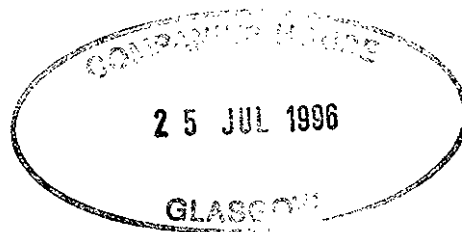


Arnold Clark Finance Limited

Report and Accounts

31 December 1995

Registered No. 39597



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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

Arnold Clark Finance Limited

DIRECTORS' REPORT

The directors submit their report and accounts for the year ended 31 December 1995.

RESULTS AND DIVIDENDS

The profit on ordinary activities before taxation amounted to £4,726,048. The trading profit for the year, after taxation, amounted to £3,237,824.

The directors recommend that no dividend be paid which leaves the profit of £3,237,824 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 while the company's sales activity has remained constant level, pre-tax profits have increased by 7% over the 1994 results. This increase has arisen from 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 1996.

The balance sheet discloses net current liabilities of £24.9m 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 1996 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

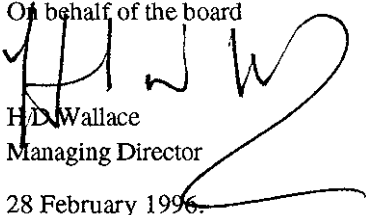
No director had any interest in the ordinary share capital of the company during the year. The interests of J A Clark in the share capital of Arnold Clark Automobiles Limited, the ultimate holding company, are disclosed in those accounts. H D Wallace has no interest in the ordinary share capital of the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

H D Wallace 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 1996.

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.

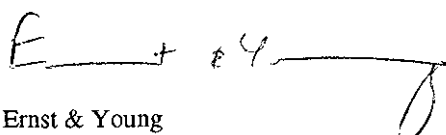
BASIS OF OPINION

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 1995 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 1996.

Arnold Clark Finance Limited
PROFIT AND LOSS ACCOUNT
for the year ended 31 December 1995

	<i>Notes</i>	<i>1995</i> £	<i>1994</i> £
TURNOVER	2	39,497,260	39,280,164
Cost of sales		25,790,750	26,179,631
GROSS PROFIT		13,706,510	13,100,533
Administrative expenses		3,933,112	4,574,651
Operating profit	3	9,773,398	8,525,882
Bank interest receivable		-	-
Interest payable	6	5,047,350	4,117,686
		5,047,350	4,117,686
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		4,726,048	4,408,196
Tax on profit on ordinary activities	7	1,488,224	1,536,999
RETAINED PROFIT FOR THE YEAR		3,237,824	2,871,197
Retained profit brought forward		12,457,166	9,585,969
Retained profit carried forward		15,694,990	12,457,166

RECOGNISED GAINS AND LOSSES

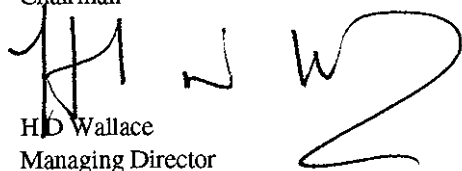
There are no recognised gains or losses other than the profit attributable to shareholders of the company of £3,237,824 in the year ended 31 December 1995 and of £2,871,197 in the year ended 31 December 1994.

Arnold Clark Finance Limited
BALANCE SHEET
at 31 December 1995

	Notes	1995 £	1994 £
FIXED ASSETS			
Tangible assets	8	74,906,152	71,781,476
CURRENT ASSETS			
Debtors	10	5,279,030	3,988,738
Cash at bank and in hand	9	22,610,219	21,589,313
		27,889,249	25,578,051
CREDITORS: amounts falling due within one year	11	52,860,820	48,498,996
NET CURRENT LIABILITIES		24,971,571	22,920,945
TOTAL ASSETS LESS CURRENT LIABILITIES		49,934,581	48,860,531
CREDITORS: amounts falling due after more than one year:			
Obligations under hire purchase contracts	13	27,102,551	29,297,337
Rentals in advance		841,404	990,938
		27,943,955	30,288,275
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	14	6,280,636	6,100,090
		15,709,990	12,472,166
CAPITAL AND RESERVES			
Called up share capital	15	15,000	15,000
Profit and loss account		15,694,990	12,457,166
		15,709,990	12,472,166



J A Clark
Chairman



H D Wallace
Managing Director

28 February 1996

Arnold Clark Finance Limited
CASH FLOW STATEMENT
for the year ended 31 December 1995

	<i>Notes</i>	<i>1995</i> <i>£</i>	<i>1994</i> <i>£</i>
NET CASH INFLOW FROM OPERATING ACTIVITIES	4	25,909,277	26,443,962
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest receivable		-	-
Interest elements of hire purchase payments		(5,010,813)	(4,030,041)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENT AND SERVICING OF FINANCE		(5,010,813)	(4,030,041)
TAXATION			
Corporation tax (paid)/recovered		(1,258,891)	1,506,381
INVESTING ACTIVITIES			
Payments to acquire fixed assets		(50,907,696)	(46,551,086)
Receipts from sales of fixed assets		30,913,556	26,655,127
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(19,994,140)	(19,895,959)
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(354,567)	4,024,343
FINANCING			
Repayment of capital element of hire purchase borrowings		(51,610,618)	(39,859,194)
New hire purchase borrowings		52,986,091	44,706,560
NET CASH INFLOW FROM FINANCING	12	1,375,473	4,847,366
INCREASE IN CASH AND CASH EQUIVALENTS	9	1,020,906	8,871,709

Arnold Clark Finance Limited

NOTES TO THE ACCOUNTS

at 31 December 1995

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

	1995 £	1994 £
(a) This is stated after charging:		
Directors' remuneration (see below)	83,073	76,093
Auditors' remuneration - audit services	13,150	12,750
Depreciation - owned assets	78,018	46,143
- assets under hire purchase contracts	16,791,446	16,654,698
Loss on disposal of fixed assets	-	72,740

Arnold Clark Finance Limited
NOTES TO THE ACCOUNTS
at 31 December 1995

3. OPERATING PROFIT (continued)

	1995	1994
	£	£
(b) Directors' remuneration:		
Fees	-	-
Other emoluments (including pension contributions)	83,073	76,093
	<u>83,073</u>	<u>76,093</u>

The chairman's emoluments, excluding pension contributions, were £Nil (1994 - £Nil). The emoluments of the highest paid director were £83,073 (1994 - £76,093).

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

	1995	1994
	£	£
Operating profit	9,773,398	8,525,882
Depreciation	16,869,464	16,700,840
Adjustment on disposal of fixed assets	-	72,740
(Increase)/decrease in working capital:		
Debtors	(1,290,292)	192,950
Creditors	556,707	951,550
Net cash inflow from operating activities	<u>25,909,277</u>	<u>26,443,962</u>

5. STAFF COSTS

	1995	1994
	£	£
Wages and salaries	2,456,323	2,042,070
Social security costs	212,644	199,229
Other pension costs	-	-
	<u>2,668,967</u>	<u>2,241,299</u>

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

	No.	No.
Office and management	204	227
Sales	63	60
	<u>267</u>	<u>287</u>

Arnold Clark Finance Limited
NOTES TO THE ACCOUNTS
at 31 December 1995

6. INTEREST PAYABLE

	1995	1994
	£	£
Payable under hire purchase contracts	5,047,350	4,117,686

7. TAXATION CHARGE

	1995	1994
	£	£
Based on the profit for the year:		
Corporation tax at 33%	1,378,232	1,329,445
Deferred taxation	179,519	144,916
	1,557,751	1,474,361
Taxation under/(over) provided in previous years:		
Corporation tax	(70,554)	60,372
Deferred taxation	1,027	2,266
	1,488,224	1,536,999

8. TANGIBLE FIXED ASSETS

	Freehold property £	Computer equipment £	Motor vehicles £	Fixtures and fittings £	Total £
Cost:					
At 1 January 1995	127,014	103,847	97,281,561	30,781	97,543,203
Additions	-	29,360	50,878,338	-	50,907,698
Disposals	-	-	(47,575,512)	-	(47,575,512)
At 31 December 1995	127,014	133,207	100,584,387	30,781	100,875,389
Depreciation:					
At 1 January 1995	14,865	19,243	25,711,996	15,623	25,761,727
Provided during the year	2,540	26,361	16,838,290	2,274	16,869,465
Disposals	-	-	(16,661,955)	-	(16,661,955)
At 31 December 1995	17,405	45,604	25,888,331	17,897	25,969,237
Net book value:					
At 31 December 1995	109,609	87,603	74,696,056	12,884	74,906,152
At 1 January 1995	112,149	84,604	71,569,565	15,158	71,781,476

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 1995

9. CASH AND CASH EQUIVALENTS

Analysis of changes in cash and cash equivalents during the year

	1995	1994
	£	£
Balance at 1 January	21,589,313	12,717,604
Net cash inflow	1,020,906	8,871,709
Balance at 31 December	<u>22,610,219</u>	<u>21,589,313</u>

10. DEBTORS

	1995	1994
	£	£
Trade debtors	1,622,201	1,336,536
Amount due by parent company	2,261,625	992,495
Amount due by fellow subsidiaries	48,462	-
Other debtors	559,843	925,114
Prepayments and accrued income	786,899	734,593
	<u>5,279,030</u>	<u>3,988,738</u>

11. CREDITORS: amounts falling due within one year

	1995	1994
	£	£
Obligations under hire purchase contracts (note 13)	33,273,074	29,702,815
Trade creditors	1,859,680	1,178,605
Corporation tax payable	1,378,232	1,329,445
Other taxes and social security costs	819,401	1,674,683
Other creditors	5,878,370	3,984,130
Accruals and deferred income	9,652,063	10,614,699
Amounts due to fellow subsidiaries	-	14,619
	<u>52,860,820</u>	<u>48,498,996</u>

12. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	1995		1994	
	Share capital	Hire purchase finance	Share capital	Hire purchase finance
	£	£	£	£
Balance at 1 January	15,000	59,000,152	15,000	54,152,786
Cash inflow from financing	-	1,375,473	-	4,847,366
Balance at 31 December	<u>15,000</u>	<u>60,375,625</u>	<u>15,000</u>	<u>59,000,152</u>

Arnold Clark Finance Limited
NOTES TO THE ACCOUNTS
at 31 December 1995

13. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS

	1995 £	1994 £
Amounts payable:		
Within one year (note 11)	33,273,074	29,702,815
Between two and five years	27,102,551	29,297,337
	<u>60,375,625</u>	<u>59,000,152</u>

14. DEFERRED TAXATION

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

	1995 £	1994 £
Accelerated capital allowances	<u>6,280,636</u>	<u>6,100,090</u>

15. SHARE CAPITAL

	1995 No.	Authorised 1994 No.	Allotted, called up and fully paid 1995 £	1994 £
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

	1995 £	1994 £
At 1 January	12,472,166	9,600,969
Profit for the year	3,237,824	2,871,197
At 31 December	<u>15,709,990</u>	<u>12,472,166</u>

Arnold Clark Finance Limited

NOTES TO THE ACCOUNTS

at 31 December 1995

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 1995 the company maintained 15,822 (1994 - 11,149) vehicles under contract with a pre-arranged purchase cost of £58,157,426 (1994 - £43,218,372) of which 4,022 (1994 - 2,111) with a pre-arranged purchase cost of £14,639,881 (1994 - £9,155,925) 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 1995 the liability amounted to £97,888 (1994 - £1,732,843).

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 and Macharg Rennie & Lindsay 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.