

ARNOLD CLARK INSURANCE SERVICES LIMITED

ANNUAL REPORT

For the year ended 31 December 2019

Registered Number: 192797 (Scotland)

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COMPANIES HOUSE

ARNOLD CLARK INSURANCE SERVICES LIMITED

DIRECTORS, PRINCIPAL OFFICERS AND ADVISERS

DIRECTORS

E Hawthorne *BA CA*

K J McLean *BAcc (Hons) CA*

J T Graham *BSc (Hons) CA Dip CII*

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

Deloitte LLP

110 Queen Street

Glasgow G1 3BX

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 2019.

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:

	2019	2018	Change
Gross written premiums	£5,285,810	£5,111,153	3.4%
Revenue	£1,711,440	£1,559,963	9.7%
Profit before tax	£370,486	£165,778	123.5%

The Company enjoyed a year of impressive growth in both revenue and profitability.

This was driven by commissions earned on a new minor motor damage repair product which was introduced in 2018 and experienced positive uptake throughout the year. 2019 also saw the Company diversify its offering into further motor related products.

Our commercial insurance agency built on its existing success, expanding on new and existing customer relationships and continued to experience healthy retention rates in both personal and commercial insurance lines.

In response to Covid-19 pandemic, the Company initially implemented enhanced hygiene rules and implemented contingency plans which allowed for remote working where practical. In mid-March, the negative impact of Covid-19 began to be evidenced through fewer customer enquiries. In line with Government advice, on 24 March 2020, the Company temporarily closed its office and subsequently furloughed a number of employees. The remainder of our staff are providing a service in line with the reduced demand and doing this whilst working from home. The Company is not anticipating any material adverse financial outcome in results arising from the pandemic.

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.

This report was approved by the Board on 4 June 2020 and signed on its behalf by



E Hawthorne
Director

ARNOLD CLARK INSURANCE SERVICES LIMITED

DIRECTORS' REPORT

The Directors present their report and financial statements for the year ended 31 December 2019.

Results and dividends

The profit on ordinary activities before taxation amounted to £370,486 (2018 - £165,778). The profit for the year after taxation amounted to £299,121 (2018 - £135,266).

The Directors do not recommend the payment of a dividend (2018 - nil). The profit of £299,121 (2018 - £135,266) has been transferred 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.

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

The Directors have taken into consideration that, since the balance sheet date, restrictions on trading activities and the movement of people applied by the Government to contain the spread of Covid-19 have had a severe effect on economic activity, including the temporary closure of our office from 24 March 2020. Measures were taken across the Company to mitigate any consequential profit and cash flow impacts from any loss of sales.

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.

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. Additional information in regard to the Company's principal risks and uncertainties are included in the Strategic Report.

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 continued employment under normal terms and conditions and to provide training, career development and promotion wherever appropriate.

Directors

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

ARNOLD CLARK INSURANCE SERVICES LIMITED

DIRECTORS' REPORT

Directors' statement as to disclosure of information to auditors

The Directors who were members of the Board during the year and up to the date of approving the Directors' Report are listed on page 1.

Having made enquiries of fellow Directors and of the Company's auditors, each of the 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

Ernst & Young LLP resigned as auditors of the Company in May 2019. A detailed tender process was subsequently held, with Deloitte LLP appointed as auditors in August 2019. 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 on 4 June 2020 and signed on its behalf by



E Hawthorne
Director

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; 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 Insurance Services Limited

Opinion

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

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 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 14.

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

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

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

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 respect of these matters.

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.

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 the 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.

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

Matters on which we are required to report by exception

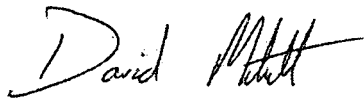
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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
4 June 2020

ARNOLD CLARK INSURANCE SERVICES LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2019

	Notes	2019 £	2018 £
Revenue	4	1,711,440	1,559,963
Administrative expenses		(1,332,842)	(1,395,535)
Operating profit	5	378,598	164,428
Finance income - bank interest receivable		1,895	1,350
Finance costs		(10,007)	-
Profit before taxation from continuing operations		370,486	165,778
Income tax expense	7	(71,365)	(30,512)
Profit for the year		299,121	135,266
Other comprehensive income		-	-
Total comprehensive income for the year		299,121	135,266

All operations were classed as continuing operations during the year.

ARNOLD CLARK INSURANCE SERVICES LIMITED

STATEMENT OF FINANCIAL POSITION

at 31 December 2019

	Notes	2019 £	2018 £
Assets			
Non-current assets			
Property, plant and equipment	8	61,581	75,025
Deferred tax assets	7	12,902	11,806
		<u>74,483</u>	<u>86,831</u>
Current assets			
Trade and other receivables	9	230,062	223,836
Cash at bank and in hand		1,401,113	1,002,890
		<u>1,631,175</u>	<u>1,226,726</u>
Total assets		<u>1,705,658</u>	<u>1,313,557</u>
Equity and liabilities			
Issued share capital	10	1,000	1,000
Profit and loss account		1,136,506	837,385
Total equity		<u>1,137,506</u>	<u>838,385</u>
Current liabilities			
Trade and other payables	11	496,520	445,572
Income tax payable		71,632	29,600
Total liabilities		<u>568,152</u>	<u>475,172</u>
Total equity and liabilities		<u>1,705,658</u>	<u>1,313,557</u>

Approved by the Board on 4 June 2020 and signed on its behalf by



E Hawthorne
Director

ARNOLD CLARK INSURANCE SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

	<i>Share capital £</i>	<i>Profit and loss account £</i>	<i>Total £</i>
At 1 January 2018	1,000	702,119	703,119
Total comprehensive income	-	135,266	135,266
At 31 December 2018	1,000	837,385	838,385
At 1 January 2019	1,000	837,385	838,385
Total comprehensive income	-	299,121	299,121
At 31 December 2019	1,000	1,136,506	1,137,506

ARNOLD CLARK INSURANCE SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019

1. Corporate information

Arnold Clark Insurance Services Limited is a privately owned company limited by shares and incorporated in Scotland under the Companies Act 2006. The Company's registration number is SC192797. 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 2019. The financial statements are prepared in pounds sterling, which is the currency of the primary economic environment in which the Company operates.

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 2019

3. Summary of significant accounting policies (continued)

New standards issued and in effect

In the current year, the Company adopted the following new standards:

IFRS 16 Lease Accounting

The adoption of this new standard has had no significant impact.

Standards and amendments to standards that have been issued but are not effective for 2019 are not expected to have a significant impact upon application.

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.

The Directors have taken into consideration that, since the balance sheet date, restrictions on trading activities and the movement of people applied by the Government to contain the spread of Covid-19 have had a severe effect on economic activity, including the temporary closure of our office from 24 March 2020. Measures were taken across the Company to mitigate any consequential profit and cash flow impacts from any loss of sales. 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 2021 financial year which take account of the Group wide Covid-19 mitigating actions. At December 2019, the Group had cash and readily realisable financial asset resources of £230m. At the end of May these resources had risen to £290m as a result of increased focus on cash management, application of mitigating actions and significant working capital inflows which are expected to reverse post commencement of trading.

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 2021. The forecast also includes conservative judgements where there is continuing uncertainty and the likelihood of headroom being exhausted was considered remote. Under this analysis, the Group is forecast to have average closing monthly available cash in excess of £180m.

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 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:

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

ARNOLD CLARK INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

3. 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.

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.

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.

ARNOLD CLARK INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

3. Summary of significant accounting policies (continued)

Financial assets (continued)

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 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.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable which reflects the amount expected to be received from customers, mainly the transaction price adjusted for variable consideration where applicable. Revenue will only be recognised when the fulfilment of performance obligations is achieved, and amounts can be reliably measured. Revenue is recognised at the point in time when an insurance policy is inceptioned.

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.

ARNOLD CLARK INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

3. Summary of significant accounting policies (continued)

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

Judgements

The Company applies judgement in how it applies its accounting policies, which do not involve estimation, but could materially affect the numbers disclosed in these financial statements. In the opinion of the Directors, the 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 preparation of the Company's financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures and the disclosure of contingent liabilities. In the opinion of the Directors, the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date are not difficult, subjective or complex to a degree that would warrant their description as significant.

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 profit

	2019	2018
	£	£
This is stated after charging/(crediting):		
Depreciation	27,322	35,263
Gain on disposal of fixed assets	(2,902)	(17,874)

The auditor's remuneration of £4,000 (2018: £5,000) was paid by the parent company, Arnold Clark Automobiles Limited. With effect from August 2019, Deloitte LLP was appointed as auditor of the Company, replacing Ernst & Young LLP. Auditor's remuneration for 2019 relates to Deloitte LLP and for 2018 to Ernst & Young LLP.

ARNOLD CLARK INSURANCE SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019

6. Employee benefit expenses

	2019 £	2018 £
Wages and salaries	934,794	982,144
Social security costs	84,009	79,859
Pension costs	35,801	24,440
	<u>1,054,604</u>	<u>1,086,443</u>

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

	2019 No.	2018 No.
Office and management	41	45

Directors emoluments were as follows:

	2019 £	2018 £
Wages and salaries	161,030	124,829

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.

7. Income Tax

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

	2019 £	2018 £
<i>Current tax:</i>		
Corporation tax	71,632	29,600
Adjustments in respect of prior periods	829	(2,239)
<i>Deferred tax:</i>		
Origination and reversal of timing differences	(1,213)	1,949
Adjustments in respect of prior periods	(829)	1,086
Effect of changes in tax rate	946	116
Income tax reported in the Statement of Profit or Loss	<u>71,365</u>	<u>30,512</u>

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

ARNOLD CLARK INSURANCE SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019

7. Income Tax (continued)

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

	2019 £	2018 £
Accounting profit before income tax	370,486	165,778
At UK corporation tax rate of 19% (2018 - 19%)	70,392	31,498
Tax effect of non-deductible expenses or non-taxable items of income	27	51
Effect of changes in tax rates	946	116
Adjustments in respect of prior periods	-	(1,153)
At the effective income tax rate of 19.26% (2018: 18.41%)	71,365	30,512

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

	2019 £	2018 £
Decelerated capital allowances	12,594	11,482
Other timing differences	308	324
Deferred tax asset	12,902	11,806

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. This change had been substantively enacted at the balance sheet date, and therefore the deferred tax assets and liabilities at 31 December 2019 have 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.

A reduction in the UK corporation tax rate to 17% from 1 April 2020 was substantively enacted in the UK Finance Act 2016. The budget on 11 March 2020 confirmed the Government's intention that the corporation tax rate will remain at 19%. Had this been substantively enacted at 31 December 2019, the overall deferred tax asset would have increased by £1,164.

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8. Property, plant and equipment

	<i>Office Equipment</i>	<i>Motor Vehicles</i>	<i>Total</i>
	£	£	£
Cost:			
At 1 January 2019	55,733	92,933	148,666
Additions	-	49,176	49,176
Disposals	-	(53,489)	(53,489)
At 31 December 2019	55,733	88,620	144,353
Depreciation:			
At 1 January 2019	55,733	17,908	73,641
Provided during the year	-	27,322	27,322
Disposals	-	(18,191)	(18,191)
At 31 December 2019	55,733	27,039	82,772
Net book value:			
At 31 December 2019	-	61,581	61,581
At 31 December 2018	-	75,025	75,025

9. Trade and other receivables

	<i>2019</i>	<i>2018</i>
	£	£
Trade debtors	126,287	188,637
Other debtors	19,469	22,132
Prepayments and accrued income	82,266	12,567
Amounts due from group undertakings (receivable on demand)	2,040	500
	230,062	223,836

10. Issued Share Capital

	<i>Authorised</i>	<i>Allotted, called up and fully paid</i>
	<i>2019</i>	<i>2018</i>
	<i>No.</i>	<i>No.</i>
	£	£
Ordinary shares of £1 each	1,000	1,000

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11. Trade and other payables

	2019 £	2018 £
Trade creditors	387,082	188,434
Accruals and deferred income	25,537	26,639
Amounts due to group undertakings (payable on demand)	83,901	230,499
	<u>496,520</u>	<u>445,572</u>

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 2019 the other companies included in the guarantee had net funds of £89,703,618 (2018 - £98,058,814) 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.

ARNOLD CLARK INSURANCE SERVICES LIMITED

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for the year ended 31 December 2019

14. Events after the reporting date

Following the balance sheet date, Covid-19 has spread rapidly. The Government has implemented significant restrictions on movement of people and trade in order to contain the further spread of virus. In accordance with IAS 10, the impact of Covid-19 is a non-adjusting event at the balance date. This note sets out the subsequent events considered material to the Company up to the date of this report.

In response to the Covid-19 pandemic, the Company initially implemented enhanced hygiene rules and, on 24 March 2020, in line with Government advice the Company temporarily closed our office. As the early impact of Covid-19 became apparent the Company implemented a number of mitigating actions in anticipation of the tougher conditions to come. These actions were designed to protect our net cash position and included restrictions on non-essential capital expenditure, reduction in purchases, freeze on staff recruitment and limiting discretionary spend.

Following closure of our office we took the decision to temporarily furlough a number of our employees. From that point onwards, the Company claimed the maximum support available for furloughed staff under the Government's Job Retention Scheme.

In anticipation of a reopening of our office, the Company commenced a program of to create robust hygiene and social distancing procedures to protect our employees and our customers. This includes the development of a new Social Distancing Policy and related training programmes, purchase of personal protective equipment along with setting up protective screens for use through the main areas where customers will interact with our staff and related safety signage.

The Covid-19 pandemic has become a worldwide crisis and at the date of this report the impacts are still evolving and cannot yet be accurately measured. The cessation of certain services presented an immediate cash flow challenge for the Company. Our responses are detailed above and in our assessment of going concern on page 14.

At December 2019, Arnold Clark Automobiles group had cash and readily realisable financial asset resources of £230m. At the end of May these resources had risen to £290m as a result of the increased focus on cash management, application of mitigating actions and significant working capital inflows which are expected to reverse post commencement of trading as trading becomes more normalised over the remainder of 2020 and 2021.