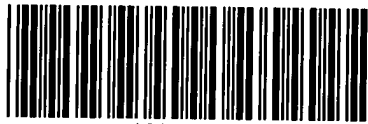


Company registration number SC192797 (Scotland)

ARNOLD CLARK INSURANCE SERVICES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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COMPANIES HOUSE

ARNOLD CLARK INSURANCE SERVICES LIMITED

COMPANY INFORMATION

Directors

E Hawthorne
J T Graham
J A Clark

Secretary

S K Thorpe

Company number

SC192797

Registered office

454 Hillington Road
Glasgow
G52 4FH

Auditor

Deloitte LLP
110 Queen St
Glasgow
G1 3BX

ARNOLD CLARK INSURANCE SERVICES LIMITED

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ARNOLD CLARK INSURANCE SERVICES LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The Directors present the strategic report for the year ended 31 December 2022.

Fair review of the business

The Company's principal activities during the year were the provision of insurance services.

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

	2022	2021	Change
Revenue	£1,553,308	£1,400,754	11%
Gross written premium	£5,014,286	£4,871,982	3%
Profit before tax	£376,289	£254,858	48%

The Company experienced an increase in revenue despite a slight reduction in units within personal lines. Commercial insurance and group products have been the principal drivers of growth in 2022 with Gross written premium increasing by 3%. This helped to deliver an increase in Profit before tax of £122k.

Despite the insurance market continuing to harden, with rates increasing across all classes, retention rates across the business continue to be strong. This demonstrates the customer loyalty we experience and our successful renewal strategy, focusing on competitive pricing and strong customer service levels.

2022 has continued to see a significant growth in the volume of sales on our key vehicle add-on products – SMART Insurance, Service Plan and Tracker, and the Company is continually looking for further opportunities to diversify the products on offer.

Principal risks and uncertainties

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

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

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.

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.

Approved by the board and signed on its behalf by



E Hawthorne
Director

13 September 2023

ARNOLD CLARK INSURANCE SERVICES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The Directors present their annual report and financial statements for the year ended 31 December 2022.

Principal activities

The principal activity of the company continued to be that of the provision of insurance services.

Results and dividends

The results for the year are set out on page 8.

No ordinary dividends were paid. The Directors do not recommend payment of a final dividend.

Directors

The Directors who held office during the year and up to the date of signature of the financial statements were as follows:

E Hawthorne

J T Graham

J A Clark

Qualifying third party indemnity provisions

The Company has made qualifying third party indemnity provisions for the benefit of its Directors during the year. These provisions remain in force at the reporting date.

Post reporting date events

There are no material subsequent events that require disclosure.

Future developments

There are no future developments that the Directors expect to have a material impact on the Company.

Auditor

In accordance with the company's articles, a resolution proposing that Deloitte LLP be reappointed as auditor of the company will be put at a General Meeting.

Statement of disclosure to auditor

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the Directors individually have taken all the necessary steps that they ought to have taken as Directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2016.

ARNOLD CLARK INSURANCE SERVICES LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Going concern

The Directors have taken into consideration that 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 Group remains in a very strong financial position with net funds available (net cash and readily realisable financial assets) of £436.7m at 30 June 2023 (30 June 2022 - £487.8m).

The Directors have reviewed Group cash flow forecasts to the end of the 2024 financial year. 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 31 December 2024. The forecast 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 substantial available cash across this period.

After making enquiries, the Directors consider that the Group 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.

On behalf of the board



E Hawthorne
Director

13 September 2023

ARNOLD CLARK INSURANCE SERVICES LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

The Directors are responsible for preparing the annual 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 these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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.

ARNOLD CLARK INSURANCE SERVICES LIMITED

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 2022 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 Income Statement;
- the Statement of Financial Position;
- the Statement of Changes in Equity; and
- the related notes 1 to 18.

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 statement's 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

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

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 contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

ARNOLD CLARK INSURANCE SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF ARNOLD CLARK INSURANCE SERVICES LIMITED

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 responsibility 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.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Company's industry and its control environment and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of Directors, management and internal audit about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

We obtained an understanding of the legal and regulatory framework that the Company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address it are described below:

- Revenue recognition – we have pinpointed this risk to cut off as incorrect timing of recognition could give rise to a material error. We have selected a sample of revenue recorded pre and post year end and traced to documentation to confirm date of inception

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

ARNOLD CLARK INSURANCE SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF ARNOLD CLARK INSURANCE SERVICES LIMITED

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

Report on other legal and regulatory requirements

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.

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

13 September 2023

110 Queen St
Glasgow
G1 3BX

ARNOLD CLARK INSURANCE SERVICES LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £	2021 £
Revenue	4	1,553,308	1,400,754
Administrative expenses		(1,164,067)	(1,133,962)
Operating profit	5	389,241	266,792
Investment income	8	1,257	189
Finance costs	9	(14,209)	(12,123)
Profit before taxation		376,289	254,858
Tax on profit	10	(72,193)	(44,947)
Profit and total comprehensive income for the financial year		304,096	209,911

The notes on pages 11 to 20 form part of these financial statements.

ARNOLD CLARK INSURANCE SERVICES LIMITED

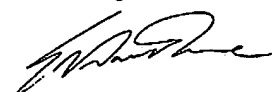
STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Notes	2022 £	£	2021 £	£
Non-current assets					
Property, plant and equipment	11		28,697		46,973
Current assets					
Trade and other receivables	12	159,722		186,925	
Cash and cash equivalents		2,275,479		1,909,024	
		<u>2,435,201</u>		<u>2,095,949</u>	
Current liabilities					
Trade and other payables	13	431,617		435,266	
Current tax liabilities		68,313		47,784	
		<u>499,930</u>		<u>483,050</u>	
Net current assets			1,935,271		1,612,899
Net assets			<u>1,963,968</u>		<u>1,659,872</u>
Equity					
Called up share capital	16		1,000		1,000
Retained earnings			1,962,968		1,658,872
Total equity			<u>1,963,968</u>		<u>1,659,872</u>

The notes on pages 11 to 20 form part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 13 September 2023 and are signed on its behalf by:



E Hawthorne
Director

Company registration number SC192797

ARNOLD CLARK INSURANCE SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital £	Retained earnings £	Total £
Balance at 1 January 2021	1,000	1,448,961	1,449,961
Year ended 31 December 2021:			
Profit and total comprehensive income for the year	-	209,911	209,911
Balance at 31 December 2021	1,000	1,658,872	1,659,872
Year ended 31 December 2022:			
Profit and total comprehensive income for the year	-	304,096	304,096
Balance at 31 December 2022	1,000	1,962,968	1,963,968

The notes on pages 11 to 20 form part of these financial statements.

ARNOLD CLARK INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

Company information

Arnold Clark Insurance Services Limited is a private company limited by shares incorporated in Scotland. The registered office is 454 Hillington Road, Glasgow, G52 4FH. The company's principal activities and nature of its operations are disclosed in the directors' report.

1.1 Accounting convention

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

As permitted by FRS 101, the company has taken advantage of the following disclosure exemptions from the requirements of IFRS:

- presentation of a statement of cash flows and related notes;
- disclosure of the objectives, policies and processes for managing capital;
- disclosure of key management personnel compensation;
- disclosure of the categories of financial instrument and the nature and extent of risks arising on these financial instruments;
- the effect of financial instruments on the statement of comprehensive income;
- comparative period reconciliations for the number of shares outstanding and the carrying amounts of property, plant and equipment, intangible assets, investment property and biological assets;
- disclosure of the future impact of new International Financial Reporting Standards in issue but not yet effective at the reporting date;
- a reconciliation of the number and weighted average exercise prices of share options, how the fair value of share-based payments was determined and their effect on profit or loss and the financial position;
- comparative narrative information; and
- related party disclosures for transactions with the parent or wholly owned members of the group.

Where required, equivalent disclosures are given in the group accounts of Arnold Clark Automobiles Limited. The group accounts of Arnold Clark Automobiles Limited are available to the public and can be obtained as set out in note 18.

1.2 Going concern

The Directors have taken into consideration that 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 Group remains in a very strong financial position with net funds available (net cash and readily realisable financial assets) of £436.7m at 30 June 2023 (30 June 2022 - £487.8m).

The Directors have reviewed Group cash flow forecasts to the end of the 2024 financial year. 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 31 December 2024. The forecast 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 substantial available cash across this period.

After making enquiries, the Directors consider that the Group 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.

ARNOLD CLARK INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.3 Revenue

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The company recognises revenue when it transfers control of a product or service to a customer.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

1.4 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

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

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

1.5 Impairment of tangible assets

At each reporting end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.6 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

ARNOLD CLARK INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.7 Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument. Financial assets are classified into specified categories, depending on the nature and purpose of the financial assets.

At initial recognition, financial assets classified as fair value through profit and loss are measured at fair value and any transaction costs are recognised in profit or loss. Financial assets not classified as fair value through profit and loss are initially measured at fair value plus transaction costs.

Financial assets held at amortised cost

Financial instruments are classified as financial assets measured at amortised cost where the objective is to hold these assets in order to collect contractual cash flows, and the contractual cash flows are solely payments of principal and interest. They arise principally from the provision of goods and services to customers (eg trade receivables). They are initially recognised at fair value plus transaction costs directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment where necessary.

Impairment of financial assets

Financial assets carried at amortised cost are assessed for indicators of impairment at each reporting end date.

The expected credit losses associated with these assets are estimated on a forward-looking basis. A broad range of information is considered when assessing credit risk and measuring expected credit losses, including past events, current conditions, and reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1.8 Financial liabilities

The company recognises financial debt when the company becomes a party to the contractual provisions of the instruments. Financial liabilities are classified as either 'financial liabilities at fair value through profit or loss' or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities, including borrowings, trade payables and other short-term monetary liabilities, are initially measured at fair value net of transaction costs directly attributable to the issuance of the financial liability. They are subsequently measured at amortised cost using the effective interest method. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

1.9 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

ARNOLD CLARK INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.11 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.12 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.13 Grants

Government grants are recognised when there is reasonable assurance that the grant conditions will be met and the grants will be received.

2 Adoption of new and revised standards and changes in accounting policies

Standards which are in issue but not yet effective

The Company has not adopted any new accounting standards in the current year or early adopted any standards in issue but not yet effective as at the balance sheet date.

ARNOLD CLARK INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

3 Critical accounting estimates and judgements

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

	2022 £	2021 £
Revenue analysed by class of business		
Provision of insurance services	1,553,308	1,400,754
	<u>1,553,308</u>	<u>1,400,754</u>
	2022 £	2021 £
Revenue analysed by geographical market		
UK	1,553,308	1,400,754
	<u>1,553,308</u>	<u>1,400,754</u>

5 Operating profit

	2022 £	2021 £
Operating profit for the year is stated after charging/(crediting):		
Depreciation of property, plant and equipment	12,041	25,708
Profit on disposal of property, plant and equipment	(14,014)	(3,299)
	<u>12,041</u>	<u>25,708</u>
	<u>(14,014)</u>	<u>(3,299)</u>

The auditor's remuneration in respect of the audit of the financial statements totalled £12,000 (2021 - £11,000) and was paid by the parent undertaking Arnold Clark Automobiles Limited.

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2022 Number	2021 Number
Office and management	32	32
	<u>32</u>	<u>32</u>

ARNOLD CLARK INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

6 Employees

(Continued)

Their aggregate remuneration comprised:

	2022 £	2021 £
Wages and salaries	840,980	823,930
Social security costs	80,993	76,640
Pension costs	30,259	30,823
	<u>952,232</u>	<u>931,393</u>

7 Directors' remuneration

	2022 £	2021 £
Remuneration for qualifying services	<u>88,712</u>	<u>162,540</u>

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.

8 Investment income

	2022 £	2021 £
Interest income		
Interest on bank deposits	<u>1,257</u>	<u>189</u>

9 Finance costs

	2022 £	2021 £
Interest on financial liabilities measured at amortised cost:		
Other interest payable	<u>14,209</u>	<u>12,123</u>

10 Taxation

	2022 £	2021 £
Current tax		
UK corporation tax on profits for the current period	68,313	47,785
Adjustments in respect of prior periods	(592)	(1,087)
Total UK current tax	<u>67,721</u>	<u>46,698</u>

ARNOLD CLARK INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

10 Taxation

(Continued)

	2022 £	2021 £
Deferred tax		
Origination and reversal of temporary differences	3,199	(2,853)
Benefit arising from a previously unrecognised tax loss, tax credit or temporary difference	1,273	1,102
	<u>4,472</u>	<u>(1,751)</u>
Total tax charge	<u>72,193</u>	<u>44,947</u>

The charge for the year can be reconciled to the profit per the income statement as follows:

	2022 £	2021 £
Profit before taxation	<u>376,289</u>	<u>254,858</u>
Expected tax charge based on a corporation tax rate of 19.00% (2021: 19.00%)	71,495	48,423
Effect of expenses not deductible in determining taxable profit	138	-
Effect of change in UK corporation tax rate	(121)	(3,491)
Under/(over) provided in prior years	(592)	(1,087)
Deferred tax adjustments in respect of prior years	1,273	1,102
Taxation charge for the year	<u>72,193</u>	<u>44,947</u>

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

ARNOLD CLARK INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

11 Property, plant and equipment

	Office equipment £	Motor vehicles £	Total £
Cost			
At 1 January 2022	68,224	62,220	130,444
Disposals	-	(19,188)	(19,188)
At 31 December 2022	68,224	43,032	111,256
Accumulated depreciation and impairment			
At 1 January 2022	30,848	52,623	83,471
Charge for the year	8,679	3,362	12,041
Eliminated on disposal	-	(12,953)	(12,953)
At 31 December 2022	39,527	43,032	82,559
Carrying amount			
At 31 December 2022	28,697	-	28,697
At 31 December 2021	37,376	9,597	46,973

12 Trade and other receivables

	Current 2022 £	2021 £	Non-current 2022 £	2021 £
Trade receivables	121,550	149,021	-	-
Other receivables	2,011	3,560	-	-
Prepayments and accrued income	23,405	17,116	-	-
	146,966	169,697	-	-
Deferred tax asset	-	-	12,756	17,228
	146,966	169,697	12,756	17,228

13 Trade and other payables

	2022 £	2021 £
Trade payables	274,103	313,613
Accruals and deferred income	19,529	15,002
Other payables	137,985	106,651
	431,617	435,266

ARNOLD CLARK INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

14 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period.

	Accelerated Capital Allowances £
Asset at 1 January 2021	(15,476)
Deferred tax movements in prior year	
Charge/(credit) to profit or loss	(1,752)
Asset at 1 January 2022	(17,228)
Deferred tax movements in current year	
Charge/(credit) to profit or loss	4,472
Asset at 31 December 2022	(12,756)

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 deferred tax asset at 31 December 2022 has 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.

15 Retirement benefit schemes

	2022 £	2021 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	30,259	30,823

The Company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the Company in an independently administered fund.

16 Share capital

	2022 Number	2021 Number	2022 £	2021 £
Ordinary share capital				
Authorised				
Ordinary shares of £1 each	1,000	1,000	1,000	1,000
Issued and fully paid				
Ordinary shares of £1 each	1,000	1,000	1,000	1,000

ARNOLD CLARK INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

17 Contingent liabilities

Under the terms of an intercompany 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 2022, the other companies included in the guarantee had net funds of £105,478,414 (2021 - £182,947,788) due from The Royal Bank of Scotland plc.

18 Controlling party

The Directors report that Arnold Clark Automobiles Limited (registered in Scotland at 454 Hillington Road, Glasgow, G52 4FH) 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 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.