

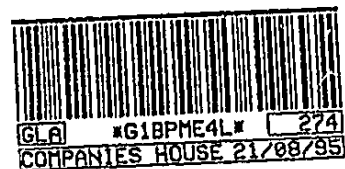
23 - 08 - 95

Arnold Clark Finance Limited

Report and Accounts

31 December 1994

Registered No. 39597



Arnold Clark Finance Limited

DIRECTORS, PRINCIPAL OFFICERS AND ADVISERS

DIRECTORS

J A CLARK	-	CHAIRMAN
H D WALLACE	-	MANAGING DIRECTOR

PRINCIPAL OFFICERS

E HAWTHORNE C.A.	-	FINANCIAL CONTROLLER
D H KEENAN	-	GENERAL MANAGER CONTRACT HIRE
A J CLARK	-	GENERAL MANAGER HIRE DRIVE
D F KERR	-	COMPANY SECRETARY

REGISTERED OFFICE
43 ALLISON STREET
GLASGOW G42 8NJ

REGISTERED NUMBER
39597

AUDITORS
ERNST & YOUNG
GEORGE HOUSE
50 GEORGE SQUARE
GLASGOW G2 1RR

TAX ADVISERS
GRANT THORNTON
112 WEST GEORGE STREET
GLASGOW G2 1QF

SOLICITORS

GORDON & SMYTH
420 SAUCHIEHALL STREET
GLASGOW G2 3JS

COCHRAN SAYERS & COOK
33A GORDON STREET
GLASGOW G1 3PQ

PRINCIPAL BANKERS
ROYAL BANK OF SCOTLAND PLC
1304 DUKE STREET
GLASGOW G31 5PZ

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Arnold Clark Finance Limited DIRECTORS' REPORT

The directors submit their report and accounts for the year ended 31 December 1994.

RESULTS AND DIVIDENDS

The profit on ordinary activities before taxation amounted to £4,408,196. The trading profit for the year, after taxation, amounted to £2,871,197.

The directors recommend that no dividend be paid which leaves the profit of £2,871,197 to be retained.

REVIEW OF THE BUSINESS

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

The directors are pleased to report that the company's sales activity and pre tax profits have increased by 7.5% and 29% respectively over the 1993 results. These increases have arisen from an improved sales performance, achieved by a consistent Contract Hire pricing structure and a competitive Hire Drive pricing structure, a continued period of stability in interest rates, effective control of overhead expenditure and the maintenance of our quality customer base. The directors are of the opinion that this level of activity will be continued successfully in 1995 despite indications that interest rates are beginning to rise.

The balance sheet discloses net current liabilities of £22.9m, arising primarily as a result of hire purchase payments due on contract hire vehicles. These payments will be met from the vehicle rental incomes receivable in 1995 arising under the relevant contract hire agreements.

DISABLED EMPLOYEES

The group's policy on disabled employees is contained within the Directors report of Arnold Clark Automobiles Limited.

DIRECTORS AND THEIR INTERESTS

The directors of the company during the year and at the date of this report are:

J A Clark
H D Wallace

No director had any interest in the ordinary share capital of the company during the year. The interests of J A Clark in the share capital of Arnold Clark Automobiles Limited, the ultimate holding company, are disclosed in those accounts. H D Wallace has no interest in the ordinary share capital of the holding company.

J A Clark retires by rotation and, being eligible, offers himself for re-election.

AUDITORS

Ernst & Young have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be submitted at the annual general meeting.

On behalf of the board



H D Wallace
Managing Director

28 February 1995.

Arnold Clark Finance Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which 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 accounts, 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 accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. 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.

REPORT OF THE AUDITORS

to the members of Arnold Clark Finance Limited

We have audited the accounts on pages 5 to 13 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 8.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 3 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

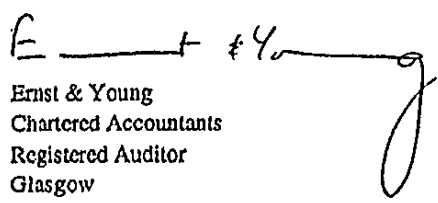
BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31 December 1994 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young
Chartered Accountants
Registered Auditor
Glasgow

28 February 1995.

Arnold Clark Finance Limited
PROFIT AND LOSS ACCOUNT
for the year ended 31 December 1994

	Notes	1994 £	1993 £
TURNOVER	2	39,280,164	36,526,285
Cost of sales		<u>26,179,631</u>	<u>25,560,277</u>
GROSS PROFIT		13,100,533	10,966,008
Administrative expenses		<u>4,574,651</u>	<u>3,340,844</u>
Operating profit	3	<u>8,525,882</u>	<u>7,625,164</u>
Bank interest receivable		-	15,766
Interest payable	6	<u>4,117,686</u>	<u>4,225,733</u>
		4,117,686	4,209,967
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		4,408,196	3,415,197
Tax on profit on ordinary activities	7	<u>1,536,999</u>	<u>1,113,444</u>
RETAINED PROFIT FOR THE YEAR		2,871,197	2,301,753
Retained profit brought forward		<u>9,585,969</u>	<u>7,284,216</u>
Retained profit carried forward		<u>12,457,166</u>	<u>9,585,969</u>

RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the profit attributable to shareholders of the company of £2,871,197 in the year ended 31 December 1994 and of £2,301,753 in the year ended 31 December 1993.

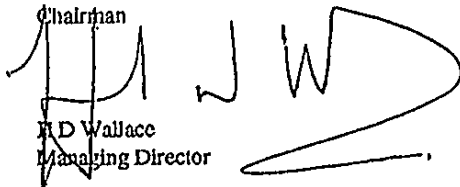
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Arnold Clark Finance Limited
BALANCE SHEET
at 31 December 1994

	Notes	1994 £	1993 £
FIXED ASSETS			
Tangible assets	8	71,781,476	68,659,099
CURRENT ASSETS			
Debtors	10	3,988,738	5,844,987
Cash at bank and in hand	9	21,589,313	12,717,604
		25,578,051	18,562,591
CREDITORS: amounts falling due within one year	11	48,498,996	44,208,581
NET CURRENT LIABILITIES		22,920,945	25,645,990
TOTAL ASSETS LESS CURRENT LIABILITIES		48,860,531	43,013,109
CREDITORS: amounts falling due after more than one year:			
Obligations under hire purchase contracts	13	29,297,337	26,313,136
Rentals in advance		990,938	1,146,096
		30,288,275	27,459,232
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	14	6,100,090	5,952,908
		12,472,166	9,600,969
CAPITAL AND RESERVES			
Called up share capital	15	15,000	15,000
Profit and loss account		12,457,166	9,585,969
		12,472,166	9,600,969



J A Clark
Chairman



R D Wallace
Managing Director

28 February 1995

Arnold Clark Finance Limited
CASH FLOW STATEMENT
for the year ended 31 December 1994

	<i>Notes</i>	<i>1994</i> £	<i>1993</i> £
NET CASH INFLOW FROM OPERATING ACTIVITIES	4	26,443,962	25,297,895
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest receivable		-	766
Interest elements of hire purchase payments		(4,030,041)	(4,284,770)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENT AND SERVICING OF FINANCE		(4,030,041)	(4,284,004)
TAXATION			
Corporation tax (paid)/recovered		1,506,381	(2,233,356)
INVESTING ACTIVITIES			
Payments to acquire fixed assets		(46,551,086)	(43,385,396)
Receipts from sales of fixed assets		26,655,127	28,907,482
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(19,895,959)	(14,477,914)
NET CASH INFLOW BEFORE FINANCING		4,024,343	4,302,621
FINANCING			
Repayment of capital element of hire purchase borrowings		(39,859,194)	(38,858,524)
New hire purchase borrowings		44,706,560	41,391,725
NET CASH INFLOW FROM FINANCING	12	4,847,366	2,533,201
INCREASE IN CASH AND CASH EQUIVALENTS	9	8,871,709	6,835,822

Arnold Clark Finance Limited
NOTES TO THE ACCOUNTS
at 31 December 1994

1. ACCOUNTING POLICIES

Accounting convention

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

Depreciation

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

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

Deferred taxation

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

Leasing and hire purchase commitments

Assets obtained under hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to the profit and loss account over the period of the contract and represents a constant proportion of the balance of capital repayments outstanding.

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

2. TURNOVER

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

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

3. OPERATING PROFIT

	1994	1993
	£	£
(a) This is stated after charging:		
Directors' remuneration (see below)	76,093	71,661
Auditors' remuneration - audit services	12,750	12,000
Depreciation - owned assets	46,143	61,856
- assets under hire purchase contracts	16,654,698	15,119,750
Loss on disposal of fixed assets	<u>72,740</u>	<u>-</u>

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Arnold Clark Finance Limited
NOTES TO THE ACCOUNTS
at 31 December 1994

3. OPERATING PROFIT (continued)

	1994	1993
	£	£
(b) Directors' remuneration:		
Fees	-	-
Other emoluments (including pension contributions)	76,093	71,661
	<u>76,093</u>	<u>71,661</u>

The chairman's emoluments, excluding pension contributions, were £Nil (1993 - £Nil). The emoluments of the highest paid director were £76,093 (1993 - £67,907).

4. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1994	1993
	£	£
Operating profit	8,525,882	7,625,163
Depreciation	16,700,840	15,181,606
Adjustment on disposal of fixed assets	72,740	-
(Increase)/decrease in working capital:		
Debtors	192,950	(348,031)
Creditors	951,550	2,143,095
Net cash inflow from operating activities	<u>26,443,962</u>	<u>25,297,895</u>

5. STAFF COSTS

	1994	1993
	£	£
Wages and salaries	1,042,070	1,751,994
Social security costs	199,229	170,380
Other pension costs	-	34,149
	<u>2,241,299</u>	<u>1,957,023</u>

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

	No.	No.
Office and management	227	146
Sales	60	57
	<u>287</u>	<u>203</u>

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Arnold Clark Finance Limited
NOTES TO THE ACCOUNTS
at 31 December 1994

6. INTEREST PAYABLE

	1994	1993
	£	£
Payable under hire purchase contracts	4,117,686	4,225,733

7. TAXATION CHARGE

	1994	1993
	£	£
Based on the profit for the year:		
Corporation tax at 33%	1,329,445	96,547
Deferred taxation	144,916	1,042,813
	1,474,361	1,139,360
Taxation under/(over) provided in previous years:		
Corporation tax	60,372	(1,670,632)
Deferred taxation	2,266	1,644,716
	1,536,999	1,113,444

8. TANGIBLE FIXED ASSETS

	<i>Freehold property</i>	<i>Computer equipment</i>	<i>Motor vehicles</i>	<i>Fixtures and fittings</i>	<i>Total</i>
	£	£	£	£	£
Cost:					
At 1 January 1994	127,014	464,588	93,018,079	26,351	93,636,032
Additions	-	103,847	46,442,809	4,430	46,551,086
Disposals	-	(464,588)	(42,179,327)	-	(42,643,915)
At 31 December 1994	127,014	103,847	97,281,561	30,781	97,543,203
Depreciation:					
At 1 January 1994	12,325	373,664	24,577,344	13,600	24,976,933
Provided during the year	2,540	37,426	16,658,851	2,023	16,700,840
Disposals	-	(391,847)	(15,524,199)	-	(15,916,046)
At 31 December 1994	14,865	19,243	25,711,996	15,623	25,761,727
Net book value:					
At 31 December 1994	112,149	84,604	71,569,565	15,158	71,781,476
At 1 January 1994	114,689	90,924	68,440,735	12,751	68,659,099

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

Arnold Clark Finance Limited
NOTES TO THE ACCOUNTS
at 31 December 1994

9. CASH AND CASH EQUIVALENTS

Analysis of changes in cash and cash equivalents during the year

	1994	1993
	£	£
Balance at 1 January	12,717,604	5,881,782
Net cash inflow	8,871,709	6,835,822
Balance at 31 December	<u>21,589,313</u>	<u>12,717,604</u>

10. DEBTORS

	1994	1993
	£	£
Trade debtors	1,336,536	687,066
Amount due by parent company	992,495	2,071,647
Corporation tax recoverable	-	1,663,300
Other debtors	925,114	775,878
Prepayments and accrued income	734,593	647,096
	<u>3,988,738</u>	<u>5,844,987</u>

11. CREDITORS: amounts falling due within one year

	1994	1993
	£	£
Obligations under hire purchase contracts (note 13)	29,702,815	27,839,650
Trade creditors	1,178,605	250,802
Corporation tax payable	1,329,445	96,547
Other taxes and social security costs	1,674,683	1,518,980
Other creditors	3,984,130	3,608,627
Accruals and deferred income	10,614,699	10,865,962
Amounts due to fellow subsidiaries	14,619	28,013
	<u>48,498,996</u>	<u>44,208,581</u>

12. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	1994		1993	
	Share capital	Hire purchase finance	Share capital	Hire purchase finance
	£	£	£	£
Balance at 1 January	15,000	54,152,786	15,000	51,619,585
Cash inflow from financing	-	4,847,366	-	2,533,201
Balance at 31 December	<u>15,000</u>	<u>59,000,152</u>	<u>15,000</u>	<u>54,152,786</u>

Arnold Clark Finance Limited
NOTES TO THE ACCOUNTS
at 31 December 1994

13. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS

	1994 £	1993 £
Amounts payable:		
Within one year (note 11)	29,702,815	27,839,650
Between two and five years	29,297,337	26,313,136
	<u>59,000,152</u>	<u>54,152,786</u>

14. DEFERRED TAXATION

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

	1994 £	1993 £
Accelerated capital allowances	<u>6,100,090</u>	<u>5,952,908</u>

15. SHARE CAPITAL

	1994 No.	Authorised 1993 No.	Allotted, called up and fully paid 1994 £	1993 £
Ordinary shares of £1 each	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>

16. RECONCILIATION OF SHAREHOLDERS' FUNDS

	1994 £	1993 £
At 1 January	9,600,969	7,299,216
Profit for the year	2,871,197	2,301,753
At 31 December	<u>12,472,166</u>	<u>9,600,969</u>

Arnold Clark Finance Limited
NOTES TO THE ACCOUNTS
 at 31 December 1994

17. OTHER FINANCIAL COMMITMENTS

As agents for Motability Finance Limited, the company is committed to purchase all vehicles which are in a suitable condition and have been maintained under a motability contract by the company upon the expiry of the contract. As at 31 December 1994 the company maintained 11,149 (1993 - 8,258) vehicles under contract with a pre-arranged purchase cost of £43,218,372 (1993 - £31,690,793) of which 2,111 (1993 - 1,634) with a pre-arranged purchase cost of £9,155,925 (1992 - £6,484,239) terminate within one year.

18. CONTINGENT LIABILITIES

Under a group registration for Value Added Tax the company is jointly and severally liable for Value Added Tax due by any member company of the group registration. At 31 December 1994 the liability amounted to £1,732,843 (1993 - £1,306,689).

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

19. ULTIMATE PARENT COMPANY

The directors report that Arnold Clark Automobiles Limited (registered in Scotland) is the company's ultimate parent company. This is the only parent undertaking for which group accounts are drawn up and of which the company is a member. The address from which copies of these group accounts are available to the public is: The Registrar of Companies, Companies House, 100-102 George Street, Edinburgh, EH2 3DJ.