

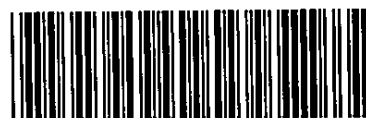
Company Registration No: 3398034

**ARKLE FINANCE LIMITED**

**Report and Financial Statements**

**31 December 2011**

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# **ARKLE FINANCE LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2011**

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# **ARKLE FINANCE LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2011**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

R N Weatherby  
S C Bassett  
A R Steedman (Retired 31 December 2011)  
A Turberville Smith  
B Ward (non-executive)  
R A Pyman (non-executive)

#### **SECRETARY**

A S McGlynn

#### **REGISTERED OFFICE**

Sanders Road  
Wellingborough  
Northamptonshire  
NN8 4BX

#### **BANKERS**

Weatherbys Bank  
Sanders Road  
Wellingborough  
Northamptonshire  
NN8 4BX

#### **SOLICITORS**

Gateley LLP  
Knightsbridge House  
Lower Brown Street  
Leicester  
LE1 5NL

#### **AUDITOR**

Deloitte LLP  
Chartered Accountants & Statutory Auditor  
Birmingham

# **ARKLE FINANCE LIMITED**

## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 December 2011

### **PRINCIPAL ACTIVITIES**

The Company manages a portfolio of finance agreements and provides such facilities, which include leasing, hire purchase, instalment credit and loan products, principally to business users

### **BUSINESS REVIEW**

New business is introduced via an approved network of licensed intermediaries. The focus is on equipment finance which covers a broad range of asset types funded for customers across the UK. In 2011, the business advanced £24m (2010 - £18m). The profit for the financial year is £989,422 (2010 - £670,257). The directors paid an interim dividend of £640,000 during the year (2010 - £510,000) and do not recommend the payment of a final dividend.

The Company is funded entirely by its parent company and the directors fully expect such funding to remain in place for the foreseeable future. The directors have carefully considered the going concern statement and are satisfied that it is appropriate to prepare the accounts on such a basis.

### **DIRECTORS**

The directors of the Company throughout the year and subsequently were as follows:

R N Weatherby  
A R Steedman (Retired 31 December 2011)  
A Turberville Smith  
S C Bassett  
B Ward (non executive)  
R A Pyman (non executive)

### **INSURANCE OF OFFICERS**

During the period the Company has maintained cover for directors and officers under directors' and officers' liability insurance policies, as permitted by the Companies Act 2006. These policies were paid for by Weatherbys Bank Limited, and remain in force as at the date of this report.

### **RISK MANAGEMENT POLICIES AND OBJECTIVES**

For risks affecting the Company see the risk management policies disclosed in note 19.

### **AUDITORS**

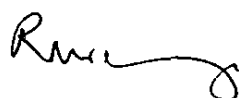
Each of the persons who is a director at the approval of this report confirms that:

- (1) so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- (2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board



R N Weatherby  
Director  
24 April 2012

# **ARKLE FINANCE LIMITED**

## **DIRECTORS' RESPONSIBILITY STATEMENT**

The directors are responsible for preparing the Annual 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 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,
- 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 ARKLE FINANCE LIMITED**

We have audited the financial statements of Arkle Finance Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (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 auditors' 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 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. 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 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. 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 Company's affairs as at 31 December 2011 and of its 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.

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

In our opinion the information given in 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.



Matthew Perkins (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Birmingham, United Kingdom  
24 April 2012

## ARKLE FINANCE LIMITED

### PROFIT AND LOSS ACCOUNT Year ended 31 December 2011

	Notes	2011 £	2010 £
<b>TURNOVER</b>	2	8,228,575	8,495,911
Cost of sales		<u>(1,816,215)</u>	<u>(2,182,541)</u>
<b>GROSS PROFIT</b>		6,412,360	6,313,370
Administrative expenses		<u>(3,051,558)</u>	<u>(3,456,225)</u>
<b>OPERATING PROFIT</b>	3	3,360,802	2,857,145
Interest payable	5	<u>(1,754,337)</u>	<u>(1,810,947)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		1,606,465	1,046,198
Tax on profit on ordinary activities	6	<u>(617,043)</u>	<u>(375,941)</u>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION BEING PROFIT FOR THE FINANCIAL YEAR</b>	12	<u>989,422</u>	<u>670,257</u>

All activities are derived from continuing operations

There are no recognised gains or losses in either year other than those shown above and consequently no Statement of Total Recognised Gains and Losses is presented

# ARKLE FINANCE LIMITED

## BALANCE SHEET 31 December 2011

	Notes	2011 £	2010 £
<b>ASSETS</b>			
<b>FIXED ASSETS</b>			
Tangible assets	7	<u>32,794</u>	<u>171,405</u>
<b>CURRENT ASSETS</b>			
Debtors – amounts falling due within one year	8	22,056,663	22,881,645
Debtors – amounts falling due after more than one year	9	<u>23,210,320</u>	<u>21,124,245</u>
		<u>45,266,983</u>	<u>44,005,890</u>
<b>Total assets</b>		<u><u>45,299,777</u></u>	<u><u>44,177,295</u></u>
<b>LIABILITIES AND CAPITAL</b>			
<b>CAPITAL AND RESERVES</b>			
Called up share capital	11	10,000	10,000
Profit and loss account	12	<u>1,756,256</u>	<u>1,406,834</u>
<b>SHAREHOLDER'S FUNDS</b>	10	<u>1,766,256</u>	<u>1,416,834</u>
<b>CREDITORS: amounts falling due within one year</b>	13	40,327,860	39,795,946
<b>CREDITORS amounts falling due after more than one year</b>	14	<u>3,205,661</u>	<u>2,964,515</u>
<b>Total liabilities and capital</b>		<u><u>45,299,777</u></u>	<u><u>44,177,295</u></u>
<b>Memorandum item</b>			
Commitments	16	<u><u>262,029</u></u>	<u><u>-</u></u>

The financial statements of Arkle Finance Limited (registered number 3398034) were approved and authorised for issue by the Board of Directors on 24 April 2012

Signed on behalf of the Board of Directors



R N Weatherby  
Director



# ARKLE FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2011

### 1. ACCOUNTING POLICIES

#### **Basis of preparation**

The financial statements are prepared in accordance with applicable UK company law and accounting standards under the historical cost convention. They have all been applied consistently throughout the year and the preceding year.

The Company is funded entirely by its parent company and the directors fully expect such funding to remain in place for the foreseeable future. The directors have carefully considered the going concern statement and have continued to adopt the going concern assumption in preparing the financial statements.

#### **Tangible fixed assets**

Tangible fixed assets are stated at cost and depreciated by equal annual instalments commencing in the month of acquisition at rates estimated to write off their cost or valuation less any residual value over their expected useful lives and the term of the associated leases as follows:

Motor vehicles	2-3 years
Office equipment	5 years

#### **Leasing and instalment credit agreements**

Hire purchase agreements which are of a financing nature, and assets leased to customers under agreements which transfer substantially all the risks and rewards associated with ownership, other than legal title, are classified as finance leases. All other assets leased to customers are classified as operating lease assets.

The net investment in finance leases represents the total minimum lease payments less gross earnings allocated to future periods. Income from finance leases is credited to the profit and loss account using the sum of digits method to give a constant periodic rate of return on the net cash investment.

Operating lease assets, which only arise from transactions with other members of the Weatherbys group (companies ultimately owned by three Weatherby family trusts) are reported at cost less depreciation. In the profit and loss account, income in respect of operating lease assets is reported within turnover, and depreciation on operating lease assets is reported within cost of sales. Provision is made for any impairment in value, any such amount being included in cost of sales.

Rentals payable and receivable under operating leases are accounted for on the straight-line basis over the periods of the leases. Unguaranteed residual values in respect of operating lease assets are reviewed regularly and any impairment identified is charged to the profit and loss account.

Income from instalment credit transactions is calculated by the actuarial method.

#### **Recognition of lease deposits**

Deposits received at the inception of a new lease are included within trade creditors as deferred income and released over the period of the lease.

#### **Amortisation of brokers' commissions**

The cost of brokers' commission is charged to the profit and loss account over the term of the lease to which it relates using the sum of digits method.

#### **Provision for bad and doubtful debts**

Specific provisions are made against amounts for which recovery is considered to be doubtful.

Amounts are written off when there is no realistic prospect of recovery.

General provision is made in respect of losses which, although not separately identified, are known from experience to be present in any portfolio of leasing/hire purchase assets.

# **ARKLE FINANCE LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)** **Year ended 31 December 2011**

### **1. ACCOUNTING POLICIES (continued)**

#### **Taxation**

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

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 that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis

#### **Pension costs**

For the defined contribution scheme the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet

The Company has also nominated a defined contribution stakeholder scheme to which the Company does not contribute

The Company is unable to identify its shares of the underlying assets and liabilities of this pension scheme and has therefore accounted for its contributions to the pension scheme as if it was a defined contribution scheme. Details of the pension scheme appear in the accounts of Weatherbys Thoroughbred Limited, which can be obtained from the Company's registered office at Sanders Road, Wellingborough, Northamptonshire, NN8 4BX

#### **Cash flow statement**

The Company has taken advantage of the exemption from preparing a cash flow statement conferred by FRS1 (paragraph 5) on the grounds that it is a wholly owned subsidiary of Weatherbys Bank Limited for which consolidated financial statements are publicly available

### **2. TURNOVER**

Turnover represents amounts derived from the provision of goods and services which fall within the Company's ordinary activities stated net of value added tax. The Company's turnover is all attributable to one class of business, being the provision of leasing services. This business arose wholly within the UK

# ARKLE FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2011

### 3. OPERATING PROFIT

	2011 £	2010 £
<b>Operating profit is after charging</b>		
Depreciation – owned assets	18,433	70,035
Loss on disposal of fixed assets	16,503	12,233
<b>Auditors remuneration</b>		
- Fees payable to the Company's auditor in respect of the audit of the Company's annual accounts	24,000	23,900
Total audit fees	24,000	23,900
- Tax compliance services	9,000	8,000
- Tax advisory services	6,475	6,925
Total non audit fees	15,475	14,925
Total fees	39,475	38,825
<b>Amounts receivable in respect of leases and hire purchase contracts are as follows</b>		
Rentals receivable in respect of operating leases	35,161	105,340
Aggregate amounts receivable under finance leases and hire purchase contracts	6,904,863	7,447,974

### 4. EMPLOYEES

The average number of persons including directors employed by the Company during the year (excluding those directors employed by Weatherbys Bank Limited) was

	2011 Number	2010 Number
Office and management	18	16
<b>Staff costs for the above persons</b>		
Wages and salaries	564,388	518,492
Social security costs	57,341	49,534
Pension costs	175,737	32,885
	797,466	600,911

#### Pension costs

An amount of £167,630 was recognised as an expense for the defined contribution plans in 2011 (2010 - £32,885). Pension costs in part relate to contributions to the Weatherbys Pension and Assurance Scheme and include an additional amount in 2011 of £133,891 (2010 - nil) as part of an ongoing plan to fund the scheme deficit. Contributions are recharged on the basis of the current service period only.

## ARKLE FINANCE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2011

#### 4 EMPLOYEES (continued)

##### Emoluments of directors

Three (2010 three) directors are remunerated by the Company with the other directors being remunerated by Weatherbys Bank Limited. No apportionment has been made of the remuneration received by directors from Weatherbys Bank Limited for their services to this company.

	2011 £	2010 £
Directors' emoluments	<u>153,182</u>	<u>145,373</u>

The highest paid director details are disclosed within the financial statements for Weatherbys Bank Limited.

##### Transactions with directors

Stratford Corporate Finance is a partnership in which Brian Ward, a non-executive director of Arkle Finance Limited, is a partner. During the year the following transactions were made under normal trading terms.

The Company paid Stratford Corporate Finance £21,175 (2010 - £42,813) for consultancy services, business planning and brokerage commission. Further related party transactions are disclosed on note 18.

#### 5. INTEREST PAYABLE

	2011 £	2010 £
Group companies - Overdraft interest	<u>1,754,337</u>	<u>1,810,947</u>

# ARKLE FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2011

### 6. TAX ON PROFIT ON ORDINARY ACTIVITIES

#### a) Analysis of tax charge on ordinary activities

	2011 £	2010 £
<b>Current tax</b>		
UK corporation tax on profits for the year	1,266,314	1,339,063
Adjustments in respect of previous years	(1,200)	(54,160)
<b>Total current tax charge</b>	<u>1,265,114</u>	<u>1,284,903</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(825,664)	(1,016,011)
Adjustment in respect of previous years	507	41,755
Change in tax rate	177,086	65,294
<b>Total deferred tax credit</b>	<u>(648,071)</u>	<u>(908,962)</u>
<b>Total tax on profit on ordinary activities</b>	<u>617,043</u>	<u>375,941</u>

#### b) Factors affecting tax charge for year

	2011 £	2010 £
Profit on ordinary activities before tax	<u>1,606,465</u>	<u>1,046,198</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK at 26.49% (2010 – 28%)	425,603	292,935
Expenses not deductible for tax purposes	15,047	30,117
Capital allowances in excess of depreciation	790,192	1,016,011
Movement in short term timing differences	35,472	-
Adjustment to tax charge in respect of previous years	(1,200)	(54,160)
<b>Total current tax charge</b>	<u>1,265,114</u>	<u>1,284,903</u>

#### c) Deferred tax

##### Analysis of deferred tax balances

	2011 £	2010 £
Depreciation in excess of capital allowances	2,377,548	1,762,950
Movement in short term timing differences	33,473	-
	<u>2,411,021</u>	<u>1,762,950</u>
Deferred tax asset/liability at 1 January	1,762,950	853,988
Credited to the profit and loss account	648,578	950,717
Adjustment in respect of previous years	(507)	(41,755)
<b>Deferred tax asset at 31 December (note 9)</b>	<u>2,411,021</u>	<u>1,762,950</u>

The 2011 Budget introduced a reduction in the main rate of corporation tax from 26% to 25% effective 1 April 2012. This change was substantively enacted on 19 July 2011 and as such deferred tax at the balance sheet date has been recognised at the 25% rate on the basis that it will materially reverse after 1 April 2012.

# ARKLE FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2011

### 6 TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

In the 2012 Budget, issued on 21 March 2012, the Chancellor announced that the main rate of corporation tax would be further reduced to 24% with effect from 1 April 2012, with further annual 1% rate reductions down to 22% by 1 April 2014. As these future rate reductions had not been enacted at the balance sheet date, they have not been reflected in these financial statements. The effect of these tax rate reductions will be accounted for in the period they are substantively enacted.

### 7. FIXED ASSETS

	Motor vehicles	Office equipment	Total
	£	£	£
<b>Cost</b>			
At 1 January 2011	334,382	8,745	343,127
Disposals	(266,277)	-	(266,277)
At 31 December 2011	68,105	8,745	76,850
<b>Depreciation</b>			
At 1 January 2011	163,045	8,677	171,722
Charge for the year	18,365	68	18,433
Disposals	(146,099)	-	(146,099)
At 31 December 2011	35,311	8,745	44,056
<b>Net book value</b>			
At 31 December 2011	32,794	-	32,794
At 31 December 2010	171,337	68	171,405

#### Leased assets

Assets with a cost of £68,105 (2010 - £334,382) and related £35,311 (2010 - £163,045) were held for use in operating leases.

#### Residual value exposure on leased assets

The residual value exposures in respect of leased assets, all of which are expected to be disposed of at the end of the lease term, are as follows:

	2011 £	2010 £
<b>Residual values expected to be recovered in:</b>		
1 year or less	31,850	125,250
2 years or less but over 1 year	-	16,925
Total exposure	31,850	142,175

### 8. DEBTORS

	2011 £	2010 £
<b>Amounts falling due within one year:</b>		
Trade debtors	9,645	3,402
Net investment in finance leases	16,102,451	18,077,556
Net investment in hire purchase agreements	2,836,745	1,798,025
Loan agreements	941,054	827,615
Prepayments and accrued income	2,166,768	2,175,047
	22,056,663	22,881,645

# ARKLE FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2011

### 9. DEBTORS

	2011 £	2010 £
<b>Amounts falling due after more than one year:</b>		
Net investment in finance leases	16,999,168	16,723,801
Net investment in hire purchase agreements	3,184,178	2,108,131
Loan agreements	615,953	529,363
Deferred tax asset	2,411,021	1,762,950
	<u>23,210,320</u>	<u>21,124,245</u>

The cost of assets acquired during the year for the purpose of letting under finance leases and hire purchase agreements was £24,080,769 (2010 - £17,831,844)

### 10. RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS

	2011 £	2010 £
Profit for the financial year	989,422	670,257
Dividends paid	(640,000)	(510,000)
	<u>349,422</u>	<u>160,257</u>
Net addition to shareholder's funds		
	<u>1,416,834</u>	<u>1,256,577</u>
Opening shareholder's funds		
Closing shareholder's funds	<u>1,766,256</u>	<u>1,416,834</u>

### 11. CALLED UP SHARE CAPITAL

	2011 £	2010 £
<b>Allotted, called up and fully paid:</b>		
10,000 Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

# ARKLE FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2011

### 12. PROFIT AND LOSS ACCOUNT

	2011 £	2010 £
At 1 January	1,406,834	1,246,577
Profit for the financial year	989,422	670,257
Dividends paid	(640,000)	(510,000)
At 31 December	<u>1,756,256</u>	<u>1,406,834</u>

### 13. CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 £	2010 £
Overdraft with parent company	36,426,957	34,951,463
Trade creditors	2,393,282	2,819,286
Amounts due to parent company	179,964	155,523
Amounts due to companies under common control	97,123	22,177
Corporation tax	361,856	1,187,685
Accruals and deferred income	868,678	659,812
	<u>40,327,860</u>	<u>39,795,946</u>

### 14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2011 £	2010 £
Trade creditors	<u>3,205,661</u>	<u>2,964,515</u>

### 15. DIVIDENDS

	2011 £	2010 £
Equity		
Final paid	-	-
Interim paid	640,000	510,000
	<u>640,000</u>	<u>510,000</u>

### 16. COMMITMENTS

Commitments comprise of amounts yet to be drawn under lending facilities issued to customers

### 17. PARENT COMPANY AND ULTIMATE CONTROLLING PARTY

The Company is a wholly owned subsidiary of Weatherbys Bank Limited, a company incorporated in Great Britain and registered in England and Wales

The ultimate parent company is Weatherbys Bank Holdings Limited, a company registered in England and Wales. The ultimate controlling parties are three Weatherby Family Trusts

The smallest group which the financial statements of the Company are consolidated in are the accounts of Weatherbys Bank Limited and ultimately into the accounts of Weatherbys Bank Holdings Limited, which is the largest group for which group accounts are drawn up. Copies of these accounts can be obtained from Sanders Road, Wellingborough, Northamptonshire, NN8 4BX



## ARKLE FINANCE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2011

#### 18. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption from reporting transactions with other group companies conferred by Financial Reporting Standard No 8 on the grounds that it is a wholly-owned subsidiary of Weatherbys Bank Limited undertaking which publishes consolidated accounts

Related party transactions with companies outside of the Weatherbys Bank Holdings Limited Group were as follows

	Income		Expenditure		Amount owed to related parties	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Other companies under common control	29	77	620	588	97	22

Weatherbys Thoroughbred Limited ("WTL") and Weatherbys Ireland GSB Limited ("WIGSBL") are companies under common control with Arkle Finance Limited ("AFL") During the year the following transactions were made under normal trading terms and the balances at the year-end were as follows

AFL received £29,068 (2010 - £76,658) from WTL in rental income for assets provided under operating leases

Services of £34,115 (2010 - £2,544) were provided by WIGSBL and £586,209 (2010 - £585,917) were provided by WTL to AFL

At 31 December 2011 AFL owed WIGSBL £23,661 (2010 - £2,544) and WTL £73,463 (2010 - £19,633) in respect of these transactions

#### 19. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Board is responsible for determining the long-term strategy of the business and the level of risk acceptable to the Company in each area of its business The Board is responsible for the assessment and control of the high level risks assumed by the Company and for ensuring that the requisite culture, practices and systems are in place to meet both internal and external obligations

The main financial risks arising from the Company's activities are summarised below

##### Credit risk

Credit risk arises from extending credit in all forms in the Company's activities where there is a possibility that a counterparty may default The Company has dedicated standards, policies and procedures to control and monitor all such risks

All finance applications are assessed with reference to the Company's lending policy The approval of all finance applications is controlled by set limits of authority Transactions above such limits and any changes to policy and procedures require Board approval

##### Liquidity risk

The directors manage liquidity risk on an expected maturity basis, and they expect the inter-group lending to remain matched to the maturities on the asset portfolio of the finance lease receivables

##### Interest rate risk

The Company is not exposed to interest rate risk The current funding is provided at a fixed rate of interest

##### Operational risk

Operational risk is the exposure to financial or other damage arising through unforeseen events or failure in the Company's operational systems Examples include inadequate or failed internal controls and procedures, human error, deliberate or malicious acts including fraud, and business interruptions

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## **ARKLE FINANCE LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)** **Year ended 31 December 2011**

#### **19. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

The primary responsibility for identifying and managing operational risk rests with the Board. Internal control techniques to reduce their likelihood or impact include segregation of duties, exception and exposure reporting, business continuity planning, reconciliation and delegation of authority and are based on the submission of timely and reliable management reporting. Where appropriate, risk is mitigated by way of insurance with third parties.