

ARKLE FINANCE LIMITED

Report and Financial Statements

31 December 2012



ARKLE FINANCE LIMITED

REPORT AND FINANCIAL STATEMENTS 2012

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ARKLE FINANCE LIMITED

REPORT AND FINANCIAL STATEMENTS 2012

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

R N Weatherby
S C Bassett
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 2012

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 2012, the business advanced £26m (2011 - £24m). The profit for the financial year is £1,123,948 (2011 - £989,422). The directors paid an interim dividend of £900,000 during the year (2011 - £640,000) 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
S C Bassett
A Turberville Smith
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

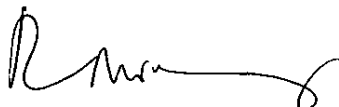
Each of the persons who is a director at the approval of this report confirms that:

- (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 2013

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, 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 ARKLE FINANCE LIMITED

We have audited the financial statements of Arkle Finance Limited for the year ended 31 December 2012 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 2012 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 2013

ARKLE FINANCE LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 December 2012

	Notes	2012 £	2011 £
TURNOVER	2	8,463,181	8,228,575
Cost of sales		<u>(1,750,265)</u>	<u>(1,816,215)</u>
GROSS PROFIT		6,712,916	6,412,360
Administrative expenses		<u>(2,951,084)</u>	<u>(3,051,558)</u>
OPERATING PROFIT	3	3,761,832	3,360,802
Interest payable	5	<u>(1,819,073)</u>	<u>(1,754,337)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,942,759	1,606,465
Tax on profit on ordinary activities	6	<u>(818,811)</u>	<u>(617,043)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION BEING PROFIT FOR THE FINANCIAL YEAR	12	<u>1,123,948</u>	<u>989,422</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 2012

	Notes	2012 £	2011 £
ASSETS			
FIXED ASSETS			
Tangible assets	7	0	32,794
CURRENT ASSETS			
Debtors – amounts falling due within one year	8	22,682,114	22,056,663
Debtors – amounts falling due after more than one year	9	25,365,452	23,210,320
		<u>48,047,566</u>	<u>45,266,983</u>
Total assets		<u>48,047,566</u>	<u>45,299,777</u>
LIABILITIES AND CAPITAL			
CAPITAL AND RESERVES			
Called up share capital	11	10,000	10,000
Profit and loss account	12	<u>1,980,204</u>	<u>1,756,256</u>
SHAREHOLDER'S FUNDS	10	<u>1,990,204</u>	<u>1,766,256</u>
CREDITORS: amounts falling due within one year	13	42,603,928	40,327,860
CREDITORS: amounts falling due after more than one year	14	<u>3,453,434</u>	<u>3,205,661</u>
Total liabilities and capital		<u>48,047,566</u>	<u>45,299,777</u>
Memorandum item			
Commitments	16	<u>377,494</u>	<u>262,029</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 2013

Signed on behalf of the Board of Directors



R N Weatherby
Director

ARKLE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

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 2012

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 and Ireland

ARKLE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2012

3. OPERATING PROFIT

	2012 £	2011 £
Operating profit is after charging		
Depreciation – owned assets	6,158	18,433
Loss on disposal of fixed assets	2,518	16,503
Auditors remuneration		
- Fees payable to the Company's auditor in respect of the audit of the Company's annual accounts	25,000	24,000
Total audit fees	25,000	24,000
- Tax compliance services	9,150	9,000
- Tax advisory services	1,600	6,475
- Other services	3,000	-
Total non audit fees	13,750	15,475
Total fees	38,750	39,475
Amounts receivable in respect of leases and hire purchase contracts are as follows:		
Rentals receivable in respect of operating leases	4,201	35,161
Aggregate amounts receivable under finance leases and hire purchase contracts	6,785,077	6,904,863

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

	2012 Number	2011 Number
Office and management	23	18
Staff costs for the above persons		
Wages and salaries	716,736	564,388
Social security costs	73,681	57,341
Pension costs	192,721	175,737
	983,138	797,466

Pension costs

An amount of £192,721 was recognised as an expense for the defined contribution plans in 2012 (2011 - £167,630). Pension costs in part relate to contributions to the Weatherbys Pension and Assurance Scheme and include an additional amount in 2012 of £157,000 (2011 - £133,891) 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 2012

4. EMPLOYEES (continued)

Emoluments of directors

Three (2011 - 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.

	2012 £	2011 £
Directors' emoluments	<u>166,340</u>	<u>153,182</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 £34,119 (2011 - £21,175) for consultancy services, business planning and brokerage commission. Further related party transactions are disclosed on note 18.

5. INTEREST PAYABLE

	2012 £	2011 £
Group companies - Overdraft interest	<u>1,819,073</u>	<u>1,754,337</u>

ARKLE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2012

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

a) Analysis of tax charge on ordinary activities

	2012 £	2011 £
Current tax		
UK corporation tax on profits for the year	256,654	1,266,314
Adjustments in respect of previous years	2,038	(1,200)
Total current tax charge	258,692	1,265,114
Deferred tax		
Origination and reversal of timing differences	390,640	(825,664)
Adjustment in respect of previous years	514	507
Change in tax rate	168,965	177,086
Total deferred tax (credit)/charge	560,119	(648,071)
Total tax on profit on ordinary activities	818,811	617,043

b) Factors affecting tax charge for year

	2012 £	2011 £
Profit on ordinary activities before tax	1,942,759	1,606,465
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK at 24.50% (2011 – 26.49%)	475,925	425,603
Expenses not deductible for tax purposes	171,369	15,047
Capital allowances in excess of depreciation	(396,301)	790,192
Movement in short term timing differences	5,661	35,472
Adjustment to tax charge in respect of previous years	2,038	(1,200)
Total current tax charge	258,692	1,265,114

c) Deferred tax

Analysis of deferred tax balances

	2012 £	2011 £
Depreciation in excess of capital allowances	1,814,791	2,377,548
Movement in short term timing differences	36,110	33,473
	1,850,901	2,411,021
Deferred tax asset/liability at 1 January	2,411,021	1,762,950
Credited to the profit and loss account	(559,606)	648,578
Adjustment in respect of previous years	(514)	(507)
Deferred tax asset at 31 December (note 9)	1,850,901	2,411,021

The Budget 2012 introduced a reduction in the main rate of corporation tax from 25% to 23% with effect from 1 April 2013. This legislation was substantively enacted on 3 July 2012 and as such, in accordance with UK GAAP, the rate of 23% is used for the calculation of the deferred tax position at 31 December 2012 on the basis that it will materially reverse after 1 April 2013.

ARKLE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2012

6 TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

The Budget 2013, issued on 20 March 2013, announced that the main rate of corporation tax would be reduced to 21% from 1 April 2014 and to 20% with effect from 1 April 2015. These future rate reductions had not been substantively enacted at the balance sheet date, therefore have not been reflected in these financial statements. The effect of these rate reductions will be accounted for in the period they are substantively enacted.

7. FIXED ASSETS

	Motor vehicles £	Office equipment £	Total £
Cost			
At 1 January 2012	68,105	8,745	76,850
Disposals	(68,105)	-	(68,105)
At 31 December 2012	-	8,745	8,745
Depreciation			
At 1 January 2012	35,311	8,745	44,056
Charge for the year	6,158	-	6,158
Disposals	(41,469)	-	(41,469)
At 31 December 2012	-	8,745	8,745
Net book value			
At 31 December 2012	-	-	-
At 31 December 2011	32,794	-	32,794

Leased assets

Assets with a cost of £nil (2011 - £68,105) and related accumulated depreciation of £nil (2011 - £35,311) 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:

	2012 £	2011 £
Residual values expected to be recovered in:		
1 year or less	-	31,850
2 years or less but over 1 year	-	-
Total exposure	-	31,850

8. DEBTORS

	2012 £	2011 £
Amounts falling due within one year:		
Trade debtors	230,893	9,645
Net investment in finance leases	15,035,789	16,102,451
Net investment in hire purchase agreements	3,588,594	2,836,745
Loan agreements	1,227,353	941,054
Corporation Tax recoverable	439,956	-
Prepayments and accrued income	2,159,529	2,166,768
	<u>22,682,114</u>	<u>22,056,663</u>

ARKLE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2012

9. DEBTORS

	2012 £	2011 £
Amounts falling due after more than one year:		
Net investment in finance leases	18,665,527	16,999,168
Net investment in hire purchase agreements	4,057,931	3,184,178
Loan agreements	791,093	615,953
Deferred tax asset	1,850,901	2,411,021
	<u>25,365,452</u>	<u>23,210,320</u>

The cost of assets acquired during the year for the purpose of letting under finance leases and hire purchase agreements was £25,646,884 (2011 - £24,080,769)

10. RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS

	2012 £	2011 £
Profit for the financial year	1,123,948	989,422
Dividends paid	(900,000)	(640,000)
	<u>223,948</u>	<u>349,422</u>
Net addition to shareholder's funds		
	<u>223,948</u>	<u>349,422</u>
Opening shareholder's funds	1,766,256	1,416,834
Closing shareholder's funds	<u>1,990,204</u>	<u>1,766,256</u>

11 CALLED UP SHARE CAPITAL

	2012 £	2011 £
Allotted, called up and fully paid		
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 2012

12 PROFIT AND LOSS ACCOUNT

	2012 £	2011 £
At 1 January	1,756,256	1,406,834
Profit for the financial year	1,123,948	989,422
Dividends paid	(900,000)	(640,000)
At 31 December	<u>1,980,204</u>	<u>1,756,256</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 £	2011 £
Overdraft with parent company	40,531,030	36,426,957
Trade creditors	1,252,377	2,393,282
Amounts due to parent company	255,808	179,964
Amounts due to companies under common control	2,647	97,123
Corporation tax	-	361,856
Accruals and deferred income	562,066	868,678
	<u>42,603,928</u>	<u>40,327,860</u>

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

	2012 £	2011 £
Trade creditors	<u>3,453,434</u>	<u>3,205,661</u>

15. DIVIDENDS

	2012 £	2011 £
Equity		
Final paid	-	-
Interim paid	900,000	640,000
	<u>900,000</u>	<u>640,000</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 2012

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	
	2012	2011	2012	2011	2012	2011
	£'000	£'000	£'000	£'000	£'000	£'000
Other companies under common control	4	29	428	620	3	97

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 £4,201 (2011 - £29,068) from WTL in rental income for assets provided under operating leases

Services of £34,040 (2011 - £34,115) were provided by WIGSBL and £394,001 (2011 - £586,209) were provided by WTL to AFL

At 31 December 2012 AFL owed WIGSBL £nil (2011 - £23,661) and WTL £2,647 (2011 - £73,463) 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 wholly funded by its banking parent, Weatherbys Bank Interest rate risk is managed on a group wide basis within agreed risk appetite parameters

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

ARKLE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) **Year ended 31 December 2012**

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.