Annual Report 2021

Arnold Clark Finance Limited

SC39597

THURSDAY
SBD4732Z
SCT 22/09/2022 #68
COMPANIES HOUSE

Directors, Principal Officers and Advisers

Directors

D M Cooper BAcc (Hons) FCCA — Managing Director

E Hawthorne BA CA — Director

A Howieson BA (Hons) CA — Finance Director

Principle Officers

A J Clark — General Manager Hire Drive

C Ewart — Corporate Sales Director

A J Gillon — Public Sector Sales Director

Company Secretary

S K Thorpe BA (Hons) BFP FCA MICA

Registered Office

454 Hillington Road,
Glasgow G52 4FH

Principal Bankers

The Royal Bank of Scotland plc,
1304 Duke Street, Glasgow G31 5PZ

Auditors

Deloitte LLP,
110 Queen Street, Glasgow G1 3BX

Tax Advisers

PricewaterhouseCoopers LLP
141 Bothwell Street, Glasgow G2 7EQ

VAT Advisers

Ernst & Young LLP
G1, 5 George Square, Glasgow G2 1DY

Managing Director's Statement

After the unprecedented turmoil that Covid-19 inflicted upon us all during 2020, it is pleasing to report on a year where, despite ongoing impacts, most of us have been able to get back to some sort of pre-Covid-19 normality.

Financial performance

The Company's performance in 2021 has surpassed our expectations. The vehicle leasing and rental sectors have benefitted from a bounce back in demand but have also encountered severe vehicle supply restrictions.

Our Contract Hire business has been impacted by the well-publicised manufacturer production issues. As a result, our customers have encountered delays in replacing vehicles at the end of their contract, with most customers simply rolling over their existing vehicles until the replacement is available. Despite these supply issues, our fleet size has only decreased by 3.3% to 39,123 vehicles. The average price of a 3 year old used vehicle has increased by over 20% across the year. As a result, vehicle disposals have generated significantly more revenue than originally anticipated. We continued to see growth in demand for electric vehicles due to additional model ranges released during the year, and the ongoing advantageous electric vehicle benefit in kind rates.

Our Daily Rental operation has seen improved performance with vehicle utilisation up 10% on 2020, reflecting the easing of Covid-19 restrictions. The manufacturer production issues mentioned have also impacted on our Daily Rental operation. We have been unable to replace our fleet at anything like historic rates, resulting in a reduction in vehicle disposals. This reduction in units disposed of has been offset by the significant increase in proceeds generated per vehicle.

Overall, we have seen a modest 2% increase in revenue to £426.4m and our profit before tax has more than doubled to a record £42.1m.

As we reported last year, we incurred significant spend ensuring our locations were Covid-19 safe for both staff and customers. With the changes to a number of Covid-19 regulations during the year we consulted our staff on the potential relaxation of safety measures. From the feedback, it was clear that many wished for a continuation of our existing safety protocols including face coverings, sanitisation stations and screens. Despite our business being impacted by Covid-19 restrictions at the start of the year, leading to a number of staff absences, we did not claim any Coronavirus Job Retention Scheme support.

Being "easy to do business with" is key to our ongoing success. Therefore, we have invested in a major upgrade to the main operating software and related infrastructure, leaving us well placed to deliver our future plans.

During August 2021, I was pleased to welcome Alan Howieson as a Director of the Company, bringing additional financial and commercial experience to our Board.

Future opportunities

We enter 2022 with a record level of Contract Hire orders but remain cautious around the timing of manufacturers returning to pre-Covid-19 production rates. In the early stages of 2022 the business continues to benefit from a strong used car market and related disposal proceeds.

Last year we saw an increased interest in salary sacrifice from our customers and we expect significant growth in this area during the year ahead.

With further enhancements to electric vehicle choice and supply during 2022, we anticipate our contract hire fleet will continue to grow in this area meeting customer demand. We continue to monitor demand for electric vehicles in short term daily rental and will react accordingly to market changes.

Finally, our outstanding results are not only down to market factors, but as a consequence of the exceptional performance of our staff in 2021. Thank you for your contribution as we continue to invest in the long term and play a vital role in the ever-evolving future mobility landscape.

D M Cooper
Managing Director
3 March 2022

Strategic Report

The Directors present their Strategic Report for the year ended 31 December 2021.

Review of the business

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

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

	2021	2020	Change
Revenue	£426.4m	£418.2m	2.0%
Contract Hire fleet	39,123	40,466	(3.3)%
Daily Rental fleet	9,676	7,717	25.4%
Operating profit	£52.9m	£24.6m	115.0%

The increase in revenue is primarily due to the increased utilisation of the daily rental fleet. Whilst there has been a significant fall in the number of vehicles disposed of during the year, the impact on revenue has been significantly mitigated by the well publicised increase in used car prices experienced in 2021. The contract hire fleet size has reduced slightly when compared with the prior year, but we increased our daily rental fleet size year on year due to increases in customer demand. The operating profit increased mainly due to strong disposal profits experienced across the industry throughout 2021.

A further review of the business is included in the Managing Director's Statement.

Principal risks and uncertainties

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

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

Interest rate risk: Hire purchase agreements are entered into at floating interest rates. 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.

Residual value risk: The residual value risk is defined by the Company as the exposure to potential loss at contract end due to the resale values of assets declining below the estimates made at lease inception. The Company monitors this exposure on a continuous basis and adjusts its residual values for both new and existing leases accordingly.

Stakeholder relationships and engagement

The following disclosure describes how the Directors have had regard to the matters set out in Section 172(1) (a) to (f) and forms the Directors' statement required under Section 414CZA of The Companies Act 2006. The Company's Directors also have senior positions within Arnold Clark Automobiles Limited, the ultimate parent undertaking, which ensures that the Company is fully integrated in the Arnold Clark group-wide processes covering stakeholder relationships and engagement. From a Company perspective the following are considered the most appropriate:

Who? **Stakeholder group**	**Why?** **Why is it important to engage**	**How?** **How management and/or Directors engaged**	**What?** **What were the key topics of engagement**	**Outcomes and actions** **What was the impact of the engagement including any actions taken**
Customers	Delivering exceptional customer service and genuine value for money is key to customer retention	Director led customer service quality sessions across all business units Customer satisfaction surveys are conducted and the results analysed by the Directors and by business units Monitoring of complaint levels and root cause analysis of customer complaints	Quality of service Product offering improvements	A focus on having the right product mix and ensuring that products and services meet individual customer needs
Employees	Ensuring the business has the right culture and values is critical to the delivery of a first-class customer experience	Dedicated employee communication website and app updated daily with information on matters of concern to employees Director attendance at regular departmental team meetings to enable two-way information flows and ensure that employee views are taken into account in making major decisions Annual results and strategy presentations led by the Managing Director Regular performance appraisals and performance-based bonus scheme Annual employee recognition and service awards Network and focus groups led by our People team Dedicated training facilities and new employee induction course	Results of customer survey Quality of training Service improvement ideas Annual results and performance Employee reward mechanisms Regular staff surveys for feedback	Clear staff communication through monthly update from the Group Chief Executive A more engaged and valued workforce delivering a higher standard of customer service Employee remuneration and benefits are updated to reflect changing market conditions 'Space' - an employee portal for information, advice and support around mental, physical and financial health

Stakeholder relationships and engagement (continued)

Who? **Stakeholder group**	**Why?** **Why is it important to engage**	**How?** **How management and/or Directors engaged**	**What?** **What were the key topics of engagement**	**Outcomes and actions** **What was the impact of the engagement including any actions taken**
Manufacturers	Access to vehicles on attractive terms is important for our Contract Hire and Daily Rental business	Regular meetings between Directors and manufacturers' senior management to ensure principal decisions are fully informed Group Chief Executive and Managing Director frequently meet with representatives of manufacturer partners Monthly financial performance reporting Attendance at manufacturer conferences	Impact of emissions regulations on pricing and availability of stock Impact of micro-chip shortage on pricing and availability of stock New model developments and pricing	Keeping our Daily Rental fleet refreshed and appropriate for our customers' needs Improved customer service by matching our detailed product knowledge with customer requirements
Finance providers	Access to affordable finance is essential to ensure the ongoing viability of the Contract Hire and Daily Rental businesses	The Managing Director and Finance Director meet with finance company senior management on a regular basis Quarterly review meetings are held with each finance provider Monthly compliance reporting	Availability of finance and related interest rates	Renewed finance facilities Agreed business volume targets and related interest rates
Wider community	Giving back to the community is one of our core values	Continued support of local schools, charities and sports teams Providing young people placements Taking part in charity events and fundraising using their network of contacts	Building a greater understanding of the needs of our employees and wider community Giving young people from all backgrounds an equal opportunity Giving charities of all sizes a fair chance at receiving support from the Company	Matching of charitable funds raised by employees Sponsorship of major charitable events such as Cash for Kids, Pride and Kiltwalk
Regulators	Compliance with regulatory requirements is essential for the long term benefit of the Company	We are open and transparent in our dealings with regulators We hold frequent meetings with our regulators to fully understand current practice and future developments	Compliance record Future regulatory developments	Improvements to processes and procedures Compliance with relevant FCA requirements

Principal Decisions

We define principal decisions as both those that are material to the Company and those that are significant to any of our key stakeholder groups.

In making the following principal decisions, the Board considered the outcomes from its stakeholder engagement processes, in addition to maintaining our reputation for high standards of business conduct and the need to act fairly between members of the Company.

Employee working conditions and rewards

We consulted employees to determine which safety measures should be continued at our sites, to ensure they felt safe and secure within their workplace. From the feedback, it was clear that many wished for the cleaning and sanitisation protocols to remain in place, along with screens and face coverings having a continued presence. Accordingly, we kept these measures in place which was the correct decision as no additional measures were required for the increase in Covid-19 cases due to the Omicron variant in December.

2020 changed the shape of how many companies operated with a move to home working introduced by many businesses. As a retailer, this approach was not a practical option for all our employees. In April 2021 we set up a number of staff working groups to help us identify potential solutions, and potential barriers, to a more flexible approach that the entire business can benefit from. This led to the launch of a framework that sees every employee falling into one of following three categories:

- Hybrid - mix of home and office working
- On premise flexible - working entirely from the office or branch with the ability to apply flexibility to the working day
- Fully flexible - working completely from home

With the easing of Covid-19 regulations, our business experienced record levels of customer demand during 2021 and it was recognised that staff were being overstretched and a recruitment program was launched. As part of this program, the Board undertook a review of our employment terms and conditions and a series of staff pay and benefit improvements were delivered, including the early implementation of national wage related rates.

This report was approved by the Board of Directors on 3 March 2022 and signed on its behalf by

D M Cooper
Managing Director

Directors' Report

The Directors present their report for the year ended 31 December 2021.

Results and dividends

The profit before tax from continuing operations amounted to £42.1m (2020 - £15.1m). The profit for the year, after taxation, amounted to £34.3m (2020 - £12.1m). The Directors do not recommend the payment of a dividend. The profit of £34.3m (2020 - £12.1m) has been transferred to reserves.

A further review of the business and its principal risks is provided in the Managing Director's Statement and in the Strategic Report. The Directors assessment of the Company's ability to continue as a going concern is addressed in note 3.3 to the financial statements.

Climate change

Arnold Clark Finance Limited are committed to reducing our environmental impact and contribution to climate change through increased energy management, awareness and continuous improvement procedures.

The Arnold Clark group-wide sustainability initiative "SENSE" is our strategy for promoting a Sustainable Environment for Nature, Society and the Economy. Our objective is to conduct our business in a responsible way that positively impacts the world around us, while identifying, reducing and managing any negative impacts so we can preserve and improve the quality of life for future generations.

As part of the initiative, sustainability working groups were set up to ensure that our SENSE initiative takes account of all activities across the entire business and to ensure that our strategy is comprehensively communicated, implemented, embedded, measured and managed throughout the Group.

Engagement with suppliers, customers and others in a business relationship with Company

A summary as to how the Directors have had regard to the need to foster the Company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the Company during the financial year, is included in the stakeholder relationships and engagement section within the Strategic Report.

Engagement with employees

A summary as to how the Directors have engaged with employees, and how the Directors have had regard to employee interests, and the effect of that regard, including on the principal decisions taken by the Company during the financial year, is included in the stakeholder relationships and engagement section within the Strategic Report.

The Company gives every consideration to applications for employment from disabled persons where the requirements of the job may be adequately covered by a disabled person.

With regard to existing employees and those who have become disabled during the year, the Company has continued to examine ways and means of providing continued employment under normal terms and conditions and to provide training, career development and promotion.

Directors

The Directors who served during the year, and to the date of this report, were as follows:

D M Cooper
E Hawthorne
A Howieson (appointed on 30 August 2021)
M W Harvey (resigned 7 June 2021)
K J McLean (resigned 1 December 2021)

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

Directors' Report

Directors' statement as to disclosure of information to the auditors

The Directors who were members of the Board at the time of approving the Directors' Report are listed in the Directors, Principal Officers and Advisers section. Having made enquiries of fellow Directors and of the Company's auditors, each of these 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.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Auditors

A resolution to reappoint Deloitte LLP as auditors will be put to the members at the Annual General Meeting.

Financial instrument risk management

Details of the financial risk management objectives and policies and exposure to price risk, credit risk, liquidity risk and cash flow risk are provided in the Strategic Report.

Future developments

Details of future developments are provided in the Managing Director's Statement and in the Strategic Report.

Subsequent events

There are no events subsequent to the year-end that require disclosure.

This report was approved by the Board of Directors on 3 March 2022 and signed on its behalf by

David M Cooper

D M Cooper
Managing Director

Statement of Directors' Responsibilities

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 Auditor's Report

to the members of Arnold Clark Finance Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Statement of Profit or Loss and Other Comprehensive Income;
- the Statement of Financial Position;
- the Statement of Changes in Equity; and
- the related notes 1 to 19.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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.

Independent Auditor's Report

to the members of Arnold Clark Finance 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 responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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 management and internal audit about their own identification and assessment of the risks of irregularities.

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 or non-compliance with laws and regulations in the following areas, and our specific procedures performed to address are described below:

- Residual value of Arnold Clark Finance motor vehicles (tangible assets). We have reviewed the residual value impairment model, including all assumptions within, and agreed the year end valuation to external market data. We have also considered other signs of impairment.

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.

Independent Auditor's Report

to the members of Arnold Clark Finance Limited

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

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 Managing Director's Statement, 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 Managing Director's Statement, 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 Managing Director's Statement, 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
Glasgow, United Kingdom

3 March 2022

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2021

	Notes	2021 £000	2020 £000
Revenue	5	426,367	418,160
Cost of sales		(340,984)	(361,201)
Gross profit		85,383	56,959
Administrative expenses		(32,499)	(35,720)
Other operating income	8	-	3,387
Operating profit	6	52,884	24,626
Finance costs	9	(10,768)	(9,481)
Profit before tax		42,116	15,145
Income tax	10	(7,862)	(3,075)
Profit for the year		34,254	12,070
Other comprehensive income		-	-
Total comprehensive income for the year		34,254	12,070

Statement of Financial Position

at 31 December 2021

	Notes	2021 £000	2020 £000
Assets			
Non-current assets			
Property, plant and equipment	11	681,099	662,406
Deferred tax assets	10	1,408	1,165
		682,507	663,571
Current assets			
Inventories	12	9,388	8,594
Trade and other receivables	13	19,278	37,001
Cash and cash equivalents		49,868	59,499
		78,534	105,094
Total assets		761,041	768,665
Equity and liabilities			
Issued share capital	14	15	15
Profit and loss account		130,067	95,813
Total equity		130,082	95,828
Non-current liabilities			
Interest-bearing loans and borrowings	15	262,030	292,658
Trade and other payables	16	4,598	4,249
		266,628	296,907
Current liabilities			
Interest-bearing loans and borrowings	15	287,664	288,359
Trade and other payables	16	68,552	81,791
Income taxes payable		8,115	5,780
		364,331	375,930
Total liabilities		630,959	672,837
Total equity and liabilities		761,041	768,665

Approved by the Board on 3 March 2022 and signed on its behalf by

E Hawthorne
Director

D M Cooper
Managing Director

Statement of Changes in Equity

for the year ended 31 December 2021

	Share capital	Profit and loss account	Total
	£000	£000	£000
As at 1 January 2020	15	83,743	83,758
Total comprehensive income	-	12,070	12,070
As at 31 December 2020	15	95,813	95,828
As at 1 January 2021	15	95,813	95,828
Total comprehensive income	-	34,254	34,254
As at 31 December 2021	15	130,067	130,082

Notes to the Financial Statements

for the year ended 31 December 2021

1. Corporate information

Arnold Clark Finance Limited is a privately owned company limited by shares and incorporated and domiciled in Scotland under the Companies Act 2006. 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 Finance 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, 4th Floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9FF.

The financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). 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 2021. The financial statements are prepared in pounds sterling, which is the currency of the primary economic environment in which the Company operates, and are rounded to the nearest thousand pounds (£000).

3. Accounting policies

3.1 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 paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations;

b. the requirements of IFRS 7 Financial Instruments: Disclosures;

c. *the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;*

d. 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;

e. the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;

f. the requirements of IAS 7 Statement of Cash Flows;

g. the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;

h. the requirements of paragraph 17 of IAS 24 Related Party Disclosures;

i. 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

j. 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.

Notes to the Financial Statements

for the year ended 31 December 2021

3.2 Standards issued and in effect

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.

3.3 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 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 £393.2m at 31 December 2021. The reduction from £524.0m at 31 December 2020 is primarily due to a Board decision to increase our level of available used car stocks.

The Directors have reviewed Group cash flow forecasts to the end of the 2023 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 December 2023. 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.

3.4 Summary of significant accounting policies

Property, plant and equipment

Property, plant and equipment is stated at historical cost, net of accumulated depreciation and accumulated impairment losses, if any. Historic cost is the invoice price of the item less any discounts or rebates receivable plus any directly attributable costs.

Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life, as follows:

Land and buildings	: Freehold	- 1% - 16.7%
	: Leasehold	- as freehold or over the lease term where shorter
Computer equipment	: General	- 33% - 40%
Motor vehicles	: Own use	- 20% or 25%
	: Contract Hire vehicles	- over the term of the hire contract
Fixtures and fittings	: General	- 15% - 25%

3.4 Summary of significant accounting policies (continued)

Leases

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. The Company determines whether a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration.

Company as a lessee

At the lease commencement date, the Company recognises a right-of-use asset, which represents the Company's right to use an underlying asset, and a lease liability, which represents the Company's obligation to make lease payments. This applies to all leases with the exception of those deemed to be of low value or short term in nature. Payments associated with short term leases, being lease contracts with a term of 12 months or less, and low value assets are recognised as an expense on a straight-line basis over the lease term.

The right-of-use asset is measured at the amount equivalent to the initial measurement of the lease liability plus any initial direct costs incurred and adjusted for any prepaid or accrued lease payments. The right-of-use asset is depreciated straight-line over the shorter of the lease term and useful life of the underlying asset. The right-of-use asset is subsequently remeasured where the lease liability is remeasured to reflect changes to the lease payments.

The lease liability is initially measured at the present value of the lease payments that are not paid on commencement date, discounted using the interest rate implicit in the lease or the Company's incremental borrowing rate (where the implicit rate is not readily determined). Generally the Company uses its incremental borrowing rate as the discount rate for all leases.

The lease liability is subsequently measured by increasing the carrying amount to reflect the interest expense on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The lease liability is remeasured when there is a change in future lease payment arising from a change of index or rate, a variation in the amounts payable following contractual rent review and changes in the assessment of whether an extension or termination option is reasonably certain to be exercised.

Company as a lessor

At the inception date of a lease, the Company uses judgement in determining whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset to the lessee. Where this is deemed to be the case, the Company recognises a finance lease receivable equivalent to the net investment in the lease, being the present value of the future lease receipts discounted at the interest rate implicit in the lease. Otherwise, lease receipts are recognised straight-line 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's") 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.

3.4 Summary of significant accounting policies (continued)

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Subsequent measurement

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Company's financial assets at amortised cost includes trade receivables.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Company's statement of financial position) when the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset, has transferred substantially all the risks and rewards of the asset or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables and loans and borrowings including bank overdrafts.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified as Financial liabilities at fair value through profit or loss or Financial liabilities at amortised cost (loans and borrowings).

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. The Company has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost (loans and borrowings) is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

3.4 **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.

Inventories

Inventories are stated at the lower of cost and net realisable value.

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented in the Statement of Profit or Loss and Other Comprehensive Income. The effect of the time value of money is not material and therefore the provisions are not discounted.

Revenue recognition

Revenue represents the consideration attributable to each performance obligation satisfied in any given contract with our customers (stated net of value added tax). The revenue and pre-tax profit all arises in the UK and is attributable to the Company's principal continuing activities.

For sale of goods, the performance obligation is satisfied when the goods are delivered. Revenue is therefore recognised on delivery to the customer.

Rentals receivable on vehicles held for use in operating leases are recognised on a straight line basis over the term of the lease. The performance obligation, being the promise to provide the customer with the contracted vehicle for the agreed period of time, is satisfied over the term of the agreement as the customer simultaneously receives and consumes the benefit of having use of the vehicle for the period in which the Company provides the vehicle.

3.4 Summary of significant accounting policies (continued)

Pension costs

The Company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Company. The annual contributions payable are charged to the profit and loss account.

Government grants

Grants from the Government are recognised where there is reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Covid-19 related grants are Government grants receivable in light of the ongoing Covid-19 pandemic. The amounts principally reflect grants receivable under the Coronavirus Job Retention Scheme ("CJRS"). Under the CJRS, grant income may be claimed in respect of certain costs to the Company of furloughed employees. CJRS income is recognised as income in the same period in which the related costs are incurred to the extent there is reasonable certainty that the grant will be received.

4. 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 a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the opinion of the Directors, the accounting 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 key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Contract Hire vehicles residual value

Vehicles within the Company's Contract Hire fleet are generally on hire for a period of 36 months. The assessment of vehicle residual values at the end of their contracted period involves an element of estimation. The Company assesses residual values at initial recognition and annually thereafter performs a detailed impairment review. The Company conducts these assessments using external market projections of future used car values together with its own expectations, taking into account model mix and current trends. As used vehicle values are subject to short term market distortions a material reduction to forecast residual values, and thus carrying value, could occur.

The principal sensitivity underpinning the above estimate is the level of reasonably possible movements in average used car market prices. A 1% change in average used vehicle market values could result in an adjustment of £4.1m to the combined carrying value of Contract Hire vehicles.

5. Revenue

Revenue recognised in the Statement of Profit or Loss and Other Comprehensive Income is analysed as follows:

	2021 £000	2020 £000
Selling of motor vehicles	220,429	225,384
Hiring of motor vehicles	205,938	192,776
	426,367	418,160

All income arises in the United Kingdom.

6. Operating profit

The following items have been included in arriving at operating profit from operations:

	2021 £000	2020 £000
Depreciation of property, plant and equipment	16,677	10,347
Depreciation of right-of-use assets	117,328	123,201

7. Auditor's remuneration

The analysis of the auditor's remuneration is as follows:

	2021 £000	2020 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	19	16

8. Employee benefits expense

The analysis of the employee benefits expense is as follows:

	2021 £000	2020 £000
Wages and salaries	17,146	18,987
Social security costs	1,682	1,654
Pension costs	731	674
Total employee benefits expense	19,559	21,315

During the year ended 31 December 2021, the Company claimed no government grants via the Coronavirus Job Retention Scheme (2020 - £3.4m by way of contributions towards the cost of employee wages and salaries and social security cost).

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

	2021 No.	2020 No.
Office and management	530	652
Sales	150	168
	680	820

The Directors' emoluments were as follows:

	2021 £000	2020 £000
Emoluments	178	126

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.

9. Finance costs

	2021 £000	2020 £000
Finance charges payable under hire purchase agreements	10,758	9,466
Finance charges payable in regard to other lease liabilities	10	15
	10,768	9,481

10. Income tax

The major components of income tax expense are:

	2021 £000	2020 £000
Current income tax:		
UK corporation tax charge	8,115	5,780
Adjustments in respect of prior periods	(10)	-
Deferred tax:		
Origination and reversal of timing differences	(80)	(2,864)
Adjustment in respect of prior periods	11	-
Effect of changes in tax rates	(174)	159
Income tax expense reported in the Statement of Profit or Loss	7,862	3,075

There was no tax charged to 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:

	2021 £000	2020 £000
Accounting profit before income tax	42,116	15,145
At UK corporation tax rate of 19% (2020 - 19%)	8,002	2,878
Tax effect of non-deductible expenses or non-taxable items of income	33	38
Effect of changes in tax rates	(174)	159
Adjustments in respect of current income tax of prior years	(10)	-
Adjustments in respect of deferred tax of prior years	11	-
At the effective income tax rate of 18.7% (2020 - 20.3%)	7,862	3,075

The deferred tax asset has been recognised due to the probability of future taxable profits becoming available.

The UK corporation tax rate is due to increase from 19% to 25% from 1 April 2023. The deferred tax asset at 31 December 2021 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.

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

	2021 £000	2020 £000
Decelerated capital allowances	(1,395)	(1,119)
Other temporary difference	(13)	(46)
Net deferred tax (asset)/liability	(1,408)	(1,165)

	2021 £000	2020 £000
At 1 January	(1,165)	1,540
Charged to the Statement of Profit or Loss and Other Comprehensive Income	(243)	(2,705)
At 31 December	(1,408)	(1,165)

11. Property, plant and equipment

	Land and buildings £000	Computer equipment £000	Motor vehicles £000	Fixtures and fittings £000	Total £000
Cost:					
At 1 January 2021	6,026	2,222	881,640	2,756	892,644
Additions	188	422	336,521	80	337,211
Disposals	(660)	(16)	(296,009)	(79)	(296,764)
At 31 December 2021	5,554	2,628	922,152	2,757	933,091
Depreciation:					
At 1 January 2021	1,462	2,109	224,786	1,881	230,238
Provided during the year	444	198	133,117	246	134,005
Disposals	(580)	(16)	(111,576)	(79)	(112,251)
At 31 December 2021	1,326	2,291	246,327	2,048	251,992
Net book value:					
At 31 December 2021	4,228	337	675,825	709	681,099
At 31 December 2020	4,564	113	656,854	875	662,406

Hire purchase agreements

The Company owns motor vehicles, purchased by way of hire purchase agreements, with a cost of £822.3m (2020 - £846.0m) and related accumulated depreciation of £189.8m (2020 - £204.8m), which are held for use in operating leases and are provided as security in respect of the sums outstanding on the associated hire purchase agreements. These contracts have been assessed under IFRS 16 and classified as right-of-use assets. The net book value of right-of-use assets at 31 December 2021 are presented by class of underlying asset in note 17.

12. Inventories

	2021 £000	2020 £000
Motor vehicles	9,388	8,594

Inventories are pledged as security for the other loans disclosed in note 15.

13. Trade and other receivables

	2021 £000	2020 £000
Trade receivables	12,930	17,460
Other receivables	519	660
VAT recoverable	-	13,170
Prepayments and accrued income	5,829	5,711
	19,278	37,001

At 31 December 2021, trade receivables with an initial carrying value of £1.0m (2020 - £1.4m) were impaired and fully provided for. The movements in the provision were as follows:

	2021 £000	2020 £000
At 1 January	1,419	345
Charge for the year	242	1,480
Utilised	(662)	(406)
At 31 December	999	1,419

As at 31 December, the ageing analysis of trade receivables is as follows:

	Neither past due nor impaired	Past due but not impaired			
		<30 days	30-60 days	60+ days	Total
	£000	£000	£000	£000	£000
2021	7,408	3,607	777	1,138	12,930
2020	9,899	4,316	1,097	2,148	17,460

14. Issued share capital

The share capital at 31 December 2021 and 31 December 2020 is analysed as follows:

	Authorised		Allotted, called up and full paid	
	2021 No.	2020 No.	2021 £000	2020 £000
Ordinary shares of £1 each	15,000	15,000	15	15

No shares were authorised or issued in either period.

15. Financial liabilities

Interest-bearing loans and borrowings	2021 £000	2020 £000
Current interest-bearing loans and borrowings:		
Lease liabilities: obligations under hire purchase agreements	274,895	278,492
Lease liabilities: obligations under other lease contracts	170	350
Other loans	12,599	9,517
	287,664	288,359
Non-current interest-bearing loans and borrowings:		
Lease liabilities: obligations under hire purchase agreements	261,800	292,439
Lease liabilities: obligations under other lease contracts	230	219
	262,030	292,658
Total interest-bearing loans and borrowings	549,694	581,017

Other loans comprise non-hire purchase funding for vehicles and is secured on each specific vehicle funded.

Future minimum payments under hire purchase agreements and other lease contracts, together with the present value of the net minimum lease payments, are set out in note 17.

16. Trade and other payables

	2021 £000	2020 £000
Trade payables	2,716	11,405
Other taxes and social security costs	1,855	-
Other creditors	14,491	14,680
Accruals and deferred income	48,565	50,859
Amounts due to Group undertakings (payable on demand)	5,523	9,096
	73,150	86,040
Current liabilities	68,552	81,791
Non-current liabilities	4,598	4,249
	73,150	86,040

Amounts included in non-current liabilities relate to rentals paid in advance, which are included in accruals and deferred income. Deferred income will be released over a period of up to 5 years depending on the term of the associated rental agreement.

17. **Leases**

Company as a lessee

The Company has a number of hire purchase contracts for vehicles and other lease contracts in regard to land and buildings. The average remaining lease term for motor vehicles is 2 years and 4 years for land and buildings.

Amounts recognised in the Statement of Profit or Loss

	2021 £000	2020 £000
Depreciation expense on right-of-use assets	117,328	123,201
Interest expense on lease liabilities	10,768	9,481
Expense relating to short term leases	20	9

Right-of-use assets	Land and buildings £000	Motor vehicles £000	Total £000
Carrying value at 1 January 2021	557	641,240	641,797
Carrying value at 31 December 2021	392	632,534	632,926
Additions to right-of-use assets	189	336,017	336,206
Depreciation charge for the year	(272)	(117,056)	(117,328)

Future minimum payments under hire purchase agreements and other lease contracts, together with the present value of the net minimum lease payments, are as follows:

Obligations under hire purchase agreements

	Minimum payments		Present value of payments	
	2021 £000	2020 £000	2021 £000	2020 £000
Amounts payable:				
Within one year	283,132	286,279	274,895	278,492
After one year but not more than five years	266,880	297,392	261,800	292,439
	550,012	583,671	536,695	570,931
Less: future finance charges	(13,317)	(12,740)		
Present value of hire purchase obligations	536,695	570,931		

	2021 £000	2020 £000
Current interest-bearing borrowings:	274,895	278,492
Non-current interest-bearing borrowings	261,800	292,439
	536,695	570,931

The payments for these obligations will be met from the income received from the associated operating lease rentals and from the disposal of the associated assets.

17. Leases (continued)

Obligations under other lease contracts

	Minimum payments		Present value of payments	
	2021 £000	2020 £000	2021 £000	2020 £000
Amounts payable:				
Within one year	171	360	170	350
After one year but not more than five years	181	157	174	143
More than five years	74	86	56	76
	426	603	400	569
Less: future finance charges	(26)	(34)		
Present value of hire purchase obligations	400	569		

	2021 £000	2020 £000
Current interest-bearing borrowings:	170	350
Non-current interest-bearing borrowings	230	219
	400	569

Company as a lessor

The Company has entered into operating leases as lessor in respect of contract hire vehicles for periods between 12 and 60 months. Future minimum rentals receivable under non-cancellable operating leases at 31 December are as follows:

	Contract hire vehicles	
	2021 £000	2020 £000
Within one year	112,315	117,201
After one year but not more than five years	101,189	108,450
	213,504	225,651

18. Contingent liabilities

Under a group registration for Value Added Tax, the companies within the Group are jointly and severally liable for Value Added Tax due by any member of the group registration. At 31 December 2021, the Value Added Tax payable by other members of the group registration amounted to £24.2m (2020 - £52.7m).

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 2021, the other companies included in the guarantee had net funds of £135.0m (2020 - £103.1m) due from The Royal Bank of Scotland plc.

19. Ultimate parent company

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, 4th Floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9FF.

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.