ARNOLD CLARK INSURANCE SERVICES LIMITED

ANNUAL REPORT

For the year ended 31 December 2017

Registered Number: 192797 (Scotland)

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* (Appointed 24 May 2017)

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

STRATEGIC REPORT

The Directors present their Strategic Report for the year ended 31 December 2017.

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:

	2017	*2016*	*Change*
Gross written premiums	£5,190,437	£4,771,851	8.8%
Revenue	£1,447,326	£1,398,704	3.5%
Loss before tax	£207,883	£23,877	770.6%

Despite operating in a highly competitive industry, both gross written premiums and revenue increased in 2017. Retention rates on both our personal and commercial agencies remain high as we continue to focus on our customer offering and experience.

Substantial investment was made in advertising and promotional costs in the year and this contributed significantly to the increase in loss before tax. Whilst this undoubtedly raised the profile of the Company, it failed to deliver the anticipated financial returns in the current accounting period. All such expenditure has now ceased but we do anticipate that the Company will benefit in the coming years from the increased publicity.

With our commercial agency now well established and further lines of business due to launch, we look forward with confidence in what should be a year of growth for the business and a return to profitability.

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.

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 March 2018

ARNOLD CLARK INSURANCE SERVICES LIMITED

DIRECTORS' REPORT

The Directors present their report for the year ended 31 December 2017.

Results and dividends

The loss on ordinary activities before taxation amounted to £207,883 (2016 - loss of £23,877). The loss for the year after taxation amounted to £167,944 (2016 - loss of £22,448).

The Directors do not recommend the payment of a dividend (2016 - nil). The loss of £167,944 (2016 - loss of £22,448) 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.

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

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 March 2018

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.

INDEPENDENT AUDITORS' REPORT
to the members of Arnold Clark Insurance Services Limited

Opinion

We have audited the financial statements of Arnold Clark Insurance Services Limited for the year ended 31 December 2017 which comprise Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the related notes 1 to 13, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 below. 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 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.

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the 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.

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's Report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

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 not identified material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of Directors

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, 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.

INDEPENDENT AUDITORS' REPORT

to the members of Arnold Clark Insurance Services Limited

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 Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

Ernst & Young LLP

Mark Harvey
Senior Statutory Auditor
for and on behalf of Ernst & Young LLP,
Statutory Auditor, Glasgow
28 March 2018

ARNOLD CLARK INSURANCE SERVICES LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2017

	Notes	2017 £	2016 £
Revenue	4	1,447,326	1,398,704
Administrative expenses		(1,655,992)	(1,423,872)
Operating loss	5	(208,666)	(25,168)
Finance income - bank interest receivable		783	1,291
Loss before taxation from continuing operations		(207,883)	(23,877)
Income tax	7	39,939	1,429
Loss for the year from continuing operations		(167,944)	(22,448)
Other comprehensive income		-	-
Total comprehensive loss for the year		(167,944)	(22,448)

All operations were classed as continuing operations during the year.

STATEMENT OF FINANCIAL POSITION
at 31 December 2017

	Notes	2017 £	2016 £
Assets			
Non-current assets			
Property, plant and equipment	8	93,021	77,214
Deferred tax assets	7	14,957	12,273
		107,978	89,487
Current assets			
Trade and other receivables	9	297,703	265,280
Cash at bank and in hand		825,410	1,021,503
		1,123,113	1,286,783
Total assets		1,231,091	1,376,270
Equity and liabilities			
Called up share capital	10	1,000	1,000
Profit and loss account		702,119	870,063
Total equity		703,119	871,063
Current liabilities			
Trade and other payables	11	527,972	505,207
Total liabilities		527,972	505,207
Total equity and liabilities		1,231,091	1,376,270

Approved by the Board on 28 March 2018

E Hawthorne
Director

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

	Share capital	*Profit and loss account*	*Total*
	£	*£*	*£*
At 1 January 2016	1,000	892,511	893,511
Total comprehensive loss	-	(22,448)	(22,448)
At 31 December 2016	1,000	870,063	871,063
At 1 January 2017	1,000	870,063	871,063
Total comprehensive loss	-	(167,944)	(167,944)
At 31 December 2017	1,000	702,119	703,119

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 2017. 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.

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 and Other Comprehensive Income 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.

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 and Other Comprehensive Income. The losses arising from impairment are recognised in the Statement of Profit or Loss and Other Comprehensive Income in finance costs for loans and in cost of sales or other operating expenses for receivables. Interest is not recognised on short term receivables where the interest would be immaterial. This category generally applies to trade and other receivables.

Impairment of financial assets

For financial assets carried at amortised cost, 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 and Other Comprehensive Income. Interest income (recorded as finance income in the Statement of Profit or Loss and Other Comprehensive Income) 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 theStatement of Profit or Loss and Other Comprehensive Income.

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 incepted.

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 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.

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.

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

	2017	2016
	£	£
This is stated after charging/(crediting):		
Depreciation	28,807	27,527
Gain on disposal of fixed assets	(7,542)	(4,306)

The auditors' remuneration totalled £5,000 (2016: £5,000) and was paid by the parent undertaking, Arnold Clark Automobiles Limited.

6. Employee benefit expenses

	2017	2016
	£	£
Wages and salaries	914,618	847,040
Social security costs	72,614	64,612
Pension costs	16,120	15,736
	1,003,352	927,388

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

	2017	2016
	No.	No.
Office and management	46	45

Directors emoluments were as follows:

	2017	2016
	£	£
Wages and salaries	98,724	74,186

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. Tax

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

	2017	2016
	£	£
Current tax:		
Corporation tax	(37,254)	(2,639)
Adjustments in respect of prior periods	-	658
Deferred tax:		
Origination and reversal of timing differences	(1,383)	(929)
Adjustments in respect of prior periods	-	(649)
Effect of changes in tax rate	(1,302)	2,130
Income tax reported in the Statement of Profit or Loss	(39,939)	(1,429)

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:

	2017	2016
	£	£
Accounting loss before income tax	(207,883)	(23,877)
At UK corporation tax rate of 19.25% (2016 - 20.00%)	(40,017)	(4,776)
Tax effect of non-deductible expenses or non-taxable items of income	1,380	1,208
Effect of changes in tax rates	(1,302)	2,130
Adjustments in respect of prior periods	-	9
At the effective income tax rate of 19.21% (2016: 5.98%)	(39,939)	(1,429)

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

	2017	2016
	£	£
Decelerated capital allowances	14,617	11,972
Other timing differences	340	301
Deferred tax asset	14,957	12,273

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 20% 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 2017 has been calculated based on these rates.

8. Property, plant and equipment

	Office Equipment £	Motor Vehicles £	Total £
Cost:			
At 1 January 2017	149,669	87,063	236,732
Additions	-	93,447	93,447
Disposals	(93,936)	(71,877)	(165,813)
At 31 December 2017	55,733	108,633	164,366
Depreciation:			
At 1 January 2017	143,148	16,370	159,518
Provided during the year	3,946	24,861	28,807
Disposals	(93,936)	(23,044)	(116,980)
At 31 December 2017	53,158	18,187	71,345
Net book value:			
At 31 December 2017	2,575	90,446	93,021
At 31 December 2016	6,521	70,693	77,214

9. Trade and other receivables

	2017 £	2016 £
Trade debtors	271,516	195,054
Other debtors	14,449	21,933
Prepayments and accrued income	7,723	48,293
Amounts due from group undertakings	4,015	-
	297,703	265,280

10. Share Capital

	Authorised		Allotted, called up and fully paid	
	2017 No.	2016 No.	2017 £	2016 £
Ordinary shares of £1 each	1,000	1,000	1,000	1,000

11. Trade and other payables

	2017	2016
	£	£
Trade creditors	434,670	323,849
Other creditors	-	69,741
Accruals and deferred income	41,523	18,290
Amounts due to group undertakings	51,779	93,327
	527,972	505,207

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. 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 2017 the other companies included in the guarantee had net funds of £118,255,418 (2016 - £109,357,325) 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.