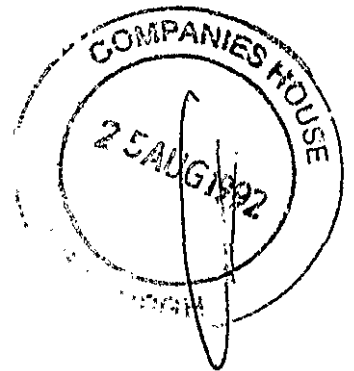




REPORT AND ACCOUNTS

Arnold Clark Finance Limited

31 DECEMBER 1991



REGISTERED NUMBER: 39597

DIRECTORS' REPORT

The directors submit their report and accounts for the year ended 31 December 1991.

RESULTS AND DIVIDENDS

The profit on ordinary activities before taxation amounted to £1,687,653. The trading profit for the year, after taxation, amounted to £1,169,762.

The directors recommend that no dividend be paid which leaves the profit of £1,169,762 to be retained.

REVIEW OF THE BUSINESS

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

The directors are glad to report that despite the company's sales activity showing a slight decrease reflecting current economic trends, the profit has shown a considerable increase, which has arisen from reduced interest charges and the effective control of overhead expenditure. The directors are of the opinion that this level of activity will successfully be continued in 1992.

The balance sheet discloses net current liabilities of £37.7m, 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 1992 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.

By order of the Board

D Argum Kerr.

Secretary

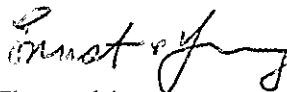
14 May 1992

43 Allison Street,
Glasgow, G42 8NJ

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

We have audited the accounts on pages 3 to 10 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31 December 1991 and of the profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants
Registered Auditor
Glasgow

14 May 1992

Arnold Clark Finance Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 1991

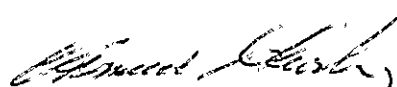
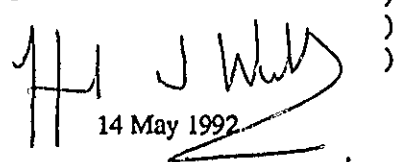
	Notes	1991 £	1990 £
TURNOVER	2	40,558,489	46,709,847
Cost of sales		27,536,803	31,379,553
GROSS PROFIT		13,021,686	15,330,294
Administrative expenses		2,805,237	3,120,907
Operating profit	3	10,216,449	12,209,387
Bank interest receivable		425,327	392,182
Interest payable	5	8,954,123	11,824,378
		8,528,796	11,432,196
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,687,653	777,191
Taxation charge	6	517,891	65,878
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,169,762	711,313
Retained profit brought forward		4,506,071	3,794,758
Retained profit carried forward		5,675,833	4,506,071

Arnold Clark Finance Limited

BALANCE SHEET

at 31 December 1991

	Notes	1991 £	1990 £
FIXED ASSETS			
Tangible assets	7	77,202,032	83,933,156
CURRENT ASSETS			
Debtors	8	4,443,564	7,952,489
Cash at bank and in hand		5,776,541	2,613,212
		10,220,105	10,565,701
CREDITORS: amounts falling due within one year	9	47,950,357	47,220,352
NET CURRENT LIABILITIES		37,730,252	36,654,651
TOTAL ASSETS LESS CURRENT LIABILITIES		39,471,780	47,278,505
CREDITORS: amounts falling due after more than one year:			
Obligations under hire purchase contracts	10	29,035,625	37,361,956
Rentals in advance		953,091	1,078,078
		29,988,716	38,440,034
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	11	3,792,231	4,317,400
		5,690,833	4,521,071
CAPITAL AND RESERVES			
Called up share capital	12	15,000	15,000
Profit and loss account		5,675,833	4,506,071
		5,690,833	4,521,071



 14 May 1992

) Directors

Arnold Clark Finance Limited

STATEMENT OF SOURCE AND APPLICATION OF FUNDS for the year ended 31 December 1991

	1991 £	1990 £
SOURCE OF FUNDS:		
Profit on ordinary activities before taxation	1,687,653	777,191
Adjustment for items not involving the movement of funds:		
Depreciation	17,351,167	21,410,438
Gain on sale of fixed assets	(10,992)	-
	<u>19,027,828</u>	<u>22,187,629</u>
TOTAL GENERATED FROM OPERATIONS		
FUNDS FROM OTHER SOURCES:		
Proceeds of disposal of tangible fixed assets	28,386,783	29,078,755
Net movement on hire purchase obligations	-	1,925,878
Group relief received	-	160,057
	<u>47,414,611</u>	<u>53,352,319</u>
APPLICATION OF FUNDS:		
Purchase of tangible fixed assets	38,995,834	48,335,024
Net movement on hire purchase obligations	11,595,040	-
Taxation paid	134,312	-
	<u>(3,310,575)</u>	<u>5,017,295</u>
WORKING CAPITAL - (DECREASE)/INCREASE		
COMPONENTS OF (DECREASE)/INCREASE IN WORKING CAPITAL:		
Debtors	(3,508,925)	819,485
Creditors	(2,964,979)	4,252,236
	<u>(6,473,904)</u>	<u>5,071,721</u>
MOVEMENT IN NET LIQUID FUNDS:		
Cash at bank and in hand	3,163,329	(54,426)
	<u>(3,310,575)</u>	<u>5,017,295</u>

NOTES TO THE ACCOUNTS

at 31 December 1991

1. ACCOUNTING POLICIES

Accounting convention

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

Depreciation

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

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

Deferred taxation

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

Leasing and hire purchase commitments

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

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

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

Pensions

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

2. TURNOVER

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

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

3. OPERATING PROFIT

	1991 £	1990 £
(a) This is stated after charging or (crediting):		
Directors' remuneration (see below)	69,035	48,618
Auditors' remuneration	10,000	8,500
Depreciation - owned assets	110,996	115,910
- assets under hire purchase contracts	17,240,171	21,294,783
Gain on disposal of fixed assets	(10,992)	-
	<u> </u>	<u> </u>

Arnold Clark Finance Limited

NOTES TO THE ACCOUNTS

at 31 December 1991

3. OPERATING PROFIT (continued)

	1991 £	1990 £
(b) Directors' remuneration:		
Fees	-	-
Other emoluments (including pension contributions)	69,035	48,618
	<u>69,035</u>	<u>48,618</u>

The emoluments of the chairman, excluding pension contributions, were £Nil (1990 - £Nil). The emoluments of the highest paid director were £64,725 (1990 - £44,855).

4. STAFF COSTS

	1991 £	1990 £
Wages and salaries	1,542,501	1,564,152
Social security costs	122,274	125,765
Other pension costs	48,843	35,199
	<u>1,713,618</u>	<u>1,725,116</u>

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

	No.	No.
Office and management	119	130
Sales	57	55
	<u>176</u>	<u>185</u>

5. INTEREST PAYABLE

	1991 £	1990 £
Hire purchase	8,954,123	11,824,378

Arnold Clark Finance Limited

NOTES TO THE ACCOUNTS

at 31 December 1991

6. TAXATION CHARGE

	1991 £	1990 £
Based on the profit for the year:		
Corporation tax at 33.25% (1990 - 34.25%)	923,920	15,172
Deferred taxation	(366,455)	248,537
	<u>557,465</u>	<u>263,709</u>
Deferred taxation rate change	-	(234,662)
Taxation under/(over) provided in previous years:		
Group relief surrendered	-	(160,057)
Deferred taxation	(158,711)	196,888
Corporation tax	119,137	-
	<u>517,891</u>	<u>65,878</u>

7. TANGIBLE FIXED ASSETS

	Freehold property £	Computer equipment £	Motor vehicles £	Fixtures and fittings £	Total £
Cost:					
At 1 January 1991	135,339	409,520	114,814,281	27,651	115,386,791
Additions	-	28,861	38,966,973	-	38,995,834
Disposals	(8,325)	-	(45,919,699)	(1,300)	(45,929,324)
At 31 December 1991	<u>127,014</u>	<u>438,381</u>	<u>107,861,555</u>	<u>26,351</u>	<u>108,453,301</u>
Depreciation:					
At 1 January 1991	5,577	164,585	31,277,139	6,334	31,453,635
Provided during the year	2,540	102,343	17,243,170	3,114	17,351,167
Disposals	(872)	-	(17,551,916)	(745)	(17,553,533)
At 31 December 1991	<u>7,245</u>	<u>266,928</u>	<u>30,968,393</u>	<u>8,703</u>	<u>31,251,269</u>
Net book value:					
At 31 December 1991	<u>119,769</u>	<u>171,453</u>	<u>76,893,162</u>	<u>17,648</u>	<u>77,202,032</u>
At 1 January 1991	<u>129,762</u>	<u>244,935</u>	<u>83,537,142</u>	<u>21,317</u>	<u>83,933,156</u>

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

NOTES TO THE ACCOUNTS
at 31 December 1991

8. DEBTORS

	1991 £	1990 £
Trade debtors	540,260	1,868,433
Amount due by parent company	2,567,113	3,668,766
Amounts due by fellow subsidiaries	76,484	1,311,388
Other debtors	354,433	284,226
Prepayments and accrued income	905,274	819,676
	<u>4,443,564</u>	<u>7,952,489</u>

9. CREDITORS: amounts falling due within one year

	1991 £	1990 £
Obligations under hire purchase contracts (note 10)	31,653,313	34,922,022
Trade creditors	2,826,903	-
Corporation tax payable	923,920	15,172
Other taxes and social security costs	1,149,084	720,604
Other creditors	1,076,316	1,103,122
Accruals and deferred income	10,268,764	10,459,432
Amounts due to fellow subsidiaries	12,057	-
	<u>47,950,357</u>	<u>47,220,352</u>

10. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS

	1991 £	1990 £
Amounts payable within one year (note 9)	31,653,313	34,922,022
Over one year:		
In the second to fifth year inclusive	29,035,625	37,361,956
	<u>60,688,938</u>	<u>72,283,978</u>

11. DEFERRED TAXATION

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

	1991 £	1990 £
Accelerated capital allowances	<u>3,792,231</u>	<u>4,317,400</u>

NOTES TO THE ACCOUNTS

at 31 December 1991

12. SHARE CAPITAL

	1991	Authorised	Allotted, called up and fully paid	
	No.	1990	1991	1990
		No.	£	£
Ordinary shares of £1 each	15,000	15,000	15,000	15,000

13. CONTINGENT LIABILITIES

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 1991 the company maintained 7,663 (1990 - 8,932) vehicles under contract with a pre-arranged purchase cost of £27,262,706 (1990 - £27,091,763) of which 3,641 (1990 - 2,270) with a pre-arranged purchase cost of £11,099,715 (1990 - £6,140,550) terminate within one year.

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 1991 the liability amounted to £1,391,650 (1990 - £1,027,304).

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

14. CAPITAL COMMITMENTS

	1991	1990
	£	£
Contracted	-	-
Authorised but not contracted	-	-

15. PENSION COMMITMENTS

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

16. 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.