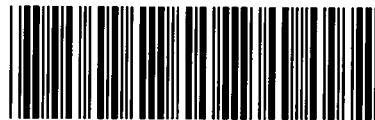


**ARNOLD CLARK AUTOMOBILES LIMITED  
ANNUAL REPORT 2014**

WEDNESDAY



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# Directors, Principal Officers and Advisers

Arnold Clark Automobiles Limited

## Directors

Sir Arnold Clark DUniv FIMI  
E Hawthorne BA CA  
K J McLean BAcc (Hons) CA  
S Willis  
Lady Clark MA (Glasgow)  
H D Wallace  
W G P Gall FIMI

Chairman and Chief Executive  
Group Managing Director  
Group Finance Director  
Group Sales Director  
Director  
Director  
Director

## Operations Board

R E Borrie  
A D Brown BA (Hons) CA  
J A Clark BA MSc MIMI  
D M Cooper BAcc (Hons) FCCA  
G R M Forbes BA (Hons)  
C S Henry BA (Hons) FCIPD  
S J MacAulay MIMI  
S K Thorpe BA (Hons) FCA

Group Franchise Director  
Group Financial Operations Director  
Group Franchise Director  
Group Retail Finance & Leasing Director  
Group Customer Service & Operations Director  
Group Human Resources Director  
Group Aftersales Director  
Company Secretary

## Registered Office

134 Nithsdale Drive  
Glasgow G41 2PP

## Principal Bankers

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

## Auditors

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

## Tax Advisers

Grant Thornton UK LLP  
95 Bothwell Street, Glasgow G2 7JZ

## VAT Advisers

Deloitte LLP  
1 City Square, Leeds LS1 2AL

# Chairman's Statement

Arnold Clark Automobiles Limited

## Trading and results

2014 marked the 60th anniversary of Arnold Clark Automobiles and it was a truly remarkable year for the group. Turnover increased by 11.9% to a record £3.27bn and operating profit before goodwill amortisation rose by £23.2m to £120.3m. New car sales underperformed the wider UK market with a 3.1% increase to 91,477 units and used vehicle sales performed very strongly with a 10.8% increase to 158,384 units, giving an overall total of 249,861. We were very pleased to note that like for like used vehicle sales increased by 9.3%.

A record trading performance by Arnold Clark Finance Limited, our vehicle management and daily rental business, significantly contributed to the group performance. A combination of strong residual values and continued low interest rates were key to turnover increasing to £176.3m and profit before tax rising by 34.2% to £16.1m.

## Acquisitions and investment

The group continues to focus on the maximisation of performance of both our recently acquired and more established sites. The group expanded its prestige car offering in July 2014 when it acquired the entire share capital of Calterdon Limited, which operated BMW and MINI franchises at Harbour Road, Inverness. Both franchises, now trading under our Harry Fairbairn brand, will relocate to purpose built premises in summer 2015, incorporating the latest manufacturer franchise standards.

2014 also saw the opening of a number of new sites for the group. The development of a new Motorstore and Fiat branch at Whitehall Place in Leeds was completed in August. This site further increases our presence in Yorkshire and unveiled our striking new branding concept. The dark grey and yellow design has been implemented at a further five Arnold Clark Motorstores and will be rolled out to all other Motorstores and Daily Rental facilities during 2015.

Our newly built GTG Training facility in Ratho, Edinburgh opened its doors to customers in December 2014. This was followed by an official opening ceremony by the Lord Provost of Edinburgh in February. This modern centre is 3,000 sq m larger than the previous Edinburgh site and brings the centre in line with our other training facilities in Glasgow and Wolverhampton. Its opening will allow GTG to build on a 20 year history in Edinburgh of offering expert tuition, education and conferencing facilities to local authorities and businesses.

In September, a dealership was acquired in Milton Keynes to accommodate Daily Rental and Activa, our English based Contract Hire division, who were moving out of rented offices nearby. An investment property in Leeds was also added to the group's portfolio in the year. This tenanted motor dealership offers the group a suitable return with little exposure to risk. In December, a 9 acre site was acquired in Chesterfield. The site is currently being refurbished and will open as an Arnold Clark Motorstore in October 2015.

After the balance sheet date, we purchased the entire share capital of Ness Motors Limited which has operations in Inverness, Perth and Elgin. We were delighted to welcome the existing 104 members of staff into the group and look forward to continuing to offer great value and excellent service to customers at these new showrooms.

## Refurbishment and development

In addition to the acquisition of Inverness BMW and MINI, our prestige offering was bolstered through redevelopment of three key sites. Our Inverness Mercedes branch underwent a substantial redevelopment, which saw the capacity of the indoor showroom double. A brand new MINI centre in Kirkcaldy opened its doors in March which, combined with a substantial refit of the existing BMW showroom, cements our position in the prestige car marketplace in Fife.

The development of our new Fiat, Kia and Abarth showrooms at Seafield in Edinburgh also completed

# Chairman's Statement

## Arnold Clark Automobiles Limited

the year. The new site boasts a 17,100 sq ft indoor showroom, the largest in the UK for Fiat, and an outdoor area to display up to 150 cars. The construction of a brand new Kia dealership in Springburn, Glasgow was completed in May bringing a modern look to a long established site.

Due to the continued success and expansion of the business, a previously purchased 11 acre site at Hillington, near Glasgow Airport, is being redeveloped to house our new Head Office as well as new and used car showrooms and a workshop facility. The new headquarters will incorporate the newly launched Arnold Clark branding, showcasing the modern look which has been very well received by our customers.

### Awards and recognition

In May we were delighted to receive three prestigious accolades at the annual Auto Trader Click Awards. We received "Ultimate Digital Dealer", "SEO (Search Engine Optimisation) Excellence" and "Best use of Social Media" awards which highlight the strength and breadth of our online offering and the execution of our digital marketing initiatives. These awards, which are voted for by consumers, recognise the significant investment which continues to be made in our group websites. Total website visits increased in the year by 17% and the introduction of "Live Chat" has proved highly successful since its launch in December.

In December we were also awarded with the title of "Distributor of Excellence" at the Independent Automotive Aftermarket Federation. Autoparts UK, our parts distribution franchise, continues to focus on launching new products and services designed to support garage businesses. Receiving such accolades recognises the efforts of everyone associated with the Autoparts business.

### Future prospects

The company continues to invest in recruiting, training and retaining a high calibre of employee. Our digital platform has been recognised as industry leading and we continue to invest heavily in this area. We have committed additional resources to our Digital Development Department to achieve our stated aim of becoming an Employer of Choice for IT staff and now have over 70 developers working in our city centre development hub. This additional resource will ensure that our digital platform is totally aligned with our physical platform, providing an industry leading experience for our customers.

The founding principles of the business 60 years ago were to deliver outstanding value for money across all goods and services supplied and to provide customers with the highest possible levels of customer satisfaction. During our anniversary year, we embarked on a programme of meetings with all of our staff members to ask for feedback on how we can develop and improve the business as well as ensuring that the business remains true to our founding principles. The involvement of all of our staff in ensuring that the customer experience is at the forefront of all that we do will ensure that we can move forward with confidence as a business.

We anticipate that 2015 will be a more challenging year than 2014 and expect that the new car market will remain relatively static with used cars showing modest growth. Notwithstanding the challenges ahead, we look forward to another successful year for the group. It remains our stated policy to keep the group well funded and able to react to any challenges or opportunities which present themselves.

It is very fitting that the group's 60th anniversary year has been the most successful to date. This success would not be possible without the support of our staff, vehicle manufacturers, funders and other business partners and I thank everyone most sincerely for that support. My deepest gratitude, however, I reserve for our customers who have shown unwavering loyalty and support, without which this result would not have been possible.



Sir Arnold Clark  
Chairman

26 MARCH 2015

# Strategic Report

## Arnold Clark Automobiles Limited

The directors present their strategic report for the year ended 31 December 2014.

### Review of the business

The group's principal activities during the year were the hiring, selling and servicing of motor vehicles.

The group balance sheet discloses net current liabilities of £98m, arising primarily as a result of hire purchase payments due on contract hire vehicles. These payments will be met from vehicle rental income receivable in the future under the relevant contract hire agreements.

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

	2014	2013	Change(%)
Group turnover	£3,265m	£2,919m	11.9%
New car sales (units)	91,477	88,697	3.1%
Used car sales (units)	158,384	142,964	10.8%
Group operating profit before amortisation of goodwill	£120.3m	£97.0m	23.9%

Used car sales increased by 10.8% due to like for like sales increasing by 9.3% and the opening of new branches. This increase in used units, combined with strong residual values and continued low interest rates, were the main drivers of the increase in profitability.

New car sales grew by 3.1% in what was a strongly performing new car market in the UK generally. It is expected that new vehicle sales in the coming year will be broadly in line with what was achieved in 2014.

Turnover rose by 11.9% to a record £3,265m and group operating profit before amortisation of goodwill increased to £120.3m. The board anticipate that 2015 will be a more challenging year than 2014 but modest growth in used cars sales should ensure that the group has another successful year.

A further review of the business is provided in the Chairman's Statement on pages 2 and 3.

# Strategic Report

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Arnold Clark Automobiles Limited

## Principal risks and uncertainties

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

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

**Interest rate risk:** The group invests surplus cash in a floating rate interest yielding bank deposit account and in short and medium term certificates of deposit. The group also has access to a floating rate interest bearing revolving credit facility. Hire purchase agreements and term loans are entered into at floating interest rates. The group's interest income and expenses are therefore affected by movements in interest rates. The group does not undertake active hedging of this risk.

**Credit risk:** The group has external debtors; however, the group undertakes assessments of its customers in order to ensure that credit is not extended where there is a likelihood of default.

**Liquidity risk:** The group aims to mitigate liquidity risk by managing cash generated by its operations.

**Price risk:** The group holds investments in the form of equity shares in publicly listed companies in the UK and certain other publicly tradeable investments. The group does not undertake active hedging of the market price risk associated with these investments; however, the investments are all actively managed by investment management companies on behalf of the group.

**General economic conditions:** The group's performance is influenced by general economic conditions, consumer confidence and credit availability. Restrictions on the availability of retail credit could adversely impact the group. Consumer confidence in the UK remains fragile as a result of the wider economic conditions and therefore discretionary expenditure has been reduced by many customers. This may impact the number and type of vehicles that will be sold in the year.

**Manufacturers:** Many of our dealerships operate under franchise agreements with automotive manufacturers. We are dependent on the various manufacturers because, without a franchise agreement, we cannot operate a new vehicle franchise or perform manufacturer warranty services. Consequently, manufacturers exercise a degree of control over the operations of our franchised dealerships. Our franchise agreement may be terminated or not renewed by manufacturers for a variety of reasons. The success of the group also depends to a degree upon the reputation of the various manufacturers, particularly in relation to the marketing, design and build-quality of their products. A significant deterioration in the reputation of any of the major manufacturers may have an impact on the performance of the group.

On behalf of the board



E Hawthorne  
Managing Director

26 MARCH 2015

Arnold Clark Automobiles Limited

## Results and dividends

An ordinary interim dividend of £1,499,000 was paid during the year (2013 - £1,449,000). The directors recommend that no final dividend be paid, which leaves a profit of £80,105,000 (2013 - £63,248,000) to be retained.

The group now has an extensive portfolio of properties throughout the UK. The directors are conscious that the group's properties represent an important and valuable asset and consider that the open market value of the group's land and buildings is in excess of £402m.

Regular meetings are held between management and employees to allow a free flow of information and exchange of ideas.

The group 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 group has continued to examine ways and means of providing continuing employment under normal terms and conditions and to provide training, career development and promotion wherever appropriate.

The directors who were members of the board at the time of approving the Directors' Report are listed on page 1. Having made enquiries of fellow directors and of the company's auditors, each of 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.

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

*Franklin*

E Hawthorne  
Managing Director

26 MARCH 2015

# Statement of Directors' Responsibilities

Arnold Clark Automobiles Limited

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). 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 group and the company and of the profit or loss of the group 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 group 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 group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



# Independent Auditors' Report

to the members of Arnold Clark Automobiles Limited

We have audited the financial statements of Arnold Clark Automobiles Limited for the year ended 31 December 2014, which comprise the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Group and Parent Company Balance Sheets, the Group Statement of Cash Flows and the related notes 1 to 28. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

## Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2014 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

# Independent Auditors' Report

to the members of Arnold Clark Automobiles Limited

## Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

*Ernst & Young LLP*

Mark Harvey (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Glasgow

*26 March 2015*

# Group Profit & Loss Account

for the year ended 31 December 2014

Arnold Clark Automobiles Limited

	Notes	2014 £000	2013 £000
<b>Turnover</b>	2	3,265,412	2,918,887
Cost of sales		(2,767,415)	(2,473,014)
<b>Gross profit</b>		497,997	445,873
Administrative and distribution expenses		(383,154)	(354,729)
Other operating income		3,965	3,972
<b>Operating profit</b>	3	118,808	95,116
Analysed as:			
Operating profit before amortisation of goodwill		120,259	97,026
Amortisation of goodwill	9	(1,451)	(1,910)
Income from listed investments		90	93
Interest receivable	6	983	1,297
Interest payable	7	(12,599)	(11,336)
<b>Profit on ordinary activities before taxation</b>		107,282	85,170
Tax on profit on ordinary activities	8	(25,678)	(20,473)
<b>Profit on ordinary activities after taxation</b>	21	81,604	64,697

All operations were classed as continuing operations during the year.

## Statement of Total Recognised Gains and Losses

		2014 £000	2013 £000
Profit on ordinary activities after taxation		81,604	64,697
Surplus on revaluation of investment properties	21	1,043	1,589
<b>Total gains and losses recognised in the year</b>		82,647	66,286

# Group Balance Sheet

at 31 December 2014

Arnold Clark Automobiles Limited

	Notes	2014 £000	2013 £000
<b>Fixed assets</b>			
Goodwill	9	4,458	5,281
Negative goodwill	9	(1,098)	(1,116)
		3,360	4,165
Tangible assets	10	898,911	833,028
Investments	11	78,759	69,484
		981,030	906,677
<b>Current assets</b>			
Stocks	12	388,389	356,810
Debtors	13	94,815	69,962
Investments	14	21,283	7,210
Cash at bank and in hand		94,787	111,564
		599,274	545,546
<b>Creditors: amounts falling due within one year</b>	15	(697,559)	(646,559)
<b>Net current liabilities</b>		(98,285)	(101,013)
<b>Total assets less current liabilities</b>		882,745	805,664
<b>Creditors: amounts falling due after more than one year</b>	16	(175,898)	(174,899)
<b>Provisions for liabilities and charges</b>	19	(28,297)	(33,363)
<b>Net assets</b>		678,550	597,402
<b>Capital and reserves</b>			
Called up share capital	20	999	999
Capital redemption reserve	21	1	1
Capital reserve	21	612	612
Revaluation reserve	21	2,632	1,589
Profit and loss account	21	674,306	594,201
<b>Equity shareholders' funds</b>	22	678,550	597,402

Approved by the board on 26 MARCH 2015



E Hawthorne  
Managing Director



KJ McLean  
Finance Director

# Company Balance Sheet

at 31 December 2014

Arnold Clark Automobiles Limited

	Notes	2014 £000	2013 £000
<b>Fixed assets</b>			
Goodwill	9	3,503	4,947
Tangible assets	10	391,964	368,101
Investments	11	63,539	63,691
		<hr/> 459,006	<hr/> 436,739
<b>Current assets</b>			
Stocks	12	327,809	309,591
Debtors	13	88,446	60,015
Investments	14	21,283	5,251
Cash at bank and in hand		47,250	58,737
		<hr/> 484,788	<hr/> 433,594
<b>Creditors: amounts falling due within one year</b>	15	<hr/> (380,477)	<hr/> (377,914)
<b>Net current assets</b>		<hr/> 104,311	<hr/> 55,680
<b>Total assets less current liabilities</b>		<hr/> 563,317	<hr/> 492,419
<b>Provisions for liabilities and charges</b>	19	<hr/> (12,738)	<hr/> (12,396)
<b>Net assets</b>		<hr/> 550,579	<hr/> 480,023
<b>Capital and reserves</b>			
Called up share capital	20	999	999
Capital redemption reserve	21	1	1
Capital reserve	21	2,646	2,646
Revaluation reserve	21	2,632	1,589
Profit and loss account	21	544,301	474,788
<b>Equity shareholders' funds</b>		<hr/> 550,579	<hr/> 480,023

Approved by the board on 26 MARCH 2015



E Hawthorne  
Managing Director



KJ McLean  
Finance Director

# Group Statement of Cash Flows

for the year ended 31 December 2014

Arnold Clark Automobiles Limited

	Notes	2014 £000	2013 £000
<b>Net cash inflow from operating activities</b>	23(a)	211,143	245,718
<b>Returns on investments and servicing of finance</b>			
Interest received		983	1,297
Income from listed investments		90	93
Interest paid		(2,770)	(2,916)
Interest element of hire purchase contracts		(9,763)	(8,323)
		(11,460)	(9,849)
<b>Taxation paid</b>		(23,155)	(11,889)
<b>Capital expenditure and financial investment</b>			
Payments to acquire fixed assets		(530,549)	(521,328)
Net payments to acquire investments		(24,189)	(18,108)
Receipts from sales of fixed assets		328,875	314,702
Net receipt from disposal of investments		841	26,097
		(225,022)	(198,637)
<b>Acquisitions and disposals</b>			
Payments to acquire subsidiary undertakings		(1,930)	(120)
Net (overdraft) / cash acquired with subsidiary undertakings		(107)	15
		(2,037)	(105)
<b>Equity dividends paid</b>		(1,499)	(1,449)
<b>Net cash flow before financing</b>		(52,030)	23,789
<b>Financing</b>			
Repayment of borrowings		(266,530)	(258,288)
Receipts from new loans		263,566	263,351
Repayment of capital element of hire purchase contracts		(368,508)	(312,076)
New hire purchase contracts		406,725	335,930
		35,253	28,917
<b>(Decrease)/increase in cash</b>		(16,777)	52,706

# Group Statement of Cash Flows

for the year ended 31 December 2014

Arnold Clark Automobiles Limited

	Notes	2014 £000	2013 £000
<b>Reconciliation of net cash flow to movement in net debt</b>			
(Decrease)/increase in cash		(16,777)	52,706
Repayment of borrowings		266,530	258,288
Receipts from new loans		(263,566)	(263,351)
Repayment of capital element of hire purchase contracts		368,508	312,076
Inception of new hire purchase contracts		(406,725)	(335,930)
<b>Change in net debt resulting from cash flows</b>	23(b)	(52,030)	23,789
<b>Net debt at 1 January</b>	23(b)	(295,558)	(319,347)
<b>Net debt at 31 December</b>	23(b)	(347,588)	(295,558)

# Notes to the Financial Statements

## for the year ended 31 December 2014

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Arnold Clark Automobiles Limited

### 1. Accounting policies

#### Basis of preparation

The financial statements are prepared under the historical cost convention, modified to include the revaluation of investment properties.

The financial statements are prepared in accordance with applicable accounting standards. The true and fair override provisions of the Companies Act 2006 have been invoked; see investment properties below.

#### Basis of consolidation

The group financial statements consolidate the financial statements of the company and subsidiary undertakings made up to a date co-terminous with the financial year of the company. References to "subsidiaries" are to be taken as references to subsidiary undertakings unless otherwise stated. The results of subsidiaries acquired during the year are consolidated from the date of acquisition using the acquisition method of accounting and the results of subsidiaries disposed of are consolidated up to the date of sale.

Certain of the group's activities are conducted through joint arrangements and are included in the consolidated financial statements in proportion to the group's interest in the income, expenses, assets and liabilities of these joint arrangements.

No parent company profit and loss account is published, in accordance with the exemption available under s.408 of the Companies Act 2006; the profit dealt with in the financial statements of the parent company is £71,012,000 (2013 - £39,561,000).

#### Going concern

The group's business activities, a review of the business and a description of the principal risks and uncertainties, together with the group's financial risk management processes and narrative regarding its exposure to key financial risks are outlined in the Strategic Report.

The group funds vehicles purchased for its contract hire fleet using hire purchase contracts from a number of providers. The vehicles are accounted for as fixed assets and a corresponding liability is recognised, an element of which will be classified as a current liability. This gives rise to the group's net current liabilities position at the year end. The directors have reviewed the group's forecast cash flows and these are sufficient to meet the liabilities as they fall due.

Taking into account the above and after making enquiries, the directors believe 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.

#### Goodwill

Positive goodwill arising on acquisitions is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Negative goodwill is included in the balance sheet and is credited to the profit and loss account in the periods in which the acquired non-monetary assets are recovered through depreciation or sale.



# Notes to the Financial Statements

## for the year ended 31 December 2014

Arnold Clark Automobiles Limited

### 1. Accounting policies (continued)

#### Depreciation

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

Land and buildings	: Freehold	- 2%
	: Leasehold	- over the lease term
Plant and equipment	: General	- 8.5% to 25%
	: Computer equipment	- 25% to 33%
Motor vehicles	: Own use	- 12.5% to 40%
	: Contract hire vehicles	- straight line over the term of the hire contract

#### Investment properties

Certain of the group's properties are held for long term investment. Investment properties are accounted for in accordance with SSAP 19. Investment properties are revalued annually and the surplus or deficit on revaluation is transferred to the revaluation reserve unless a deficit below original cost, or its reversal, on an individual investment property is expected to be permanent, in which case it is recognised in the profit and loss account for the year.

Although the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 would normally require the systematic annual depreciation of fixed assets, the directors believe that the policy of not providing depreciation is necessary in order for the financial statements to give a true and fair view, since the current value of investment properties, and changes to the current value, are of prime importance rather than the calculation of systematic annual depreciation. Depreciation is only one of the many factors reflected in the annual valuation, and the amount which otherwise might have been included cannot be separately identified or quantified.

#### Stocks

Stocks 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.

The directors have considered the terms of each of the individual manufacturer's consignment stocking agreements with specific reference to those terms which have a significant bearing on the allocation of risks and rewards of ownership between the group and the manufacturer. These terms are the group's ability to return stock to the manufacturer without penalty, the manufacturer's ability to reallocate stocks to third parties and the point in time at which the consideration payable on adoption of the stock is determined. Where, based on this assessment, the directors consider that the substance of the manufacturer's consignment stocking agreement is such that the risks and rewards of ownership are substantially transferred to the group, the stocks are recognised on the balance sheet and the corresponding liability to the manufacturer is included within creditors in accordance with Application Note A of FRS 5. In all other circumstances the consignment stocks and corresponding liability are not recognised on the balance sheet and are instead disclosed separately in a note to the financial statements.

# Notes to the Financial Statements

for the year ended 31 December 2014

Arnold Clark Automobiles Limited

## 1. Accounting policies (continued)

### Leasing and hire purchase commitments

Assets held under hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under hire purchase contracts are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged in the profit and loss account over the periods of the hire purchase contracts and represent a constant proportion of the balance of the capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

### Provisions for liabilities

A provision is recognised when the group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. The effect of the time value of money is not material and therefore the provisions are not discounted.

### Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

### Pension costs

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

# Notes to the Financial Statements

for the year ended 31 December 2014

Arnold Clark Automobiles Limited

## 2. Turnover and segmental analysis

Turnover represents the amounts due for goods sold, for services provided and for finance commissions and rentals earned stated net of discounts and value added tax.

Sales of goods are recognised when the goods are delivered, sales of services are recognised when the service has been provided and finance commissions are recognised on delivery of the related vehicles. Rentals receivable on vehicles held for use in operating leases are recognised on a straight line basis over the term of the lease.

The group operates in two principal areas of activity; that of distributing, retailing and servicing of motor vehicles and that of hiring motor vehicles. All activities take place within the United Kingdom.

An analysis of turnover, group profit before tax and net assets by business segment is given below:

	Distributing, retailing and servicing of motor vehicles		Hiring of motor vehicles		Other		Total	
	2014 £000	2013 £000	2014 £000	2013 £000	2014 £000	2013 £000	2014 £000	2013 £000
<b>Turnover</b>								
Continuing	3,057,124	2,726,804	176,287	169,783	25,072	22,300	3,258,483	2,918,887
Acquisitions	6,929	-	-	-	-	-	6,929	-
	3,064,053	2,726,804	176,287	169,783	25,072	22,300	3,265,412	2,918,887
<b>Profit before taxation</b>								
Continuing	75,918	62,181	16,139	12,025	15,396	10,964	107,453	85,170
Acquisitions	(171)	-	-	-	-	-	(171)	-
	75,747	62,181	16,139	12,025	15,396	10,964	107,282	85,170
<b>Net assets</b>								
Continuing	520,915	462,192	59,668	47,628	96,534	87,582	677,117	597,402
Acquisitions	1,433	-	-	-	-	-	1,433	-
	522,348	462,192	59,668	47,628	96,534	87,582	678,550	597,402

## 3. Operating profit

This is stated after charging/(crediting):		2014 £000	2013 £000
Auditor's remuneration	- audit services	192	177
	- other services	5	-
Depreciation	- owned assets	22,933	21,116
	- assets held under hire purchase contracts	118,175	113,858
Amortisation of goodwill		1,451	1,910
Operating lease rentals	- land and buildings	3,365	3,492
Gain on sale of fixed assets		(2,901)	(2,736)

The auditors' remuneration includes £127,000 in respect of the audit of the company (2013 - £124,000).

# Notes to the Financial Statements

for the year ended 31 December 2014

Arnold Clark Automobiles Limited

## 4. Staff costs

	2014 £000	2013 £000
Wages and salaries	234,484	217,408
Social security costs	22,451	20,700
Pension costs	4,506	3,546
	<b>261,441</b>	<b>241,654</b>

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

	2014 No.	2013 No.
Office and management	1,709	1,653
Sales	2,713	2,581
Servicing	4,762	4,696
	<b>9,184</b>	<b>8,930</b>

## 5. Directors' emoluments

	2014 £000	2013 £000
Emoluments	9,061	6,513
Emoluments of the highest paid director	3,378	2,760

## 6. Interest receivable

	2014 £000	2013 £000
Bank interest receivable	719	750
Other interest receivable	264	547
	<b>983</b>	<b>1,297</b>

## 7. Interest payable and similar charges

	2014 £000	2013 £000
Finance charges payable under hire purchase contracts	9,829	8,420
Interest payable on stocking loans	2,770	2,910
Other interest payable	-	6
	<b>12,599</b>	<b>11,336</b>

# Notes to the Financial Statements

for the year ended 31 December 2014

Arnold Clark Automobiles Limited

## 8. Tax

### (a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2014 £000	2013 £000
<b>Current tax:</b>		
UK corporation tax	28,277	22,590
Adjustments in respect of previous years	2,505	2,244
<b>Total current tax (note 8(b))</b>	<b>30,782</b>	<b>24,834</b>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	(3,000)	(447)
Effect of decreased tax rate on opening liability	-	(4,341)
Adjustments in respect of previous years	(2,104)	427
<b>Group deferred tax charge (note 8(c))</b>	<b>(5,104)</b>	<b>(4,361)</b>
<b>Tax on profit on ordinary activities</b>	<b>25,678</b>	<b>20,473</b>

### (b) Factors affecting current tax charge

The tax assessed on profit on ordinary activities for the year is higher (2013 - higher) than the standard rate of corporation tax in the UK of 21.5% (2013 - 23.25%). The differences are reconciled below:

	2014 £000	2013 £000
Profit on ordinary activities before tax	107,282	85,170
Profit on ordinary activities multiplied by standard rate of corporation tax to the group of 21.5% (2013 - 23.25%)	23,066	19,802
Expenses not deductible for tax purposes	1,777	1,677
Decelerated / (accelerated) capital allowances	3,797	(230)
Other timing differences	(362)	1,341
Application of small company rates	(1)	-
Adjustment in respect of previous years	2,505	2,244
<b>Total current tax (note 8(a))</b>	<b>30,782</b>	<b>24,834</b>

# Notes to the Financial Statements

for the year ended 31 December 2014

Arnold Clark Automobiles Limited

## 8. Tax (continued)

### (c) Deferred tax

#### Group

	2014 £000	2013 £000
The deferred tax included in the balance sheet is as follows:		
Included in provisions for liabilities and charges (note 19)	21,599	26,700
Accelerated capital allowances	24,161	29,881
Other timing differences	(2,562)	(3,181)
Provision for deferred tax	21,599	26,700
	£000	
At 1 January 2014	26,700	
Deferred tax charge in group profit and loss account (note 8(a))	(5,104)	
Acquired with subsidiary undertakings	3	
At 31 December 2014	21,599	

#### Company

	2014 £000	2013 £000
The deferred tax included in the balance sheet is as follows:		
Included in provisions for liabilities and charges (note 19)	6,044	5,737
Accelerated capital allowances	6,341	6,081
Other timing differences	(297)	(344)
Provision for deferred tax	6,044	5,737
	£000	
At 1 January 2014	5,737	
Deferred tax charge in profit and loss account	307	
At 31 December 2014	6,044	

### (d) Factors that may affect future tax charges

The tax charge in future periods may be affected by the group's continued ability to shelter gains through rollover relief. No provision has been made for tax in respect of gains rolled over. Gains that have been previously rolled over may crystallise in the future, if it is not possible to reinvest in suitable qualifying replacement assets, and result in an increased tax liability. The total amount of the tax unprovided is £3,400,000 (2013 - £3,400,000). At present, it is not envisaged that any tax will become payable in the foreseeable future in this regard.

The UK Government has announced that it intends to reduce the rate of UK corporation tax to 20% by 1 April 2015. The rate of corporation tax reduced to 21% from 1 April 2014 and a further reduction to 20%, effective from 1 April 2015, was included in the Finance Bill that was substantively enacted on 2 July 2013. The deferred tax balances as at 31 December 2014 and 31 December 2013 have been provided at a rate of 20%.

# Notes to the Financial Statements

for the year ended 31 December 2014

Arnold Clark Automobiles Limited

## 9. Goodwill

### Group

	Goodwill £000	Negative goodwill £000	Total £000
<b>Cost:</b>			
At 1 January 2014	19,286	(1,351)	17,935
Additions	646	-	646
At 31 December 2014	19,932	(1,351)	18,581
<b>Amortisation:</b>			
At 1 January 2014	14,005	(235)	13,770
Provided during the year	1,469	(18)	1,451
At 31 December 2014	15,474	(253)	15,221
<b>Net book value:</b>			
At 31 December 2014	4,458	(1,098)	3,360
At 31 December 2013	5,281	(1,116)	4,165

### Company

	Goodwill £000
<b>Cost:</b>	
At 1 January 2014 and 31 December 2014	14,663
<b>Amortisation:</b>	
At 1 January 2014	9,716
Provided during the year	1,444
At 31 December 2014	11,160
<b>Net book value:</b>	
At 31 December 2014	3,503
At 31 December 2013	4,947

Goodwill arising on the acquisition of subsidiary companies and unincorporated businesses is amortised evenly over the directors' estimate of their useful economic lives, which is currently considered to be 5 years.

Negative goodwill arising on the acquisition of the share capital of Glasgow Training Group (Motor Trade) Limited is credited to the profit and loss account in the periods in which the acquired non-monetary assets are recovered through depreciation or sale.

# Notes to the Financial Statements

## for the year ended 31 December 2014

Arnold Clark Automobiles Limited

### 9. Goodwill (continued)

#### True and fair override on divisionalisation of subsidiaries

In order to rationalise the group structure following the acquisitions of certain subsidiaries, the trade and net assets of those subsidiary undertakings were transferred to the company at their book value as at the date of transfer. The cost of the company's investment in the subsidiaries reflected the underlying fair value of their net assets and goodwill at the time of their acquisition. As a result of this transfer, the value of the company's investment in those subsidiary undertakings fell below the amount at which it was stated in the company's accounting records. The directors consider that, as there had been no overall loss to the group, it would fail to give a true and fair view to charge the diminution to the company's profit and loss account and it should instead be reallocated to goodwill and the identifiable net assets transferred, so as to recognise in the company's individual balance sheet the effective cost to the company of those net assets and goodwill. The effect on the company's balance sheet of this departure is to recognise goodwill of £12,159,000 (2013 - £12,159,000). Amortisation of £1,306,000 has been charged in respect of this goodwill during the year (2013 - £1,698,000) and the accumulated amortisation is £9,069,000 (2013 - £7,763,000).

### 10. Tangible fixed assets

#### Group

	Investment properties £000	Land and buildings £000	Plant and equipment £000	Motor vehicles £000	Total £000
<b>Cost of valuation:</b>					
At 1 January 2014	39,950	360,966	67,354	657,078	1,125,348
Additions	3,256	29,830	8,145	489,318	530,549
Disposals	-	(3,165)	(7,249)	(436,941)	(447,355)
Transfer	7,000	(7,000)	-	-	-
Surplus on revaluation	1,619	-	-	-	1,619
Acquisition of subsidiary undertakings	-	745	52	-	797
At 31 December 2014	51,825	381,376	68,302	709,455	1,210,958
<b>Depreciation:</b>					
At 1 January 2014	-	49,756	50,988	191,576	292,320
Provided during the year	-	7,697	6,232	127,179	141,108
Disposals	-	(894)	(6,949)	(113,538)	(121,381)
At 31 December 2014	-	56,559	50,271	205,217	312,047
<b>Net book value:</b>					
At 31 December 2014	51,825	324,817	18,031	504,238	898,911
At 31 December 2013	39,950	311,210	16,366	465,502	833,028

The group owns motor vehicles, purchased by way of hire purchase agreements, with a cost of £658,664,000 (2013 - £611,190,000) and related accumulated depreciation of £194,510,000 (2013 - £181,678,000), which are held for use in operating leases.



# Notes to the Financial Statements

for the year ended 31 December 2014

Arnold Clark Automobiles Limited

## 10. Tangible fixed assets (continued)

### Company

	Investment properties £000	Land and buildings £000	Plant and equipment £000	Motor vehicles £000	Total £000
<b>Cost of valuation:</b>					
At 1 January 2014	39,950	328,527	58,661	40,464	467,602
Additions	3,256	23,340	6,804	34,941	68,341
Transfers	7,000	(7,000)	-	-	-
Disposals	-	(3,147)	(6,963)	(31,153)	(41,263)
Surplus on revaluation	1,619	-	-	-	1,619
Acquisition of subsidiary undertakings	-	745	-	-	745
At 31 December 2014	51,825	342,465	58,502	44,252	497,044
<b>Depreciation:</b>					
At 1 January 2014	-	46,023	44,352	9,126	99,501
Provided during the year	-	7,124	5,436	8,056	20,616
Disposals	-	(894)	(6,755)	(7,388)	(15,037)
At 31 December 2014	-	52,253	43,033	9,794	105,080
<b>Net book value:</b>					
At 31 December 2014	51,825	290,212	15,469	34,458	391,964
At 31 December 2013	39,950	282,504	14,309	31,338	368,101

### The net book value of land and buildings comprises:

	2014 £000	Group 2013 £000	2014 £000	Company 2013 £000
Freehold	301,752	289,035	267,621	260,804
Long leasehold	23,065	22,175	22,591	21,700
	324,817	311,210	290,212	282,504

The investment properties were revalued by Colliers International as at 31 December 2014, on the basis of open market value in accordance with the RICS Valuation – Professional Standards (incorporating the International Valuation Standards) January 2014 prepared by The Royal Institute of Chartered Surveyors.

The historical cost of the investment properties included at valuation in both the group and the company accounts at 31 December 2014 was £50,773,000 (2013 – £40,516,000).

# Notes to the Financial Statements

## for the year ended 31 December 2014

Arnold Clark Automobiles Limited

### 11. Investments

#### Group

Cost and net book value	Listed investments £000	Other investments £000	Total £000
At 1 January 2014	1,946	67,538	69,484
Additions	720	9,396	10,116
Disposals	(841)	-	(841)
At 31 December 2014	1,825	76,934	78,759

The market value of the listed investments at 31 December 2014 was £2,227,000 (2013 - £2,404,000).

Other investments are bank certificates of deposit and clearer certificates of deposit of varying maturity.

Company	Listed investments £000	Other investments £000	Subsidiaries £000	Total £000
At 1 January 2014	1,526	1,760	60,405	63,691
Additions	720	-	1,930	2,650
Disposals	(841)	(1,750)	(211)	(2,802)
At 31 December 2014	1,405	10	62,124	63,539

Other investments are bank certificates of deposit and clearer certificates of deposit of varying maturity. Included in other investments is £nil (2013 - £1,750,000) held by Harlequin Insurance PCC Limited, a joint arrangement that is not an entity.

# Notes to the Financial Statements

for the year ended 31 December 2014

Arnold Clark Automobiles Limited

## 11. Investments (continued)

The table below gives details of the group's principal operating subsidiaries. The group also includes a large number of non-trading companies and it is not practical to include all of them in this list. The list, therefore, only includes those companies that have a significant impact on the revenue, profit or assets of the group; a full list of subsidiaries is filed with the parent company's annual return. No subsidiary undertaking is excluded from the group consolidation.

Name of company	Country of registration	Holding	Proportion held	Nature of business
<b>Principal subsidiaries:</b>				
Arnold Clark Autocare Limited	Guernsey	Ordinary shares	100%	Investment holding company
Arnold Clark Finance Limited	Scotland	Ordinary shares	100%	Hiring of motor vehicles
Arnold Clark Holdings (Malta) Limited	Malta	Ordinary shares	100%	Insurance services
Arnold Clark Insurance Services Limited	Scotland	Ordinary shares	100%	Insurance services
GTG Training Limited	Scotland	Ordinary shares	100%	Provision of education and training
Harry Fairbairn Limited	Scotland	Ordinary shares	100%	Sale and servicing of motor vehicles
Towquest Limited	England	Ordinary shares	100%	Provision of specialist computer software

On 31 July 2014, the company acquired the entire share capital of Calterdon Limited. The investment in Calterdon Limited is included in the company's balance sheet at cost.

### Net assets and fair values to group at date of acquisition:

	Book Value £000	Adjustments £000	Fair value £000
Tangible fixed assets	797	-	797
Stocks (a)	3,150	(267)	2,883
Debtors	374	-	374
Bank overdraft	(107)	-	(107)
Creditors: amount due within one year (b)	(2,607)	(53)	(2,660)
Provisions	(3)	-	(3)
Net assets	1,604	(320)	1,284
Goodwill arising on acquisition			646
			1,930
<b>Discharged by:</b>			
Cash			1,912
Cost associated with the acquisition			18
			1,930

### Adjustments:

- (a) Revaluation of vehicle stock to market value
- (b) Reassessment of creditors and accruals

# Notes to the Financial Statements

for the year ended 31 December 2014

Arnold Clark Automobiles Limited

## 11. Investments (continued)

Calterdon Limited generated a loss after tax of £85,000 in the period ended 31 December 2014 (year ended 31 March 2014 - £20,000 profit) all of which arose in the period from 1 April 2014 to 31 July 2014. The summarised profit and loss account for the period to the date of acquisition is as follows:

	£000
Turnover	6,350
Operating loss	(97)
Net interest	(2)
Loss before tax	(99)
Taxation	14
Loss for the period 1 April 2014 to 31 July 2014	(85)

## 12. Stocks

	Group		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
Motor vehicles	303,720	269,549	249,344	227,140
Parts and accessories	14,040	14,040	13,602	13,644
Other	4,340	3,687	4,260	3,605
Consignment stocks	58,996	63,694	53,310	59,362
Buy back vehicles	7,293	5,840	7,293	5,840
	388,389	356,810	327,809	309,591

### Group

At 31 December 2014 the group held vehicles on sale or return with a wholesale value of £117,161,000 (2013 - £144,017,000) excluding Value Added Tax.

Included in stocks is £58,996,000 (2013 - £63,694,000) in respect of vehicles where the risk and rewards of ownership are considered to lie with the group. The corresponding liability is included within creditors (note 15).

The directors are satisfied that the remaining vehicles totalling £58,165,000 (2013 - £80,323,000) are assets of the manufacturers. In relation to these stocks, the group primarily retains the right to return the stock to the manufacturer without significant penalty and/or has a limited ability to prevent the stock being allocated to third parties and/or the final price payable has not yet been determined.

### Company

At 31 December 2014 the company held vehicles on sale or return with a wholesale value of £111,475,000 (2013 - £139,685,000) excluding Value Added Tax.

Included in stocks is £53,310,000 (2013 - £59,362,000) in respect of vehicles where the risk and rewards of ownership are considered to lie with the company. The corresponding liability is included within creditors (note 15).

The directors are satisfied that the remaining vehicles totalling £58,165,000 (2013 - £80,323,000) are assets of the manufacturers. In relation to these stocks, the company primarily retains the right to return the stock to the manufacturer without significant penalty and/or has a limited ability to prevent the stock being allocated to third parties and/or the final price payable has not yet been determined.

# Notes to the Financial Statements

for the year ended 31 December 2014

Arnold Clark Automobiles Limited

## 13. Debtors

	Group		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
Trade debtors	57,545	40,017	40,032	23,196
Other debtors	13,115	6,954	12,399	6,227
Prepayments and accrued income	24,155	22,991	20,213	18,987
Amounts due from group undertakings	-	-	15,802	11,605
	94,815	69,962	88,446	60,015

## 14. Investments

<b>Cost and net book value:</b>	<b>Group</b> £000
At 1 January 2014	7,210
Additions	14,073
At 31 December 2014	21,283

<b>Cost and net book value:</b>	<b>Company</b> £000
At 1 January 2014	5,251
Additions	14,073
Transfers from subsidiary undertakings	1,959
At 31 December 2014	21,283

The investments are bank certificates of deposit and clearer certificates of deposit of varying maturity and are readily convertible to cash.

## 15. Creditors: amounts falling due within one year

	Group		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
Other loans repayable on demand (note 17)	20,823	23,787	20,823	23,787
Obligations under hire purchase contracts (note 18)	251,092	213,715	-	-
Trade creditors	137,678	121,344	112,249	93,142
Current corporation tax	29,862	22,246	14,710	12,866
Other taxes and social security costs	12,813	12,633	15,359	10,620
Other creditors	31,136	28,020	14,481	13,178
Accruals and deferred income	147,866	155,280	84,258	90,849
Consignment stock creditor	58,996	63,694	53,310	59,362
Buy back vehicle creditor	7,293	5,840	7,293	5,840
Amounts due to group undertakings	-	-	57,994	68,270
	697,559	646,559	380,477	377,914

# Notes to the Financial Statements

for the year ended 31 December 2014

Arnold Clark Automobiles Limited

## 16. Creditors: amounts falling due after one year

	Group		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
Obligations under hire purchase contracts (note 18)	170,460	169,620	-	-
Rentals in advance	5,438	5,279	-	-
	175,898	174,899	-	-

## 17. Loans

	Group		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
<b>Amounts falling due:</b>				
In one year or less or on demand (note 15)	20,823	23,787	20,823	23,787

The loan represents a stocking facility with Lombard North Central plc, is secured on the vehicles funded and is repayable on demand.

## 18. Obligations under leases and hire purchase contracts

### Amounts due under hire purchase contracts:

Group	2014 £000	2013 £000
<b>Amounts payable:</b>		
Within one year (note 15)	251,092	213,715
In two to five years (note 16)	170,460	169,620
	421,552	383,335

The hire purchase contracts are secured on the vehicles funded.

Annual commitments under non-cancellable operating leases, all of which relate to property, are as follows:

	Group		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
<b>Operating leases which expire:</b>				
Within one year	348	111	324	110
In two to five years	1,037	888	981	821
In over five years	1,906	2,368	1,696	2,136
	3,291	3,367	3,001	3,067

## 19. Provisions for liabilities and charges

Group	Commission clawback £000	Deferred taxation £000	Total £000
At 1 January 2014	6,663	26,700	33,363
Charged / (credited) in the year	2,971	(5,104)	(2,133)
Utilised in the year	(2,936)	-	(2,936)
Acquired with subsidiary undertaking	-	3	3
At 31 December 2014	6,698	21,599	28,297

# Notes to the Financial Statements

for the year ended 31 December 2014

Arnold Clark Automobiles Limited

## 19. Provisions for liabilities and charges (continued)

Company	Commission clawback £000	Deferred taxation £000	Total £000
At 1 January 2014	6,659	5,737	12,396
Charged in the year	2,971	307	3,278
Utilised in the year	(2,936)	-	(2,936)
At 31 December 2014	6,694	6,044	12,738

The company acts as a licensed credit broker and earns commission from a variety of finance companies. Under certain circumstances, where, for example, a finance agreement is terminated early due to legal action for non-payment, the commission, or an element of it, is repayable to the finance company. The commission clawback provision reflects the expected liability at the balance sheet date and is anticipated to crystallise over a period of up to five years in line with the terms of the associated finance arrangements.

Details of the deferred taxation provided in the accounts are included in note 8(c).

## 20. Share capital

2014 No.	Authorised 2013 No.	Allotted, called up and fully paid	
		2014 £000	2013 £000
1,000,000	1,000,000	999	999

## 21. Reserves

Group	Capital redemption reserve £000	Capital reserve £000	Revaluation reserve £000	Profit and loss account £000
At 1 January 2014	1	612	1,589	594,201
Profit for the year	-	-	-	81,604
Revaluation of investment properties	-	-	1,043	-
Dividends	-	-	-	(1,499)
At 31 December 2014	1	612	2,632	674,306

Company	Capital redemption reserve £000	Capital reserve £000	Revaluation reserve £000	Profit and loss account £000
At 1 January 2014	1	2,646	1,589	474,788
Profit for the year	-	-	-	71,012
Revaluation of investment properties	-	-	1,043	-
Dividends	-	-	-	(1,499)
At 31 December 2014	1	2,646	2,632	544,301

# Notes to the Financial Statements

## for the year ended 31 December 2014

Arnold Clark Automobiles Limited

### 22. Movement in shareholders' funds

Group	2014 £000	2013 £000
Shareholders' funds at 1 January	597,402	532,565
Profit for the year	81,604	64,697
Revaluation of investment properties	1,043	1,589
Dividends	(1,499)	(1,449)
Shareholders' funds at 31 December	678,550	597,402

### 23. Notes to the statement of cash flows

#### (a) Reconciliation of operating profit to net cash inflow from operating activities

	2014 £000	2013 £000
Operating profit	118,808	95,116
Depreciation of tangible fixed assets	141,108	134,974
Revaluation of investment properties	(576)	2,155
Reversal of write down of investments	-	(62)
Net amortisation of goodwill	1,451	1,910
Gain on disposal of fixed assets	(2,901)	(2,736)
Decrease/(increase) in stocks	(28,696)	(25,361)
Decrease/(increase) in debtors	(24,479)	(6,977)
Increase/(decrease) in creditors	6,393	46,231
Increase/(decrease) in provisions	35	468
Net cash inflow from operating activities	211,143	245,718

#### (b) Analysis of net debt

	At 1 January 2014 £000	Cash flows £000	At 31 December 2014 £000
Cash at bank and in hand	111,564	(16,777)	94,787
Hire purchase contracts	(383,335)	(38,217)	(421,552)
Loans	(23,787)	2,964	(20,823)
	(295,558)	(52,030)	(347,588)



# Notes to the Financial Statements

for the year ended 31 December 2014

Arnold Clark Automobiles Limited

## 24. Capital commitments

At the year end, the group and company had capital commitments as follows:

	Group		Company	
	2014	2013	2014	2013
	£000	£000	£000	£000
Contracted but not provided for	5,634	2,549	3,766	2,029
Authorised but not contracted	31,919	3,404	26,741	2,224
	37,553	5,953	30,507	4,253

## 25. Other financial commitments

In addition to buy back vehicles referred to in notes 12 and 15, the company has undertaken to repurchase certain motor vehicles throughout 2015. As the company will be repurchasing these vehicles at trade values at the date of purchase, the directors consider that losses arising from disposal of the vehicles for less than the repurchase value will not occur and, accordingly, no provision for such losses is made in the financial statements.

## 26. Contingent assets/liabilities

### Company

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 2014, the Value Added Tax payable by other members of the group registration amounted to £3,001,000 (2013 - £2,715,000).

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 2014, the other companies included in the guarantee had net funds of £46,917,000 (2013 - £52,048,000) due from The Royal Bank of Scotland plc.

## 27. Ultimate controlling party

The directors consider that Sir Arnold Clark is the company's ultimate controlling party by virtue of his office and by virtue of the shareholdings of his immediate family.

The company has taken advantage of the exemption in FRS 8 from disclosing transactions with related parties that are wholly-owned subsidiaries.

## 28. Post balance sheet events

On 10 February 2015, the company completed the acquisition of Ness Motors (Holdings) Limited. The trade, assets and liabilities of Ness Motors (Holdings) Limited and its subsidiary undertaking, Ness Motors Limited, were immediately transferred to the company.