

Arnold Clark Finance Limited

Report and Accounts

31 December 1993

Registered No. 39597



Arnold Clark Finance Limited

DIRECTORS, PRINCIPAL OFFICERS AND ADVISERS

DIRECTORS

J A CLARK - CHAIRMAN
H D WALLACE - MANAGING DIRECTOR

PRINCIPAL OFFICERS

D F KERR - COMPANY SECRETARY
E HAWTHORNE C.A. - FINANCIAL CONTROLLER
D H KEENAN - GENERAL MANAGER CONTRACT HIRE
A J CLARK - GENERAL MANAGER HIRE DRIVE

REGISTERED OFFICE

43 ALLISON STREET
GLASGOW G42 8NJ

REGISTERED NUMBER

39597

AUDITORS

ERNST & YOUNG
GEORGE HOUSE
50 GEORGE SQUARE
GLASGOW G2 1RR

TAX ADVISORS

GRANT THORNTON
112 WEST GEORGE STREET
GLASGOW G2 1QF

SOLICITORS

GORDON & SMYTH
420 SAUCIEHALL STREET
GLASGOW G2 3JS

COCHRAN SAYERS & COOK
33A GORDON STREET
GLASGOW G1 3PQ

PRINCIPAL BANKERS

ROYAL BANK OF SCOTLAND PLC
1304 DUKE STREET
GLASGOW G31 5PZ

Arnold Clark Finance Limited

DIRECTORS' REPORT

Arnold Clark

The directors submit their report and accounts for the year ended 31 December 1993.

RESULTS AND DIVIDENDS

The profit on ordinary activities before taxation amounted to £3,415,197. The trading profit for the year, after taxation, amounted to £2,301,753.

The directors recommend that no dividend be paid which leaves the profit of £2,301,753 to be retained.

REVIEW OF THE BUSINESS

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

The directors are pleased to report that despite the company's sales activity showing a slight decrease reflecting current economic trends, the profit has shown a considerable increase. This increase has arisen from a large reduction in interest charges, effective control of overhead expenditure and the maintenance of our quality customer base. The directors are of the opinion that this level of activity will be continued successfully in 1994.

The balance sheet discloses net current liabilities of £25.6m, arising primarily as a result of hire purchase payments due on contract hire vehicles. These payments will be met from the vehicle rental incomes receivable in 1994 arising under the relevant contract hire agreements.

DIRECTORS AND THEIR INTERESTS

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

J A Clark
H D Wallace

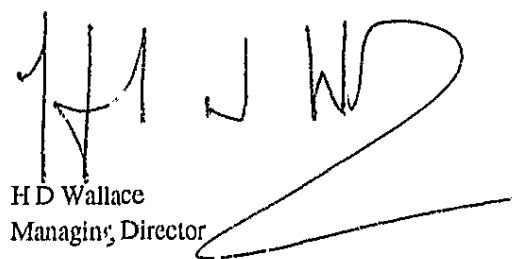
No director had any interest in the ordinary share capital of the company during the year. The interests of J A Clark in the share capital of Arnold Clark Automobiles Limited, the ultimate holding company, are disclosed in those accounts. H D Wallace has no interest in the ordinary share capital of the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

H D Wallace retires by rotation and, being eligible, offers himself for re-election.

AUDITORS

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

On behalf of the board



H D Wallace
Managing Director

18 March 1994.

Arnold Clark Finance Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Arnold Clark

Company law requires the directors to prepare accounts for each financial year which 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 accounts, 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 accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. 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.

REPORT OF THE AUDITORS

to the members of Arnold Clark Finance Limited

We have audited the accounts on pages 5 to 13 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 8.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 3 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31 December 1993 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

E _____ + 4 Y _____

Ernst & Young
Chartered Accountants
Registered Auditor
Glasgow

18 March 1994

Arnold Clark Finance Limited
PROFIT AND LOSS ACCOUNT
for the year ended 31 December 1993

	Notes	1993 £	1992 £
TURNOVER	2	36,526,285	38,762,300
Cost of sales		25,560,277	26,432,873
GROSS PROFIT		10,966,008	12,329,427
Administrative expenses		3,340,844	3,231,585
Operating profit	3	7,625,164	9,097,842
Bank interest receivable		15,766	-
Interest payable	6	4,225,733	6,699,543
		4,209,967	6,699,543
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		3,415,197	2,398,299
Tax on profit on ordinary activities	7	1,113,444	789,916
RETAINED PROFIT FOR THE YEAR		2,301,753	1,608,383
Retained profit brought forward		7,284,216	5,675,833
Retained profit carried forward		9,585,969	7,284,216

RECOGNISED GAINS AND LOSSES

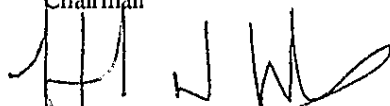
There are no recognised gains or losses other than the profit attributable to shareholders of the company of £2,301,753 in the year ended 31 December 1993 and of £1,608,383 in the year ended 31 December 1992.

Arnold Clark Finance Limited
BALANCE SHEET
at 31 December 1993

	Notes	1993 £	1992 £
FIXED ASSETS			
Tangible assets	8	68,659,099	69,362,791
CURRENT ASSETS			
Debtors	10	5,844,987	4,449,849
Cash at bank and in hand	9	12,717,604	5,881,782
		18,562,591	10,331,631
CREDITORS: amounts falling due within one year	11	44,208,581	40,655,304
NET CURRENT LIABILITIES		25,645,990	30,323,673
TOTAL ASSETS LESS CURRENT LIABILITIES		43,013,109	39,039,118
CREDITORS: amounts falling due after more than one year:			
Obligations under hire purchase contracts	13	26,313,136	27,277,760
Rentals in advance		1,146,096	1,196,763
		27,459,232	28,474,523
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	14	5,952,908	3,265,379
		9,600,969	7,299,216
CAPITAL AND RESERVES			
Called up share capital	15	15,000	15,000
Profit and loss account		9,585,969	7,284,216
		9,600,969	7,299,216



J A Clark
Chairman



H D Wallace
Managing Director

18 March 1994

Arnold Clark Finance Limited
CASH FLOW STATEMENT
for the year ended 31 December 1993

	<i>Notes</i>	<i>1993</i> £	<i>1992</i> £
NET CASH INFLOW FROM OPERATING ACTIVITIES	4	25,297,895	24,756,960
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest receivable		766	-
Interest payable		(4,284,779)	(6,769,781)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENT AND SERVICING OF FINANCE		(4,284,004)	(6,769,781)
TAXATION			
Corporation tax paid		(2,133,616)	(49,870)
INVESTING ACTIVITIES			
Payments to acquire fixed assets		(43,385,396)	(35,697,274)
Receipts from sales of fixed assets		28,907,482	26,934,559
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(14,477,914)	(8,762,715)
NET CASH INFLOW BEFORE FINANCING		4,302,621	9,174,594
FINANCING			
Repayment of amounts borrowed		(38,858,524)	(41,412,336)
New hire purchase borrowings		41,391,725	32,342,983
NET CASH INFLOW/(OUTFLOW) FROM FINANCING	12	2,533,201	(9,069,353)
INCREASE IN CASH AND CASH EQUIVALENTS	9	6,835,822	105,241

Arnold Clark Finance Limited
NOTES TO THE ACCOUNTS
at 31 December 1993

1. ACCOUNTING POLICIES

Accounting convention

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

Depreciation

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

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

Deferred taxation

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

Leasing and hire purchase commitments

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

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

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

Pensions

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

2. TURNOVER

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

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

3. OPERATING PROFIT

	1993	1992
	£	£
(a) This is stated after charging or (crediting):		
Directors' remuneration (see below)	71,661	67,689
Auditors' remuneration - audit services	12,000	11,500
Depreciation - owned assets	61,856	84,955
- assets under hire purchase contracts	15,119,750	16,508,882
Loss on disposal of fixed assets	-	8,119
	<u> </u>	<u> </u>

Arnold Clark Finance Limited
NOTES TO THE ACCOUNTS
at 31 December 1993

3. OPERATING PROFIT (continued)

	1993	1992
	£	£
(b) Directors' remuneration:		
Fees	-	-
Other emoluments (including pension contributions)	71,661	67,689
	<u>71,661</u>	<u>67,689</u>

The emoluments of the chairman, excluding pension contributions, were £Nil (1992 - £Nil). The emoluments of the highest paid director were £67,907 (1992 - £62,923).

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

	1993	1992
	£	£
Operating profit	7,625,163	9,097,842
Depreciation	15,181,606	16,593,837
Adjustment on disposal of fixed assets	-	(8,119)
(Increase)/decrease in working capital:		
Debtors	348,031	(6,285)
Creditors	2,143,095	(936,553)
Net cash inflow from operating activities	<u>25,297,895</u>	<u>24,756,960</u>

5. STAFF COSTS

	1993	1992
	£	£
Wages and salaries	1,751,994	1,570,494
Social security costs	170,880	152,338
Other pension costs	34,149	46,787
	<u>1,957,023</u>	<u>1,769,619</u>

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

	No.	No.
Office and management	146	113
Sales	57	59
	<u>203</u>	<u>172</u>

Arnold Clark Finance Limited
NOTES TO THE ACCOUNTS
at 31 December 1993

Arnold Clark

6. INTEREST PAYABLE

	1993	1992
	£	£
Hire purchase	4,225,733	6,699,543

7. TAXATION CHARGE

	1993	1992
	£	£
Based on the profit for the year:		
Corporation tax at 33%	96,547	1,323,174
Deferred taxation	1,042,813	(518,408)
	1,139,360	804,766
Taxation under/(over) provided in previous years:		
Corporation tax	(1,670,632)	(6,406)
Deferred taxation	1,644,716	(8,444)
	1,113,444	789,916

8. TANGIBLE FIXED ASSETS

	Freehold property £	Computer equipment £	Motor vehicles £	Fixtures and fittings £	Total £
Cost:					
At 1 January 1993	127,014	450,981	97,439,324	26,351	98,043,670
Additions	-	13,607	43,371,789	-	43,385,396
Disposals	-	-	(47,793,034)	-	(47,793,034)
At 31 December 1993	127,014	464,588	93,018,079	26,351	93,636,032
Depreciation:					
At 1 January 1993	9,785	318,285	28,341,459	11,350	28,680,879
Provided during the year	2,540	55,379	15,121,437	2,250	15,181,606
Disposals	-	-	(18,885,552)	-	(18,885,552)
At 31 December 1993	12,325	373,664	24,577,344	13,600	24,976,933
Net book value:					
At 31 December 1993	114,689	90,924	68,440,735	12,751	68,659,099
At 1 January 1993	117,229	132,696	69,097,865	15,001	69,362,791

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

Arnold Clark Finance Limited
NOTES TO THE ACCOUNTS
at 31 December 1993

Arnold Clark

9. CASH AND CASH EQUIVALENTS

Analysis of changes in cash and cash equivalents during the year

	1993 £	1992 £
Balance at 1 January	5,881,782	5,776,541
Net cash inflow	6,835,822	105,241
Balance at 31 December	<u>12,717,604</u>	<u>5,881,782</u>

10. DEBTORS

	1993 £	1992 £
Trade debtors	687,066	219,693
Amount due by parent company	2,071,647	2,514,905
Corporation tax recoverable	1,663,300	49,870
Other debtors	775,878	957,631
Prepayments and accrued income	647,096	707,750
	<u>5,844,987</u>	<u>4,449,849</u>

11. CREDITORS: amounts falling due within one year

	1993 £	1992 £
Obligations under hire purchase contracts (note 13)	27,839,650	24,341,825
Trade creditors	250,802	388,522
Corporation tax payable	96,547	2,190,818
Other taxes and social security costs	1,518,980	1,010,272
Other creditors	3,608,627	1,492,040
Accruals and deferred income	10,865,962	10,782,945
Amounts due to fellow subsidiaries	28,013	448,882
	<u>44,208,581</u>	<u>40,655,304</u>

12. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	1993		1992	
	Share capital £	Hire purchase finance £	Share capital £	Hire purchase finance £
Balance at 1 January	15,000	51,619,585	15,000	60,688,938
Cash inflow/(outflow) from financing	-	2,533,201	-	(9,069,353)
Balance at 31 December	<u>15,000</u>	<u>54,152,786</u>	<u>15,000</u>	<u>51,619,585</u>

Arnold Clark Finance Limited
NOTES TO THE ACCOUNTS
at 31 December 1993

Arnold Clark

13. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS

	1993 £	1992 £
Amounts payable within one year (note 11)	27,839,650	24,341,825
Over one year:		
In the second to fifth year inclusive	26,313,136	27,277,760
	<u>54,152,786</u>	<u>51,619,585</u>

14. DEFERRED TAXATION

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

	1993 £	1992 £
Accelerated capital allowances	<u>5,952,908</u>	<u>3,265,379</u>

15. SHARE CAPITAL

	1993 No.	Authorised 1992 No.	Allotted, called up and fully paid 1993 £	1992 £
Ordinary shares of £1 each	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>

16. RECONCILIATION OF SHAREHOLDERS' FUNDS

	1993 £	1992 £
At 1 January	7,299,216	5,690,833
Profit for the year	2,301,753	1,608,383
At 31 December	<u>9,600,969</u>	<u>7,299,216</u>

17. PENSION COMMITMENTS

The company, together with other companies in the Arnold Clark Automobiles Group, operated a group scheme which was a defined benefit scheme under which a common group rate applied in respect of contributions payable by all sponsoring employees, until its cessation on 5 October 1993. Details of actuarial valuation of the group scheme are contained in the accounts of Arnold Clark Automobiles Limited.

Arnold Clark Finance Limited
NOTES TO THE ACCOUNTS
at 31 December 1993

Arnold Clark

18. OTHER FINANCIAL COMMITMENTS

As agents for Motability Finance Limited, the company is committed to purchase all vehicles which are in a suitable condition and have been maintained under a motability contract by the company upon the expiry of the contract. As at 31 December 1993 the company maintained 8,258 (1992 - 6,306) vehicles under contract with a pre-arranged purchase cost of £31,690,793 (1992 - £24,548,479) of which 1,634 (1992 - 2,575) with a pre-arranged purchase cost of £6,484,239 (1992 - £9,044,558) terminate within one year.

19. CONTINGENT LIABILITIES

Under a group registration for Value Added Tax the company is jointly and severally liable for Value Added Tax due by any member company of the group registration. At 31 December 1993 the liability amounted to £1,306,689 (1992 - £1,413,527).

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

20. ULTIMATE PARENT COMPANY

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