Company registration no. 1073098

Arval UK Limited

Annual Report and Financial Statements

For the year ended 31 December 2021

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ARVAL

BNP PARIBAS GROUP

For the many journeys in life

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For the year ended 31 December 2021

Company Information

For the year ended 31 December 2021

Directors:	L Moorthy B Beckers F De Visscher S Hunt C Conlan
Secretary:	A Parshall
Registered Office:	Whitehill House Windmill Hill Swindon SN5 6PE
Registered Number:	1073098
Auditor:	Constantin 25 Hosier Lane London EC1A 9LQ

Strategic Report

For the year ended 31 December 2021.

Overview

Arval UK Limited, together with its direct subsidiary Arval UK Leasing Services Limited, its immediate parent Arval UK Group Limited and BNP Paribas Fleet Holdings Limited, the ultimate UK holding company, constitute the UK presence and trading activities of Arval, an international group, wholly owned by BNP Paribas SA. Arval has subsidiaries in 30 countries and during 2021 its worldwide fleet grew to 1.5 million vehicles.

Arval UK Limited is the main trading subsidiary in the UK and the principal activity is the provision of fleet management services, which includes leasing, vehicle maintenance and other related activities, predominantly to business customers.

This annual report and financial statements are for Arval UK Limited as a separate entity.

Financial position and performance

The company's results are set out in the Statement of Comprehensive Income on page 18.

Arval UK successfully grew its funded fleet during 2021 with unit numbers increasing from 176,273 as at 31 December 2020 to 182,628 as at 31 December 2021. The net book value of assets held for use in operating leases increased from £2,461m at 31 December 2020 to £2,745m at 31 December 2021.

Overall revenue has shown an increase of £192.5m from £1,105.6m in 2020 to £1,298.1m in 2021. This is mainly as a result of the increase in revenue from used car sales of 45% compared to 2020. The UK used car market has seen record highs during 2021 as result of a lack of supply of new vehicle, mainly due to the global semi-conductors shortage. Operating profit margins increased from 10.2% in 2020 to 12.2% in 2021 due to greater margins achieved on used car sales during the year.

The company's Statement of Financial Position remains strong. Shareholder's funds at 31 December 2021 were £105.8m (2020: £16.7m) and a dividend of £104.7m is proposed for payment after the balance sheet date (2020: £15.6m).

Total debt at 31 December 2021 was £2,769m (2020: £2,612m). All debt was owed to group undertakings.

Review of the business and current and future developments

Consistent with challenges across the automotive and leasing sector, 2021 has continued to be a challenging year for us and for many of our customers. Notwithstanding the pandemic, semi-conductor shortages and associated vehicle supply constraints, the dedication, resilience and hard work of our employees (our Journey Makers), suppliers and partners, has delivered an Increase in customer numbers of 11% with a growth in leased fleet of 4% (in a market that remained flat). In doing so, we have consolidated our position as the third largest leasing provider in the UK market, and grown our annual electric vehicle fleet production to 25% and electrified car fleet production to 53%, supporting clients in their move to more sustainable fleets.

The word "unprecedented" was used regularly to describe the Used Vehicle market throughout 2021 with prices accelerating by around 30% between May and November against a backdrop of strong Consumer demand, limited used vehicle availability and the challenges that exist in the new vehicle production space. Within the Remarketing function our focus on creating multiple routes to market for our used vehicles paid dividends. Whilst market consolidation in the de-fleet and logistics space provided some challenges in the year these have been managed well and our strategy of developing our Customer Experience approach was also a positive in the year with healthy CSAT scores achieved across all

Strategic Report (continued)

Customer segments (averaging 8.4 out of 10) and again being 'Highly Rated' by AutoTrader for our Customer Service.

2021 has been a year of product launches, enhancements and improvements across our business. We launched the UK's first product that enables employers to offer leased, zero-emission e-Bikes to their staff. Ignition, our salary sacrifice product, has been relaunched and tailored to meet the needs of both larger and smaller business customers. We have also launched a pilot electric vehicle (EV) Car Subscription proposition, to enable more people to have flexible access to EVs at an affordable price.

Our commitment and focus to the Arval Beyond group strategic plan, and embedded CSR ambitions has continued to enhance our sustainability credentials. We commissioned the company's first real-world eLCV driving performance study, to increase awareness and adoption of zero-emission vehicles among van fleets. We also championed our customers' use of zero-emission technology, sharing learning via the Leading the Charge campaign, to enable UK companies to prepare for the 2030 road transport decarbonisation agenda. In June, we launched a global biodiversity programme to help develop long-term environmental, social and economic benefits: 1 electrified vehicle = 1 tree. We have already committed to planting 20,000 trees as a result of this 2021 activity.

Another highlight of the year has been to champion wellbeing in our industry, working collaboratively across HR and mental health first aiders to ensure that our employees remain resilient and feel supported; winning recognition with a prestigious industry award. Diversity and Inclusion (including gender, age, sexual orientation among others) is also a key goal of Arval UK, where women now represent 50% of its senior management team.

Finally, we continue to place our customers at the heart of everything we do at Arval and our people have had the passion to always focus on how we can support our customers through a tough year. And there is more to come, with new partnerships and innovation to help our customers in their transition to sustainable modes of travel.

Risks

The principal risk to the company is fluctuations in used vehicle values which can have a significant favourable or adverse affect on profit in any financial year. This risk is managed through robust internal procedures applied in order to set, control and re-evaluate used vehicle values, the results of which informs management decisions.

The ultimate parent, BNP Paribas SA continues to make funding available for Arval UK's operations via its London branch.

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of interest rate risk, liquidity risk, credit risk and exchange risk.

The company has defined policies and procedures, based upon BNP Paribas group policies, which set out specific guidelines to manage interest rate risk, liquidity risk, credit risk and exchange risk and the circumstances when it would be appropriate to use financial instruments to manage these.

The company manages its capital to ensure that the company will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance. The company's overall strategy remains unchanged throughout the year. The capital structure of the company consists of intergroup borrowings (disclosed in note 18) and equity of the company comprising issued share capital (as disclosed in note 21) and retained earnings.

Strategic Report (continued)

Regular monthly meetings are held, attended by various directors or their representatives to discuss the current and future financial risks facing the company. Appropriate decisions to manage and mitigate these risks are made in accordance with the company's policies and by reference to the market and business information available.

Interest rate risk

The company's activities in the operating and finance lease industry expose it to interest rate risk. To mitigate this risk the company secures fixed rate funding with a maturity profile to match the run-off profile of the fleet and assets at order.

Liquidity risk

The company's liquidity position is reviewed on a daily basis for short term liquidity risk and on a monthly basis for long term liquidity risk. The company's facility with BNP Paribas is deemed payable on demand regardless of the maturity profile of loans that have been taken under this facility. However, the ultimate parent BNP Paribas SA continues to make funding available for Arval UK's operations via its London branch and it is unlikely that these facilities will be withdrawn, as such the company's exposure to liquidity risk is minimal.

Credit risk

The company is exposed to credit risk due to counterparties failing to meet all or part of their obligations. All customers are subject to credit verification and all outstanding balances are monitored on an ongoing basis.

Management is responsible for the identification, assessment and control of credit risk and reporting it in accordance with the group's policies.

Foreign currency risk

The company's operating activities are based in Great Britain; transactions are principally denominated in GBP with very little exposure to currency exchange movements. The only foreign currency exposure the company has is in respect of outstanding EUR invoices owed to fellow group companies and the company can use financial instruments to reduce exchange rate exposure where appropriate but does not use instruments for speculative purposes.

Section 172 statement

Section 172 of the Companies Act 2006 ("the Act") requires directors to promote the success of the company having regard to the interests of stakeholders in their decision-as set out in sections 172(1)(a)-(f) of the Act. The following section sets out how the directors have had regard to the company's stakeholders during 2021, a year which continued to be dominated by the global pandemic. Further information on the company's relationship with its stakeholders is set out in the description of Arval UK's corporate governance arrangements in the Directors' Report.

Customer and Suppliers: Arval UK's relationship with its customers and suppliers is key to the success of the business. As outlined in the Director's Report, Arval UK engages regularly with its customers and in making decisions on the company's products and services the Board always has regard to customers and the consequences of its decisions in the long term. Arval UK is a company reliant on an extensive supplier and intermediary network which is key to its business and reputation in the market. The suppliers' and intermediaries' interests are a key consideration, alongside that of other stakeholders, most notably customers, in the case of any changes to business structure or product/business model decisions.

Strategic Report (continued)

Shareholders: Arval UK is a wholly owned subsidiary of Arval Service Lease SA and ultimately of BNP Paribas SA which is listed on the Paris Stock Exchange. In making decisions the directors have regard to the profitability of the company, but at the same time ensuring decisions made and actions of management are aligned with the company's values.

Community and environment: the impact of the company's business on the environment are material considerations for Arval UK and important facets of the company's strategy, ('Arval Beyond'), as mentioned in the Directors' Report. The Board is committed to offering an integrated mobility experience for customers, providing them with support during the energy transition (to electrified vehicles) and for increasing the electrification of its own fleet. Arval UK has adopted measurable objectives for its sustainability ambitions, including current fleet analysis, transition to a greener fleet and alternative mobility solutions. Further information on the company's environmental impact can be found in the Directors' Report.

Supporting the local community and social responsibility are, as mentioned in the Directors' Report committed to by the Board. Arval UK is passionate about road safety; the company provides sponsorship to both a national road safety charity as well as one connected more locally with its head office community. Arval UK helps support and develop road safety awareness to schools educating over 14,000 school children in road safety over the past few years. Covid is changing the way these programmes are being delivered and Arval UK worked with its partners in 2021 to help support a more digital approach

The company also runs programmes such as Arval Inspires, which aims to develop personal and business skills in students from local schools, as well as supporting events from promoting sustainable mobility within our community to supporting Pride local to Arval UK's head office in Swindon.

High standards of business conduct: as a company regulated by the Financial Conduct Authority (FCA) and a member of the BNP Paribas group, the reputation of the company is a key consideration for the Board, and Arval UK's Code of Conduct sits at the heart of every action and guides all decisions. Many of the directors are also Senior Managers under the FCA's Senior Manager and Certification Regime and have additional personal accountabilities to ensure that high standards of business conduct are maintained.

During the course of 2021 management has needed to make decisions outside the Board schedule. However the Chair was kept regularly informed and actively supported the decisions. The wider Board was updated in detail during Board meetings, both on the impact of decisions on the company's stakeholders, and in regards to regulatory compliance, with an opportunity to challenge the decisions and actions of management. The Board actively monitored NPS (net promotor score) throughout the year.

Arval has multiple entities in the UK and following on from activities started in 2020 the directors considered changes to the corporate structure to rationalise and remove redundant entities to ensure that the structure is fit for purpose in the longer term. The review was focused on the number of entities and ownership structures. Ultimately a decision was made not to make any changes due to cost considerations or the impact on customers, suppliers or employees out-weighing potential benefits. To assist them in reaching this decision, the directors were provided with detailed reports and the matter was actively discussed at the Board.

Strategic Report (continued)

The company does not have employees, all employees are employed by Arval's parent company Arval UK Group Limited. It is 100% owned by Arval UK Group Limited. How the Directors have had regard to the interests of the company's employees and to the need to act fairly between members are not therefore relevant to this report.

Approved by the board, authorised for issue and signed on its behalf by

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Frank De Visscher

Director

Date: 18/5/'22

Directors' Report

The directors present their report for the year ended 31 December 2021. In the opinion of the directors, the state of the company's affairs is satisfactory.

Dividends

The directors propose a final dividend of £91.25 (2020: £13.58) per share on the issued share capital amounting to £104.7m (2020: £15.6m) payable after the balance sheet date.

Directors' Indemnity

Appropriate directors' and officers' liability insurance cover is in place in respect of all of the company's directors.

Directors

The directors set out below have held office during the whole of the period from 1 January 2021 to the date of this report unless otherwise stated.

L Moorthy (appointed 25 April 2021)
A M Cabaça (resigned 1 March 2021)
F De Visscher
S Hunt
B Beckers
F G Chové (resigned 11 April 2022)
P Hyne (resigned 4 March 2022)
C Conlan (appointed 23 March 2022)

Financial Risk Management and Future Developments

Financial risk management and future developments are covered in the Strategic Report on pages 3 to 7.

Going concern

The financial statements have been prepared on a going concern basis. The company has net current liabilities, as recorded in the Statement of Financial Position, due to amounts owed to group undertakings being payable on demand. The ultimate parent BNP Paribas SA continues to make funding available for Arval UK's operations and it is unlikely that these facilities will be withdrawn and therefore the directors believe that thc company is well placed to continue in operational existence for the foreseeable future.

The coronavirus (COVID 19) pandemic was declared by the World Health Organization on 30th January 2020 and continues to have an impact across the world. In the COVID 19 context, Arval have followed the directives of BNP Paribas Group and strictly applied the recommendations of the relevant authorities. The vast majority of our employees are now engaged in Hybrid working - a new model blending home and office. Our teams are mobilised towards our customers and partners, whilst protecting our own teams' health in these challenging times and we have adapted its organisation in order to serve our customers.

The COVID 19 vaccination rollout and the removal of pandemic-related restrictions have continued in 2022. Forecasts suggest a favourable trend in economic growth throughout 2022 and onwards, with a return to pre crisis levels. Along with the substantial government support available to employers and most significant sections of the economy during the impact of COVID 19 on the company and the Arval group's activities is expected to be manageable. The directors have considered the impact of the pandemic on future unit volumes, the impact on the UK used car market and on customer credit risk. The group is still forecasting profitability for 2022 and beyond.

Directors' Report (continued)

As a reminder, the Arval Group is a wholly owned subsidiary of BNP Paribas, a leading bank in the world with an international reach. Arval has access to BNPP funding and support when needed.

Arval has reviewed, in addition to going concern, all most important areas of the accounts that may be subject to judgement and estimation uncertainty, including accounting estimates, asset impairment and expected credit loss assessments.

Statement as to Disclosure of Information to Auditor

The directors have taken all the necessary steps to make themselves aware, as directors, of any relevant audit information and to establish that the auditor is aware of that information. As far as the directors are aware, there is no relevant information of which the company's auditor is unaware.

Auditor

Constantin have signified their willingness to continue in office.

Corporate governance arrangements

Arval UK is committed to promoting the highest standards of corporate governance, and has practices in place to support the Board in achieving sustainable value, Board effectiveness and, as applicable, to ensure consistency and alignment with the wider Arval Group's goals.

For the year ending 2021, Arval UK applied the Wates Corporate Governance Principles for Large Private Companies (published by the Financial Reporting Council 'FRC' in December 2018) (the "Wates Principles").

Purpose and Leadership

Arval has formalised a 'company purpose' that serves as a reminder of its mission and ethics. It also explains how Arval takes societal challenges into account in its operations as well as emphasising its ambition to be a leader in sustainable mobility. Arval UK is a vehicle leasing and mobility company whose purpose is to improve people's lives through personalised, sustainable and seamless journeys. Central to this is offering convenient, efficient and flexible mobility solutions. Arval UK's strategy identifies the individuality of each stakeholder, and it believes in fostering understanding and trust with an open approach to communication.

Strategy

The Arval Group launched its new strategy 'Arval Beyond' in October 2020. The strategy spans the period to 2025 and supports the evolution of its business model, taking it from a full-service leasing company to a leader in all sustainable mobility solutions including the car. The Arval UK Board has adopted the global strategy and is committed to delivery by offering an integrated mobility experience for customers, providing them support during the energy transition (to electrified vehicles), simplicity through connected and flexible products and services, and co-building added value and innovative offers with new partners. Supported by the Board, Arval UK now has a dedicated resource to translate and embed the wider Arval group and BNP Paribas CSR ambition across all aspects of the business.

Values and Culture

The Board is committed to a people first culture with the employee experience a key strategic area. It provides strong support to the Human Resources Director as the company continues to build its focus on

Directors' Report (continued)

developing diversity and an inclusive culture. Community engagement, social responsibility and environmental sustainability all form part of the company's strategy.

The Customer Experience (CX) programme, established in 2020, continues to inform how Arval UK enhances its customer experience. As discussed below the company engages regularly with its customers and acts on the outcomes to continue to inform how it can best meet its purpose.

Arval UK's Code of Conduct sits at the heart of every action and guides all decisions at all levels of the organisation, informing how business is done. Upholding Arval UK's values is essential for pursuing its strategy whilst safeguarding the trust of customers, shareholders and the wider community. Training on the Code of Conduct, as well as the Senior Managers Regime conduct rules, takes place for every director, employee, contractor and temporary staff member.

On a day-to-day basis the Executive Committee are responsible for defining the culture of the company and through the Human Resources Director and Managing Director report regularly to the Board.

Individual Senior Managers have an important part to play in establishing and embedding the right culture and governance, and to improve the standard of conduct at all levels of the company. As such, appropriate training and development is in place to enable this.

Board Composition

The Chair of the Board is employed by the company's parent company, Arval Service Lease SA His principal responsibility is to provide effective leadership to the Board, ensuring that it has the appropriate balance of skills and experience and that it operates effectively in the discharge of its responsibilities. The Chair works with the Company Secretary to plan the agenda for Board meetings. To ensure that adequate time is available for Board discussion and to enable informed decision- making, briefing papers are prepared and circulated to directors a week prior to scheduled Board meetings.

Board appointments and succession plans are based on merit and objective criteria promoting diversity of gender, social and ethnic backgrounds as well as cognitive and personal strengths. The Board is committed to boardroom diversity and ensuring it has the appropriate balance of skills, experience, independence and knowledge of Arval UK to enable directors to discharge their respective duties and responsibilities effectively. Led by the Chair, the Board assesses the suitability of its composition on an annual basis, in light of its underlying activities and by use of a skills matrix, in line with BNP Paribas Group's Suitability Policy and Arval UK's Corporate Governance Policy. The Company Secretary, at the request of the Chair, also conducts a periodic Board effectiveness review with recommended improvements reported to the Board.

In 2021, the Board comprised of six individuals (including the Chair) with diverse skills, external and international experience and a strong knowledge of the business; one of the directors is employed by another entity within the BNP Paribas group in the UK. Identified gaps in specific knowledge are closed off by advisors the Board can consult with as well as targeted training. Whilst diversity has improved with the appointment of Lakshmi Moorthy as Managing Director, and a company director in the first part of the year, there is however still a need for greater gender and ethnic diversity and strategies are in place to combat this, including through a number of talent programmes.

The majority of directors are subject to the requirements of the Financial Conduct Authority's Senior Managers Regime, including the conduct rules and must satisfy requirements relating to their fitness and propriety.

All directors are provided with periodic training both collectively and individually with a number of sessions made available to all directors in 2021 including a refresh on directors' duties and on local

Directors' Report (continued)

regulations. Arval UK continues to review its director induction and training programme to assist the directors in having a detailed understanding of their duties and responsibilities as well as the company's governance arrangements.

Directors Responsibilities

The Board has adopted a Corporate Governance Policy which is reviewed regularly. The Policy sets out the governance arrangements for Arval UK and the role and responsibilities of the directors, as well as those of management and the Company Secretary.

The Board aligns Arval UK's values, standards, strategic aims and appetite to risk with the BNP Paribas Group after ensuring they are in Arval UK's interest. The directors act in good faith, in what they honestly believe to be the best interests of Arval UK, and not for any collateral purpose. Directors' conflicts of interest are checked annually.

The Board convenes for at least three Board meetings per year, has additional meetings as required and regular business review meetings with management. Directors will both individually and collectively consult with and challenge the wider Arval Group on alignment issues.

Arval UK does not have Board Committees. The Executive Committee, chaired by the Managing Director is delegated responsibility for the day to day operation and general management of Arval UK. The Managing Director communicates the strategic objectives and values to the company. The Executive Committee escalates matters to the Board in accordance with its Terms of Reference. Throughout 2021 the Board received regular reports and information from the business both in and outside Board meetings. This included information on regulatory changes, current risks and opportunities, financial performance, operational issues and market conditions.

Opportunity and Risk

In implementing its strategy Arval Beyond, the directors are leveraging work done by the wider Arval Group in identifying opportunities for the UK business in sustainable mobility solutions for Arval UK's customers.

A comprehensive set of annual plans are prepared by Arval UK each year covering the three main operational areas – Sales & Marketing, Operations and Remarketing. These plans are discussed and agreed with the wider Arval Group and constitute the base for the annual budget approved by the Board. Key metrics and financials for the year are also reviewed (subsequent to the annual budget) every quarter in the form of the quarterly Forecast exercise, which is when the Board factors in all new risks and opportunities that have become known during the year, to ensure it is continuously managing risks and maximising opportunities.

Throughout the year Arval UK takes a balanced approach to opportunity and risk, and both are tabled for discussion at Board meetings. In 2021 the Board had a particular focus on the impact of the pandemic on Arval UK and its customers, suppliers and employees with dedicated agenda items.

Remuneration

Arval UK's directors are not remunerated for their role on the Board.

Senior management and employees are employed by Arval UK's parent company Arval UK Group Limited. There are transparent and clearly defined pay zones dependent on role which define salary and bonus payments. The latter are also dependent on company and individual performance. In addition, some employees may be entitled to commission payments under an agreed commission scheme.

Directors' Report (continued)

Stakeholder Relationships and Engagement

The Board believes in overseeing meaningful engagement and fostering open and strong relationships with all stakeholders: Arval Service Lease SA, the company's ultimate parent company within the Arval group, customers, suppliers, business partners and local communities as well as employees, who are employed by Arval UK's parent company Arval UK Group Limited. The UK branch of the Company's ultimate parent is also an important stakeholder, with management involvement in various cross-entity UK committees (for example the Managing Director participates in the UK Retail Exco) and periodic guest attendance by the UK Head of Territory at the Company's Board meetings. In addition, there is regular liaison to share best practices and learnings with other BNP Paribas companies in the UK.

The Board is actively engaged with ensuring customers stay connected. Arval UK regularly holds Customer Fora to obtain insights and feedback from customers. Throughout the year Arval UK runs its Net Promoter Insight programme, which in turn generates an NPS (Net Promotor Score) from its customers. Arval UK also runs a Post Event-Survey Insight programme for drivers across its Corporate and Retail customer segments, which in turn generates CSAT (Customer Satisfaction Scores). These programme are used by Arval UK to gauge customer and driver loyalty and satisfaction. Arval UK's Account Managers and Customer Service Teams speak directly with Corporate and Retail customers and drivers about their feedback, irrespective of the outcome, as part of the closed loop process. All insight is translated into actions plans which are owned and actioned across the business.

The Arval UK Board is committed to social responsibility and environmental sustainability. Arval UK's Head of CSR started in role at the beginning of 2021 with a focus on refreshing the company's CSR strategy. Several initiatives were delivered during the course of the year to help both Arval and its customers contribute toward their sustainability goals, in particular the transition to greener mobility. Arval UK is fully committed to working together with suppliers to ensure it delivers CSR in a meaningful way. Arval UK does this by consistently engaging with suppliers and has developed a comprehensive action plan to maintain and enhance the delivery of environmental, sustainable and socially aware products, services and activities both now and into the future. CSR is embedded into Board reports and scheduled for a dedicated discussion at the Board on an annual basis.

In conjunction with the BNP Paribas Group, Arval UK supports the United Nation's Sustainable Development Goals (SDG), and regularly highlights by way of a robust internal communications programme the SDGs being supported through our various business, charitable and volunteering activities. A new Philanthropy Policy was launched during the year to ensure alignment with commitments to the SDGs, and embed a stronger governance framework.

Streamlined Energy and Carbon Reporting (SECR) disclosure

The energy usage and emissions information of the company is disclosed as part of the SECR disclosure in the Directors' Report of its immediate parent undertaking, Arval UK Group Limited.

Approved by the board, authorised for issue and signed on its behalf by

Frank De Visscher
Director

Date: 18/5/22

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK 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 Arval UK Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Arval UK 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 Comprehensive Income; the Statement of Financial Position; the Statement of Changes in Equity; the Statement of Accounting Policies; and the related notes on pages 21 to 39.

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".

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.

Independent Auditor's Report to the Members of Arval UK Limited (continued)

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.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement, 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's about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks 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 the Companies Act 2006.

Independent Auditor's Report to the Members of Arval UK Limited (continued)

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 area, and our specific procedures performed to address it are described below:

The forecast average residual value of vehicles, which is calculated annually at a point in time 3 years into the future, is a complex estimate which requires significant judgement and carries a risk of error or fraudulent manipulation. This materially affects both the revenue recognition for income from operating lease contracts as well as the carrying value of property, plant and equipment by affecting the level of depreciation. Procedures we performed to address this included gaining an understanding of the estimation process, the statistical model employed and performing design, implementation and operating effectiveness testing on the key related controls. We recalculated the residual value with the support of data analytics specialists and assessed the adequacy of the model itself. We also challenged the underlying assumptions considering historic information, trends and the global economic, social and technologic environment. Finally we performed an external benchmarking exercise.

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. 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, 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.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Independent Auditor's Report to the Members of Arval UK Limited (continued)

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 the audit 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.

Thierry de Gennes, ACA (Senior Statutory Auditor)
For and on behalf of Constantin
Statutory Auditor
25 Hosier Lane
London
EC1A 9LQ

Date: 18 May 2022

Statement of Comprehensive Income

For the year ended 31 December 2021

	Notes	31 December 2021 £'000	31 December 2020 £'000
Revenue	3	1,298,135	1,105,583
Direct costs	3	(1,067,480)	(917,139)
Other operating charges		(67,214)	(63,571)
Net impairment losses on financial assets	3	(4,131)	(12,168)
Operating profit	3	**159,310**	**112,705**
Finance income	7	47	326
Impairment credit/(charge)	14	19	(76)
Finance costs	8	(39,075)	(40,512)
Profit before taxation		**120,301**	**72,443**
Taxation	9	(15,594)	(14,490)
Profit for the year		**104,707**	**57,953**
Other comprehensive income		-	-
Total comprehensive income for the year		**104,707**	**57,953**

The notes on pages 21 to 39 form an integral part of these financial statements.

Statement of Financial Position

As at 31 December 2021

	Notes	31 December 2021 £'000	31 December 2020 £'000
ASSETS			
Non-current assets			
Intangible assets	12	5,231	5,231
Property, plant and equipment	13	2,745,025	2,461,127
Investment in subsidiary undertaking	14	25,601	25,582
Finance lease receivables	15	32,610	34,776
Deferred tax asset	19	31,611	22,733
		2,840,078	2,549,449
Current assets			
Inventories	16	56,068	77,127
Finance lease receivables	15	19,556	16,225
Trade and other receivables	17	92,112	159,366
Cash and cash equivalents		55,536	-
		223,272	252,718
Total assets		**3,063,350**	**2,802,167**
LIABILITIES			
Current liabilities			
Trade and other payables	18	(2,955,289)	(2,784,444)
Current tax liabilities		(2,229)	(1,019)
		(2,957,518)	(2,785,463)
Total liabilities		**(2,957,518)**	**(2,785,463)**
Net assets		**105,832**	**16,704**
EQUITY			
Share capital	21	1,127	1,127
Retained earnings		104,705	15,577
Total equity		**105,832**	**16,704**

The notes on pages 21 to 39 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors, authorised for issue and signed on their behalf by:

.... **Date:** ...18/5/'22...................

Frank De Visscher (Director)

Statement of Changes in Equity

As at 31 December 2021

	Share capital £'000	Retained earnings £'000	Total equity £'000
At 1 January 2020	1,127	42,855	43,982
Profit for the year	-	57,953	57,953
Other comprehensive income	-	-	-
Total comprehensive income	-	57,953	57,953
Dividends paid	-	(85,231)	(85,231)
At 31 December 2020	**1,127**	**15,577**	**16,704**
Profit for the year	-	104,707	104,707
Other comprehensive income	-	-	-
Total comprehensive income	-	104,707	104,707
Dividends paid	-	(15,579)	(15,579)
At 31 December 2021	**1,127**	**104,705**	**105,832**

Notes to the Financial Statements

for the year ended 31 December 2021

1. Corporate information

Arval UK Limited is a company incorporated in the United Kingdom. The registered address of the company is given on page 2. The principal operations of the company are included in the Strategic Report on pages 3 to 7.

2. Accounting policies

2.1. Basis of preparation

Statement of compliance

These financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS 101") and in conformity with the requirements of the Companies Act 2006. Except for certain disclosure exemptions detailed below, the recognition, measurement and disclosure requirements of International Financial Reporting Standards have been applied to these financial statements and, where necessary, amendments have been made in order to comply with the Companies Act 2006 and The Large and Medium-sized Companies and Groups Regulations 2008/410 ('Regulations').

The company is exempt from the requirement to prepare consolidated financial statements under Section 401 of the Companies Act 2006. Consolidated financial statements are prepared by Arval UK Group Limited, the parent undertaking, incorporated in the United Kingdom and are available from the address set out in note 24. These financial statements therefore present information about the company as an individual undertaking and not about its group.

Disclosure exemptions applied

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS101 paragraph 8:

(i) The requirement of IFRS 7 'Financial Instruments: Disclosures' relating to the disclosure of financial instruments and the nature and extent of risks arising from such instruments;

(ii) The requirement of IFRS 13 'Fair Value Measurement' paragraphs 91 to 99 relating to the fair value measurement disclosures of financial assets and financial liabilities that are measured at fair value, such as available for sale investments and derivative financial instruments;

(iii) The applicable requirements of IAS 36 'Impairment of Assets' relating to the disclosures of estimates used to measure recoverable amounts;

(iv) The applicable requirements of IAS 1 'Presentation of Financial Statements' relating to the disclosure of comparative information in respect of the number of shares outstanding at the beginning and end of the year (IAS 1.79(a) (iv)), the reconciliation of the carrying amount of property, plant and equipment (IAS 16.73(e)) and the reconciliation of the carrying amount of intangible assets (IAS 18(118) (e)).

(v) The requirement of IAS 1 'Presentation of Financial Statements' paragraphs 134 to 136 relating to the disclosure of capital management policies and objectives;

(vi) The requirements of IAS 7 'Statement of Cash Flows' and IAS 1 'Presentation of Financial Statements' paragraph 10(d), 111 relating to the presentation of a Cash Flow Statement;

(vii) The requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' paragraphs 30 and 31 relating to the disclosure of standards, amendments and interpretations in issue but not yet effective; and

Notes to the Financial Statements

for the year ended 31 December 2021

(viii) The requirements of IAS 24 'Related Party Disclosures' paragraph 17 relating to the disclosure of key management personnel compensation and relating to the disclosure of related party transactions entered into between the company and other wholly-owned subsidiaries of the group.

For the disclosure exemptions listed in points (i) to (iii), the equivalent disclosures are included in the consolidated financial statements of the Group, Arval UK Group Limited which the company is consolidated into.

Basis of measurement

The financial statements have been prepared on the historical cost basis.

Going concern

The financial statements have been prepared on a going concern basis.

The company's business activities, together with the factors likely to affect its future performance and position are set out in the Strategic Report and Directors' Report on pages 3 to 12.

The company has considerable financial resources from its ultimate parent BNP Paribas SA, who continues to make funding available for Arval UK's operations, together with long-term contracts with a number of customers and suppliers. As a consequence, the directors believe that the company is well placed to manage its business risks successfully.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The directors have considered the impact of the COVID-19 pandemic on future unit volumes, the impact on the UK used car market and on customer credit risk. The group is still forecasting profitability for 2022 and beyond, thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Functional and presentational currency

The financial statements are presented in Pounds Sterling. The company's functional currency is also Pounds Sterling as this is the currency of the primary economic environment in which the company operates.

Use of estimates and judgements

The preparation of the financial statements in conformity with FRS 101 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Information about significant areas of estimation uncertainties and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in Note 2.15.

2.2. Foreign currency

Transactions in foreign currencies are translated into the functional currency at the spot exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at each reporting date are translated into the functional currency at the spot exchange rates as at that date.

Notes to the Financial Statements

for the year ended 31 December 2021

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognised in finance income and finance costs in the Statement of Comprehensive Income.

2.3. Investment in subsidiary

The investment in subsidiary is recognised at cost less any accumulated impairment losses.

2.4. Revenue

Under IFRS 15 revenue represents the amount receivable for the provision of services and the sale of goods during the year, excluding VAT and trade discounts. Revenue is only recognised when the entity has transferred goods or services..

The accounting policy for the recognition of revenue on leases has been detailed in note 2.11.

For guaranteed vehicle maintenance the performance obligation is the occurrence of a maintenance event on a vehicle. The service is invoiced on a monthly basis and revenue is then deferred until the performance obligation has been met at which point revenue is then recognised based on a portfolio margin basis. A portfolio margin basis is cost incurred plus margin.

Revenue for non leasing maintenance activities represents the value of goods purchased by customers for fleet management and other services, and fees charged to merchants..

Contract liabilities arise where services are invoiced in advance of performance or as described above where performance conditions associated with incurring contract costs have not yet been met. The amount is released to the Statement of Comprehensive Income in subsequent periods by reference to the stage of completion of the transaction at the reporting date.

Revenue from the sale of vehicles is recognised in the period in which the sale occurs with the book value of the vehicle being charges to direct costs.

Revenue from contract termination charges is recognised in the period during which the contract terminates.

2.5. Taxation

Current corporation tax assets and/or liabilities comprise obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid/due at the reporting date. Current tax is payable on taxable profits, which may differ from the Statement of Comprehensive Income in the financial statements. Calculation of current tax is based on the tax rates and tax laws that have been enacted or substantively enacted at the reporting period.

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). However, for deductible temporary differences associated with investments in subsidiaries and associates a deferred tax asset is recognised when the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

Notes to the Financial Statements

for the year ended 31 December 2021

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

2.6. Goodwill

Goodwill represents the future economic benefits arising from other assets acquired in a business combination that are not individually identifiable and separately recognised. After initial recognition, goodwill is measured at cost less accumulated impairment losses. See Note 2.10 for a description of impairment testing procedures.

2.7. Other intangible assets

Intangible assets are initially measured at cost. After initial recognition, intangible assets are recognised at cost less any accumulated amortisation and any accumulated impairment losses.

The depreciable amount of an intangible asset with a limited useful life is allocated on a systematic basis over its useful life. Amortisation begins when the asset is available for use.

The amortisation period and the amortisation method for intangible assets with a limited useful life is reviewed at least each financial year-end. If the expected useful life of the asset is different from previous estimates, the amortisation period is changed accordingly.

2.8. Research and development costs

Research costs are expensed as incurred. Development expenditure on an individual project is recognised as an intangible asset when the company can demonstrate:

(a) The technical feasibility of completing the intangible asset so that the asset will be available for use or sale

(b) Its intention to complete and its ability and intention to use or sell the asset

(c) How the asset will generate future economic benefits

(d) The availability of resources to complete the asset

(e) The ability to measure reliably the expenditure during development

Following initial recognition, the same accounting principles as set out in Note 2.7 apply.

2.9. Property plant and equipment

Property, plant and equipment is recognised as an asset only if it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably.

An item of property, plant and equipment that qualifies for recognition as an asset is measured at its cost. Cost of an item of property, plant and equipment comprises the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

After recognition, property, plant and equipment is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is provided at rates calculated to write down the cost of assets, less estimated residual value, over their expected contract term on a straight line basis as follows:

Leased vehicles	up to 7 years (determined by contract length)

Notes to the Financial Statements

for the year ended 31 December 2021

The residual value and the useful life of an asset is reviewed at least at each financial year-end and if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with *IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'*.

Property plant and equipment formerly held for leasing to customers is transferred to inventory at book value. The proceeds from the sale of such assets are recognised as revenue and book value is recognised as a direct cost.

Gains or losses arising on the disposal of other property, plant and equipment are determined as the difference between the disposal proceeds and the carrying value of the asset and are recognised in the Statement of Comprehensive Income.

2.10. Impairment of goodwill, other intangible assets and property, plant and equipment

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash flows. As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the company at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An asset or cash-generating unit is impaired when its carrying amount exceeds its recoverable amount. The recoverable amount is measured as the higher of fair value less cost of disposal and value in use. The value in use is calculated as being net projected cash flows based on financial forecasts discounted back to present value.

The impairment loss is allocated to reduce the carrying amount of the asset, first against the carrying amount of any goodwill allocated to the cash-generating unit, and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

2.11. Leases

The company as lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the company's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

2.12. Inventories

Inventories are stated at lower of cost and net realisable value. Inventories comprise vehicles awaiting disposal.

Notes to the Financial Statements

for the year ended 31 December 2021

2.13. Financial instruments

Financial assets

Financial assets are recognised in the statement of financial position when, and only when, the company becomes a party to the contractual provisions of the instrument.

Financial assets are initially recognised at fair value plus directly attributable transaction costs.

Financial assets are classified as financial assets at amortised cost if the assets comprise assets held within a business model whose objective is to collect the contractual cash flows and the contractual terms give rise to cash flows that are solely payments of principal and interest.

After initial recognition, financial assets at amortised cost are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and finance lease receivables.

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

Trade and other receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business, if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Finance lease receivables are recognised initially at the present value of the lease payments, plus any residual value. The net income earned from the lease by the lessor is equal to the amount of interest on the loan, and is taken to the profit and loss account under "Interest income". The lease payments are spread over the lease term, and are allocated to reduction of the principal and to interest such that the net income reflects a constant rate of return on the net investment outstanding in the lease. The rate of interest used is the rate implicit in the lease.

Financial liabilities

Financial liabilities include borrowings, leases and trade and other payables.

Financial liabilities are obligations to pay cash or other financial assets and are recognised in the statement of financial position when, and only when, the company becomes a party to the contractual provisions of the instrument.

Financial liabilities are initially recognised at fair value adjusted for any directly attributable transaction costs.

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs. Discounting is omitted where the effect of discounting is immaterial.

A financial liability is derecognised only when the contractual obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

2.14. Equity and reserves

Share capital represents the nominal value of shares that have been issued.

Retained earnings include all current and prior period retained profits.

Notes to the Financial Statements

for the year ended 31 December 2021

2.15. Significant management judgements in applying accounting policies and estimation uncertainty

When preparing the financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Significant management judgements

The following are significant management judgements in applying the accounting policies of the company that have the most effect on the financial statements.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on the recognition of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Future market value of operating lease vehicles

Management uses various assumptions to estimate the expected future market value of operating lease assets at the end of contracts. These assumptions of the expected future market values are reviewed and recalculated on a monthly basis as new data becomes available. These assumptions can significantly affect the deprecation charge within the Statement of Comprehensive Income as the depreciation of the operating lease assets is calculated on a straight line basis to the expected future market value of those assets.

Notes to the Financial Statements

for the year ended 31 December 2021

3. Operating profit

The following items have been included in arriving at operating profit.

	31 December 2021 £'000	31 December 2020 £'000
Revenue		
Income from operating lease contracts	768,288	723,845
Income from finance lease contracts	1,846	1,037
Income from sale of vehicles	463,600	320,754
Income from other leasing related services	28,318	25,750
Income from other services	36,083	34,197
	1,298,135	1,105,583
Direct Costs		
Depreciation – own vehicles used in operating lease contracts	505,219	435,087
Other costs from operating lease contracts	115,263	106,642
Net book value of vehicles sold	397,982	331,971
Expenses from other leasing related services	14,771	12,333
Expenses from other services	34,245	31,106
	1,067,480	917,139

During the year, the following losses were recognised in Statement of Comprehensive Invoice in relation to financial assets under IFRS 9:

	31 December 2021 £'000	31 December 2020 £'000
Impairment losses		
Trade receivables and finance lease receivables	2,759	11,216
Movement in loss allowance for trade receivables and finance lease receivables	1,372	952
Net impairment losses on financial and contract assets	4,131	12,168

Notes to the Financial Statements

for the year ended 31 December 2021

4. Directors' remuneration

L Moorthy, A M Cabaça, P Hyne and F De Visscher were remunerated by Arval UK Group Limited and it is not practicable to analyse their remuneration by entity. B Beckers and C G Chové were remunerated by the ultimate parent company, which made no recharge to Arval UK Limited. S Hunt was remunerated by BNP Personal Finance UK, which made no recharge to Arval UK Limited.

5. Auditor's remuneration

Constantin was remunerated by Arval UK Group Limited and it is not possible to analyse their remuneration by entity. Details of the auditor's remuneration can be found in the financial statements of Arval UK Group Limited.

6. Employees

All staff members have a contract of employment with Arval UK Group Limited. Staff costs are therefore included as part of the management charge, which is included within operating charges. Full disclosure of staff costs is included within the financial statements of Arval UK Group Limited.

7. Finance income

	31 December 2021 £'000	31 December 2020 £'000
Dividend income	45	120
Interest receivable from group undertakings	2	3
Other finance income	-	203
	47	326

During 2021 the company received dividends of £45,000 from Arval UK Leasing Services Limited (2020: £120,000).

8. Finance costs

	31 December 2021 £'000	31 December 2020 £'000
Interest payable to group undertakings	39,060	40,512
Other finance costs	15	-
	39,075	40,512

Notes to the Financial Statements

for the year ended 31 December 2021

9. Taxation

	31 December 2021 £'000	31 December 2020 £'000
Corporation tax:		
Current year	22,558	20,393
Adjustment in respect of prior years	2,029	734
Group relief surrendered free of charge	(115)	-
	24,472	21,127
Deferred tax (see note 19)		
Current year	737	(5,947)
Adjustment in respect of prior years	(2,028)	(690)
Impact of rate change on deferred tax balances	(7,587)	-
Total tax expense	15,594	14,490

The tax rate used for the following reconciliation is the corporate tax rate of 19.00% (2020: 19.00%) payable by corporate entities in the UK on taxable profits under UK tax law.

The tax charge for the year can be reconciled to the profit for the year as follows:

	31 December 2021 £'000	31 December 2020 £'000
Profit before taxation	120,301	72,443
Corporation tax calculated at 19.00% (2020: 19.00%)	22,857	13,764
Effect of expenses that are not deductible	446	705
Effect of income that is not subject to tax	(8)	(23)
Group relief surrendered free of charge	(115)	-
Adjustment to tax in respect of previous years	1	44
Adjustment to tax in respect of rate change	(7,587)	-
Total tax expense	15,594	14,490

Notes to the Financial Statements

for the year ended 31 December 2021

Factors That May Affect Future Tax Charges

Finance Act 2020, which was substantively enacted on 11 March 2020, maintained the corporation tax rate at 19% until 31 March 2023.

Finance Act 2021, which was substantively enacted on 24 May 2021, has enacted an increase in the UK corporation tax main rate to 25% from 1 April 2023.

As this rate change had been substantively enacted before the balance sheet date, the closing deferred tax assets and liabilities have been calculated at 25%, on the basis that this is the rate at which those assets and liabilities are expected to unwind.

10. Dividends paid and proposed

During the year dividends of £15,579,000 (2020: £85,231,000) were declared and paid equalling £13.58 per share (2020: £74.28).

It is proposed that a dividend of £104,705,000 (2020: £15,579,000) equalling £91.25 per share (2020: £13.58) is proposed for approval.

11. Present value of future minimum operating lease receivables

The present value of future minimum lease payments receivable under non-cancellable operating leases as a lessor is as follows:

	Present value of minimum lease payments	
	31 December 2021 £'000	**31 December 2020 £'000**
Amounts receivable under operating leases:		
Within one year	403,912	375,157
In the second to fifth years inclusive	463,096	448,342
After five years	2,319	5
Present value of minimum lease payments receivable	869,327	823,504

Notes to the Financial Statements

for the year ended 31 December 2021

12. Intangible assets

	Goodwill
	£'000
Cost	
At 1 January 2021 and 31 December 2021	7,458
Amortisation charges	
At 1 January 2021 and 31 December 2021	2,227
Carrying amount	
At 31 December 2021	5,231
At 31 December 2020	5,231

Goodwill of £7,458,000 was acquired as part of the purchase of the trade, assets and liabilities of Arval Limited on 1st October 2011. All Goodwill has been allocated to this cash-generating unit.

Notes to the Financial Statements

for the year ended 31 December 2021

13. Property, plant and equipment

	Vehicles and equipment
	£'000
Cost	
At 1 January 2021	3,416,649
Additions	1,166,040
Disposals	(735,521)
At 31 December 2021	3,847,168
Depreciation	
At 1 January 2021	955,522
Charge	505,219
Disposals	(358,598)
At 31 December 2021	1,102,143
Carrying amount	
At 31 December 2021	2,745,025
At 31 December 2020	2,461,127

Notes to the Financial Statements

for the year ended 31 December 2021

14. Investment in subsidiary undertaking

	£'000
Cost	
At 1 January 2021 and 31 December 2021	87,881
Provision for impairment	
At 1 January 2021	62,299
Impairment credit	(19)
At 31 December 2021	62,280
Net book value	
At 31 December 2021	25,601
At 31 December 2020	25,582

Following the payment of a dividend by Arval UK Leasing Services Limited the investment in Arval UK Leasing Services Limited was impaired to reflect the recoverable amount.

Details of subsidiary undertakings at 31 December 2021 are as follows:

Company Name	Activity	Class of share	Percentage of shares held	Aggregate capital and reserves	Profit for the year
				£'000	£'000
Arval UK Leasing Services Limited	Dormant	Ordinary	100%	25,601	62

The subsidiary undertakings is registered in England and Wales

Notes to the Financial Statements

for the year ended 31 December 2021

15. Finance lease receivables

	Present value of minimum lease payments 31 December 2021 £'000	31 December 2020 £'000
Amounts receivable under finance leases:		
Within one year	20,720	17,456
Between one and two years	17,493	15,694
Between two and three years	7,615	10,359
Between three and four years	8,293	3,922
Between four and five years	1,152	7,443
After five years	-	-
	55,273	54,874
Less: unearned finance income	(2,950)	(3,796)
Less: Provision for impairment	(157)	(77)
Present value of minimum lease payments receivab	52,166	51,001

	Present value of minimum lease payments 31 December 2021 £'000	31 December 2020 £'000
Amounts receivable under finance leases:		
Within one year	19,556	16,225
Between one and two years	16,509	14,586
Between two and three years	7,187	9,627
Between three and four years	7,826	3,645
Between four and five years	1,088	6,918
After five years	-	-
Present value of minimum lease payments receivable (net of impairment)	52,166	51,001
Analysed as:		
Current finance lease receivables	19,556	16,225
Non-current finance lease receivables	32,610	34,776
	52,166	51,001

Finance lease receivables are stated after provisions for impairment of £157,000 (2020: £77,000).

Notes to the Financial Statements

for the year ended 31 December 2021

16. Inventories

	31 December 2021 £'000	31 December 2020 £'000
Vehicles held for resale	56,068	77,127

Leased vehicles are transferred into inventories at the end of the contract when the vehicle has been returned. The total cost of inventories recognised in the Statement of Comprehensive Income for 2021 was £397,982,000 (2020: £331,971,000).

17. Trade and other receivables

	31 December 2021 £'000	31 December 2020 £'000
Trade receivables	51,609	65,460
Amounts owed by group undertakings	1,660	4,346
Other receivables	5,077	39,106
Prepayments	33,766	50,454
	92,112	159,366

Trade receivables are stated after provisions for impairment of £14,913,000 (2020: £14,014,000).

18. Trade and other payables

	31 December 2021 £'000	31 December 2020 £'000
Amounts owed to group undertakings	2,769,344	2,607,221
Trade payables	11,900	12,689
Other payables	17,795	14,311
Accruals and contract liabilities	156,250	145,892
Overdraft	-	4,331
	2,955,289	2,784,444

Amounts owed to group undertakings are payable on demand. However the ultimate parent BNP Paribas SA continues to make funding available for Arval UK's operations and it is unlikely that these facilities will be withdrawn. Revenue recognised during 2021 that was included in contract liabilities at the beginning of the period was £84,354,000 (2020: £27,447,000).

Notes to the Financial Statements

for the year ended 31 December 2021

19. Deferred tax

	Accelerated capital allowances £'000
Balance at 1 January 2021	22,733
Credit to Statement of Comprehensive Income	8,878
Balance at 31 December 2021	31,611

Analysis of deferred tax balances for financial reporting purposes:

	31 December 2021 £'000	31 December 2020 £'000
Deferred tax asset	31,611	22,733

Factors That May Affect Future Tax Charges

Finance Act 2020, which was substantively enacted on 11 March 2020, maintained the Corporation Tax rate at 19% until 31 March 2023.

Finance Act 2021, which was substantively enacted on 24 May 2021, has enacted an increase in the UK Corporation Tax main rate to 25% from 1 April 2023.

As this rate change had been substantively enacted before the Balance Sheet date, the closing Deferred Tax assets and liabilities have been calculated at 25%, on the basis that this is the rate at which those assets and liabilities are expected to unwind.

20. Pensions

Arval UK Group Limited operates pension schemes (both defined contribution and defined benefit schemes) on behalf of the UK group, full details of which are given in the financial statements of Arval UK Group Limited for the year ended 31 December 2021. In those financial statements under IAS 19 Arval UK Group Limited discloses a net pension asset of £36,457,000 (2020: £20,150,000). It is not possible to determine the share of the underlying assets, liabilities and costs for individual companies in the group. Pension contribution costs are included within employment costs recharged to group companies by Arval UK Group Limited on an annual basis. The total defined contribution and defined benefit pension cost incurred by Arval UK Group Limited for the year ended 31 December 2021 was £2,583,000 (2020: £2,464,000).

Notes to the Financial Statements

for the year ended 31 December 2021

21. Share capital

	31 December 2021 £'000	31 December 2020 £'000
Authorised		
2,000,000 'A' ordinary shares of £1 each	2,000	2,000
Allocated and called up		
1,124,999 'A' £1 ordinary shares called up and fully paid	1,125	1,125
22,500 'A' £1 ordinary shares called up and 10p paid	2	2
	1,127	1,127

22. Contingent liabilities

At 31 December 2021 and at December 2020 the company had no contingent liabilities.

23. Financial commitments

Capital commitments of the company at 31 December 2021 for which no provision has been made in these accounts were as follows

	31 December 2021 £'000	31 December 2020 £'000
Contracted vehicles for leasing	560,842	247,229

The company as part of normal contract hire trading arrangements has outstanding orders as at 31 December with vehicle suppliers with the intention of meeting future customer delivery dates.

24. Post Balance Sheet Events

The invasion of Ukraine by Russian forces on 24th February 2022 resulted in sanctions imposed against Russian companies and individuals. Although Arval UK's trading activities are not expected to be directly impacted by this, there are supply chain issues at a global level. Any risk related to this is managed accordingly.

Notes to the Financial Statements

for the year ended 31 December 2021

25. Ultimate controlling party

The company is a subsidiary undertaking of, and is controlled by Arval UK Group Limited, a company incorporated in England and Wales. The ultimate parent undertaking is BNP Paribas SA, a company incorporated in France.

The smallest group in which the results of the company are consolidated is that headed by Arval UK Group Limited. The largest group in which the results of the company are consolidated is that headed by BNP Paribas SA.

The consolidated accounts of both Arval UK Group Limited and BNP Paribas SA can be obtained from:

Arval UK Group Limited
Whitehill House
Windmill Hill
Swindon
SN5 6PE