

ARNOLD CLARK INSURANCE SERVICES LIMITED

ANNUAL REPORT

For the year ended 31 December 2016

Registered Number: 192797 (Scotland)

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ARNOLD CLARK INSURANCE SERVICES LIMITED

DIRECTORS, PRINCIPAL OFFICERS AND ADVISERS

DIRECTORS

E Hawthorne *BA CA*

K J McLean *BAcc (Hons) CA*

COMPANY SECRETARY

S K Thorpe *BA (Hons) FCA*

REGISTERED OFFICE

454 Hillington Road

Glasgow G52 4FH

PRINCIPAL BANKERS

The Royal Bank of Scotland plc

1304 Duke Street

Glasgow G31 5PZ

AUDITORS

Ernst & Young LLP

G1, 5 George Square

Glasgow G2 1DY

TAX ADVISERS

Ernst & Young LLP

G1, 5 George Square

Glasgow G2 1DY

ARNOLD CLARK INSURANCE SERVICES LIMITED

STRATEGIC REPORT

The Directors present their strategic report for the year ended 31 December 2016.

Principal activity and review of the business

The Company's principal activity during the year was the provision of insurance services.

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

	2016	2015	Change
Gross written premiums	£4,771,851	£4,263,056	11.9%
Revenue	£1,398,704	£1,177,090	18.8%
(Loss)/Profit before tax	£(23,877)	£42,873	(155.7)%

Following significant restructuring over the last few years, it is pleasing to report an increase in both gross written premiums and revenue for 2016. Whilst the company was loss making in the year this was due to significant investment in advertising and promotional costs that should generate revenue in future years. This investment will enable us to raise the profile of the company and make effective use of the wider Arnold Clark Group customer base.

Investment continues to be made in increasing our online presence with a wide range of quote and buy products now available. We have online representation for both personal and commercial products and see this as an essential route to market.

Retention rates remain high on both our personal and commercial agencies as we continue to focus on high levels of customer service to both new customers and those renewing their policies with us.

We now have strong foundations upon which to grow the business and fully expect to return to profitability in the forthcoming year.

Principal risks and uncertainties

The main risks associated with the Company's operations are set out below:

Financial instrument risks: The Company's principal financial instruments comprise cash and cash equivalents. Other financial assets and liabilities, such as trade creditors and trade debtors, arise directly from operating activities.

Interest rate risk: The Company invests surplus cash in a floating rate interest yielding bank deposit account. 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.

ARNOLD CLARK INSURANCE SERVICES LIMITED

STRATEGIC REPORT

Principal risks and uncertainties (continued)

Competitive risk: The Company operates in a price sensitive industry and consequently competitive pressure is a continuing risk for the Company. The Company maintains a panel of insurers and constantly reviews margins to ensure competitive pricing. The Company further manages the risk by ensuring customer satisfaction levels are kept high through fast response times to customer queries and by maintaining strong relationships with customers.

Regulatory risk: The Company actively monitors compliance with the various regulators' requirements and has established policies and procedures for ensuring effective compliance.

On behalf of the Board



E Hawthorne
Director

28 April 2017

ARNOLD CLARK INSURANCE SERVICES LIMITED

DIRECTORS' REPORT

The Directors present their report for the year ended 31 December 2016.

Results and dividends

The loss on ordinary activities before taxation amounted to £23,877 (2015 - profit of £42,873). The loss for the year after taxation amounted to £22,448 (2015 - profit of £34,266).

The Directors do not recommend the payment of a dividend (2015 - nil). The loss of £22,448 (2015 - profit of £34,266) has been charged to reserves.

A further review of the business and its principal risks is included in the Strategic Report.

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.

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

Employees

Regular meetings are held between management and employees to allow a free flow of information and exchange of ideas and information relevant to employees is provided through an employee portal, which is available to all members of staff.

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

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

Directors' statement as to disclosure of information to auditors

The Directors who were members of the Board at the time of approving the Directors' Report are listed on page 1. Sir Arnold Clark ceased to be a Director on 10 April 2017.

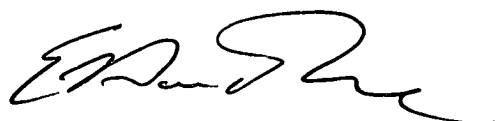
Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that:

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

Auditors

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

On behalf of the Board



E Hawthorne
Director

28 April 2017

ARNOLD CLARK INSURANCE SERVICES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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.

I N D E P E N D E N T A U D I T O R S ' R E P O R T

to the members of Arnold Clark Insurance Services Limited

We have audited the financial statements of Arnold Clark Insurance Services Limited for the year ended 31 December 2016 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 13. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

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

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

I N D E P E N D E N T A U D I T O R S ' R E P O R T
to the members of Arnold Clark Insurance Services Limited

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

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

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

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

Ernst & Young LLP

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

28 April 2017

ARNOLD CLARK INSURANCE SERVICES LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
for the year ended 31 December 2016

	Notes	2016 £	2015 £
Revenue	4	1,398,704	1,177,090
Administrative expenses		(1,423,872)	(1,135,339)
Operating (loss)/profit	5	(25,168)	41,751
Finance income - bank interest receivable		1,291	1,122
(Loss)/profit before taxation from continuing operations		(23,877)	42,873
Income tax	7	1,429	(8,607)
(Loss)/profit for the year from continuing operations		(22,448)	34,266
Other comprehensive income		-	-
Total comprehensive (loss)/income for the year		(22,448)	34,266

All operations were classed as continuing operations during the year.

ARNOLD CLARK INSURANCE SERVICES LIMITED
STATEMENT OF FINANCIAL POSITION
at 31 December 2016

	Notes	2016 £	2015 £
Assets			
Non-current assets			
Property, plant and equipment	8	77,214	67,073
Deferred tax assets	7	12,273	12,824
		<u>89,487</u>	<u>79,897</u>
Current assets			
Trade and other receivables	9	265,280	1,194,840
Cash at bank and in hand		1,021,503	1,024,568
		<u>1,286,783</u>	<u>2,219,408</u>
Total assets		<u>1,376,270</u>	<u>2,299,305</u>
Equity and liabilities			
Called up share capital	10	1,000	1,000
Profit and loss account		870,063	892,511
Total equity		<u>871,063</u>	<u>893,511</u>
Current liabilities			
Trade and other payables	11	505,207	1,397,657
Income tax payable		-	8,137
Total liabilities		<u>505,207</u>	<u>1,405,794</u>
Total equity and liabilities		<u>1,376,270</u>	<u>2,299,305</u>

Approved by the Board on



E Hawthorne
Director

28 April 2017

ARNOLD CLARK INSURANCE SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

	<i>Share capital £</i>	<i>Profit and loss account £</i>	<i>Total £</i>
At 1 January 2015	1,000	858,245	859,245
Total comprehensive income	-	34,266	34,266
At 31 December 2015	1,000	892,511	893,511
At 1 January 2016	1,000	892,511	893,511
Total comprehensive income	-	(22,448)	(22,448)
At 31 December 2016	1,000	870,063	871,063

ARNOLD CLARK INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

1. Corporate information

Arnold Clark Insurance Services Limited is a privately owned company incorporated in Scotland under the Companies Act 2006. The Company's registration number is 192797. 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.

2. Statement of compliance with FRS 101

The results of Arnold Clark Insurance Services 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, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9FT.

The financial statements are 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 2016. The financial statements are prepared in Sterling.

3. Summary of significant accounting policies

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 IFRS 7 Financial Instruments: Disclosures;
- b) 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;
- c) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
- d) the requirements of IAS 7 Statement of Cash Flows;
- e) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- f) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- g) 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
- h) 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.

ARNOLD CLARK INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

3. Summary of significant accounting policies (continued)

Going concern

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

The Company's banking facilities are part of the Arnold Clark Automobiles Limited group arrangements. 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.

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 separately charged delivery or installation 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:

Office equipment:	General	-	20%
	Computer equipment	-	33%
Motor vehicles:		-	30%

Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis 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) 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.

ARNOLD CLARK INSURANCE SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016

3. 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. The losses arising from impairment are recognised in the statement of profit or loss 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, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income (recorded as finance income in the statement of profit or loss) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

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.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Revenue is recognised when an insurance policy is inceptioned.

ARNOLD CLARK INSURANCE SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016

3. Summary of significant accounting policies (continued)

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. 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.

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.

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 an adjustment, in future periods, to the carrying amount of the assets or liabilities affected.

In the opinion of the Directors, the accounting estimates and 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.

ARNOLD CLARK INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

4. Revenue

Revenue represents commissions, including finance commissions, received in the year.

The revenue and pre-tax profit all arises in the UK and is attributable to the Company's principal continuing activity.

5. Operating (loss)/profit

	2016 £	2015 £
This is stated after charging/(crediting):		
Depreciation	27,527	20,342
(Gain)/loss on disposal of fixed assets	(4,306)	782

The auditors' remuneration totalled £5,000 (2015: £5,000) and was paid by the parent undertaking, Arnold Clark Automobiles Limited.

6. Employee benefit expenses

	2016 £	2015 £
Wages and salaries	847,040	753,914
Social security costs	64,612	58,196
Pension costs	15,736	15,280
	<u>927,388</u>	<u>827,390</u>

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

	2016 No.	2015 No.
Office and management	45	41

Directors emoluments were as follows:

	2016 £	2015 £
Wages and salaries	74,186	68,052

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.

ARNOLD CLARK INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

7. Tax

The major components of the income tax expense are as follows:

	2016 £	2015 £
<i>Current tax:</i>		
Corporation tax	(2,639)	8,137
Adjustments in respect of prior periods	658	(113)
<i>Deferred tax:</i>		
Origination and reversal of timing differences	(929)	548
Adjustments in respect of prior periods	(649)	-
Effect of changes in tax rate	2,130	35
Income tax reported in the statement of profit or loss	<u>(1,429)</u>	<u>8,607</u>

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:

	2016 £	2015 £
Accounting (loss)/profit before income tax	<u>(23,877)</u>	<u>42,873</u>
At UK corporation tax rate of 20.00% (2015 - 20.25%)	(4,776)	8,682
Tax effect of non-deductible expenses or non-taxable items of income	1,208	12
Effect of changes in tax rates	2,130	26
Adjustments in respect of prior periods	9	(113)
At the effective income tax rate of (5.98%) (2015: 20.08%)	<u>(1,429)</u>	<u>8,607</u>

The deferred tax included in the statement of financial position is as follows:

	2016 £	2015 £
Decelerated capital allowances	11,972	12,486
Other timing differences	301	338
Deferred tax asset	<u>12,273</u>	<u>12,824</u>

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.

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2016 has been calculated based on these rates.

ARNOLD CLARK INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

8. Property, plant and equipment

	<i>Office Equipment</i>	<i>Motor Vehicles</i>	<i>Total</i>
	<i>£</i>	<i>£</i>	<i>£</i>
Cost:			
At 1 January 2016	159,054	71,887	230,941
Additions	-	77,363	77,363
Disposals	(9,385)	(62,187)	(71,572)
At 31 December 2016	149,669	87,063	236,732
Depreciation:			
At 1 January 2016	148,471	15,397	163,868
Provided during the year	4,062	23,465	27,527
Disposals	(9,385)	(22,492)	(31,877)
At 31 December 2016	143,148	16,370	159,518
Net book value:			
At 31 December 2016	6,521	70,693	77,214
At 31 December 2015	10,583	56,490	67,073

9. Trade and other receivables

	<i>2016</i>	<i>2015</i>
	<i>£</i>	<i>£</i>
Trade debtors	195,054	1,166,619
Other debtors	21,933	-
Prepayments and accrued income	48,293	28,221
	265,280	1,194,840

10. Share Capital

	<i>Authorised</i>	<i>Allotted, called up and fully paid</i>
	<i>2016</i>	<i>2015</i>
	<i>No.</i>	<i>No.</i>
	<i>£</i>	<i>£</i>
Ordinary shares of £1 each	1,000	1,000

ARNOLD CLARK INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

11. Trade and other payables

	2016 £	2015 £
Trade creditors	323,849	306,241
Other creditors	69,741	979,805
Accruals and deferred income	18,290	24,861
Amounts due to group undertakings	93,327	86,750
	<u>505,207</u>	<u>1,397,657</u>

Other creditors consists of amounts due to Close Premium Finance in respect of insurance policies that are being paid in instalments by customers on a recourse basis. The Directors have considered the terms of the financing agreement and are of the opinion that the risks associated with this debt lie primarily with the Company and therefore the balances owed to Close Premium Finance by customers have been included in trade debtors and the corresponding liability shown in other creditors. This arrangement ceased on 15 May 2016 when it was replaced by a non-recourse facility where the risks associated with the debt lie with Close Premium Finance and no balances are shown in trade debtors or other creditors.

12. Contingent liabilities

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 2016 the other companies included in the guarantee had net funds of £109,357,325 (2015 - £118,083,000) due from The Royal Bank of Scotland plc.

13. Ultimate parent undertaking and controlling party

The Directors report that Arnold Clark Automobiles Limited (registered in Scotland) is the Company's ultimate parent company. This is the only parent undertaking for which group financial statements are drawn up and of which the Company is a member. The address from which copies of these group financial statements are available to the public is: The Registrar of Companies, Companies House, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9FT.

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.

The Company is wholly owned by Arnold Clark Automobiles Limited and has taken advantage of the exemption in FRS 101 from disclosing transactions with Arnold Clark Automobiles Limited and with other wholly owned subsidiaries.