 £000
Within one year	1	8
In two to five years	40	49
In over five years	194	185
	<b>235</b>	<b>242</b>

# Notes to the Financial Statements

for the year ended 31 December 2013

Registered Number: 39597 (Scotland)

## 13. Share capital

	2013 No.	Authorised 2012 No.	Allotted, called up and fully paid 2013 £000	2012 £000
Ordinary shares of £1 each	15,000	15,000	15	15

## 14. Reconciliation of shareholders' funds and movement on reserves

	Share capital £000	Profit and loss account £000	Total shareholders' funds £000
At 1 January 2013	15	34,955	34,970
Profit for the year	-	12,658	12,658
At 31 December 2013	15	47,613	47,628

## 15. Notes to the statement of cash flows

### (a) Reconciliation of operating profit to net cash inflow from operating activities

	2013 £000	2012 £000
Operating profit	20,445	20,286
Depreciation	114,103	105,401
Decrease / (increase) in motor vehicles held for resale	(5,452)	1,099
Decrease / (increase) in debtors	(788)	222
Increase / (decrease) in creditors	8,807	4,636
Net cash inflow from operating activities	137,115	131,644

### (b) Analysis of net debt

	At 1 January 2013 £000	Cash flow £000	At 31 December 2013 £000
Cash at bank and in hand	31,253	22,844	54,097
Hire purchase contracts	(359,481)	(23,854)	(383,335)
	(328,228)	(1,010)	(329,238)

## Notes to the Financial Statements

for the year ended 31 December 2013

Registered Number: 39597 (Scotland)

### 16. Contingent assets/liabilities

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 31 December 2013, the Value Added Tax payable by other members of the group registration amounted to £13,455,000 (2012 - £4,909,000 recoverable).

Under the terms of an inter company guarantee the parent company and its trading subsidiaries 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. At 31 December 2013, the other companies included in the guarantee had net funds of £56,688,000 (2012 - £24,552,000) due from The Royal Bank of Scotland plc.

### 17. 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 financial statements are drawn up and of which the company is a member. The address from which copies of these group financial statements are available to the public is: The Registrar of Companies, Companies House, 37 Castle Terrace, Edinburgh, EH1 2EB.

The directors consider that Sir Arnold Clark is the company's ultimate controlling party by virtue of his office and by virtue of the shareholdings of his immediate family.

The company is wholly owned by Arnold Clark Automobiles Limited and has taken advantage of the exemption in FRS 8 from disclosing transactions with Arnold Clark Automobiles Limited and with other wholly owned subsidiaries.