

ANNUAL REPORT 2020

Arnold Clark Finance Limited

SC39597



Directors, principal officers and advisers

Arnold Clark Finance Limited

Directors

D M Cooper BAcc (Hons) FCCA

E Hawthorne BA CA

M W Harvey MSc CA

K J McLean BAcc (Hons) CA

Managing Director

Director

Director

Director

Principal Officers

A J Clark

C Ewart

A J Gillon

A Howieson BA (Hons) CA

S K Thorpe BA (Hons) BFP FCA MICA

General Manager Hire Drive

Corporate Sales Director

Public Sector Sales Director

Finance Director

Company Secretary

Registered Office

454 Hillington Road,
Glasgow G52 4FH

Tax Advisers

PricewaterhouseCoopers LLP
141 Bothwell Street, Glasgow G2 7EQ

Principal Bankers

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

VAT Advisers

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

Auditors

Deloitte LLP
110 Queen Street, Glasgow G1 3BX

Managing Director's Statement

Arnold Clark Finance Limited

The pandemic and associated lockdown in March has been a challenging experience for everyone. During this initial lockdown we continued to support our essential and frontline customers and temporarily furloughed over 650 staff. We then faced the challenge of gradually bringing our business back to life - a challenge made all the more difficult given many of our colleagues were working from home.

Throughout the pandemic the Directors have kept all staff fully informed of our progress through regular email and video updates - weekly initially and now bi-weekly. The impact of the pandemic on the business resulted in the upsetting but necessary decision to reduce our headcount.

Despite the challenges of 2020, the Company is proud to have continued supporting both national and local causes and we kept our NHS and frontline workers moving throughout the Covid-19 pandemic. Around 1,000 vehicles were loaned to key workers free of charge, along with 120 nine-seater minibuses to the NHS to transport their staff and patients to hospitals. We had to adapt how we work in order to keep our business operating, with Covid safe measures such as contactless delivery and enhancements to our digital document process made in the year. It is pleasing to read on our Trust Pilot reviews that our customers see the benefit of these developments.

Financial performance

Our Contract Hire business remained robust throughout the year and our fleet size has remained steady. We provided support to many of our customers by way of payment deferrals or extensions resulting in only a relatively small increase in bad debts. This was facilitated by the support of our funders as detailed below. It is pleasing to report that the number of electric vehicles contracted in the year increased by over 400% against 2019.

Our Daily Rental operation has been adversely hit by the pandemic. During the first lockdown, we were only providing continuing support for our public services. In that period, the Arnold Clark Group spent over £2 million to ensure that all locations, including our Daily Rental sites, were Covid safe for both our staff and our customers. Since reopening to the public, demand for Daily Rental vehicles, as expected, remained subdued over the remainder of the year and, as a consequence, we reduced our fleet of Daily Rental vehicles.

The strength of the post lockdown used car market has had a positive impact on the gains generated upon disposal of our vehicles. We reduced our discretionary spend as the pandemic progressed. During the initial UK wide lockdown we participated in, and were grateful for, the various Government support schemes including the Coronavirus Job Retention Scheme ("CJRS") and Business Rates Relief. We did not access any of the Government loan support schemes. The company received a total of £3.4 million, by way of CJRS grants, from HMRC in relation to furloughed staff between March and October (when our final furloughed employee returned). With the agreement of many of our hire purchase funding providers, capital instalment payments due between April and June 2020 were deferred. Whilst, the majority of deferred amounts are being repaid over extended contract terms, approximately 60% of deferrals were repaid by the year end. Overall, we ended the year with Revenue of £418.2 million (down 10% on 2019) and a Profit before tax of £15.1 million (up from £7.5 million in 2019). These financial results reflect not only the exceptional performance of our staff in 2020, but also the outcome of many years of investing with a long term view.

I would like to take this opportunity to express our thanks to our Government, finance, banking and business partners who have continued to support our business throughout this difficult time.

Managing Director's Statement


Arnold Clark Finance Limited

Future opportunities

Our Contract Hire order bank remains strong and the Brexit deal on the 24th of December came as a welcome relief, but it remains to be seen what the short term impact will be on vehicle availability. The order bank continues to reflect the sustained growth in demand for alternatively fuelled vehicles. In the early stages of 2021 the business continues to benefit from a strong used car market and related disposal proceeds.

Our digital development continues to be a priority in 2021. Thanks to our in-house development team we are close to enhancing our Daily Rental digital platform, which will allow better customer interaction and improve our service delivery. We have also trialled a digital direct debit solution which we hope to continue to roll out during the year ahead and have commenced a significant project to upgrade our vehicle management systems.

Finally, I wish to thank all our staff for their contribution in what was a challenging year. Your commitment and adaptability has been exceptional and much appreciated.



D M Cooper
Managing Director
5 March 2021

Strategic Report

Arnold Clark Finance Limited

The Directors present their Strategic Report for the year ended 31 December 2020.

Review of the business

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

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

	2020	2019	Change
Revenue	£418.2m	£464.6m	(10.0)%
Contract Hire fleet	40,466	41,012	(1.3)%
Daily Rental fleet	7,717	10,728	(28.1)%
Operating profit	£24.6m	£18.5m	32.8%

The decrease in revenue is due to a reduction in vehicle disposals during 2020 compared to 2019. The contract hire fleet size remained consistent with the prior year but we reduced our daily rental fleet size year on year due to a decrease in customer demand because of Covid-19 travel restrictions. The operating profit increased mainly due to strong disposal profits experienced across the industry in the second half of 2020. We have also benefitted from reductions to our borrowing costs as a consequence of the decrease in interest rates from March 2020.

A further review of the business is included in the Managing Director's Statement on pages 2 - 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 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. Whilst not identified as a separate principal risk at the balance sheet date, the impact of Covid-19 on the business as a major incident risk is covered within this risk.

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.

Brexit

The UK left the European Union on 31 January 2020 and the transition period ended on 31 December 2020. Throughout 2020 there remained significant uncertainty surrounding the terms of the ongoing relationship between the UK and the EU. Our Brexit risk principally arises around the impact on the supply chain and pricing for new vehicles due to the effect of tariff and non-tariff barriers and the subsequent impact on retail prices in the UK. The Directors maintained an open dialogue with our key manufacturers and distributors throughout 2020 to ensure we understood the actions they planned to take in implementing any changes arising from the end of the transition period. The Board were pleased that the UK Government announced a Brexit deal on 24 December 2020, that allows for tariff free trade between the United Kingdom and the European Union.

Strategic Report

Arnold Clark Finance Limited

Stakeholder relationships and engagement

The following disclosure describes how the Directors have had regard to the matters set out in Section 172(1) (a) to (f) and forms the Directors' statement required under Section 414CZA of The Companies Act 2006. The Company's Directors also have senior positions within Arnold Clark Automobiles Limited, the ultimate parent undertaking, which ensures that the Company is fully integrated in the Arnold Clark Group wide processes covering stakeholder relationships and engagement. From a Company perspective the following are considered the most appropriate:

Who? Stakeholder group	Why? Why is it important to engage	How? How management and/or Directors engaged	What? What were the key topics of engagement	Outcomes and actions What was the impact of the engagement including any actions taken
Customers	Delivering exceptional customer service and genuine value for money units is key to customer retention	<p>Director led customer service quality sessions across all business units</p> <p>Customer satisfaction surveys are conducted and the results analysed by the Directors and by business units</p> <p>Monitoring of complaint levels and root cause analysis of customer complaints</p>	<p>Quality of service</p> <p>Product offering improvements</p>	A focus on having the right product mix and ensuring that products and services meet individual customer needs
Employees	Ensuring the business has the right culture and values is critical to the delivery of a first-class customer experience	<p>Dedicated employee communication website and app updated daily with information on matters of concern to employees</p> <p>Bi-weekly email from Group Chief Executive during Covid-19 and engagement with employees on Covid security</p> <p>Director attendance at regular departmental team meetings to enable two-way information flows and ensure that employee views are taken into account in making major decisions</p> <p>Annual results and strategy presentations led by the Managing Director</p> <p>Regular performance appraisals and performance-based bonus scheme</p> <p>Annual employee recognition and service awards</p> <p>Network and focus groups led by our People team</p> <p>Dedicated training facilities and new employee induction course</p>	<p>Results of customer survey</p> <p>Providing clarity on evolving Covid restrictions</p> <p>Quality of training</p> <p>Service improvement ideas</p> <p>Annual results and performance</p> <p>Employee reward mechanisms</p>	<p>A more engaged and valued workforce delivering a higher standard of customer service</p> <p>Enhanced staff communication during Covid-19 through bi-weekly email from Group Chief Executive</p> <p>Employee remuneration and benefits are updated to reflect feedback</p> <p>'Space' – an employee portal for information, advice and support around mental, physical and financial health</p>

Strategic Report

Arnold Clark Finance Limited

Stakeholder relationships and engagement (continued)

Who? Stakeholder group	Why? Why is it important to engage	How? How management and/or Directors engaged	What? What were the key topics of engagement	Outcomes and actions What was the impact of the engagement including any actions taken
Manufacturers	Access to vehicles on attractive terms is important for our Contract Hire and Daily Rental business	Regular meetings between Directors and manufacturers' senior management to ensure principal decisions are fully informed	Impact of new emissions regulations on pricing and availability of stock	Keeping our Daily Rental fleet refreshed and appropriate for our customers' needs
		Group Chief Executive and Managing Director frequently meet with representatives of manufacturer partners	Impact of Brexit on pricing and availability of stock	Improved customer service by matching our detailed product knowledge with customer requirements
		Monthly financial performance reporting	New model developments and pricing	
		Attendance at manufacturer conferences		
Finance providers	Access to affordable finance is essential to ensure the ongoing viability of the Contract Hire and Daily Rental businesses	The Managing Director and Finance Director meet with finance company senior management on a regular basis	Availability of finance and related interest rates	Renewed finance facilities
		Quarterly review meetings are held with each finance provider	Impact of Brexit on UK interest rates and availability of finance	Agreed business volume targets and related interest rates
		Monthly compliance reporting	Payment deferrals as a result of discussions	Finance provider support during Covid-19 lockdown period
Wider community	Giving back to the community is one of our core values	Continued support of local schools, charities and sports teams	Building a greater understanding of the needs of our employees and wider community	Matching of charitable funds raised by employees
		Providing young people placements	Giving young people from all backgrounds an equal opportunity	Sponsorship of major charitable events such as Cash for Kids, Pride and Kiltwalk
		Taking part in charity events and fundraising using their network of contacts	Giving charities of all sizes a fair chance at receiving support from the Company	Investment in defibrillators across our Daily Rental network
Regulators	Compliance with regulatory requirements is essential for the long term benefit of the Company	We are open and transparent in our dealings with regulators	Compliance record	Improvements to processes and procedures
		We hold frequent meetings with our regulators to fully understand current practice and future developments	Future regulatory developments	Compliance with relevant FCA requirements

Strategic Report

Arnold Clark Finance Limited

Principal Decisions

We define principal decisions as both those that are material to the Company, but also those that are significant to any of our key stakeholder groups.

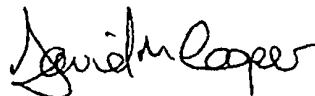
In making the following principal decisions the Board considered the outcomes from its stakeholder engagement processes in addition to maintaining our reputation for high standards of business conduct and the need to act fairly between members of the Company.

Covid-19

The Board took the following principal decisions designed to mitigate the impact of Covid-19 on the business in order to protect the Company's cash position and to protect the health and safety of employees and other stakeholders:

- Adherence to the guidance of the Government, the World Health Organisation and other authorities throughout the ongoing pandemic
- Temporary closure of our retail sites on 24 March 2020.
- Reduced capital and discretionary expenditure.
- Cancellation of proposed 1st half year bonuses, capping of salaries and agreement not to pay any dividends in 2020.
- Temporary furloughing of our employees with only certain key roles continuing, including those supporting the NHS and other key services. The Company utilised the Coronavirus Job Retention Scheme to support payroll costs for furloughed employees. Our last furloughed employee returned to work in October.
- The gradual timing of return of the majority of our furloughed employees following the reopening of our sites and the related decision to reduce our overall level of headcount as a result of the changed working practices.
- Accessing other Government support by way of business rates relief for retail premises.
- With agreement of our hire purchase funding providers, monthly instalment payments due between April and June 2020 were deferred. The majority of deferred amounts are being repaid over extended contract periods.
- Not furloughing any staff as a result of the second lockdown in November/December as our financial position and revised operations were considered to be capable of continuing without additional UK Government support.

This report was approved by the Board of Directors on 5 March 2021 and signed on its behalf by



D M Cooper
Managing Director

Directors' Report

Arnold Clark Finance Limited

The Directors present their report and the financial statements for the year ended 31 December 2020.

Results and dividends

The profit before tax from continuing operations amounted to £15,145,000 (2019 - £7,450,000). The profit for the year, after taxation, amounted to £12,070,000 (2019 - £5,872,000). The Directors do not recommend the payment of a dividend. The profit of £12,070,000 (2019 - £5,872,000) has been transferred to reserves.

A further review of the business and its principal risks is provided in the Managing Director's Statement on page 2 to 3 and in the Strategic Report on pages 4 to 7. The Directors assessment of the Company's ability to continue as a going concern is addressed in note 3.3 to the financial statements.

Engagement with suppliers, customers and others in a business relationship with the Company

A summary as to how the Directors have had regard to the need to foster the Company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the Company during the financial year, is included in the stakeholder relationships and engagement section within the Strategic Report.

Engagement with Employees

A summary as to how the Directors have engaged with employees, and how the Directors have had regard to employee interests, and the effect of that regard, including on the principal decisions taken by the Company during the financial year, is included in the stakeholder relationships and engagement section within the Strategic Report.

The Company gives every consideration to applications for employment from disabled persons where the requirements of the job may be 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 continued employment under normal terms and conditions and to provide training and career development and promotion.

Directors

The Directors who served during the year, and to the date of this report, were as follows:

D M Cooper
E Hawthorne
M W Harvey (appointed August 2020)
K J McLean

The Company has made qualifying third-party indemnity provisions for the benefit of all the Directors; such indemnity provisions were in force during the year and remain in force at the date of this report.

Directors' statement as to disclosure of information to auditors

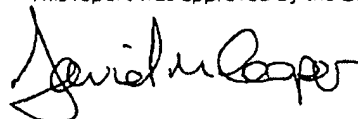
The Directors who were members of the Board at the time of approving the Directors' Report are listed on page 1. Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that:

- 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 Deloitte LLP as auditors will be put to the members at the Annual General Meeting.

This report was approved by the Board of Directors on 5 March 2021 and signed on its behalf by



D M Cooper
Managing Director

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 including FRS 101 "Reduced Disclosure Framework"). 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 Auditor's Report

to the members of Arnold Clark Finance Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Arnold Clark Finance Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Statement of Profit or Loss and Other Comprehensive Income;
- the Statement of Financial Position;
- the Statement of Changes in Equity; and
- the related notes 1 to 19.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's Report thereon. The Directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's Report

to the members of Arnold Clark Finance Limited

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Company's industry and its control environment, and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and internal audit about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the Company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

Independent Auditor's Report

to the members of Arnold Clark Finance Limited

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception

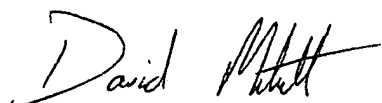
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.

We have nothing to report in respect of these matters.

Use of our report

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.



David Mitchell CA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Glasgow, United Kingdom
5 March 2021

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2020

Arnold Clark Finance Limited

	Notes	2020 £000	2019 £000
Revenue	5	418,160	464,569
Cost of sales		(361,201)	(408,116)
Gross profit		56,959	56,453
Administrative expenses		(35,720)	(37,906)
Other operating income	8	3,387	-
Operating profit	6	24,626	18,547
Finance costs	9	(9,481)	(11,097)
Profit before tax from continuing operations		15,145	7,450
Income tax expense	10	(3,075)	(1,578)
Profit for the year		12,070	5,872
Other comprehensive income		-	-
Total comprehensive income for the year		12,070	5,872

All operations are classed as continuing operations during the year.

Statement of Financial Position


at 31 December 2020

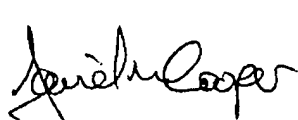
Arnold Clark Finance Limited

	Notes	2020 £000	Restated * 2019 £000
Assets			
Non-current assets			
Property, plant and equipment	11	662,406	668,190
Deferred tax assets	10	1,165	-
		<u>663,571</u>	<u>668,190</u>
Current assets			
Inventories	12	8,594	7,979
Trade and other receivables	13	37,001	24,111
Cash and cash equivalents		59,499	10,601
		<u>105,094</u>	<u>42,691</u>
Total assets		<u>768,665</u>	<u>710,881</u>
Equity and liabilities			
Issued share capital	14	15	15
Profit and loss account		95,813	83,743
Total equity		<u>95,828</u>	<u>83,758</u>
Non-current liabilities			
Interest-bearing loans and borrowings	15	292,658	268,373
Other liabilities	16	4,249	5,094
Deferred tax liabilities	10	-	1,540
		<u>296,907</u>	<u>275,007</u>
Current liabilities			
Interest-bearing loans and borrowings	15	288,359	282,050
Trade and other payables	16	81,791	64,694
Income tax payable		5,780	5,372
		<u>375,930</u>	<u>352,116</u>
Total liabilities		<u>672,837</u>	<u>627,123</u>
Total equity and liabilities		<u>768,665</u>	<u>710,881</u>

*Details of the restatements due to presentational changes are disclosed within note 3.5.

Approved by the Board on 5 March 2021 and signed on its behalf by


 E Hawthorne
 Director


 D M Cooper
 Managing Director

Statement of Changes in Equity

for the year ended 31 December 2020

Arnold Clark Finance Limited

	Share capital £000	Profit and loss account £000	Total £000
As at 1 January 2019	15	77,871	77,886
Total comprehensive income	-	5,872	5,872
As at 31 December 2019	15	83,743	83,758
As at 1 January 2020	15	83,743	83,758
Total comprehensive income	-	12,070	12,070
As at 31 December 2020	15	95,813	95,828

Notes to the Financial Statements

for the year ended 31 December 2020

Arnold Clark Finance Limited

1. Corporate Information

Arnold Clark Finance Limited is a privately owned company limited by shares and incorporated in Scotland under the Companies Act 2006. The address of the registered office is 454 Hillington Road, Glasgow, G52 4FH.

Information on the Company's operations and its principal activities are set out in the Strategic Report on pages 4 to 7.

2. Statement of compliance with FRS 101

The results of Arnold Clark Finance Limited ("the Company") are included in the consolidated financial statements of Arnold Clark Automobiles Limited. Copies of the financial statements of Arnold Clark Automobiles Limited are available from The Registrar of Companies, Companies House, 4th Floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9FF.

The financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) as issued September 2015. The financial statements are prepared under the historical cost convention. The Company has elected to prepare the Statement of Financial Position in an adapted format, as permitted under the standard, so that it is prepared in a consistent format to the Consolidated Statement of Financial Position prepared by Arnold Clark Automobiles Limited.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2020. The financial statements are prepared in pounds sterling, which is the currency of the primary economic environment in which the Company operates, and are rounded to the nearest thousand pounds (£000).

3. Accounting policies

3.1 Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law including FRS 101 "Reduced Disclosure Framework").

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- a. The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations;
- b. the requirements of IFRS 7 Financial Instruments: Disclosures;
- c. the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- d. the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - i) paragraph 79(a)(iv) of IAS 1;
 - ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- e. the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
- f. the requirements of IAS 7 Statement of Cash Flows
- g. the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- h. the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- i. the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- j. the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of assets.

In each instance equivalent disclosures are included in the consolidated financial statements of the Group in which the Company is consolidated.

Notes to the Financial Statements

for the year ended 31 December 2020

Arnold Clark Finance Limited

3.2 Standards issued and in effect

The Company has not adopted any new accounting standards in the current year or early adopted any standards in issue but not yet effective as at the balance sheet date.

3.3 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 Directors have taken into consideration that, since the balance sheet date, there has been a tightening of Covid-19 restrictions throughout the country, instructing people to stay at home wherever possible. It is the Directors priority to continue to keep our business, our employees, and our customers safe, and to ensure that we can continue to operate our business, within all existing or new Government guidelines.

In the current circumstances the Parent Company, Arnold Clark Automobiles Limited, has issued a letter of support to the Company stating it will support the Company in meeting its liabilities as they fall due over the next 12 months.

The Directors have reviewed Group cash flow forecasts to the end of the 2022 financial year, which take account of the mitigating actions taken during 2020, and reflects that the Group can still operate under the current guidance and that, from a financial standpoint, the Group is in a far stronger position now than it was this time last year. At December 2020, the Group had net cash and readily realisable financial assets of £524m compared with £228m at December 2019.

Having reviewed the Group forecast and applied various stressed assumptions, there is substantial headroom between this forecast and the cash resources available to the Group over the period to December 2022. The forecast also includes conservative judgements, where there is continuing uncertainty, and the likelihood of headroom being exhausted is considered remote. Under this analysis, the Group is forecast to have substantial monthly available cash across this period.

After making enquiries, the Directors believe that the Company and the wider Group have adequate resources to meet their liabilities as they fall due for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the accounts.

3.4 Summary of significant accounting policies

Property, plant and equipment

Property, plant and equipment is stated at historical cost, net of accumulated depreciation and accumulated impairment losses, if any. Historic cost is the invoice price of the item less any discounts or rebates receivable plus any directly attributable costs.

Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life, as follows:

Land and buildings	: Freehold	- 1% - 16.7% (straight line)
	: Leasehold	- as freehold or over the lease term where shorter (straight line)
Plant and equipment	: General	- 15% (reducing balance)
	: Computer equipment	- 40% (reducing balance)
Motor vehicles	: Own use	- 20% or 25% (reducing balance)
	: Contract Hire vehicles	- over the term of the hire contract (straight line)

Notes to the Financial Statements

for the year ended 31 December 2020

Arnold Clark Finance Limited

3.4 Summary of significant accounting policies (continued)

Leases

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. The Company determines whether a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration.

Company as a lessee

At the lease commencement date, the Company recognises a right-of-use asset, which represents the Company's right to use an underlying asset, and a lease liability, which represents the Company's obligation to make lease payments. This applies to all leases with the exception of those deemed to be of low value or short term in nature. Payments associated with short term leases, being lease contracts with a term of 12 months or less, and low value assets are recognised as an expense on a straight-line basis over the lease term.

The right-of-use asset is measured at the amount equivalent to the initial measurement of the lease liability plus any initial direct costs incurred and adjusted for any prepaid or accrued lease payments. The right-of-use asset is depreciated straight-line over the shorter of the lease term and useful life of the underlying asset. The right-of-use asset is subsequently remeasured where the lease liability is remeasured to reflect changes to the lease payments.

The lease liability is initially measured at the present value of the lease payments that are not paid on commencement date, discounted using the interest rate implicit in the lease or the Company's incremental borrowing rate (where the implicit rate is not readily determined). Generally the Company uses its incremental borrowing rate as the discount rate for all leases.

The lease liability is subsequently measured by increasing the carrying amount to reflect the interest expense on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The lease liability is remeasured when there is a change in future lease payment arising from a change of index or rate, a variation in the amounts payable following contractual rent review and changes in the assessment of whether an extension or termination option is reasonably certain to be exercised.

Company as a lessor

At the inception date of a lease, the Company uses judgement in determining whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset to the lessee. Where this is deemed to be the case, the Company recognises a finance lease receivable equivalent to the net investment in the lease, being the present value of the future lease receipts discounted at the interest rate implicit in the lease. Otherwise, lease receipts are recognised straight-line over the lease term.

Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU's") fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Notes to the Financial Statements

for the year ended 31 December 2020

Arnold Clark Finance Limited

3.4 Summary of significant accounting policies (continued)

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss or loans and receivables as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the Statement of Profit or Loss and Other Comprehensive Income. The losses arising from impairment are recognised in the Statement of Profit or Loss and Other Comprehensive Income in finance costs for loans and in cost of sales or other operating expenses for receivables. Interest is not recognised on short-term receivables where the interest would be immaterial. This category generally applies to trade and other receivables.

Impairment of financial assets

For financial assets carried at amortised cost, impairment losses are calculated based on an 'expected credit loss' model as permitted under IFRS 9. The amount of any impairment loss identified is measured as the difference between the contractual cashflows due less what the Company expects to receive. Trade and other receivables are considered to be in default when the borrower is unlikely to pay its credit obligations in full after reasonable actions have been taken to recover the debt.

Cash balances are held with The Royal Bank of Scotland plc. Management do not expect the bank to fail to meet its obligations.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings or other payables.

All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the Statement of Profit or Loss and Other Comprehensive Income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Notes to the Financial Statements

for the year ended 31 December 2020

Arnold Clark Finance Limited

3.4 Summary of significant accounting policies (continued)

Inventories

Inventories 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.

Provisions for liabilities

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented in the Statement of Profit or Loss and Other Comprehensive Income. The effect of the time value of money is not material and therefore the provisions are not discounted.

Revenue recognition

Revenue represents the consideration attributable to each performance obligation satisfied in any given contract with our customers (stated net of value added tax). The revenue and pre-tax profit all arises in the UK and is attributable to the Company's principal continuing activities.

For sale of goods, the performance obligation is satisfied when the goods are delivered. Revenue is therefore recognised on delivery to the customer.

Rentals receivable on vehicles held for use in operating leases are recognised on a straight line basis over the term of the lease. The performance obligation, being the promise to provide the customer with the contracted vehicle for the agreed period of time, is satisfied over the term of the agreement as the customer simultaneously receives and consumes the benefit of having use of the vehicle for the period in which the Company provides the vehicle.

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.

Government grants

Grants from the Government are recognised where there is reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Covid-19 related grants are Government grants receivable in light of the ongoing Covid-19 pandemic. The amounts principally reflect grants receivable under the Coronavirus Job Retention Scheme ("CJRS"). Under the CJRS, grant income may be claimed in respect of certain costs to the Group of furloughed employees. CJRS income is recognised as income in the same period in which the related costs are incurred to the extent there is reasonable certainty that the grant will be received.

3.5 Prior period adjustments

During the preparation of the financial statements for the year ending 31 December 2020, the Company identified a prior period adjustment relating to the application of appropriate accounting standards resulting in the grossing up and restatement of elements within the Statement of Financial Position.

On previous interpretation of the requirements of IAS 32 Financial Instruments: Presentation, financial assets and liabilities were presented net for cash balances and overdrafts held with the same counterparty where there was a legal right to offset. A review of the interpretation of IAS 32 identified that the appropriate treatment was to separately present the overdrafts and cash held where there is no intention to settle amounts net. Whilst the Company performs a daily overnight offset procedure for interest calculation purposes, this does not involve the physical transfer of cash to pay down overdraft balances. This has led to the restatement of cash and cash equivalents and interest-bearing loans and borrowings resulting in an increase to both elements at 31 December 2019 of £5,961,000 (1 January 2019: £Nil). Further details of the amounts involved are disclosed in note 15.

Notes to the Financial Statements

for the year ended 31 December 2020

Arnold Clark Finance Limited

4. Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the opinion of the Directors, the accounting judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree that would warrant their description as significant.

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Contract Hire vehicles residual value

Vehicles within the Company's Contract Hire fleet are generally on hire for a period of 36 months. The assessment of vehicle residual values at the end of their contracted period involves an element of estimation. The Company assesses residual values at initial recognition and annually thereafter performs a detailed impairment review. The Company conducts these assessments using external market projections of future used car values together with its own expectations, taking into account model mix and current trends. As used vehicle values are subject to short term market distortions a material reduction to forecast residual values, and thus carrying value, could occur.

The principal sensitivity underpinning the above estimate is the level of reasonably possible movements in average used car market prices. A 1% change in average used vehicle market values could result in an adjustment of £3.8m to the combined carrying value of Contract Hire vehicles.

5. Revenue

Revenue recognised in the Statement of Profit or Loss and Other Comprehensive Income is analysed as follows:

	2020 £000	2019 £000
Selling of motor vehicles	225,384	259,642
Hiring of motor vehicles	192,776	204,927
	<u>418,160</u>	<u>464,569</u>

All income arises in the United Kingdom.

6. Operating profit

The following items have been included in arriving at operating profit from operations:

	2020 £000	2019 £000
Depreciation of property, plant and equipment	10,347	24,209
Depreciation of right-of-use assets	123,201	114,088

7. Auditor's remuneration

The analysis of the auditor's remuneration is as follows:

	2020 £000	2019 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	16	16

Notes to the Financial Statements

for the year ended 31 December 2020

Arnold Clark Finance Limited

8. Employee benefits expense

The analysis of the employee benefits expense is as follows:

	2020 £000	2019 £000
Wages and salaries	18,987	19,897
Social security costs	1,654	1,775
Pension costs	674	679
Total employee benefits expense	21,315	22,351

During the year ended 31 December 2020, the Company, through its utilisation of the Coronavirus Job Retention Scheme, received government grants totalling £3,387,000 by way of contributions towards the cost of employee wages and salaries and social security cost.

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

	2020 No.	2019 No.
Office and management	652	704
Sales	168	174
	820	878

The Directors' emoluments were as follows:

	2020 £000	2019 £000
Emoluments	126	194

Directors' emoluments are apportioned across Group companies based on service to each company. These are payable by Arnold Clark Automobiles Limited, the ultimate parent company.

9. Finance costs

	2020 £000	2019 £000
Finance charges payable under hire purchase agreements	9,466	11,067
Finance charges payable in regard to other lease liabilities	15	30
	9,481	11,097

Notes to the Financial Statements

for the year ended 31 December 2020

Arnold Clark Finance Limited

10. Income tax

The major components of income tax expense are:

	2020 £000	2019 £000
<i>Current income tax:</i>		
UK corporation tax charge	5,780	5,372
Adjustments in respect of prior periods	-	1,593
<i>Deferred tax:</i>		
Origination and reversal of timing differences	(2,864)	(3,902)
Adjustment in respect of prior periods	-	(1,533)
Effect of changes in tax rates	159	48
Income tax expense reported in the Statement of Profit or Loss	3,075	1,578

There was no tax charged to the Statement of Other Comprehensive Income in either year.

The reconciliation of the tax expense and the accounting profit multiplied by the standard rate of corporation tax for each year is as follows:

	2020 £000	2019 £000
Accounting profit before income tax	15,145	7,450
At UK corporation tax rate of 19% (2019 - 19%)	2,878	1,415
Tax effect of non-deductible expenses or non-taxable items of income	38	55
Effect of changes in tax rates	159	48
Adjustments in respect of current income tax of prior years	-	1,593
Adjustments in respect of deferred tax of prior years	-	(1,533)
At the effective income tax rate of 20.3% (2019 - 21.2%)	3,075	1,578

Deferred tax assets have been recognised in respect of temporary differences giving rise to deferred tax assets because it is probable that there will be future taxable profits available.

The UK corporation tax rate was due to reduce from 19% to 17% from 1 April 2020. However, the budget on 11 March 2020 confirmed the Government's intention that the corporation tax rate will remain at 19% and was substantively enacted as at the balance sheet date. The deferred tax asset at 31 December 2020 has been measured using the rates that apply in the periods when the underlying timing differences, on which deferred tax is recognised, are expected to unwind.

The deferred tax included in the Statement of Financial Position is as follows:

	2020 £000	2019 £000
Accelerated capital allowances	(1,119)	1,556
Other temporary difference	(46)	(16)
Net deferred tax (asset)/liability	(1,165)	1,540

Notes to the Financial Statements

for the year ended 31 December 2020

Arnold Clark Finance Limited

11. Property, plant and equipment

Cost:	Land and buildings £000	Computer equipment £000	Motor vehicles £000	Fixtures and fittings £000	Total £000
At 1 January 2020	5,882	2,158	873,449	2,963	884,452
Additions	144	65	332,568	78	332,855
Disposals	-	(1)	(324,377)	(285)	(324,663)
At 31 December 2020	6,026	2,222	881,640	2,756	892,644
<i>Depreciation:</i>					
At 1 January 2020	900	1,987	211,635	1,740	216,262
Provided during the year	562	123	132,552	311	133,548
Disposals	-	(1)	(119,401)	(170)	(119,572)
At 31 December 2020	1,462	2,109	224,786	1,881	230,238
<i>Net book value:</i>					
At 31 December 2020	4,564	113	656,854	875	662,406
At 31 December 2019	4,982	171	661,814	1,223	668,190

Hire purchase agreements

The Company owns motor vehicles, purchased by way of hire purchase agreements, with a cost of £846,045,000 (2019 - £759,621,000) and related accumulated depreciation of £204,805,000 (2019 - £147,838,000), which are held for use in operating leases and are provided as security in respect of the sums outstanding on the associated hire purchase agreements. These contracts have been assessed under IFRS 16 and classified as right-of-use assets. The net book value of right-of-use assets at 31 December 2020 are presented by class of underlying asset in note 17.

12. Inventories

	2020 £000	2019 £000
Motor vehicles	8,594	7,979

Inventories are pledged as security for the other loans disclosed in note 15.

Notes to the Financial Statements

for the year ended 31 December 2020

Arnold Clark Finance Limited

13. Trade and other receivables

	2020 £000	2019 £000
Trade receivables	17,460	15,564
Other receivables	660	988
VAT recoverable	13,170	-
Prepayments and accrued income	5,711	7,559
	<u>37,001</u>	<u>24,111</u>

At 31 December 2020, trade receivables with an initial carrying value of £1,419,000 (2019 - £345,000) were impaired and fully provided for. The movements in the provision were as follows:

	2020 £000	2019 £000
At 1 January	345	587
Charge for the year	1,480	451
Utilised	(406)	(693)
At 31 December	<u>1,419</u>	<u>345</u>

As at 31 December, the ageing analysis of trade receivables is as follows:

	Neither past due nor impaired £000	Past due but not impaired			Total £000
		<30 days £000	30-60 days £000	60+ days £000	
2020	9,899	4,316	1,097	2,148	17,460
2019	9,105	2,847	1,642	1,970	15,564

Notes to the Financial Statements

for the year ended 31 December 2020

Arnold Clark Finance Limited

14. Issued share capital

The share capital at 31 December 2020 and 31 December 2019 is analysed as follows:

	Authorised		Allotted, called up and fully paid	
	2020 No.	2019 No.	2020 £000	2019 £000
Ordinary shares of £1 each	15,000	15,000	15	15

No shares were authorised or issued in either period.

15. Financial liabilities

Interest-bearing loans and borrowings

	2020 £000	2019 (restated) £000
Current interest-bearing loans and borrowings:		
Lease liabilities: obligations under hire purchase agreements	278,492	268,240
Lease liabilities: obligations under other lease contracts	350	361
Other loans	9,517	7,488
Bank overdrafts	-	5,961
	<u>288,359</u>	<u>282,050</u>

Non-current interest-bearing loans and borrowings:

Lease liabilities: obligations under hire purchase agreements	292,439	267,917
Lease liabilities: obligations under other lease contracts	219	456
	<u>292,658</u>	<u>268,373</u>
Total interest-bearing loans and borrowings	<u>581,017</u>	<u>550,423</u>

Other loans comprise non-hire purchase funding for vehicles and is secured on each specific vehicle funded. Restatement explained in note 3.5.

Future minimum payments under hire purchase agreements and other lease contracts, together with the present value of the net minimum lease payments, are set out in note 17.

16. Trade and other payables

	2020 £000	2019 £000
Trade payables	11,405	4,030
Other taxes and social security costs	-	2,162
Other creditors	14,680	13,629
Accruals and deferred income	50,859	42,574
Amounts due to group undertakings (payable on demand)	9,096	7,393
	<u>86,040</u>	<u>69,788</u>
Current liabilities	81,791	64,694
Non-current liabilities	4,249	5,094
	<u>86,040</u>	<u>69,788</u>

Amounts included in non-current liabilities relate to rentals paid in advance, which are included in accruals and deferred income. Deferred income will be released over a period of up to 5 years depending on the term of the associated rental agreement.

Notes to the Financial Statements

for the year ended 31 December 2020

Arnold Clark Finance Limited

17. Leases

Company as a lessee

The Company has a number of hire purchase contracts for vehicles and other lease contracts in regard to land and buildings. The average remaining lease term for motor vehicles is 2 years and 5 years for land and buildings.

Amounts recognised in the Statement of Profit or Loss

	2020	2019
	£000	£000
Depreciation expense on right-of-use assets	123,201	114,088
Interest expense on lease liabilities	9,481	11,097
Expense relating to short term leases	9	33

Right-of-use assets

	Land and buildings £000	Motor vehicles £000	Total £000
Carrying value at 1 January 2020	808	611,783	612,591
Carrying value at 31 December 2020	557	641,240	641,797
Additions to right-of-use assets	141	332,340	332,481
Depreciation charge for the year	(392)	(122,809)	(123,201)

Future minimum payments under hire purchase agreements and other lease contracts, together with the present value of the net minimum lease payments, are as follows:

Obligations under hire purchase agreements

	Minimum payments		Present value of payments	
	2020 £000	2019 £000	2020 £000	2019 £000
Amounts payable:				
Within one year	286,279	277,726	278,492	268,240
After one year but not more than five years	297,392	273,358	292,439	267,917
	583,671	551,084	570,931	536,157
Less: future finance charges	(12,740)	(14,927)		
Present value of hire purchase obligations	570,931	536,157		
Current interest-bearing borrowings:			278,492	268,240
Non-current interest-bearing borrowings			292,439	267,917
			570,931	536,157

The payments for these obligations will be met from the income received from the associated operating lease rentals and from the disposal of the associated assets

Notes to the Financial Statements

for the year ended 31 December 2020

Arnold Clark Finance Limited

17. Leases (continued)

Obligations under other lease contracts

	Minimum payments		Present value of payments	
	2020 £000	2019 £000	2020 £000	2019 £000
Amounts payable:				
Within one year	360	377	350	361
After one year but not more than five years	157	394	143	372
More than five years	86	97	76	84
	<u>603</u>	<u>868</u>	<u>569</u>	<u>817</u>
Less: future finance charges	(34)	(51)		
Present value of hire purchase obligations	<u>569</u>	<u>817</u>		
Current interest-bearing borrowings			350	361
Non-current interest-bearing borrowings			219	456
			<u>569</u>	<u>817</u>

Company as a lessor

The Company has entered into operating leases as lessor in respect of contract hire vehicles for periods between 12 and 60 months. Future minimum rentals receivable under non-cancellable operating leases at 31 December are as follows:

	Contract hire vehicles	
	2020 £000	2019 £000
Within one year	117,201	120,280
After one year but not more than five years	108,450	115,298
	<u>225,651</u>	<u>235,578</u>

18. Contingent 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 2020, the Value Added Tax payable by other members of the group registration amounted to £52,654,000 (2019 - £8,807,000)

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 2020, the other companies included in the guarantee had net funds of £103,055,340 (2019 - £86,465,000) due from The Royal Bank of Scotland plc.

19. Ultimate parent company

The Directors report that Arnold Clark Automobiles Limited (registered in Scotland at 454 Hillington Road, Glasgow, G52 4FH) 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, 4th Floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9FF.

The Directors consider that Lady Clark is the Company's ultimate controlling party by virtue of her office, her shareholding and the shareholdings of her immediate family.