

Arkle Finance Limited

Report and Financial Statements

Year Ended

31 December 2016

Company Number 03398034



Arkle Finance Limited

Report and financial statements for the year ended 31 December 2016

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Directors

R N Weatherby
S C Bassett
A Turberville Smith
D Bailey
J D Rose (non-executive)

Secretary and registered office

A S McGlynn, Sanders Road, Wellingborough, Northamptonshire, NN8 4BX

Company number

03398034

Solicitors

Gateley PLC, Knightsbridge House, Lower Brown Street, Leicester, LE1 5NL

Auditors

Deloitte LLP, Chartered Accountants & Statutory Auditor, Birmingham

Arkle Finance Limited

Strategic report for the year ended 31 December 2016

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2016.

Principal activities and business review

Arkle Finance Limited ("the Company") is a wholly owned subsidiary of Weatherbys Bank Limited. The Company manages a portfolio of finance agreements, which include leasing, hire purchase, instalment credit and loan products. The majority of such agreements are with businesses but consumer credit facilities are also available.

New business is introduced via an approved network of intermediaries or from customers directly. The Company's focus is on equipment finance and this covers a broad range of asset types funded for customers across the UK. The Company continued to grow and in 2016 the value of finance lease and hire purchase agreements advanced was £40 million (2015 - £38 million). The total assets increased to £83 million, up 21% on the prior year. Turnover rose from £8.9 million in 2015 to £9.7 million and the profit before tax was £2.4 million (2015 - £2.3 million).

The profit for the financial year is £1.8 million (2015 - £1.6 million). The directors paid an interim dividend of £0.5 million during the year (2015 - £0.5 million) and do not recommend the payment of a final dividend.

On 1 April 2014, the FCA (Financial Conduct Authority) became the regulator of the consumer element of the market as defined by the Consumer Credit and Financial Services and Markets Acts. The Company obtained full permission and FCA authorisation on 25 March 2015.

Principal risks and uncertainties

The Board remains focused on managing growth within the context of a robust risk management framework and have set clearly defined risk appetite parameters for each of the risks that the business faces.

On the 23 June 2016 the United Kingdom voted to leave the European Union. The risks and uncertainties associated with exiting the EU have been considered by the Board but it does not currently believe there will be a material adverse impact on the Company's results or financial position. The main risks arising from the Company's activities and steps taken to mitigate these risks are set out in note 19.

The Board remains committed to ensuring it conducts all areas of its business with due care and diligence, fairness and integrity.

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 after making enquiries, including review of forecast profit and loss, balance sheet and cash flow for a period of no less than 12 months from the date of signing the accounts, the Board are satisfied that it is appropriate to prepare the accounts on such a basis.

Approved by the Board and signed on its behalf by:



R N Weatherby
Director
24 April 2017

Arkle Finance Limited

Report of the directors for the year ended 31 December 2016

The directors present their report together with the audited financial statements for the year ended 31 December 2016.

Directors

The directors of the company during the period and to the date of this report were:

R N Weatherby
S C Bassett
A Turberville Smith
D Bailey
J D Rose (non-executive - Appointed 19 April 2016)
R A Pyman (non-executive - Resigned 9 September 2016)

Future developments

As set out in the strategic report, the directors expect the general level of activity to increase in the forthcoming year. The Company expects to continue to grow, increasing its lending portfolio and total assets.

Going concern

The going concern statement is set out in the strategic report.

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.

Information presented in other sections

Certain information required to be included in the Directors' Report can be found in other sections, as stated below. All of the information presented in these sections is incorporated by reference into this Directors' Report and is deemed to form part of this report.

- (1) A Description of the Company's financial risk management objectives and policies are set out in note 19 to these accounts.
- (2) Dividends paid and proposed as set out in note 9.

Arkle Finance Limited

Report of the directors for the year ended 31 December 2016 (*continued*)

Directors' responsibilities

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 judgements 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;
- 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.

Auditors

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

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board and signed on its behalf by:



R N Weatherby
Director
24 April 2017

Arkle Finance Limited

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 2016 which comprise Income Statement, Balance Sheet, Statement of Changes in Equity and the related notes 1 to 21. 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 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.

Arkle Finance Limited

Independent auditor's report to the members of Arkle Finance Limited (*continued*)

Opinion on other matters prescribed by the Companies Act 2006

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

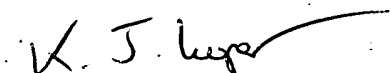
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements..

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 and the Directors' Report.

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.



Kieren Cooper (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Birmingham, United Kingdom

24 April 2017

Arkle Finance Limited

Income Statement for the year ended 31 December 2016

	Note	2016 £	2015 £
Turnover	3	9,709,684	8,935,692
Commission expense		(332,735)	(454,454)
Gross profit		9,376,949	8,481,238
Administrative expenses		(3,668,921)	(3,363,503)
Operating profit	6	5,708,028	5,117,735
Interest payable and similar charges	7	(3,272,427)	(2,838,505)
Profit on ordinary activities before taxation		2,435,601	2,279,230
Taxation on profit from ordinary activities	8	(634,633)	(696,307)
Profit on ordinary activities after taxation		1,800,968	1,582,923

No other comprehensive income was earned by the company during the year so a Statement of Other Comprehensive income has not been prepared.

All amounts relate to continuing activities.

The notes on pages 9 to 27 form part of these financial statements.

Arkle Finance Limited

Balance sheet at 31 December 2016

Company number 3398034	Note	2016 £	2016 £	2015 £	2015 £
Fixed assets					
Intangible assets	10		40,953		-
Tangible assets	11		173,521		85,905
Investments	12		49,990		-
Current assets					
Cash at bank		56,813		575	
Debtors:					
amounts falling due within one year	13	31,040,719		27,184,349	
amounts falling due after one year	13	52,096,061		41,708,890	
Creditors: amounts falling due within one year	14	(77,318,063)		(64,140,693)	
Net current assets			5,875,530		4,753,121
Total assets less current liabilities			6,139,994		4,839,026
Net assets			6,139,994		4,839,026
Capital and reserves					
Called up share capital	15		10,000		10,000
Profit and loss account			6,129,994		4,829,026
Shareholder's funds			6,139,994		4,839,026

The financial statements were approved by the Board of Directors and authorised for issue on 24 April 2017



R N Weatherby
Director

The notes on pages 9 to 27 form part of these financial statements.

Arkle Finance Limited

Statement of changes in equity for the year ended 31 December 2016

	Note	Share capital £	Profit and loss account £	Total equity £
1 January 2015		10,000	3,746,103	3,756,103
Profit for the year		-	1,582,923	1,582,923
Contributions by and distributions to owners				
Dividends	9	-	(500,000)	(500,000)
31 December 2015 and 1 January 2016		10,000	4,829,026	4,839,026
Profit for the year		-	1,800,968	1,800,968
Contributions by and distributions to owners				
Dividends	9	-	(500,000)	(500,000)
31 December 2016		10,000	6,129,994	6,139,994

The notes on pages 9 to 27 form part of these financial statements.

Arkle Finance Limited

Notes forming part of the financial statements for the year ended 31 December 2016

1 Accounting policies

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The company is applying the provisions of FRS102 section 11 and 12 and has not elected to apply IAS39.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in applying the Company's accounting policies.

These financial statements are presented in Pounds Sterling (£) because that is the currency of the primary economic environment in which the Group operates.

The Company has taken advantage of exemptions available to qualifying entities and has not prepared a statement of cash flows on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

The Company is an important component of its parent's overall future strategy. It 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 after making enquiries, including review of forecast profit and loss, balance sheet and cash flow for a period of no less than 12 months from the date of signing the accounts, the Board have continued to adopt the going concern assumption in preparing the financial statements.

The following principal accounting policies have been applied:

Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is 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.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the income statement during the period in which they are incurred.

Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Plant and equipment	-	3-5 years
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Intangible assets

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged so as to allocate the cost of intangibles over their estimated useful lives, using the straight-line method. The intangible assets are amortised over the following useful economic lives:

Software	-	3-10 years
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Arkle Finance Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (continued)

1 Accounting policies (continued)

Investments

Investments in unlisted equity are recognised at cost less impairment. At the balance sheet date the Company assesses whether, as a result of one or more events occurring after initial recognition, there is objective evidence that an investment has become impaired. This evidence varies and may include indications of financial difficulty or changes in debt structure.

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.

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 not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

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.

Income recognition

Interest income and interest expense for all interest bearing financial instruments is recognised in "Turnover" and "Interest payable and similar charges", respectively, using the effective interest rates of the financial assets or financial liabilities to which it relates. The effective interest rate is the rate that discounts the expected future cash flows, over the expected life of the financial instruments, to the net carrying amount. Interest on impaired financial assets is recognised at the effective interest rate, applied to the carrying amount as reduced by any allowance for impairment.

Interest income is recognised in the profit and loss account as it accrues other than interest of doubtful collectability which is credited to the balance sheet and excluded from interest income.

Fees and commissions receivable or payable that are in the nature of interest and an integral element of the effective rate of the financial instrument are recognised as an adjustment to the effective interest rate and recorded within "Turnover" and "Interest payable and similar charges". Any other fees and commissions receivable are recognised when all contractual obligations have been fulfilled. Fees and commissions payable are recognised on an accruals basis when the underlying service has been provided.

Arkle Finance Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (*continued*)

1 Accounting policies (*continued*)

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 statement of income using the effective interest rate method to give a constant periodic rate of return on the net cash investment.

Operating lease assets are reported at cost less depreciation. In the income statement, 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 statement of comprehensive income.

Income from instalment credit transactions is calculated using the effective interest rate method.

Pension costs

For the defined contribution scheme the amount charged to the statement of comprehensive income 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.

Pension costs in part relate to contributions in the Weatherbys Pension and Assurance Scheme, a pension scheme providing benefits based on final pensionable pay. Contributions are recharged on the basis of current service period only. The Company is unable to identify its share 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. The Company contributes 7.5% of profit before tax to the scheme as part of an agreed recovery plan and has no other obligations. Details of the pension scheme appear in the accounts of Weatherbys Limited, which can be obtained from the Company's registered office at Sanders Road, Wellingborough, Northamptonshire, NN8 4BX.

Amortisation of brokers' commissions

The cost of brokers' commission is charged to the income statement over the term of the lease to which it relates using the effective interest rate method.

Arkle Finance Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (*continued*)

1 Accounting policies (*continued*)

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Financial assets

The Company classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired.

(a) Fair value through profit or loss

These are carried in the statement of financial position at fair value with changes in fair value recognised in the income statement. The Company does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

(b) Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment of financial assets

At each balance sheet date the Company assesses whether, as a result of one or more events occurring after initial recognition, there is objective evidence that a financial asset or group of financial assets classified as loans and advances to customers have become impaired. Evidence of impairment varies and may include indications that the borrower or group of borrowers have defaulted, are experiencing significant financial difficulty, or the debt has been restructured potentially reducing the burden to the borrower. Impairment losses are recorded as charges in the income statement and the carrying amount of the financial asset or group of financial assets is reduced by establishing an impairment loss allowance. Impairment loss allowances are maintained at the level that management deems sufficient to absorb incurred losses.

Arkle Finance Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (*continued*)

1 Accounting policies (*continued*)

Financial assets (continued)

The Company first assesses whether objective evidence of impairment exists individually for financial assets or collectively for a group of financial assets.

(a) Individual assessment

For individually assessed assets, the Company measures the amount of the impairment loss as the difference between the carrying amount of the asset and the present value of the estimated future cash flows from the asset discounted at the asset's original effective interest rate.

(b) Collective assessment

Impairment is calculated based on probability of default, exposure to loss at the time of default and the loss given default. All factors are based on recent data on the portfolio of financial assets with similar credit risks.

Financial liabilities

The Company classifies its financial liabilities as

(a) Other financial liabilities

Other financial liabilities include payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Reserves

The Company reserves are as follows:

- Called up share capital reserve represents the nominal values of shares issued.
- Retained earnings represent cumulative profit and losses net of dividends paid and other adjustments.

Arkle Finance Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (*continued*)

2 Judgements in applying accounting policies and key sources of estimation uncertainty

In the process of applying accounting policies, which are described above, management has not made any critical judgements that have a significant effect on the amounts recognised in the Financial Statements.

Other key sources of estimation uncertainty

- Impairment of financial assets

The Company reviews its loans and advances continually to assess whether an individual impairment loss should be recorded in the income statement. In particular, management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed and found not to be impaired are assessed within groups of assets with similar risk characteristics. This is to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio and is calculated using credit risk characteristics, expected cash flows and historical experience. Judgements are made on default rates and time taken to recover debts.

- Deferred tax asset

Deferred tax assets are raised to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. Assessment of future taxable profit is performed using a suitable growth rate. Details of deferred taxation can be found in note 8.

Arkle Finance Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (continued)

3 Turnover

	2016 £	2015 £
Interest	8,188,366	7,568,079
Commission	1,521,318	1,367,613
	<u>9,709,684</u>	<u>8,935,692</u>

4 Employees

	2016 £	2015 £
Staff costs consist of:		
Wages and salaries	1,261,856	1,033,227
Social security costs	128,304	105,983
Other pension costs	317,115	283,414
	<u>1,707,275</u>	<u>1,422,624</u>

The average number of employees (including directors) during the year was as follows:

	Number	Number
Office and management	<u>34</u>	<u>28</u>

Pension costs

An amount of £317,115 was recognised as an expense for the defined contribution plans in 2016 (2015 - £283,414). Pension costs in part relate to contributions to the Weatherbys Pension and Assurance Scheme that relate to its obligation to pay 7.5% of its annual profits as part of the schemes deficit funding plan, in 2016 this amounted to £197,481 (2015 - £184,803). Contributions are recharged on the basis of the current service period only.

Arkle Finance Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (continued)

5 Directors

Three (2015 - 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.

	2016 £	2015 £
Directors' remuneration consist of:		
Emoluments	239,300	238,632
Pension contributions	30,000	38,326
	<u>269,300</u>	<u>276,958</u>

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

Transactions with directors

Please refer to note 18 – Related party transactions.

6 Operating profit

	2016 £	2015 £
This has been arrived at after charging/(crediting):		
Depreciation - owned assets	41,880	35,040
Auditors remuneration:		
- Fees payable to the company's auditor in respect of the company's annual accounts	36,000	35,000
- Tax compliance services	-	9,500
- Tax advisory services	-	730
Amounts receivable in respect of leases and hire purchase contracts:		
- Aggregate amounts receivable under operating leases	<u>11,020</u>	<u>-</u>

7 Interest payable and similar charges

	2016 £	2015 £
Group companies - overdraft interest	<u>3,272,427</u>	<u>2,838,505</u>

Arkle Finance Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (continued)

8 Taxation on profit from ordinary activities

(a) Analysis of tax charge on ordinary activities

	2016 £	2015 £
<i>Current tax</i>		
UK corporation tax on profits of the year	520,776	427,242
Adjustment in respect of previous years	16,890	15,946
Total current tax	537,666	443,188
<i>Deferred tax</i>		
Origination and reversal of timing differences	133,163	199,936
Adjustment in respect of previous years	(85,822)	(34,098)
Change in tax rate	49,626	87,281
Total deferred tax charge	96,967	253,119
Taxation on profit on ordinary activities	634,633	696,307

(b) Factors affecting tax charge for year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	2,435,601	2,279,230
Profit on ordinary activities at the standard rate of corporation tax in the UK of 20% (2015 - 20.25%)	487,120	461,466
Effects of:		
Expenses not deductible for tax purposes	190,318	165,713
Tax rate changes	26,127	87,281
Adjustment in respect of previous years	(68,932)	(18,153)
Total tax charge for year	634,633	696,307

Arkle Finance Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (continued)

8 Taxation on profit from ordinary activities (continued)

(c) Deferred tax

Analysis of deferred tax balances

	2016 £	2015 £
Depreciation in excess of capital allowances	626,891	743,135
Movement in short term timing differences	83,587	64,310
	<u>710,478</u>	<u>807,445</u>
Deferred tax asset at 1 January	807,445	1,060,565
Credited to the profit and loss account	(96,967)	(287,217)
Adjustment in respect of previous years	-	34,097
	<u>710,478</u>	<u>807,445</u>
Deferred tax asset at 31 December (note 13)	<u>710,478</u>	<u>807,445</u>

The UK rate effective from 1 April 2015 is 20%. In the UK Budget on 8 July 2015, the UK Government proposed to reduce the main rate of UK corporation tax to 19% with effect from 1 April 2017 and to 18% with effect from 1 April 2020. Additionally in the Budget on 16 March 2016 a further rate reduction to 17% was proposed from 1 April 2020, instead of the reduction to 18% as originally planned. The rate reduction to 17% was enacted during the period and has therefore been taken into account in the calculation of the UK related deferred tax balances (as these balances will materially reverse after 1 April 2020).

9 Dividends

	2016 £	2015 £
Equity:		
Interim paid	<u>500,000</u>	<u>500,000</u>

Arkle Finance Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (*continued*)

10 Intangible fixed assets

	Software £
<i>Cost</i>	
At 1 January 2016	-
Additions	40,953
	<hr/>
At 31 December 2016	40,953
	<hr/>
<i>Amortisation</i>	
At 1 January 2016	-
Charge for the year	-
	<hr/>
At 31 December 2016	-
	<hr/>
<i>Net book value</i>	
At 31 December 2016	40,953
	<hr/>
At 31 December 2015	-
	<hr/>

Intangible assets relate to the cost of the Company's new core leasing system, this is expected to be bought into use in 2017 when the costs will begin to be amortised.

11 Tangible fixed assets

	Plant and equipment £
<i>Cost</i>	
At 1 January 2016	173,815
Additions	129,496
Disposals	-
	<hr/>
At 31 December 2016	303,311
	<hr/>
<i>Depreciation</i>	
At 1 January 2016	87,910
Charge for the year	41,880
Disposals	-
	<hr/>
At 31 December 2016	129,790
	<hr/>
<i>Net book value</i>	
At 31 December 2016	173,521
	<hr/>
At 31 December 2015	85,905
	<hr/>

Arkle Finance Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (continued)

11 Tangible fixed assets (continued)

Assets with a cost of £100,289 (2015 - £Nil) and related accumulated depreciation of £13,165 (2015 - £Nil) were held for use in operating leases.

The future minimum lease payments under non-cancellable operating leases and 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

	Future minimum lease payments		Residual values expected to be recovered	
	2016 £	2015 £	2016 £	2015 £
Within one year	26,246	-	-	-
In the second to fifth years inclusive	77,582	-	23,395	-
	<u>103,828</u>	<u>-</u>	<u>23,395</u>	<u>-</u>

12 Investments

	2016 £	2015 £
Investment in unlisted equity	49,990	-
	<u>49,990</u>	<u>-</u>

During the year the company acquired a 1% investment in Bondmason Group Ltd.

13 Debtors

	2016 £	2015 £
<i>Amounts falling due within one year:</i>		
Trade debtors	49,145	37,895
Net investment in finance leases	16,553,323	15,696,134
Net investment in hire purchase agreements	10,155,994	8,722,835
Loan agreements	3,767,039	2,253,744
Prepayments and accrued income	515,218	473,741
	<u>31,040,719</u>	<u>27,184,349</u>
<i>Amounts falling due after one year:</i>		
Net investment in finance leases	23,052,801	19,880,234
Net investment in hire purchase agreements	20,609,801	17,465,528
Loan agreements	7,722,981	3,555,683
Deferred tax asset	710,478	807,445
	<u>52,096,061</u>	<u>41,708,890</u>

Arkle Finance Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (continued)

13 Debtors (continued)

The cost of assets acquired during the year for the purpose of letting under finance leases and hire purchase agreements was £40,367,607 (2015 - £37,767,221).

Carrying amount and future minimum lease payments of finance leases and hire purchase agreements at the 31 December

	Gross investment in the lease		Present value of minimum lease payments	
	2016 £	2015 £	2016 £	2015 £
Less than one year	35,213,248	31,927,245	26,717,471	24,418,969
Later than one year but less than five years	49,939,392	42,714,361	43,460,296	37,154,704
Later than five years	200,431	196,445	194,152	191,058
			<u>70,371,919</u>	<u>61,764,731</u>
Less				
Unearned finance income	(14,130,669)	(12,311,238)		
Provision for uncollectible minimum lease payments	(850,483)	(762,082)		
Net investment in leases	<u>70,371,919</u>	<u>61,764,731</u>		

Analysis of individually impaired and non-performing leases and loans

Non-performing loans are those on which interest is being accrued but placed in suspense or on which interest is not being accrued

	2016 £	2015 £
Gross amount of loans individually determined to be impaired		
- loans and advances before provisions	2,137,427	1,238,985
- loans and advances after provisions	1,572,862	778,029
Non-performing loans and advances to customers		
- loans and advances before provisions	891,081	671,624
- loans and advances after provisions	548,511	332,537

Arkle Finance Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (continued)

13 Debtors (continued)

Impairment allowances for bad and doubtful debts

	Specific 2016 £	Collective 2016 £	Total 2016 £	Specific 2015 £	Collective 2015 £	Total 2015 £
At 1 January	460,956	349,216	810,172	559,862	322,980	882,842
New provisions less releases	204,271	(69,602)	134,669	364,907	89,075	453,982
Write-offs less recoveries	(100,662)	14,596	(86,066)	(463,813)	(62,839)	(526,652)
Cumulative provisions As at 31 December	564,565	294,210	858,775	460,956	349,216	810,172
New and additional provisions	755,795	-	755,795	770,067	89,075	859,142
Releases and recoveries	(551,524)	(69,602)	(621,126)	(405,160)	-	(405,160)
Net charge to profit and loss account	204,271	(69,602)	134,669	364,907	89,075	453,982

14 Creditors: amounts falling due within one year

	2016 £	2015 £
Overdraft with parent company	75,392,822	61,602,010
Trade creditors	326,388	342,797
Amounts due to parent company	347,675	285,822
Amounts due to companies under common control	43,150	7,375
Corporation tax	124,002	210,998
Other taxation and social security	212,965	319,455
Accruals and deferred income	871,061	1,372,236
	77,318,063	64,140,693

15 Share capital

Allotted, called up and fully paid

	2016 Number	2015 Number	2016 £	2015 £
Ordinary shares of £1 each	10,000	10,000	10,000	10,000

Arkle Finance Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (continued)

16 Commitments

The Company had no commitments under non-cancellable operating leases as at the balance sheet date or commitments for amounts yet to be drawn under lending facilities issued to customers.

17 Parent company 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.

18 Related party transactions

The Company is a wholly-owned subsidiary of Weatherbys Bank Limited which publishes consolidated accounts.

Related party transactions with companies outside of the Weatherbys Bank Limited group were as follows:

	2016 £'000	2015 £'000
Expenditure	571	518
Other companies under common control:		
- Amounts owed to related parties	43	7

Weatherbys Limited ("WL"), Weatherbys Ireland GSB Limited ("WIGSBL") and Weatherbys Hamilton LLP ("WHL") 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:

Services of £35,730 (2015 - £32,759) were provided by WIGSBL and £535,816 (2015 - £485,112) were provided by WL to AFL.

At 31 December 2016 AFL owed WIGSBL £35,730 (2015 - £Nil) and WL £7,421 (2015 - £7,375) in respect of these transactions.

Arkle Finance Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (continued)

18 Related party transactions (continued)

Related party transactions with companies within the Weatherbys Bank Limited group (the "Banking Group") were as follows:

	2016 £'000	2015 £'000
Income	1	-
Expenditure	3,579	3,117
Other companies under common control:		
- Amounts owed to related parties	75,740	61,887

Weatherbys Bank Ltd ("WBL"), Weatherbys General Services Limited ("WGS") and Weatherbys Bank (Nominees) Limited ("WNL") are all companies within the Weatherbys Bank Limited group. During the year the following transactions were made under normal trading terms and the balances at year-end were as follows:

Services of £306,629 (2015 - £278,686) were provided by WBL to Arkle Finance Limited and Arkle Finance limited charged WBL £1,174 (2015 - £420) for services rendered.

Arkle Finance Limited was charged £3,272,427 (2015 - £2,838,505) in interest on its lending facilities provided by WBL.

At 31 December 2016 Arkle Finance Limited owed WBL £75,392,822 (2015 - £61,602,010) for lending facilities provided and £347,675 (2015 - £285,822) for services rendered and accrued interest.

Key management personnel include all directors and a number of senior managers across the Company who together have authority and responsibility for planning, directing and controlling the activities of the Company. The total compensation paid to key management personnel for services provided to the Company was £269,300 (2015 - £276,958).

Arkle Finance Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (continued)

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 capital position of the company is managed as part of the overall Banking Group.

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.

The maximum credit risk approximates to the carrying value of the net investment in finance leases, hire purchase agreements and loans (note 13).

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. The Company's liquidity risk is monitored by the Banking Group's Assets and Liabilities Committee with the aim of maintaining sufficient liquid resources to cover cash flow imbalances and fluctuations in funding to maintain full public confidence in the solvency of the Company and to meet its financial obligations. The maturities of the company's assets and liabilities are shown below

At 31 December 2016	Three Months or less	One year or less but over three months	Five years or less but over one year	Over five years	Total
Advances to clients	8,463,035	22,056,263	50,660,565	682,075	81,861,938
Deposits at banks	56,813	-	-	-	56,813
Other assets	564,364	-	710,478	264,464	1,539,306
Total Assets	9,084,212	22,056,263	51,371,043	946,539	83,458,057
Overdraft	75,392,822	-	-	-	75,392,822
Other liabilities	1,925,241	-	-	-	1,925,241
Capital and reserves	-	-	-	6,139,994	6,139,994
Total Liabilities	77,318,063	-	-	6,139,994	83,458,057
Gap	(68,233,851)	22,056,263	51,371,043	(5,193,455)	
Cumulative Gap	(68,233,851)	(46,177,588)	5,193,455	-	-

Arkle Finance Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (continued)

At 31 December 2015	Three Months or less	One year or less but over three months	Five years or less but over one year	Over five years	Total
Advances to clients	7,648,667	19,621,009	40,031,260	273,221	67,574,157
Deposits at Banks	575	-	-	-	575
Other assets	511,637	-	807,445	85,905	1,404,987
Total Assets	8,160,879	19,621,009	40,838,705	359,126	68,979,719
Overdraft	61,602,010	-	-	-	61,602,010
Other Liabilities	2,538,683	-	-	-	2,538,683
Capital and reserves	-	-	-	4,839,026	4,839,026
Total Liabilities	64,140,693	-	-	4,839,026	68,979,719
Gap	(55,979,814)	19,621,009	40,838,705	(4,479,900)	
Cumulative Gap	(55,979,814)	(35,358,805)	4,479,900	-	-

Interest rate risk

The Company is wholly funded by its banking parent, Weatherbys Bank Limited. Interest rate risk is managed on a group wide basis within agreed risk appetite parameters. Interest rate sensitivity for the group is disclosed in the financial statements of Weatherbys Bank Limited.

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

The primary responsibility for identifying and managing operational risk rests with the Board. Internal control techniques to reduce their likelihood or impact include internal audit, 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.

Regulatory and conduct risk

As a provider of financial services the Company also faces potential risks arising from failures to meet customer expectations, to deal with complaints effectively and to ensure the products it provides are appropriate to their customer's needs. The Company's internal systems, controls and protocols are designed specifically to protect against such risks.

20 Post balance sheet events

There are no post balance sheet events.

21 Financial instruments

A financial instrument is a contract which gives rise to a financial asset of one entity and a financial liability of another entity. The Company provides financial instruments in the form of leases and loans.

The table below provides a summary of the terms and conditions of the Company's financial instruments and description of respective accounting policies.

Arkle Finance Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (continued)

21 Financial instruments (continued)

Financial Instrument	Terms and conditions	Accounting policy
Advances to Clients		
Finance Leases	Fixed interest rates Fixed term	At amortised cost
Hire purchase agreements	Fixed interest rates Fixed term	At amortised cost
Loan agreements	Fixed interest rates Fixed term	At amortised cost
Deposits at Banks	Non-interest bearing Instant access	At amortised cost
Investments in unlisted equity	Non-interest bearing Medium to long term	At cost less impairment
Amounts owed to Banks	Variable interest rate Short to medium term	At amortised cost / Undiscounted amounts payable

No financial instruments are measured at fair value through the profit and loss account.

The carrying values of the Company's financial assets and liabilities are summarised by category below.

	2016 £	2015 £
Financial assets		
Instruments measured at amortised cost		
Finance Leases and hire purchase and loan agreements (note 13)	81,861,938	67,574,157
Deposits at Banks	56,813	575
Measured at cost less impairment		
Investments (note 12)	49,990	-
Measured at undiscounted amount receivable		
Trade and other debtors (note 13)	759,623	845,340
Financial liabilities		
Measured at undiscounted amount receivable		
Overdraft with parent company (note 14)	75,392,822	61,602,010
Trade and other Creditors (note 14)	663,355	873,250
Amounts due to parent/associate company (note 14)	390,825	293,197