

**ARNOLD CLARK FINANCE LIMITED
ANNUAL REPORT 2014**



SC39597

Directors, Principal Officers and Advisers

Arnold Clark Finance Limited

Directors

Sir Arnold Clark DUniv FIMI

Chairman

H D Wallace

Managing Director

E Hawthorne BA CA

Director

D M Cooper BAcc (Hons) FCCA

Director

K J McLean BAcc (Hons) CA

Director

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

Arnold Clark Finance Limited

Review

It gives me great pleasure to report on another successful year for the company. During 2014 we increased our turnover by 3.8% to achieve a new record turnover figure of £176m. Residual values on used cars continued to be strong during 2014 and this, accompanied by low interest rates, contributed to profits before tax of £16.1m.

We maintained our position as the seventh largest leasing company in the Fleet News Top 50 for 2014. Our high ranking was retained by increasing both our contract hire and daily rental fleet during the year.

The contract hire division performed well during the year, with turnover growing by 3.1% to £134m. The renewal of a significant private sector contract was a highlight, along with the strengthening of our relationships within the public sector.

The daily rental division produced a strong set of results for 2014, with turnover increasing by 6.1% to £42m. A large share of this increase was due to a number of sporting events held in Scotland during the year. In the summer of 2014, the much anticipated Commonwealth Games took place in Glasgow. We are proud of the role we played in supporting the organising committee's successful fleet operation as well as offering daily rental vehicles to both spectators and participants. In September we supplied a number of daily rental vehicles to customers attending the Ryder Cup held at Gleneagles. Both of these events helped us to forge new relationships with customers and contributed to the growth in our turnover.

Our continued focus on overheads meant that there were no significant increases over 2014, 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 2.7% to 45,858 vehicles and our managed customer vehicles also increased by 9.6% to 66,517.

In November we opened a new site in Milton Keynes which will allow our daily rental division to develop and expand in our most southern location to date. Axtiva, our English contract hire division, moved from their current rented offices in Newport Pagnell to this location in March 2015.

Staff

We have very loyal staff and a significant number were recognised for their loyalty and service to the company at the group's Long Service Awards. At this event, we acknowledged staff with 25 years' service or more and it was very satisfying to see the number of our staff at these awards. I want to thank all of our staff for another successful year and I am confident that many more employees will reach the 25 year landmark in the years to come.

During 2014 we won an Industry Achievement Award at the BVRLA Awards due to the results our staff are achieving in their Rental Operator examinations. It is pleasing to see our staff being recognised by the industry as exemplary professionals.

Managing Director's Statement

Arnold Clark Finance Limited

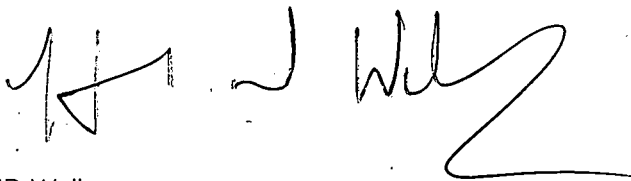
Outlook

2015 is going to be another exciting year for Arnold Clark Finance. We are in the process of finalising our move to a new head office, which will bring about new efficiencies with all our head office staff based under one roof and will allow us to further grow the business.

There are a number of changes being implemented by DVLA, with abolition of the tax disc during 2014 and the abolition of the driving licence counterpart due to happen in June 2015. The most significant change in 2015 is that fleet companies are able to request electronic vehicle registration documents when they need them, removing the administrative burden of retaining paper copies. This will lead to improved efficiencies and faster deliveries to our customers. We will continue to develop our system to cope with these changes.

The market expectation for 2015 is that vehicle registrations in the UK will not change significantly from what we saw in 2014. This should result in little change in residual values during 2015, which, along with continued low interest rates, should make 2015 another 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 2015 and beyond.



HD Wallace
Managing Director

26 MARCH 2015

Strategic Report

Arnold Clark Finance Limited

The directors present their strategic report for the year ended 31 December 2014.

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 £216 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:

	2014	2013	Change(%)
Turnover	£176.3m	£169.8m	3.8%
Contract hire fleet	37,836	36,805	2.8%
Daily rental fleet	8,022	7,834	2.4%
Managed customer vehicles	66,517	60,708	9.6%

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 2015 are for this trend to continue.

A further review of the business is included in the Managing Director's Statement on pages 2 and 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: 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.

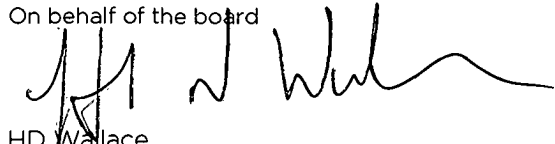
Credit risk: The company has external debtors; however, the company undertakes assessments of its customers in order to ensure that credit is not extended where there is a likelihood of default.

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.

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



HD Wallace
Managing Director

26 MARCH 2015

Directors' Report

Arnold Clark Finance Limited

The directors present their report for the year ended 31 December 2014.

Results and dividends

The profit on ordinary activities before taxation amounted to £16,139,000 (2013 - £12,025,000). The profit for the year after taxation amounted to £12,040,000 (2013 - £12,658,000).

The directors do not recommend a dividend, leaving £12,040,000 to be transferred to reserves (2013 - £12,658,000).

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

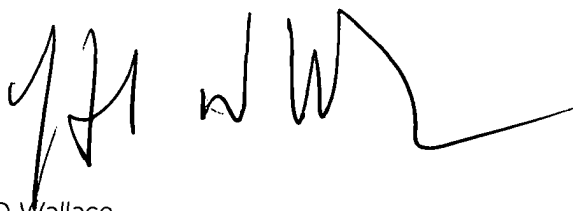
The directors who were members of the board at the time of approving the Directors' Report are listed on page 1. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that:

- 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



HD Wallace
Managing Director

26 MARCH 2015

Statement of Directors' Responsibilities

Arnold Clark Finance Limited

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 2014 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 6, 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 2014 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

26 March 2015

Profit & Loss Account

for the year ended 31 December 2014

Arnold Clark Finance Limited

	Notes	2014 £000	2013 £000
Turnover	2	176,287	169,783
Cost of sales		(120,494)	(119,983)
Gross profit		55,793	49,800
Administrative expenses		(30,067)	(29,355)
Operating profit	3	25,726	20,445
Other interest receivable		242	-
Interest payable	6	(9,829)	(8,420)
Profit on ordinary activities before taxation		16,139	12,025
Tax on profit on ordinary activities	7	(4,099)	633
Profit on ordinary activities after taxation	14	12,040	12,658

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 £12,040,000 in the year ended 31 December 2014 and the profit of £12,658,000 in the year ended 31 December 2013.

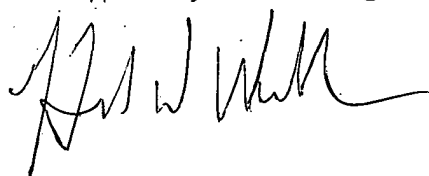
Balance Sheet

at 31 December 2014


Arnold Clark Finance Limited

	Notes	2014 £000	2013 £000
Fixed assets			
Tangible assets	8	468,468	430,049
Current assets			
Stocks		31,901	22,296
Debtors	9	16,111	15,067
Cash at bank and in hand		51,115	54,097
		99,127	91,460
Creditors: amounts falling due within one year	10	(315,168)	(276,102)
Net current liabilities		(216,041)	(184,642)
Total assets less current liabilities		252,427	245,407
Creditors: amounts falling due after more than one year	11	(175,898)	(174,899)
Provisions for liabilities and charges			
Deferred taxation	7(c)	(16,861)	(22,880)
Net assets		59,668	47,628
Capital and reserves			
Called up share capital	13	15	15
Profit and loss account	14	59,653	47,613
Equity shareholders' funds	14	59,668	47,628

Approved by the board on 26 MARCH 2015



HD Wallace
Managing Director



E Hawthorne
Director

Statement of Cash Flows

for the year ended 31 December 2014

Arnold Clark Finance Limited

	Notes	2014 £000	2013 £000
Net cash inflow from operating activities	15(a)	129,916	137,115
Returns on investments and servicing of finance			
Interest received		242	-
Interest element of hire purchase contracts		(9,763)	(8,323)
		(9,521)	(8,323)
Taxation (paid) / received		(4,715)	969
Capital expenditure and financial investment			
Payments to acquire fixed assets		(452,481)	(415,305)
Receipts from sales of fixed assets		295,602	284,534
		(156,879)	(130,771)
Net cash flow before financing		(41,199)	(1,010)
Financing			
Repayment of capital element of hire purchase contracts		(368,508)	(312,076)
New hire purchase contracts		406,725	335,930
		38,217	23,854
(Decrease) / increase in cash		(2,982)	22,844
Reconciliation of net cash flow to movement in net debt			
(Decrease) / increase in cash		(2,982)	22,844
Repayment of capital element of hire purchase contracts		368,508	312,076
Inception of new hire purchase contracts		(406,725)	(335,930)
Movement in net debt		(41,199)	(1,010)
Net debt at 1 January	15(b)	(329,238)	(328,228)
Net debt at 31 December	15(b)	(370,437)	(329,238)

Notes to the Financial Statements

for the year ended 31 December 2014

Arnold Clark Finance Limited

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:

Land and buildings	: Freehold	- 2% (straight line basis)
	: Leasehold	- 2% or over period of lease (straight line basis)
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

Stocks

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 2014

Arnold Clark Finance Limited

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:		2014 £000	2013 £000
Depreciation	- owned assets	285	245
	- assets held under hire purchase contracts	118,175	113,858

The auditors remuneration of £27,000 (2013 - £26,000) was paid by the parent undertaking.

Notes to the Financial Statements

for the year ended 31 December 2014

Arnold Clark Finance Limited

4. Staff costs

	2014 £000	2013 £000
Wages and salaries	13,879	13,313
Social security costs	1,219	1,153
Pension costs	317	238
	<u>15,415</u>	<u>14,704</u>

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

	2014 No.	2013 No.
Office and management	455	435
Sales	167	164
	<u>622</u>	<u>599</u>

5. Directors' emoluments

	2014 £000	2013 £000
Emoluments	196	182

6. Interest payable and similar charges

	2014 £000	2013 £000
Finance charges paid under hire contracts	9,829	8,420

7. Tax

(a) Tax on profit on ordinary activities

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

Current tax:	2014 £000	2013 £000
UK corporation tax	7,529	2,126
Adjustments in respect of previous years	2,589	(83)
Total current tax (note 7(b))	<u>10,118</u>	<u>2,043</u>
Deferred tax:		
Origination and reversal of timing differences	(3,792)	579
Effect of decreased tax rate on opening liability	-	(3,345)
Adjustments in respect of previous years	(2,227)	90
Total deferred tax charge (note 7(c))	<u>(6,019)</u>	<u>(2,676)</u>
Tax on profit on ordinary activities	<u>4,099</u>	<u>(633)</u>

Notes to the Financial Statements

for the year ended 31 December 2014

Arnold Clark Finance Limited

7. Tax (continued)

(b) Factors affecting current tax charge

The tax assessed on profit on ordinary activities for the year is higher (2013 - lower) than the standard rate of corporation tax in the UK of 21.5% (2013 - 23.25%). The differences are reconciled below:

	2014 £000	2013 £000
Profit and ordinary activities before tax	16,139	12,025
Profit and ordinary activities multiplied by standard rate of corporation tax to the group of 21.5% (2013 - 23.25%)	3,470	2,796
Income and expenses not deductible for tax purposes	(18)	8
Decelerated / (accelerated) capital allowances	4,077	(678)
Adjustments in respect of previous years	2,589	(83)
Total current tax (note 7(a))	10,118	2,043

(c) Deferred tax

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

	2014 £000	2013 £000
Accelerated capital allowances	16,870	22,890
Other timing differences	(9)	(10)
	16,861	22,880
		£000
At 1 January 2014		22,880
Deferred tax charge in profit and loss account (note 7(a))		(6,019)
At 31 December 2014		16,861

(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 21% from 1 April 2014 and a further reduction to 20%, effective from 1 April 2015, was included in the Finance Bill that was substantively enacted on 2 July 2013. The deferred tax balances as at 31 December 2014 and 31 December 2013 have been provided at a rate of 20%.

Notes to the Financial Statements

for the year ended 31 December 2014

Arnold Clark Finance Limited

8. Tangible fixed assets

	Land and buildings £000	Computer equipment £000	Motor vehicles £000	Fixtures and fittings £000	Total £000
Cost:					
At 1 January 2014	71	3,079	611,191	1,132	615,473
Additions	3,816	102	448,418	145	452,481
Disposals	-	-	(400,945)	-	(400,945)
At 31 December 2014	3,887	3,181	658,664	1,277	667,009
Depreciation:					
At 1 January 2014	37	2,952	181,678	757	185,424
Provided during the year	27	114	118,175	144	118,460
Disposals	-	-	(105,343)	-	(105,343)
At 31 December 2014	64	3,066	194,510	901	198,541
Net book value:					
At 31 December 2014	3,823	115	464,154	376	468,468
At 31 December 2013	34	127	429,513	375	430,049

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

The net book value of land and buildings comprises:

	2014 £000	2013 £000
Freehold	32	34
Long leasehold	3,791	-
	3,823	34

9. Debtors

	2014 £000	2013 £000
Trade debtors	11,094	11,979
Other debtors	720	733
VAT recoverable	2,221	-
Prepayments and accrued income	2,076	2,317
Amounts due from group undertakings	-	38
	16,111	15,067

Notes to the Financial Statements

for the year ended 31 December 2014

Arnold Clark Finance Limited

10. Creditors: amounts falling due within one year

	2014 £000	2013 £000
Obligations under hire purchase contracts (note 12)	251,092	213,715
Trade creditors	5,424	10,765
Current corporation tax	7,529	2,126
Other taxes and social security costs	-	2,148
Other creditors	14,710	13,313
Accruals and deferred income	29,336	29,824
Amounts due to group undertakings	7,077	4,211
	315,168	276,102

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

	2014 £000	2013 £000
Obligations under hire purchase contracts (note 12)	170,460	169,620
Rentals in advance	5,438	5,279
	175,898	174,899

12. Obligations under leases and hire purchase contracts

Amounts due under hire purchase contract:

Amounts payable:	2014 £000	2013 £000
Within one year (note 10)	251,092	213,715
In two to five years (note 11)	170,460	169,620
	421,552	383,335

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:	2014 £000	2013 £000
Within one year	12	1
In two to five years	25	40
In over five years	202	194
	239	235

Notes to the Financial Statements

for the year ended 31 December 2014

Arnold Clark Finance Limited

13. Share capital

	Authorised		Allotted, called up and fully paid	
	2014 No.	2013 No.	2014 £000	2013 £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 2014	15	47,613	47,628
Profit for the year	-	12,040	12,040
At 31 December 2014	15	59,653	59,668

15. Notes to the statement of cash flows

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

	2014 £000	2013 £000
Operating profit	25,726	20,445
Depreciation	118,460	114,103
Decrease/(increase) in motor vehicles held for resale	(9,605)	(5,452)
Decrease/(increase) in debtors	(1,044)	(788)
Increase/(decrease) in creditors	(3,621)	8,807
Net cash inflow from operating activities	129,916	137,115

(b) Analysis of net debt

	At 1 January 2014 £000	Cash flow £000	At 31 December 2014 £000
Cash at bank and in hand	54,097	(2,982)	51,115
Hire purchase contracts	(383,335)	(38,217)	(421,552)
	(329,238)	(41,199)	(370,437)

Notes to the Financial Statements

for the year ended 31 December 2014

Arnold Clark Finance Limited

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 2014, the Value Added Tax payable by other members of the group registration amounted to £6,493,000 (2013 - £13,455,000).

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 2014, the other companies included in the guarantee had net funds of £43,053,000 (2013 - £56,688,000) 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.