

Arkle Finance Limited

Annual Report and Financial Statements

Year Ended

31 December 2020

Company Number 03398034



Arkle Finance Limited

Annual Report and financial statements for the year ended 31 December 2020

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Directors

P A George	Appointed 1 December 2020
D Bailey	
A Turberville Smith	
G J Wilding	(non-executive)
J Andrew	Appointed 1 April 2020, Resigned 1 September 2020
P R M Bartley	Resigned 1 April 2020
J D Rose	(non-executive) Resigned 31 March 2020

Company secretary and registered office

N M Smith Appointed 17 July 2020

Sanders Road, Wellingborough, Northamptonshire, NN8 4BX

Company number

03398034

Solicitors

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

Auditors

Deloitte LLP, Statutory Auditor, Four Brindleyplace, Birmingham, B1 2HZ

Arkle Finance Limited

Strategic report for the year ended 31 December 2020

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2020.

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. Most agreements are provided to small and medium sized enterprises but it also provides specialist asset finance products for consumers.

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 and Ireland.

The coronavirus pandemic caused a UK and global economic downturn which has impacted the growth of the Company and its reported profits in 2020. The Company has operated successfully with limited access to its offices and continued to service clients despite the unprecedented disruption to operations. As a result of the economic impact of the Covid-19 pandemic, during the year approximately 1,700 clients (23% of the portfolio) were subject to forbearance measures principally in the form of part or full payment deferrals. We remain in close contact with these clients and continue to provide support where necessary. At the 31 December the majority (75%) of forbearance allowances had matured and clients resumed payment in full. As a reflection of the Covid-19 forbearance provided to clients across the portfolio as well as incorporating more severe economic assumptions, impairment provisions increased significantly in 2020 to £3.2 million (2019 - £1.0 million), producing a bad debt coverage ratio of 2.2% at the 31 December (2019 - 0.7%) impacting reported profits.

The value of finance lease, hire purchase and secured loan agreements advanced in the year was £69 million (2019 - £73 million). The total assets increased to £152 million, up 9% on the prior year. Turnover rose from £13.6 million in 2019 to £14.6 million and the profit before tax was £0.1 million (2019 - £2.2 million). The business continued strategic investment for the long-term performance through investment in core technology and people. In particular the investment in technology will provide significant efficiency through the automation of critical processes.

The profit after tax for the financial year was £0.0 million (2019 - £1.5 million). The directors did not pay an interim dividend during the year (2019 - £0.5 million) and do not recommend the payment of a final dividend.

The Company is authorised and regulated by the Financial Conduct Authority for consumer credit activities and a culture of compliance is embedded within the Company.

Principal risks and uncertainties

Our immediate priority is to successfully navigate the pandemic crisis and continue to support our colleagues and clients as the economy recovers. The Board remains focused on managing growth within the context of a robust risk management framework and has set clearly defined risk appetite parameters for each of the risks that the business faces. The Board supported by the Risk Committee supervises compliance with regulatory requirements and material operational risks faced by the Company. The principal risks are managed by a prudent approach to underwriting alongside consistent pricing and underpinned by the risk management framework.

The nature and depth of the economic impact of the coronavirus pandemic that has taken hold both in the UK and around the world was clear to see throughout 2020. Whilst it is difficult to make accurate predictions of the economic recovery following the coronavirus pandemic, the easing of restrictions and increase in economic activity will benefit SMEs generally. The long-term consequences of the pandemic will not be fully understood for some time but significant government support to SMEs is likely to encourage activity later in 2021.

As a participant in the British Business Bank's COVID Business Interruption Loan Scheme (CBILS), the Company will continue to support viable businesses through the period of disruption caused by the coronavirus crisis.

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 firm undertook the conversion from the Approved Persons Regime to the Senior Managers and Certification Regime (SMCR) in December 2019.

Arkle Finance Limited

Strategic report for the year ended 31 December 2020 (*continued*)

Financial key performance indicators

The Directors have a wide range of management information to monitor all aspects of the performance of the business to ensure it is in a good financial position. They consider the principle KPI's include new advances, turnover and profit before tax. These are noted in the business review above.

Going concern

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 taking into account expected business activity, significant increased arrears levels and loan loss provisioning in the light of the economic disruption caused by the coronavirus pandemic, as well as balance sheet and cash flow under forecast and stress scenarios for a period of no less than 12 months from the date of signing the financial statements, the Board are satisfied that it is appropriate to prepare the financial statements on such a basis.

Approval

Approved by the Board and signed on its behalf by:



D Bailey
Director
17 May 2021

Arkle Finance Limited

Report of the directors for the year ended 31 December 2020

The directors present their report together with the audited financial statements for the year ended 31 December 2020.

Directors

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

P A George	Appointed 1 December 2020
D Bailey	
A Turberville Smith	
G J Wilding	(non-executive)
J Andrew	Appointed 1 April 2020, Resigned 1 September 2020
P R M Bartley	Resigned 1 April 2020
J D Rose	(non-executive) Resigned 31 March 2020

Future developments

As set out in the strategic report activity in 2020 was significantly influenced by the severity and impact of the Covid-19 pandemic. The directors expect the company to continue the focus on supporting existing customers and managing the portfolio to minimise losses as a result of Covid-19 whilst supporting clients during the economic recovery. The impact on new business activity will be closely monitored and evaluated throughout the year. Longer term the Company expects to see continued growth, increasing its lending portfolio and total assets.

Going concern

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

Insurance of officers

The directors have the benefit of the indemnity provisions contained in the Company's Articles of Association, and the Company has maintained cover for directors and officers under directors' and officers' liability insurance policies. The parent company (Weatherbys Bank Limited) has entered into qualifying third party indemnity arrangements for the benefit of all its directors and all directors of its subsidiaries including Arkle Finance Limited, in a form and scope which comply with the requirements of the Companies Act 2006 and which were in force throughout the year and remain in force.

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 financial statements.
- (2) Dividends paid and proposed are set out in the Strategic report.
- (3) Post balance sheet events are disclosed in note 20.

Arkle Finance Limited

Report of the directors for the year ended 31 December 2020 (*continued*)

Directors' responsibilities

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) 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:



D Bailey
Director
17 May 2021

Independent auditor's report to the members of Arkle Finance Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Arkle Finance Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the 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, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act of 2006 and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty imposed by the Financial Conduct Authority.

We discussed among the audit engagement team including relevant internal specialists such as credit, data analytics and IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address it are described below:

Valuation of specific provision for doubtful debts

- We obtained an understanding of the relevant controls over the valuation of the provision for doubtful debts including evaluating the design and implementation of the key management controls.
- We focused our fraud risk procedures on challenging management on the selection of key assumptions in determining the accuracy of the provision loss percentages utilised in valuing the specific provision for receivables under finance leases and hire purchase agreements.
- We challenged the appropriateness of the key assumptions used in the specific provision, including the loss rates used. This involved independent calculation of loss rates using the company's historical cash collection and default recovery experience

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports, and reviewing correspondence with HMRC and the Financial Conduct Authority.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

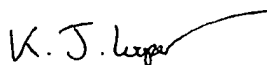
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

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



Kieren Cooper FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, England

17 May 2021

Arkle Finance Limited
Income Statement
for the year ended 31 December 2020

	Note	2020 £	2019 £
Turnover	3	14,564,217	13,639,960
Cost of sales		(812,563)	(878,778)
Gross profit		<u>13,751,654</u>	<u>12,761,182</u>
Administrative expenses		(8,290,920)	(5,552,865)
Operating profit	6	5,460,734	7,208,317
Interest payable and similar charges	7	(5,356,678)	(4,971,878)
Profit on ordinary activities before taxation		<u>104,056</u>	<u>2,236,439</u>
Taxation on profit from ordinary activities	8	(103,081)	(691,844)
Profit on ordinary activities after taxation		<u>975</u>	<u>1,544,595</u>

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 12 to 29 form part of these financial statements.

Arkle Finance Limited

Balance sheet as at 31 December 2020

<i>Company number 03398034</i>	<i>Note</i>	2020 £	2020 £	2019 £	2019 £
Fixed assets					
Intangible assets	10		306,594		99,083
Tangible assets	11		550,075		692,817
Investments	12		331,197		331,197
Current assets					
Cash at bank and in hand		455,800		303,913	
Debtors:					
amounts falling due within one year	13	62,567,680		56,165,596	
amounts falling due after one year	13	87,969,614		81,579,482	
Creditors: amounts falling due within one year	14	<u>(142,162,815)</u>		<u>(129,154,918)</u>	
Net current assets			<u>8,830,279</u>		<u>8,894,073</u>
Total assets less current liabilities			<u>10,018,145</u>		<u>10,017,170</u>
Net assets			<u>10,018,145</u>		<u>10,017,170</u>
Capital and reserves					
Called up share capital	15		10,000		10,000
Profit and loss account			10,008,145		10,007,170
Shareholder's funds			<u>10,018,145</u>		<u>10,017,170</u>

The financial statements were approved by the Board of Directors and authorised for issue on 17 May 2021.


D Bailey
Director

The notes on pages 12 to 29 form part of these financial statements.

Arkle Finance Limited

Statement of changes in equity for the year ended 31 December 2020

	Note	Called up share capital £	Profit and loss account £	Total equity £
1 January 2019		10,000	8,962,575	8,972,575
Profit for the year being total comprehensive income for the year.		-	1,544,595	1,544,595
Contributions by and distributions to owners				
Dividends	9	-	(500,000)	(500,000)
31 December 2019 and 1 January 2020		10,000	10,007,170	10,017,170
Profit for the year being total comprehensive income for the year.		-	975	975
Contributions by and distributions to owners				
Dividends	9	-	-	-
31 December 2020		10,000	10,008,145	10,018,145

The notes on pages 12 to 29 form part of these financial statements.

Arkle Finance Limited

Notes forming part of the financial statements for the year ended 31 December 2020

1 Accounting policies

Arkle Finance Limited is a private company, limited by shares, registered in England and Wales. The company's registered office address is Sanders Road, Wellingborough, Northamptonshire, NN8 4BX.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The Company is applying the provisions of FRS 102 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 Company 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 financial statements, 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:

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 and is included in the administrative expense line item on the income statement. 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 2020 (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.

Fees and commissions receivable or payable that are 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.

Impairment of non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised

Arkle Finance Limited

Notes forming part of the financial statements for the year ended 31 December 2020 (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.

Leasing and instalment credit agreements receivable balances are secured by the asset subject to the funding arrangement terms. The company is not permitted to sell the collateral in the absence of default by the customer.

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

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 income statement.

Pension costs

For the defined contribution scheme, the amount charged to the income statement 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.

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 Company 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 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.

Arkle Finance Limited

Notes forming part of the financial statements for the year ended 31 December 2020 (continued)

1 Accounting policies (continued)

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 balance sheet 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.

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.

Arkle Finance Limited

Notes forming part of the financial statements for the year ended 31 December 2020 (continued)

1 Accounting policies (continued)

Reserves

The Company reserves are as follows:

- Called up share capital reserve represents the nominal values of shares issued.
- Profit and loss account represents cumulative profit and losses net of dividends paid and other adjustments.

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

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

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, leasing and instalment credit agreements 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, leasing and instalment credit agreements 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.

The carrying value of loans, leasing and instalment credit agreements and the value of the recognised impairment losses are disclosed in note 13.

Arkle Finance Limited

Notes forming part of the financial statements
for the year ended 31 December 2020 (continued)

3 Turnover

	2020 £	2019 £
Interest receivable and similar income	12,822,462	11,417,513
Commission	1,741,755	2,222,447
	<u>14,564,217</u>	<u>13,639,960</u>

No geographical analysis is presented as all operations are situated in the United Kingdom.

4 Employees

	2020 £	2019 £
Staff costs consist of:		
Wages and salaries	2,309,779	1,953,045
Social security costs	248,433	202,857
Other pension costs	208,514	180,596
	<u>2,766,726</u>	<u>2,336,498</u>

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

	Number	Number
Office and management	<u>59</u>	<u>54</u>

Pension costs

An amount of £208,514 was recognised as an expense for the defined contribution plans in 2020 (2019 - £180,596). Contributions are recharged on the basis of the current service period only.

Details of the pension scheme appear in the financial statements of Weatherbys Limited, which can be obtained from the Company's registered office at Sanders Road, Wellingborough, Northamptonshire, NN8 4BX.

Arkle Finance Limited

Notes forming part of the financial statements for the year ended 31 December 2020 (continued)

5 Directors

Six (2019 - Four) directors were remunerated by the Company with the other director 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.

	2020 £	2019 £
Directors' remuneration consists of:		
Emoluments	216,325	211,957
Pension contributions	13,250	11,750
	<u>229,575</u>	<u>223,707</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

	2020 £	2019 £
This has been arrived at after charging/(crediting):		
Depreciation of tangible fixed assets - owned assets	176,556	190,853
Amortisation of intangible assets	9,834	18,597
Auditor's remuneration:		
- Fees payable to the company's auditor in respect of the company's annual financial statements	50,000	40,000
Amounts receivable in respect of leases:		
- Aggregate amounts receivable under operating leases	<u>(182,808)</u>	<u>(174,692)</u>

7 Interest payable and similar charges

	2020 £	2019 £
Group companies - overdraft interest	<u>5,356,678</u>	<u>4,971,878</u>

Arkle Finance Limited

Notes forming part of the financial statements for the year ended 31 December 2020 (continued)

8 Taxation on profit from ordinary activities

(a) Analysis of tax charge on ordinary activities

	2020 £	2019 £
<i>Current tax</i>		
UK corporation tax on profits of the year	144,206	577,615
Adjustment in respect of previous years	-	(3,121)
Total current tax	144,206	574,494
<i>Deferred tax</i>		
Origination and reversal of timing differences	15,349	5,593
Adjustment in respect of previous years	-	111,757
Change in tax rate	(56,474)	-
Total deferred tax charge	(41,125)	117,350
Taxation on profit on ordinary activities	103,081	691,844

(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:

	2020 £	2019 £
Profit on ordinary activities before tax	104,056	2,236,439
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19.0% (2019 – 19.0%)	19,771	424,923
Effects of:		
Expenses not deductible for tax purposes	140,744	176,300
Income not taxable for tax purposes	(960)	(4,537)
Tax rate changes	(56,474)	(12,478)
Chargeable gains/(losses)	-	(1,000)
Adjustment in respect of previous years	-	108,636
Total tax charge for year	103,081	691,844

Arkle Finance Limited

Notes forming part of the financial statements
for the year ended 31 December 2020 (continued)

8 Taxation on profit from ordinary activities (continued)

(c) Deferred tax

Analysis of deferred tax balances

	2020 £	2019 £
Depreciation in excess of capital allowances	438,141	438,737
Movement in short term timing differences	83,015	41,294
	<u>521,156</u>	<u>480,031</u>
Deferred tax asset at 1 January	480,031	597,381
Credited to the profit and loss account	41,125	(117,350)
Adjustment in respect of previous years	-	-
	<u>521,156</u>	<u>480,031</u>
Deferred tax asset at 31 December (note 13)	521,156	480,031

The previously proposed reduction in the corporation tax rate from 19% to 17% was abolished in 2020. As a result, a rate change adjustment is required to restate deferred tax to the 19% rate. The government has announced in the Spring 2021 budget of their intention to increase the corporation tax rate to 25% on 1 April 2023. This change had not been substantially enacted at the balance sheet date, and therefore is not included when calculating the company's deferred tax asset. There is no expiry date on timing differences, unused tax losses or tax credits.

9 Dividends

	2020 £	2019 £
Equity:		
Interim paid	-	500,000

Arkle Finance Limited

Notes forming part of the financial statements
for the year ended 31 December 2020 (continued)

10 Intangible assets

	Software £
<i>Cost</i>	
At 1 January 2020	147,718
Additions	217,345
	<hr/>
At 31 December 2020	365,063
<i>Amortisation</i>	
At 1 January 2020	48,635
Charge for the year	9,834
	<hr/>
At 31 December 2020	58,469
<i>Net book value</i>	
At 31 December 2020	306,594
	<hr/>
At 31 December 2019	99,083
	<hr/>

Intangible assets relate in the main to the cost of core systems.

11 Tangible assets

	Equipment £
<i>Cost</i>	
At 1 January 2020	1,138,952
Additions	33,814
Disposals	-
	<hr/>
At 31 December 2020	1,172,766
<i>Depreciation</i>	
At 1 January 2020	446,135
Charge for the year	176,556
Disposals	-
	<hr/>
At 31 December 2020	622,691
<i>Net book value</i>	
At 31 December 2020	550,075
	<hr/>
At 31 December 2019	692,817
	<hr/>

Arkle Finance Limited

Notes forming part of the financial statements for the year ended 31 December 2020 (continued)

11 Tangible assets (continued)

Assets with a cost of £978,616 (2019 - £950,904) and related accumulated depreciation of £484,297 (2019 - £331,205) 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	
	2020 £	2019 £	2020 £	2019 £
Within one year	200,453	175,884	14,985	5,105
In the second to fifth years inclusive	270,995	395,138	130,773	138,473
Later than five years	-	16,690	-	-
	<u>471,448</u>	<u>587,712</u>	<u>145,758</u>	<u>143,578</u>

12 Investments

	2020 £	2019 £
Investment in unlisted equity		
At 1 st January	331,197	49,990
Additions	-	331,197
Impairment provisions	-	(49,990)
	<u>331,197</u>	<u>331,197</u>
At 31 st December		

The company holds a 1% investment in Bondmason Group Ltd. This investment has been identified as impaired and a full provision was made in 2019. During 2019 the company made a 10% investment in Practical Finance DAC Ltd. Impairment provisions are included in the administrative expense line item on the income statement.

13 Debtors

	2020 £	2019 £
<i>Amounts falling due within one year:</i>		
Trade debtors	801,474	138,092
Net investment in finance leases	26,800,344	27,198,864
Net investment in hire purchase agreements	17,872,067	15,228,937
Loan agreements	15,726,744	12,087,102
Corporation Tax recoverable	54,661	-
Prepayments and accrued income	1,312,390	1,512,601
	<u>62,567,680</u>	<u>56,165,596</u>
<i>Amounts falling due after one year:</i>		
Net investment in finance leases	31,144,316	38,526,169
Net investment in hire purchase agreements	34,669,358	26,178,554
Loan agreements	21,634,784	16,394,728
Deferred tax asset	521,156	480,031
	<u>87,969,614</u>	<u>81,579,482</u>

Arkle Finance Limited

Notes forming part of the financial statements for the year ended 31 December 2020 (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 £51,265,488 (2019 - £62,674,620).

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

	<i>Gross investment in the lease</i>		<i>Present value of minimum lease payments</i>	
	2020	2019	2020	2019
	£	£	£	£
Less than one year	57,932,952	54,026,559	44,672,411	42,427,801
Later than one year but less than five years	74,379,156	74,563,784	65,074,214	64,161,482
Later than five years	779,405	574,929	739,460	543,241
			<u>110,486,085</u>	<u>107,132,524</u>
Less				
Unearned finance income	(19,875,183)	(21,210,711)		
Provision for uncollectible minimum lease payments	(2,730,245)	(822,037)		
Net investment in leases	<u>110,486,085</u>	<u>107,132,524</u>		

Analysis of individually impaired and non-performing leases and loans

Non-performing leases and loans are those on which interest is not being accrued

	2020	2019
	£	£
Gross amount of leases and loans individually determined to be impaired		
- leases and loans before provisions	6,731,060	4,033,389
- leases and loans after provisions	3,979,354	3,299,181
Non-performing leases and loans to customers		
- leases and loans before provisions	6,102,311	3,593,454
- leases and loans after provisions	<u>3,690,403</u>	<u>3,020,266</u>

Arkle Finance Limited

Notes forming part of the financial statements
for the year ended 31 December 2020 (continued)

13 Debtors (continued)

Impairment allowances for bad and doubtful debts

	Specific 2020 £	Collective 2020 £	Total 2020 £	Specific 2019 £	Collective 2019 £	Total 2019 £
At 1 January	734,208	242,906	977,114	1,048,277	241,792	1,290,069
New provisions less releases	2,976,469	300,956	3,277,425	468,834	55,520	524,354
Write-offs less recoveries	(958,971)	(106,937)	(1,065,908)	(782,903)	(54,406)	(837,309)
Cumulative provisions As at 31 December	2,751,706	436,925	3,188,631	734,208	242,906	977,114
New and additional provisions	3,115,684	300,956	3,416,640	850,947	55,520	906,467
Releases and recoveries	(139,215)	-	(139,215)	(382,113)	-	(382,113)
Net charge to profit and loss account	2,976,469	300,956	3,277,425	468,834	55,520	524,354

14 Creditors: amounts falling due within one year

	2020 £	2019 £
Overdraft with parent company (Unsecured)	139,238,126	127,561,692
Trade creditors	427,698	414,034
Amounts due to parent company	632,255	490,395
Amounts due to companies under common control	18,527	5,255
Corporation tax	-	298,748
Other taxation and social security	1,148,674	58,317
Accruals and deferred income	697,535	326,477
	142,162,815	129,154,918

15 Authorised share capital

Allotted, called up and fully paid

	2020 Number	2019 Number	2020 £	2019 £
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 2020 (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 financial statements of Weatherbys Bank Limited and ultimately into the financial statements of Weatherbys Bank Holdings Limited, which is the largest group for which group financial statements are drawn up. Copies of these financial statements can be obtained from, Sanders Road, Wellingborough, Northamptonshire, NN8 4BX, being the registered address of the ultimate parent company.

18 Related party transactions

The Company is a wholly owned subsidiary of Weatherbys Bank Limited which publishes consolidated financial statements.

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

	2020 £	2019 £
Expenditure	451,081	420,302
Other companies under common control: - Amounts owed to related parties	18,527	5,255

Weatherbys Limited ("WL") 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:

Services of £30,373 (2019 - £46,875) were provided by WIGSBL and £420,708 (2019 - £373,427) were provided by WL to AFL.

At 31 December 2020 AFL owed WIGSBL £ nil (2019 - £199) and WL £18,527 (2019 - £5,056) in respect of these transactions.

Arkle Finance Limited

Notes forming part of the financial statements for the year ended 31 December 2020 (continued)

18 Related party transactions (continued)

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

	2020 £	2019 £
Income	2,180	5,601
Expenditure	5,605,184	5,247,110
Other companies under common control:		
- Amounts owed to related parties	139,870,381	128,052,087
- Amounts owed by related parties	455,664	303,541

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 £248,506 (2019 - £275,232) were provided by WBL to Arkle Finance Limited and Arkle Finance Limited charged WBL £2,180 (2019 - £5,601) for services rendered.

Arkle Finance Limited was charged £5,356,678 (2019 - £4,971,878) in interest on its lending facilities provided by WBL.

At 31 December 2020 Arkle Finance Limited owed WBL £139,238,126 (2019 - £127,561,692) for lending facilities provided and £632,255 (2019 - £490,395) for services rendered and accrued interest.

At 31 December 2020 WBL owed Arkle Finance Limited £455,664 (2019 - £303,541) for funds deposited.

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 £382,674 (2019 - £288,165).

Arkle Finance Limited

Notes forming part of the financial statements for the year ended 31 December 2020 (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 2020	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	20,985,205	39,413,950	84,612,007	2,836,451	147,847,613
Deposits at banks	455,800	-	-	-	455,800
Other assets	2,113,864	54,661	521,156	1,187,866	3,877,547
Total Assets	23,554,869	39,468,611	85,133,163	4,024,317	152,180,960
Overdraft	139,238,126	-	-	-	139,238,126
Other liabilities	2,924,689	-	-	-	2,924,689
Capital and reserves	-	-	-	10,018,145	10,018,145
Total Liabilities	142,162,815	-	-	10,018,145	152,180,960
Gap	(118,607,946)	39,468,611	85,133,163	(5,993,828)	-
Cumulative Gap	(118,607,946)	(79,139,335)	5,993,828	-	-

Arkle Finance Limited

Notes forming part of the financial statements
for the year ended 31 December 2020 (continued)

19 Risk management objectives and policies (continued)

At 31 December 2019	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	17,894,266	36,620,637	78,939,928	2,159,523	135,614,354
Deposits at Banks	303,913	-	-	-	303,913
Other assets	1,650,693	-	480,031	1,123,097	3,253,821
Total Assets	19,848,872	36,620,637	79,419,959	3,282,620	139,172,088
Overdraft	127,561,692	-	-	-	127,561,692
Other Liabilities	1,593,226	-	-	-	1,593,226
Capital and reserves	-	-	-	10,017,170	10,017,170
Total Liabilities	129,154,918	-	-	10,017,170	139,172,088
Gap	(109,306,046)	36,620,637	79,419,959	(6,734,550)	-
Cumulative Gap	(109,306,046)	(72,685,409)	6,734,550	-	-

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.

Arkle Finance Limited

Notes forming part of the financial statements for the year ended 31 December 2020 (continued)

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.

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.

	2020 £	2019 £
Financial assets		
Instruments measured at amortised cost		
Finance Leases and hire purchase and loan agreements (note 13)	147,847,613	135,614,354
Deposits at Banks	455,800	303,913
Trade and other debtors (note 13)	1,377,291	618,123
Measured at cost less impairment		
Investments (note 12)	331,197	331,197
Financial liabilities		
Instruments measured at amortised cost		
Overdraft with parent company (note 14)	139,238,126	127,561,692
Trade and other Creditors (note 14)	1,576,372	771,099
Amounts due to parent/associate company (note 14)	650,782	495,650