Weatherbys Bank Limited

Annual Report and Financial Statements

Year Ended

31 December 2020

Company Number 02943300

Weatherbys Bank Limited

Report and financial statements
for the year ended 31 December 2020

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Directors

D C Bellamy	(Non-executive chairman)
R N Weatherby	
A Turberville Smith	
Q N J Marshall	
Sir Johnny Weatherby	(Non-executive)
B K Bourne	(Non-executive) Resigned 31 March 2021
J L Eddis	(Non-executive)
C Machell	(Non-executive)
D Vail	(Non-executive) Appointed 1 April 2021

Secretary and registered office

F C Noonan	Appointed 23 July 2020
A S McGlynn	Resigned 23 July 2020

52-60 Sanders Road, Finedon Road Industrial Estate, Wellingborough, Northamptonshire, NN8 4BX

Company number

02943300

Auditor

Deloitte LLP, Statutory Auditor, Birmingham, United Kingdom

The directors present their strategic report on the Banking Group for the year ended 31 December 2020. The Banking Group ("Group") consists of Weatherbys Bank Limited ("the Bank"), Arkle Finance Limited ("Arkle Finance"), Weatherbys General Services Limited ("WGS") and Weatherbys Bank (Nominees) Limited.

Weatherbys Bank Limited is a family owned bank founded on a heritage of traditional values and prudent stewardship but one that adopts a progressive and forward-looking approach. We provide retail banking services to a client base of predominantly high net worth individuals. In addition to private banking and wealth advisory services, we provide banking services to the horseracing industry and wider community, asset finance to SMEs, tax and insurance services.

1. Business Review: Market Environment

The 2020 narrative was dominated by the coronavirus pandemic and the country's response to the health and economic crisis that followed. The national lockdown in March 2020 marked the beginning of an unprecedented period in the UK's history that has continued into 2021.

Drastic public health measures were enforced to contain the spread of the virus. Alongside these, the Bank of England cut its Base Rate from 0.75% to 0.10% to lend support to households and businesses and a multitude of other measures were introduced to support the wider economy. In an effort to limit damage to the labour market, the UK government introduced a furlough scheme which was still supporting nearly 11 million jobs in December 2020. Notwithstanding all the government measures, in April 2020 the economy contracted by an unprecedented 18.8%.

Since April there have been smaller upswings in economic growth figures but also further dips as the immediate crisis extended throughout the rest of the calendar year. For the full year, gross domestic product fell by 9.9%; the worst fall for over 300 years.

Buoyed by a raft of government policy measures and changing preferences due to the pandemic, UK house prices actually rose 7.5% in 2020 (2019: 2.2%) but generally there was little cause for optimism for households and businesses as the negative impact on health and livelihoods across the UK became deeper and more long-lasting.

More recently the rates of Covid infections and hospitalisations have fallen markedly across the UK and vaccination programme is proceeding at a rapid pace. There are some signs that the economy will perform better than anticipated at the start of the year but the overall outlook remains uncertain. It continues to depend on the evolution of the pandemic, measures taken to protect public health, and how households, businesses and financial markets respond to these developments.

2. Business Review: The Group

In common with almost all businesses across the UK, 2020 proved to be a challenging year but in many respects the performance of our various business lines and all our employees have been remarkable. Within a few hours of the first national lockdown being announced in March 2020, all but a handful of our staff across six office locations were working successfully from home. Client disruption was minimal, and phones were answered promptly, and thousands of daily banking transactions and other finance transactions undertaken in line with normal processing times.

New client numbers as well as lending and deposits continued to grow strongly in 2020. The total assets of the Group have increased by 20% to £1,156 million (2019: £967 million). Customer deposit balances have reached £1,089 million, a 21% increase during the year (2019: £899 million) and customer lending balances have grown by 15% to £679 million (2019: £589 million), ending the year with a loan to deposit ratio of 62% (2019: 65%) and a strong liquidity position.

However, the Group net interest margin reduced sharply by 14% to 2.55%, almost entirely as a consequence of the fall in Base Rate to 0.10% in March 2020, and despite the 20% growth in assets, net interest income only increased by £0.9 million (3%) to £29.4 million (2019: £28.5 million).

The Board also took the conscious decision not to furlough any staff which is in line with the Group's family orientated and supportive culture. It remains committed to the long term success of the Banking Group and investment is required to maintain the product and service levels that our customers have come to expect and adapt to the wider changes that will result from the pandemic. Administrative expenses increased by £1.5 million (6%), predominantly through increased investment in people and technology.

2. Business Review: The Group *(continued)*

Nearly 80% of the Bank's lending is to private clients, well secured at low loan to value ratios. Within this segment there has been no discernible fall in credit worthiness and no additional specific provisions have been made reflecting the strong credit quality of such lending.

Arkle Finance, the Bank's asset finance business, had a difficult year. Many of its small business customers were directly impacted by the national lockdown and ensuing social restrictions. It worked tirelessly to support its business customers wherever possible. At one point early in the pandemic around 28% of its customers had sought payment deferrals in line with the guidelines introduced by the regulator. By the year end this had reduced to less than 2% as many businesses were able to adapt to a new working pattern. Arkle's loan book grew by 9% including £11.5 million of new loans under the government's CBILs scheme. Operating profit pre provisions was maintained at £3.4 million but the company has cautiously increased provisions by £3.3 million. Whilst these losses have not yet crystallised there remains significant uncertainty in the wider economy. Profit before tax after provisions was £0.1 million (2019: £2.2 million).

Group operating profit, excluding the market value adjustment for derivatives required by FRS102, was £3.7m, down 57% on the prior year (2019: £8.6m).

The market value adjustment for derivatives has no cash impact. As the interest rate swaps taken on to match fixed lending to clients mature, the loss will be reversed and credited back to income in future years. From January 2021 the Group has adopted hedge accounting to match the movement on interest rate swaps with the underlying assets, which will significantly reduce the volatility caused by market value fluctuations in future years.

Profit before tax for the Group was £2.6 million, (2019: £8.0 million). As a family business, now in its 251st year, Weatherbys has withstood many shocks and the directors fully expect that the profits of the Banking Group will bounce back strongly as the UK economy recovers.

Total shareholders' funds increased by 2% to £48.4 million (2019: £47.3 million). The Group remains well capitalised with a Core Equity Tier 1 ratio of 11.7% (2019: 12.7%), well above the regulatory minimum level. The total capital ratio was 14.5% (2019: 15.7%).

The leverage ratio at the year-end was 3.9% (2019: 4.5%), compared to a minimum level of 3%. At the year end the Group held surplus funds of £460 million in gilts, other qualifying liquidity buffer assets, and treasury deposits at well rated bank counterparties (2019: £359 million).

3. Financial key performance indicators

The Board and senior management continuously assess the performance of the Bank. A number of key performance indicators are used to frame this assessment process. These include inter alia net interest margin, cost-to-income ratio, return on capital, capital headroom ratio, liquidity coverage ratio, net stable funding ratio, customer loan-to-deposit ratio, average loan-to-value ratio, loss ratios and net flows into wealth advisory platforms.

Where relevant, these indicators have been included in this Strategic Report or within the Directors' Report in the context of presenting Bank performance.

4. Future Developments

There are three key themes that the Board continues to monitor closely in regard to their potential to affect the Banking Group's future performance and ability to meet our strategic targets, namely the strength of the UK economy, technology developments and the regulatory landscape.

4. Future Developments *(continued)*

As highlighted above, economic disruption caused by the coronavirus pandemic has been unprecedented in recent times and disruption will likely continue for many months. The Bank's net interest margin is closely linked to UK Base Rate and the slow recovery from the 2008/9 financial crisis, that saw Base Rate cut to 25bps and climb gradually back to 75bps in 2018, was reversed dramatically with the reduction to 10bps in March 2020. Alongside this the unprecedented difficulties for small businesses, particularly those in retail and leisure, will crystallise some additional losses within Arkle's lending book. However, as businesses adapt to the new environment losses within this segment of the Group's lending will subside. Within the Bank itself net interest margin will also recover slightly in the short term although it may be much longer before the health of the UK economy will be able to support a higher Bank of England Base Rate.

Technology continues to evolve and change the way many customers interact with their bank. The amended work and social patterns necessitated by the pandemic will have a lasting impact. In time we hope to resume our more traditional, face-to-face relationships with our clients but equally we will continue to invest in our technology and digital platforms, with the objective of offering our clients all possible options in their choice of interacting with us.

The impact of regulatory change since the financial crisis 2008 has been felt right across the banking sector. In March 2020 the Bank of England reduced the Countercyclical Capital Buffer requirement to zero as the regulator and government acted to support all banks in the vital role that they play, supporting businesses and retail customers across the country. The Bank's capital position remains strong relative to its individual capital requirements set by the Prudential Regulation Authority (the "PRA") that reflect the credit, operational and other risk areas specific to Weatherbys Bank. The Bank also maintains a strong liquidity position relative to its regulatory requirements.

5. Section 172(1) Statement

The Board of Directors are aware of their duty under s.172 of the Companies Act 2006 to act in the way which would be most likely to promote the success of the Group for the benefit of its members as a whole, having particular regard (amongst others) to:

- The likely consequences of any decision in the long term;
- The interests of the company's employees;
- The need to foster relationships with suppliers, customers and others;
- The impact of operations on the community and the environment;
- The desirability of maintaining a reputation for high standards of business conduct; and
- The need to act fairly as between members of the Group.

As a privately owned bank striving to provide the highest levels of customer service, we consider our customers and employees as our key stakeholders. During 2020 we have consulted with customers and employee groups to agree and define the key characteristics of our service offering in order to enshrine these into a set of corporate values. These values – christened the 'Weatherbys Way' – will underpin every decision at every level as we seek to protect the Group into the long-term.

The Weatherbys family of companies has a long tradition of giving back to society and the Board believes that business should be a force for good. Profitability is important; being successful gives us the opportunity to make a bigger impact but having a positive impact on society and the environment is equally important.

From improving the lives of our employees and creating a better future through our charity work, to ensuring we do not harm our environment, we have a proven track record of taking our social responsibility seriously, both for our workers and the wider community. We are aiming to become recognised as an accredited B Corporation and become part of this growing community aiming to redefine success in business.

We have also created some social impact priorities: Giving Back, Our People and Caring for the Planet.

5. Section 172(1) (continued)

We recognise that our people are our greatest asset. Providing unbeatable service has been at the heart of the Weatherbys Way and now we are focusing on how we can serve our people best too. We know that having a diverse workforce creates a more fulfilling place to work as well as better business outcomes. By being better at relating to our customers, reflecting different perspectives and seizing opportunities. So, we are working on our equality and diversity programmes, allowing internal succession development, creating financial inclusion and flexible working through age, gender and diversity. In addition, as a consequence of the significant changes caused by the coronavirus pandemic, and remote working undertaken by all our staff during 2020, we envisage further changes to the traditional office based pattern for all our employees providing more flexibility and an improved work life balance.

During 2020, with almost all staff absent from the office environment, the Group increased its communications to staff to update them on the effect of the pandemic on the Group financial performance and it provided additional mental health and wellbeing support programmes to all its employees. There were regular staff surveys to seek feedback and opinions on a wide range of relevant issues.

We are giving our staff 500 days to do good with our new Time Bank programme. We know that taking time out from our day jobs and doing something for the greater good, not only enhances our world but also our people.

We partner with a number of charities, both on an ad-hoc and long-term basis with the aim for Creating the Future. We have also hosted our Creating the Future event where we invite guests; customers and friends, to hear twelve eminent and eloquent experts address some of the most topical issues affecting us now and in the future. The last conference included discussion on the future of democracy, the revolution in healthcare and mental wellbeing as well as the state of the environment and how to tackle the climate crisis.

We have also reviewed all the suppliers we work with to make sure we are doing as much to reduce our environmental impact and keep our supply chain as local as possible. In the coming months we will refine our standards and goals for being a responsible business.

6. Principal Risks and Uncertainties

In all areas where the Board believes that material risks exist it has taken action to control and mitigate these risks.

The principal risks to which the Bank is exposed are highlighted in the following sections.

6.1 Economic Risk

The coronavirus pandemic has caused significant short-term damage to the health and wealth of the nation and its impact will linger for many years. As a seventh generation, family owned bank, Weatherbys Bank has always been managed with long term sustainability as a primary objective. It has operated prudently within its financial limits and maintained capital and liquidity buffers in order to protect against the impact of unpredictable 'shocks'. Within its Private Banking lending portfolio, which accounts for 78% of the total loan book, customer loans are secured principally on residential properties at an average loan to value ratio of approximately 36%. Its high net worth client base is well placed to absorb the impact of the economic disruption. The Group's asset finance subsidiary accounts for 22% of the total lending portfolio and is directly exposed to the small business sector. Whilst there will be losses in the short term, well manged asset finance businesses do provide good returns over the economic cycle. In a sustained low interest rate environment, Arkle Finance is an important part of the Group's strategy.

The withdrawal of the UK from the EU on 31 December 2019 is not expected to have a material impact on the Banking Group.

6.2 Capital Risk

Capital risk is the risk that the Bank has insufficient capital to support its strategic growth objectives, or to enable it to withstand further changes to the regulatory regime.

The Bank has a conservative approach to managing capital risk. In addition to the minimum regulatory capital requirements set by the PRA through its Total Capital Requirement, the Board has determined that an appropriate buffer above the regulatory minimum must be maintained at all times. At the year end the total capital ratio was 14.5% (2019: 15.7%) and total regulatory capital was £58.3 million against a total capital requirement of £46.4 million.

Management and allocation of the Bank's capital is managed by the Asset and Liability Committee ('ALCO'). If the headroom falls to an internal trigger level, ALCO is required to explain to Board whether corrective action is required and recommend an appropriate course of action.

6.3 Liquidity Risk

Liquidity risk is the risk that the Bank has insufficient financial resources to meet its liabilities as they fall due.

This could be due to an inability to liquidate assets to obtain adequate funding ("funding liquidity risk") or that it cannot readily liquidate assets without incurring significant market losses ("market liquidity risk").

The Bank's principal tools to mitigate liquidity risk are the loan-to-deposit ratio limit and the corresponding minimum liquidity buffer, both set by the Board. At the year end it held treasury assets of £460 million (2019: £359 million) of which £326 million (2019: £261 million) was held with the Bank of England and other major UK banks.

The Bank's liquidity position is monitored daily and managed by ALCO.

6.4 Credit Risk

Credit risk is the risk of financial loss arising from a borrower or counterparty failing to meet their financial obligations to the Bank when they fall due. Credit risk arises from loans and advances to clients, and from treasury investment of surplus cash.

To mitigate credit risk in the client loan book the Board has approved lending policies and procedures that are reflective of the Bank's risk appetite. All loan applications are considered in accordance with these procedures, and an approval hierarchy is in place depending upon the risk characteristics and size of each application. The largest loan applications require approval by the Board. Responsibility for the ongoing management of client credit risk rests with the Group Risk committee. The average loan to value ratio for lending secured by residential property is approximately 36%.

To mitigate credit risk in its treasury activities the Board has set minimum short-term and long-term credit ratings for approved counterparties where the Bank places its surplus funds, as well as individual monetary limits. These limits are reviewed on a regular basis by ALCO and are set by reference to the Bank's assessment of the risk of default for each counterparty. The Bank monitors appropriate agencies to provide credit ratings for financial institutions.

6.5 Concentration Risk

Concentration risk is the risk of loss due to either a large individual exposure, or significant exposures to groups of counterparties who could be affected by common factors, including geographical region ("geographical risk").

To mitigate concentration, risk the Board has:

- set limits on the maximum percentage exposure to any individual business sectors against the total lending book; and
- set limits on the geographical concentration of advances.

The Bank regularly monitors concentration risk and geographical risk to ensure that the Bank is not overexposed in a particular business sector or geographical region.

6.6 Interest Rate Risk

Interest rate risk is the risk that a significant movement in interest rates will have a material impact on the Bank's profitability, for example by reducing the net interest margin.

The Bank is exposed to interest rate risk that arises from a mismatch between the repricing of assets and liabilities. The majority of the Bank's lending is variable, although its lending to SMEs through its asset finance subsidiary is on fixed terms, generally between three and four years. On the liability side, credit interest paid on the majority of deposits is also variable. Partly as a consequence of its low loan to deposit ratio and surplus funds, the Bank's net interest margin will generally fall when Base rate falls and correspondingly increase as rates rise.

The Bank regularly measures and reports to ALCO its interest rate risk based on 200bps positive or negative shifts in the yield curve, which are then translated into a net present value. The Bank uses interest rate swaps to hedge exposures to interest rate risk to ensure these remain within the limits set by the Board.

6.7 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. The Bank recognises that operational risk is inherent in all its products, activities, processes and systems and is particularly cognisant of all aspects of data security.

The Board has approved an Operational Risk Policy to ensure the risks are adequately identified, monitored and controlled and any losses resulting from operational risk are minimised in line with the Bank's risk appetite.

In response to the coronavirus outbreak, the Bank invoked its business continuity plans and has continued to provide a full service despite almost all staff working from home, in line with government advice.

6.8 Cyber Risk

An increasing risk that the Bank is subject to within its operational processes is cyber risk. This is the risk that the Bank businesses are subject to some form of disruption arising from an interruption to its IT and data infrastructure.

The Bank continues to invest in both people and technology in the development of robust defence systems against the ever-increasing cyber threats.

6.9 Reputational Risk

Reputational risk is the risk that the Bank's reputation is damaged by an event, internal or external, leading to financial loss.

The Board is fully aware of the damage that can be caused if the Bank's reputation is damaged and as such the corporate governance and control environment are designed to manage this risk.

6.10 Regulatory & Conduct Risk

As a provider of financial services, the Bank 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 customers' needs. In addition, it must comply with all banking regulations including compliance with Financial Crime and Anti-Money Laundering laws.

The Company's internal systems, controls, employee training, and protocols are designed specifically to protect against such risks.

6.11 Pension Risk

Pension risk is the potential that the Bank will be unable to meet additional liabilities that might arise under a defined benefit pension scheme. This can be due to a number of factors:

- A fall in the market value of investments held reducing the fair value of scheme assets;
- A fall in the discount rate increasing the present value of scheme liabilities; and
- An increase in the life expectancy increasing the present value of scheme liabilities.

Weatherbys Bank Limited is part of a group of companies controlled by Weatherby family trusts. It is part of a group defined benefit pension scheme and is therefore required to meet its share of the liabilities arising under the scheme.

As with other such schemes the Group has a recovery plan in place to meet this liability that has been agreed with the Pension Regulator

7. Outlook

The Weatherbys family of companies celebrated its 250th anniversary in 2020. They have proved resilient across the centuries and whilst the outlook in 2021 is difficult to predict the Banking Group is well capitalised, operationally robust and staffed by exceptional people. The Board is confident that the Banking Group will support all its customers through the current pandemic crisis and for many years to come.

Finally, our previous chairman and current non-executive director, was awarded the Royal Victorian Order in the delayed Queen's Birthday Honours List 2020. Sir Johnny Weatherby has been working at Weatherbys for over 40 years and much of its success has been down to his stewardship. We are all immensely proud of this recognition.

Approved by the Board and signed on its behalf by:

R N Weatherby
Director
17 May 2021

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

1. Principal Activities

The Banking Group ("Group") consists of Weatherbys Bank Limited ("the Bank"), Arkle Finance Limited ("Arkle Finance"), Weatherbys General Services Limited ("WGS") and Weatherbys Bank (Nominees) Limited. It provides banking, wealth management, asset finance, insurance and VAT services. Weatherbys Bank Limited is authorised under the Financial Services and Markets Act 2000 to accept deposits in the United Kingdom. Arkle Finance Limited is authorised by the Financial Conduct Authority to provide consumer credit as defined by the Consumer Credit and Financial Services and Markets Acts.

The Bank is a family owned bank that provides traditional retail banking services to a client base of predominantly high net worth individuals. Together with private banking and wealth advisory services it provides banking services to racehorse owners and the wider racing industry, asset finance to SMEs, tax and insurance services.

The fair treatment of customers is central to the Bank's culture and remains at the heart of its business model. The Bank's brand vision is to be universally admired for delivering and inspiring new standards in customer service.

2. Results and Dividends

The financial results for the year are set out in the consolidated income statement on page 26.

Retained consolidated profits for the year amounted to £1.3 million (2019: £5.8 million). The Board recommended an interim ordinary share dividend in the year of £0.25 million (2019: £2.05 million) and do not recommend the payment of a final dividend (2019: £nil).

3. Risk Management and Governance

The roots of the Group can be traced back to the original Weatherby family business that was started in 1770. The heritage, reputation and longevity of the business remains a central objective for the family shareholders and as such a conservative approach to risk is adopted in all areas.

The Bank's primary risk management governing body is the Board of Directors. The Board is responsible for:

- Approving the overall level of risk to which the Bank is exposed;
- Approving the framework for reporting and managing risk; and
- Ensuring that risk management infrastructure is appropriate and functioning effectively.

The Board discharges these responsibilities through a series of committees that manage all aspects of the Bank's activities. The key committees that report to the Board are:

- Executive Committee (EXCO) – chaired by the Chief Executive and comprising the executive directors and key members of senior management which meets monthly to review and discuss all financial and operational issues;

- Group Risk Committee – chaired by a non-executive director. It comprises two executive directors and senior management. The Committee meets bi-monthly to review all aspects of the Bank's risk exposure as well as its systems, control and regulatory environment;

- Asset and Liability Committee (ALCO) – chaired by the Chief Executive and comprising executive directors and senior management which meets monthly to review:
  - Capital allocation and efficiency;
  - Liquidity position and profile;
  - Capital allocation and risk-adjusted returns; and
  - Pricing of assets and liabilities.

3. Risk Management and Governance *(continued)*

- Credit Committee – comprising two executive directors and senior management which meets regularly to review and approve credit proposals and assess ongoing credit risk within the loan portfolio; and

- Group Audit Committee – this comprises four non-executive directors and meets quarterly. Also in attendance are the Chief Risk Officer, the Internal Auditor and two executive directors. Its primary role is to ensure that controls are both present and appropriate to mitigate risk in accordance with the Board's expectations.

4. Capital Management

The Bank is subject to the European Union Capital Requirements Directive and Capital Requirements Regulation, collectively known as "CRD IV", which came into effect from 1 January 2014.

Under CRD IV, banks must hold sufficient capital to protect against two main categories, or "pillars", of risk:

- Pillar 1 – covering those risks common to all organisations - credit, market and operational risk; and
- Pillar 2 – covering those risks specific to an individual organisation.

The Bank's capital is reported in two tiers:

- Tier 1 – comprised of share capital, retained earnings and reserves, known as "Common Equity Tier 1"; and
- Tier 2 – principally comprised of subordinated loan notes and the Bank's collective impairment provisions.

The Bank uses the Standardised Approach to assess credit risk and the Basic Indicator Approach to assess operational risk. The Bank does not have a trading book and therefore exposure to market risk is minimal.

In accordance with regulatory requirements, the Bank performs an annual internal review of its capital adequacy against both pillar 1 and pillar 2 risks known as an Internal Capital Adequacy Assessment Process ("ICAAP"). The ICAAP is approved by the Board and reviewed periodically by the PRA.

Where it is assessed that additional pillar 2 capital is required, this is notified in the form of a firm-specific total capital requirement (TCR) from the PRA.

Consistent with the Bank's conservative risk appetite, the Board has determined that capital headroom must be maintained over and above the TCR set by the PRA. If the capital headroom falls to an internal trigger level, ALCO is required to explain to the Board whether corrective action is required and recommend a suitable course of action.

The Bank is a wholly owned subsidiary of Weatherbys Bank Holdings Limited ("WBHL"). For regulatory reporting purposes, the Bank's regulatory capital is reported to the PRA on both a consolidated and individual basis.

4.1 Capital and Leverage Ratios

On a consolidated basis, total regulatory capital was £58.3 million at 31 December 2019 (2019: £57.4 million) against a total capital requirement of £46.4 million (2019: £33.6 million). The capital requirement encapsulates pillar 1 and pillar 2A requirements but excludes the capital conservation and counter-cyclical buffers. This represents a total capital ratio of 14.5%, compared 15.7% in 2019.

The total capital ratio is defined as the level of total capital resources as a percentage of total risk weighted assets.

Under CRD IV firms are required to calculate a leverage ratio as an additional non-risk based monitoring tool. This is intended to provide an alternative measure to assess core capital against total assets.

The leverage ratio is defined as the level of Tier 1 capital against balance sheet and off-balance sheet exposures.

At 31 December 2020, the consolidated leverage ratio was 3.9% (2019: 4.5%) against a minimum requirement of 3%.

5. The Board of Directors

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

D C Bellamy	(Non-executive chairman)
R N Weatherby	
A Turberville Smith	
Q N J Marshall	
Sir Johnny Weatherby	(Non-executive)
B K Bourne	(Non-executive) * Resigned 31 March 2021
J L Eddis	(Non-executive) *
C Machell	(Non-executive) *
D Vail	(Non-executive) * Appointed 1 April 2021

* member of the Audit Committee

Sir Johnny Weatherby and R N Weatherby had interests, as trustees, in 100% of the ordinary shares of the ultimate parent company.

No other director had any interest in the share capital of the Bank or of any other group company, and none of the directors, or members of their immediate families, were awarded or exercised any right to subscribe for any shares or debentures during the year.

5.1 Directors' interest in contracts

Sir Johnny Weatherby and R N Weatherby had interests as directors of Weatherbys Limited (a company under common control) and in the service contracts between that company and Weatherbys Bank Limited.

No other director had a material interest at any time during the year in any contract with the Bank of significance, other than a service contract. Further details concerning related party transactions are provided in note 29 to the financial statements.

5.2 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 company has entered into qualifying third party indemnity arrangements for the benefit of all its directors within the Banking Group, 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.

6. Employees

At 31 December 2020 the Banking Group had 288 employees (2019: 245) and the Bank itself had 224 employees (2019: 188).

The directors give special attention to the health and safety of all employees and endeavour to ensure that as far as possible, the training, career development and promotion of disabled persons is the same as for other employees.

Should employees become disabled, every effort is made to ensure that their employment continues, and appropriate retraining is received.

Regular meetings with employee representatives are held to keep them informed of the development of the business.

7. Future Developments

These are discussed within the Strategic Report.

8. 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 28 to these financial statements.
(2) Use of financial instruments are set out in note 32 to these financial statements.
(3) Post balance sheet events are disclosed in note 33.

9. Going Concern

In accordance with their responsibilities the directors have considered carefully the going concern statement made in note 1 to the financial statements. The Bank's traditional relationship based banking model, together with its conservative approach to credit risk, including counterparty risk, and its overall risk management procedures mean that it is built on solid foundations. The wider economic impact of the coronavirus pandemic is though likely to be significant and long-lasting. The Board has assessed future profitability, capital, liquidity and funding, as well as operational factors, conducting a range of stress scenarios for a period of no less than 12 months from the date of signing the financial statements. This included an assessment of arrears levels and loan loss provisioning for the Bank itself and its asset finance subsidiary. The Board is satisfied that the business has adequate financial resources to continue as a going concern for the foreseeable future and accordingly the directors have continued to adopt the going concern assumption in preparing the financial statements.

10. 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; and
- 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

11. Auditor's

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
17 May 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WEATHERBYS BANK LIMITED

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Weatherbys Bank Limited (the 'parent company') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's 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 consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated statement of cash flows;
- and the related notes 1 to 33.

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).

2. 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 group and the parent 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 as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the group and parent company for the year are disclosed in note 4 to the financial statements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Recognition of other interest receivable and similar income; and • Provision for bad and doubtful debts. Within this report, key audit matters are identified as follows: ⟨⟩ Similar level of risk
Materiality	The materiality that we used for the group financial statements was £400k (2019:400k) which was determined on the basis of net assets (2019: Profit before tax).
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the group audit engagement team. Over 99% of the group revenue, net assets and profit before tax was subjected to a full scope audit.
Significant changes in our approach	We have not considered 'Coronavirus (Covid-19) non-adjusting post balance sheet event' as a key audit matter in the current year given over a year has passed since the pandemic was declared and the parent company and group has operated in an economic environment affected by the pandemic. We have also revised the basis on which materiality is determined from 5% profit before tax in prior year to 0.8% of net assets due to the increased volatility of profit metrics as a result of the Covid-19 pandemic, lower industry margins and the group's key regulators increasingly placing significant importance on the sufficiency of regulatory capital as the basis of supervising business model viability.

4. 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.

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- Enquiring of senior management in relation to their going concern assessment including impacts of Covid-19 and Brexit, the steps they will take in the event that economic and other factors deteriorate further due to government imposed lockdowns;
- Challenging management's going concern assessment and inspecting forecasts, including comparing this to post year end performance;
- Evaluating the accuracy of management's forecasts by assessing historical performance of the group against previous forecasts, including key performance indicators, and evaluating the mathematical accuracy of current forecasts;
- Evaluating management's assessment of the risks facing the group including liquidity risk, capital risk (including minimum and solvency capital requirements), funding risk and operational matters as appropriate. We involved our prudential regulation expert in reviewing the Internal Capital Adequacy

Assessment Process ('ICAAP') and Internal Liquidity Adequacy Assessment Process ('ILAAP') over the life of the plan, with particular focus on forecast Common Equity Tier 1 ('CET1') ratio and Liquidity Coverage Ratio ('LCR') to evaluate capital and liquidity positions respectively;

- Reviewing correspondence with the Financial Conduct Authority ('FCA') and Prudential Regulatory Authority (PRA); and
- Evaluating the appropriateness of disclosures in the financial statements relating to going concern.

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 group's and parent 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.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Recognition of other interest receivable and similar income

Key audit matter description	The main revenue streams within group are other interest receivable and similar income derived from loans and advances to customers, finance lease and hire purchase agreements. The revenue recognised during the year was £29.4m (2019: £30.9m). Under FRS 102, management is required to recognise interest income using the Effective Interest Rate ('EIR') method for loans and advances to customers. The EIR method requires the modelling of cash flows and amortisation of any directly attributable fees, finance charges, transaction costs and other premiums or discounts over the expected life or over the lease term. The key assumption in the EIR model is the derivation of the cash flow run-off profiles which determine the behavioural life of the loans and advances including the timing of the expected future cash flows and historical redemptions including the impact of Covid-19. Given the degree of judgement involved in determining key assumptions, we also identified that there is a potential for fraud through possible manipulation of this balance. Management's accounting policies are detailed in note 1 to the financial statements while the significant judgements involved in the revenue recognition process are outlined in note 2, whilst note 7 to the financial statements quantifies the revenue recognised during the year.

How the scope of our audit responded to the key audit matter	We obtained an understanding of the relevant controls over the revenue recognition process. We tested the general and automated IT controls with involvement of our internal IT specialists over the loan administration system and automatic calculation of interest income. We challenged the appropriateness of the behavioural lives adopted by performing independent recalculations of the behavioural lives on a sample of redeemed loans and individual loan portfolios. We challenged amendments made to the behavioural lives by management during the course of the year, based on recent customer redemption activity and impact of Covid-19. We performed accuracy and completeness testing over the underlying data used to support management assumptions. We also performed the following wider audit procedures as part of testing the recognition of other interest receivable and similar income: ▪ We independently recalculated the EIRs and tested the adjustment posted to recognise revenue over the behavioural life on a sample of loans. This included assessing the appropriate treatment of directly attributable fees and finance charges in the EIR model on a sample basis; ▪ We verified inputs used to determine other interest receivable and similar income by tracing a sample of loans to underlying source documents; ▪ We considered evidence which supports or contradicts management's judgements for indicators of bias given the inherent susceptibility to misstatements in estimates; and ▪ We also assessed whether the related disclosures are reasonable.
Key observations	We concluded that the recognition of other interest receivable and similar income and the related disclosures are reasonable.

5.2. Provision for bad and doubtful debts

Key audit matter description	The provision for bad and doubtful debts totalled £4.2m (2019: £2.0m) for the year, comprising collective and specific elements. The collective provision is the incurred but not reported loss provision, while the specific provision relates to instances where there is objective evidence for impairment. The increase from prior year is mainly attributable to a rise in specific provision cases related to Brexit and Covid-19 impact and higher default rate in receivables under finance leases and hire purchase agreements. Under FRS 102, management is required to assess whether there is objective evidence of impairment of any financial assets that are measured at cost or amortised cost. If there is objective evidence of impairment, management should recognise an impairment loss within the income statement immediately.

We have therefore determined our key audit matter as:

- the continued appropriateness of utilising limited customer default experience in valuing the collective provision in the parent company; and
- the accuracy of the provision loss percentages utilised in valuing the specific provision for receivables under finance leases and hire purchase agreements.

Given the degree of judgement involved in determining key assumptions used in the collective and specific provision models , we also identified that there is a potential for fraud through possible manipulation of this balance on the basis that amendments to these assumptions could give rise in material misstatement.

Management's accounting policies are detailed in note 1 to the financial statements while the significant judgements involved in provision for bad and doubtful debts are outlined in note 2 and note 16 to the financial statements quantify the provision for bad and doubtful debts as at year end.

How the scope of our audit responded to the key audit matter

We obtained an understanding of the relevant controls over the provision for bad and doubtful debts process. We involved our internal IT specialists in testing the general IT controls over the loan administration systems and evaluated the appropriateness of the manner in which data is extracted from these systems to determine the provision.

We challenged the appropriateness of the key assumptions used within the collective provision model by reference to historical loss data and using other alternative assumptions.

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 group's historical cash collection and default recovery experience.

We selected a sample of customers provided for and independently recalculated the loss rate percentages and compared the provision output to the amount provided by management.

We also performed the following wider audit procedures as part of testing the provision for bad and doubtful debts:

- We tested the mechanical accuracy of the models, which are used to determine the provision for bad and doubtful debts, and agreed a sample of model inputs back to underlying source data.
- We independently verified the appropriateness of the loan grading classifications performed by management based on the extent of security attached on a sample of customer loans and advances.
- We performed testing on loans with no objective impairment recognised to identify any customers in financial distress not identified by management.
- We performed benchmarking to a range of peer group companies.
- We also considered the potential impact of Brexit and Covid-19 on the provision for bad and doubtful debts by challenging the reasonableness of

the related assumptions adopted by management.

- We considered evidence, which supports or contradicts management's judgements for indicators of management bias given the inherent susceptibility to misstatements in estimates.
- We also assessed whether the related disclosures are reasonable.

Key observations

We concluded that the overall provision for bad and doubtful debts are appropriately stated and the related disclosures are reasonable.

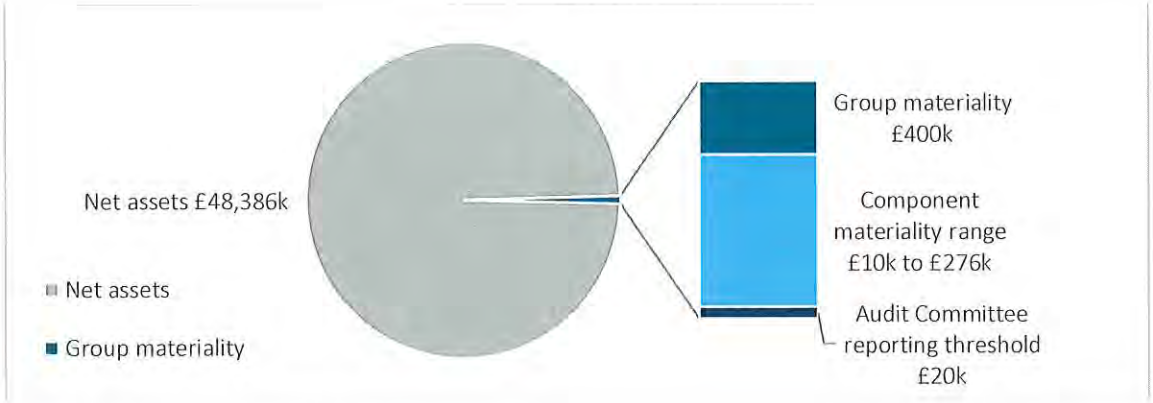
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£400k (2019: 400k)	£276k (2019: £276k)
Basis for determining materiality	0.8% of net assets (2019: 5% of profit before tax (PBT)).	0.6% of net assets (2019: 5% of profit before tax (PBT)).
Rationale for the benchmark applied	We have changed the materiality benchmark to net assets in the current year due to the increased volatility of profit metrics as a result of the Covid-19 pandemic, lower industry margins and the group's key regulators increasingly placing significant importance on the sufficiency of regulatory capital as the basis of supervising business model viability. Due to the impact of Covid-19 in the group's performance the audit partner determined it appropriate to cap materiality at 2019 levels despite the change in benchmark, this has been achieved by reducing the factor applied to the benchmark. By using net assets as a basis, our judgement on materiality is in line with the focus and risk profile of both the group and parent company.	



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	65% (2019: 70%) of group materiality	65% (2019: 70%) of parent company materiality
Basis and rationale for determining performance materiality	We determined performance materiality with reference to factors such as our understanding of the group, the entity's complexity and purpose within the group, the de-centralised group finance functions, the quality of the control environment and the low extent of uncorrected misstatements applicable to the group and company in previous audits. We adopted a lower performance materiality at 65% compared to the prior year in light of Covid-19 remote working arrangements and the impact these may have on the control environment including IT controls, which may increase the likelihood and magnitude of misstatements.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £20k (2019: £20k), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level. Based on that assessment, our group audit scope focused on all material entities within the group and covered all of the material balances of the group. Audit work to respond to the risks of material misstatement was performed directly by the group audit engagement team.

The group is made up of the main trading entities Weatherbys Bank Limited ('WBL'), Arkle Finance Limited ('AFL'), Weatherbys General Services Limited ('WGS'), Weatherbys Nominees Limited ('WNL') and Weatherbys Hamilton LLP ('WHLLP'). WBL holds 100% interest in all entities with the exception of WHLLP, a 50% indirect joint venture holding. We tested the consolidation process at group level.

Full scope audits were carried out on all companies within the group, with the exception of WNL and WHLLP. These account for over 99% (2019: 99%) of the group's revenue, net assets and profit before tax. We performed analytical procedures over WNL and WHLLP at the group level. The component materiality used for the full scope audits ranged from £10k to £276k (2019: £19k to £276k).

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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.

9. 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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. 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.

11. 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.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulation;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, valuations, credit, prudential regulation, IT, data analytics, conduct risk, financial instruments and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: recognition of other interest and other similar income and provision for bad and doubtful debts. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the Companies Act 2006, pensions legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty imposed by the Prudential Risk Authority (PRA) and the Financial Conduct Authority (FCA). These included the group's operating licence and regulatory solvency requirements.

11.2. Audit response to risks identified

As a result of performing the above, we identified recognition of other interest receivable and similar income; and provision for bad and doubtful debts as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC, the FCA and PRA; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. 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 group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Opinion on other matter prescribed by the Capital Requirements (Country-by-Country Reporting) Regulations 2013

In our opinion the information given in note 30 to the financial statements for the financial year ended 31 December 2020 has been properly prepared, in all material respects, in accordance with the Capital Requirements (Country-by Country Reporting) Regulations 2013.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

15. Other matters which we are required to address

15.1. Auditor tenure

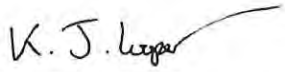
Following the recommendation of the audit committee, we were appointed by the Board of Directors on 3 February 2003 to audit the financial statements for the year ending 31 December 2003 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 18 years, covering the years ending 31 December 2003 to 31 December 2020.

15.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

16. 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

Weatherbys Bank Limited

Consolidated income statement
for the year ended 31 December 2020

	Note	2020 £	2020 £	2019 £	2019 £
Interest receivable					
- interest receivable arising from debt securities		765,942		1,146,822	
- other interest receivable and similar income	7	33,377,404		30,938,115	
Interest payable	8	(4,706,068)		(3,564,006)	
Net interest income			29,437,278		28,520,931
Fees and commissions receivable		5,770,200		6,825,526	
Less: Share of joint venture		(1,492,577)		(1,698,353)	
		4,277,623		5,127,173	
Fees and commissions payable		(673,072)		(685,028)	
Rent receivable		129,996		309,996	
Other operating income		2,522,711		2,697,296	
			6,257,258		7,449,437
Operating income			35,694,536		35,970,368
Loss on value of derivatives		(1,354,783)		(822,470)	
Administrative expenses	5	(26,942,382)		(25,425,997)	
Depreciation and amortisation	4	(1,793,846)		(1,204,282)	
Provisions for bad and doubtful debts	16	(3,298,480)		(794,588)	
Other provisions for liabilities	25	-		7,868	
			(33,389,491)		(28,239,469)
Operating profit			2,305,045		7,730,899
Share of operating profit in joint venture	19	268,000		270,000	
Operating profit, being profit on ordinary activities before taxation			2,573,045		8,000,899
Taxation on profit on ordinary activities	9		(642,037)		(1,854,819)
Profit for the financial year			1,931,008		6,146,080

All amounts relate to continuing activities.

The notes on pages 35 to 67 form part of these financial statements.

Weatherbys Bank Limited

Consolidated statement of comprehensive income
for the year ended 31 December 2020

	Group Banking 2020 £	Group Banking 2019 £
Profit for the financial year	1,931,008	6,146,080
Revaluation of tangible assets	(616,868)	(336,269)
Total comprehensive income for the year	1,314,140	5,809,811

Items above will not be reclassified subsequently to the Income Statement.

The notes on pages 35 to 67 form part of these financial statements

Weatherbys Bank Limited

Consolidated balance sheet
as at 31 December 2020

Company number 02943300	Note	2020 £	2020 £	2019 £	2019 £
ASSETS					
Derivative financial assets	28		30,047		265,300
Loans and advances to banks	12		326,087,320		261,049,665
Loans and advances to customers	15		678,563,852		588,923,516
Debt securities	17		134,258,145		98,092,674
Investment in joint venture:	19				
Share of gross assets		558,730		602,956	
Share of gross liabilities		(240,730)		(282,956)	
			318,000		320,000
Investments	20		545,503		716,826
Intangible fixed assets	13		1,821,997		1,826,829
Tangible fixed assets	14		10,085,354		11,340,797
Other assets	21		1,822,827		1,671,774
Prepayments and accrued income			2,895,800		2,893,541
Total assets			1,156,428,845		967,100,922
LIABILITIES					
Derivative financial liabilities	28		2,377,237		1,257,707
Customer accounts	22		1,088,767,360		899,357,711
Other liabilities	24		4,146,602		5,646,160
Accruals and deferred income			2,751,703		3,517,541
Subordinated loan	23		10,000,000		10,000,000
Provisions for liabilities	25		-		-
Total liabilities			1,108,042,902		919,779,119
SHAREHOLDER'S FUNDS					
Called up share capital	26	7,000,000		7,000,000	
Revaluation reserve		516,603		1,133,471	
Profit and loss account		40,869,340		39,188,332	
			48,385,943		47,321,803
Total liabilities and equity			1,156,428,845		967,100,922

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

R N Weatherby
Director

The notes on pages 35 to 67 form part of these financial statements.

Weatherbys Bank Limited

Company balance sheet
as at 31 December 2020

Company number 02943300	Note	2020 £	2020 £	2019 £	2019 £
ASSETS					
Derivative financial assets	28		30,047		265,300
Loans and advances to banks	12		326,090,762		261,050,697
Loans and advances to customers	15		669,594,631		580,844,094
Debt securities	17		134,258,145		98,092,674
Investment in subsidiaries	18		10,002		10,002
Investments	20		214,307		385,630
Intangible fixed assets	13		1,516,519		1,727,746
Tangible fixed assets	14		9,534,163		10,647,980
Other assets	21		1,143,279		934,666
Prepayments and accrued income			2,186,593		2,149,994
Total assets			1,144,578,448		956,108,783
LIABILITIES					
Derivative financial liabilities	28		2,377,237		1,257,707
Customer accounts	22		1,089,983,083		900,203,361
Other liabilities	24		3,308,185		5,405,166
Accruals and deferred income			1,555,767		2,737,412
Subordinated loan	23		10,000,000		10,000,000
Provisions for liabilities	25		-		-
Total liabilities			1,107,224,272		919,603,646
SHAREHOLDER'S FUNDS					
Called up share capital	26	7,000,000		7,000,000	
Revaluation reserve		418,852		1,050,050	
Profit and loss account		29,935,324		28,455,087	
			37,354,176		36,505,137
Total liabilities and equity			1,144,578,448		956,108,783

The Bank has elected to take exemption under section 408 of the Companies Act 2006 not to present the Company profit and loss account. The profit for the Company for the year was £1,730,237 (2019: £4,897,925).

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

R N Weatherby
Director

The notes on pages 35 to 67 form part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2020

	Share capital £	Revaluation reserve £	Profit and loss account £	Total equity £
1 January 2020	7,000,000	1,133,471	39,188,332	47,321,803
Profit for the year	-	-	1,931,008	1,931,008
Other Comprehensive expense				
Revaluation of tangible fixed assets	-	(616,868)	-	(616,868)
Other comprehensive expense for the year	-	(616,868)	-	(616,868)
Total comprehensive income for the year	-	(616,868)	1,931,008	1,314,140
Contributions by and distributions to owners				
Dividends	-	-	(250,000)	(250,000)
Total contributions by and distributions to owners	-	-	(250,000)	(250,000)
31 December 2020	7,000,000	516,603	40,869,340	48,385,943

The notes on pages 35 to 67 form part of these financial statements.

Consolidated statement of changes in equity
for the year ended 31 December 2020

	Share capital £	Revaluation reserve £	Profit and loss account £	Total equity £
1 January 2019	7,000,000	1,469,740	35,092,302	43,562,042
Profit for the year	-	-	6,146,080	6,146,080
Other comprehensive expense				
Revaluation of tangible fixed assets	-	(336,269)	-	(336,269)
Other comprehensive expense for the year	-	(336,269)	-	(336,269)
Total comprehensive income for the year	-	(336,269)	6,146,080	5,809,811
Contributions by and distributions to owners				
Dividends	-	-	(2,050,050)	(2,050,050)
Total contributions by and distributions to owners	-	-	(2,050,050)	(2,050,050)
31 December 2019	7,000,000	1,133,471	39,188,332	47,321,803

The notes on pages 35 to 67 form part of these financial statements.

Company statement of changes in equity for the year ended 31 December 2020

	Share capital £	Revaluation reserve £	Profit and loss account £	Total equity £
1 January 2020	7,000,000	1,050,050	28,455,087	36,505,137
Profit for the year	-	-	1,730,237	1,730,237
Other comprehensive expense				
Revaluation of tangible fixed assets	-	(631,198)	-	(631,198)
Other comprehensive expense for the year	-	(631,198)	-	(631,198)
Total comprehensive income for the year	-	(631,198)	1,730,237	1,099,039
Contributions by and distributions to owners				
Dividends	-	-	(250,000)	(250,000)
Total contributions by and distributions to owners	-	-	(250,000)	(250,000)
31 December 2020	7,000,000	418,852	29,935,324	37,354,176

The notes on pages 35 to 67 form part of these financial statements.

Company statement of changes in equity for the year ended 31 December 2020

	Share capital £	Revaluation reserve £	Profit and loss account £	Total equity £
1 January 2019	7,000,000	1,399,682	25,607,212	34,006,894
Profit for the year	-	-	4,897,925	4,897,925
Other comprehensive expense				
Revaluation of tangible fixed assets	-	(349,632)	-	(349,632)
Other comprehensive expense for the year	-	(349,632)	-	(349,632)
Total comprehensive income for the year	-	(349,632)	4,897,925	4,548,293
Contributions by and distributions to owners				
Dividends	-	-	(2,050,050)	(2,050,050)
Total contributions by and distributions to owners	-	-	(2,050,050)	(2,050,050)
31 December 2019	7,000,000	1,050,050	28,455,087	36,505,137

The notes on pages 35 to 67 form part of these financial statements.

Weatherbys Bank Limited

Consolidated statement of cash flows for the year ended 31 December 2020

	Note	2020 £	2019 £
Cash flows from operating activities			
Profit for the financial year before exceptional items		1,931,008	6,146,080
Adjustments for:			
Depreciation, impairment and amortisation of fixed assets	4	1,793,846	1,204,282
Depreciation, impairment and amortisation of debt securities	17	62,758	21,450
Taxation expense	9	642,037	1,854,819
Increase in prepayments and accrued income		(2,259)	(450,237)
(Increase)/decrease in trade and other debtors		(151,054)	39,197
Change in fair value of financial instruments	28	1,354,783	822,470
Loss/(gain) on investments	20	171,323	(386,058)
(Decrease)/increase in trade and other creditors	24	(752,842)	428,145
(Decrease)/increase in provisions		(765,837)	622,961
Increase/(decrease) in provision for bad and doubtful debts	16	2,202,211	(79,959)
Net increase in deposits from customers	22	189,409,649	82,977,317
Net increase in loans and advances to customers	15	(91,842,547)	(114,115,074)
Cash from operations		**104,053,076**	**(20,914,607)**
Net taxation paid		(1,388,753)	(1,620,896)
Net cash (used)/generated from operating activities		**102,664,323**	**(22,535,503)**
Cash flows from investing activities			
Investment in joint venture	19	2,000	(30,000)
Purchase of investment securities	17	(46,838,189)	(54,872,954)
Sale of investment securities	17	10,609,960	46,303,728
Purchase of intangible/tangible fixed assets	13/14	(1,150,439)	(3,538,951)
Net cash used from investing activities		**(37,376,668)**	**(12,138,177)**
Cash flows from financing activities			
Equity dividends paid		(250,000)	(2,050,050)
Net cash used from financing activities		**(250,000)**	**(2,050,050)**
Net increase/(decrease) in cash and cash equivalents		65,037,655	(36,723,730)
Cash and cash equivalents at beginning of year		261,049,665	297,773,395
Cash and cash equivalents at end of year	12	**326,087,320**	**261,049,665**

The notes on pages 35 to 67 form part of these financial statements.

1 Accounting policies

Weatherbys Bank 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, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) applicable in the United Kingdom and the Republic of Ireland and issued by the Financial Reporting Council.

The Bank 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 Group management to exercise judgement in applying the Group'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.

Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the Group and the parent company would be identical.
- No cash flow statement has been presented for the parent company; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the Group as a whole.

The following principal accounting policies have been applied:

In accordance with their responsibilities the directors have considered carefully the going concern assumption and, for the reasons outlined in the Strategic Report, continue to believe that the Bank's relationship based traditional banking model, together with its conservative approach to credit risk, including counterparty risk, and its overall risk management procedures mean that it is well placed to prosper. After making enquiries, including review of forecast profit and loss, balance sheet, cash flow, regulatory capital and liquidity requirements for a period of no less than 12 months from the date of signing the financial statements, the Board is satisfied that the business has adequate financial resources to continue as a going concern for the foreseeable future and accordingly the directors have continued to adopt the going concern assumption in preparing the financial statements.

Basis of consolidation

The financial statements of Weatherbys Bank Limited and its subsidiary undertakings are made up to 31 December each year. Intra-group profits are eliminated on consolidation. Profits and losses of companies entering or leaving the Group are included from the date of acquisition or up to the date of disposal.

Details of the subsidiary undertakings are given in note 18.

1 Accounting policies *(continued)*

Income recognition

Interest income and interest expense for all interest bearing financial instruments is recognised in "Interest receivable and similar income" 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 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 "Interest receivable and similar income" and "Interest payable and similar charges". Any other fees and commissions receivable are recognised on an accrual's basis, when all the contractual obligations have been fulfilled and the underlying services provided.

Provisions and contingent liabilities

Provisions are liabilities that are uncertain in timing or amount. Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or the Group has a present obligation as a result of past events but it is not recognised because it is not likely that an outflow of resources will be required to settle the obligation; or the amount cannot be reliably estimated. Contingent liabilities normally comprise of legal claims under arbitration or court process in respect of which a liability is not likely to eventuate.

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 profit and loss account 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 profit and loss account, income in respect of operating lease assets is reported within fees and commissions receivable, and depreciation on operating lease assets is reported within depreciation and amortisation. Provision is made for any impairment in value, any such amount being included in administrative expenses.

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 and charged to the profit and loss account.

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

1 Accounting policies *(continued)*

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates ruling at the balance sheet date.

Translation differences are recognised in the profit and loss account for the period.

Tangible fixed assets

Freehold land and buildings are owned by the Bank and comprise of offices and buildings leased to its subsidiaries and other associated companies ("Investment Property") and offices and buildings occupied by the Bank ("Property"). They are carried at valuation, being the fair market value at the date of valuation. A full external professional valuation is carried out annually.

Freehold land is not depreciated. Other fixed assets are depreciated by annual instalments commencing with the month of acquisition at rates estimated to write off their cost less any residual value over their expected useful lives which are as follows:

Freehold buildings	-	50 years straight line
Property improvements	-	5-50 years straight line
Plant and equipment	-	3-20 years straight line

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. It is recognised within depreciation and amortisation in the consolidated statement of comprehensive income. The intangible assets are amortised over the following useful economic lives:

Software	-	3-10 years straight line

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 Banking Group'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.

1 Accounting policies *(continued)*

Taxation (continued)

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.

Debt securities

Securities intended for use on a continuing basis in the Bank's activities are classified as debt securities and initially recorded at cost.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method. The amortisation of premiums or discounts is included in interest income:

a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.
c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).
d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.
f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents comprises cash on hand and demand deposits, and cash equivalents are deemed highly liquid investments that are convertible into cash with an insignificant risk of changes in value with a maturity of three months or less at the date of acquisition.

Segmental information

The Bank's segment reporting is based on the two operating segments that of providing banking and financial services and that of providing asset finance. This business arose wholly within the UK.

1 Accounting policies *(continued)*

Joint ventures

The Group's share of the results of its joint venture is included in the Group Income Statement using the equity method of accounting. Investments in joint ventures are carried in the Group Balance Sheet at cost plus post-acquisition changes in the Group's share of the net assets of the entity, less any impairment in value. If the Group's share of losses in a joint venture or associate equals or exceeds its investment in the joint venture, the Group does not recognise further losses, unless it has incurred obligations to do so or made payments on behalf of the joint venture.

Investments in unlisted equity

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.

Pension costs

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

The Group has also nominated a defined contribution stakeholder scheme to which the Group 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 Group 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. 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.

Investment properties

Investment property is carried at fair value determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary, for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in profit or loss.

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.

1 Accounting policies *(continued)*

Financial assets and liabilities (continued)

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 Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Group, 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 Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Group's accounting policy for each category is as follows:

(a) Fair value through profit or loss

This category comprises only listed equity investments and in-the-money derivatives (see "Financial liabilities" section for out-of-money derivatives). They are carried in the statement of financial position at fair value with changes in fair value recognised in the consolidated income statement. Other than listed equity investments and derivative financial instruments which are not designated as hedging instruments, the Group 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 loans and advances to customers, but also incorporate other types of contractual monetary assets. 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.

Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

Impairment of financial assets

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For loans and advances to customers, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within provisions for bad and doubtful debts in the consolidated statement of comprehensive income. On confirmation that the receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

1 Accounting policies *(continued)*

Impairment of financial assets (continued)

From time to time, the Group elects to renegotiate the terms of loans and advances to customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in the consolidated statement of comprehensive income (operating profit).

The Group 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 Group 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*

The Group's loans and loans and advances to customers and other receivables and cash and cash equivalents in the consolidated balance sheet are assessed as to whether there is evidence to suggest that any portfolio is likely to be impaired.

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 Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired.

(a) Fair value through profit or loss

This category comprises only out-of-the-money derivatives (see "Financial assets" for in the money derivatives). They are carried in the consolidated balance sheet at fair value with changes in fair value recognised in the consolidated income statement.

(b) Other financial liabilities

Other financial liabilities include the following items:

- 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 Group's reserves are as follows:

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

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

In the application of the Group's accounting policies, 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 course of preparing the financial statements, no judgments have been made in the process of applying the Group's accounting policies, other than those involving estimations outlined below, that have had a significant effect on the amounts recognised in the financial statements.

Sources of estimation uncertainty

- *Amortised cost accounting – expected life*

  Amortised cost accounting requires judgements regarding the expected life of the underlying assets. The expected life of assets is derived using a combination of historical data and management judgement and is reviewed periodically and reassessed against actual performance. Any changes to the expected life would alter the timing of the recognition of interest receivable and amend the carrying value of loans and advances to customers as stated in the statement of financial position.

- *Impairment losses on loans and advances to customers*

  The Bank 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. Estimates are made on default rates and time taken to recover debts.

3 Segmental analysis

Analysis by operating segment of operating income and profit before tax is stated below.

	Operating Income		Profit before tax	
	2020	2019	2020	2019
	£	£	£	£
Banking and financial services	26,994,745	27,860,088	2,468,989	5,764,460
Asset finance	8,699,791	8,110,280	104,056	2,236,439
	35,694,536	35,970,368	2,573,045	8,000,899

Analysis by operating segment of assets and liabilities is stated below.

	Assets		Liabilities	
	2020	2019	2020	2019
	£	£	£	£
Banking and financial services	1,005,383,685	827,930,734	967,015,888	790,626,102
Asset finance	151,045,160	139,170,188	141,027,015	129,153,017
	1,156,428,845	967,100,922	1,108,042,902	919,779,119

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

4 Operating profit

	Banking Group 2020 £	Bank 2020 £	Banking Group 2019 £	Bank 2019 £
This is arrived at after (crediting) /charging:				
Income				
Rentals receivable under operating leases (plant and equipment)	(182,808)	-	(174,692)	-
Rentals receivable under operating leases (property)	(129,996)	(129,996)	(309,996)	(309,996)
Charges				
Depreciation on tangible fixed assets:				
- owned assets (note 14)	1,464,210	1,273,325	865,883	661,666
Amortisation of intangible assets (note 13)	329,636	319,802	338,399	319,802

4 Operating profit *(continued)*

	2020 £	2019 £
Auditors' remuneration:		
- fees payable to the company's auditor in respect of the company's annual financial statements	129,283	96,833
- fees payable in respect of the audit of subsidiary companies, pursuant to legislation	51,700	41,650
Total audit fees	180,983	138,483
- Other services	-	-
Total fees	180,983	138,483

5 Administrative expenses

Staff costs (including directors) consist of:	Banking Group 2020 £	Bank 2020 £	Banking Group 2019 £	Bank 2019 £
Wages and salaries	12,540,025	10,230,246	11,558,334	9,605,289
Social security costs	1,425,074	1,176,641	1,124,251	921,394
Pension costs	1,336,684	1,128,169	1,184,748	1,004,153
IT operations and development	711,421	520,292	898,568	794,872
Other administrative expenses	10,929,178	8,766,374	10,660,096	7,991,497
	26,942,382	21,821,722	25,425,997	20,317,205

The average number of persons employed in the Group during the year was 266 (2019 - 230) and in the Bank 206 (2019 - 176). All employees related to office and management.

Pension costs

An amount of £1,336,684 was recognised as an expense for the defined contribution plans in 2020 (2019: £1,184,748). Pension costs in part relate to contributions to the Weatherbys Pension and Assurance Scheme. Contributions are recharged on the basis of the current service period only.

The Company is unable to identify its share of the underlying assets and liabilities of the defined benefit section of the Weatherbys Pension and Assurance Scheme and hence under FRS 102 section 28 accounts for its contributions to the defined benefits section of the pension scheme as if it was a defined contribution scheme.

6 Directors' remuneration

	2020 £	2019 £
Emoluments	1,710,905	1,515,206
Pension contributions	94,769	112,357
	1,805,674	1,627,563

The emoluments of the highest paid director were £443,130 (2019: £413,411) and pension contributions of £48,480 (2019: £55,707) were paid on their behalf.

Four of the directors of the Group have retirement benefits accruing under a money purchase pension scheme (2019: four).

7 Other interest receivable and similar income

	Banking Group 2020 £	Bank 2020 £	Banking Group 2019 £	Bank 2019 £
In respect of:				
Loans and advances to customers	33,003,404	25,537,619	29,326,954	22,881,319
Loans and advances to banks	374,000	374,000	1,611,161	1,611,161
	33,377,404	25,911,619	30,938,115	24,492,480

Loans and advances to customers for 'Bank' includes interest of £5,356,678 (2019: £4,971,787) relating to the overdraft provided to its subsidiary Arkle Finance Limited.

Loans and advances to customers for 'Group' includes interest of £nil (2019: £nil) on the subordinated loan and other loans provided to its joint venture, Weatherbys Hamilton LLP.

8 Interest payable

	Banking Group 2020 £	Bank 2020 £	Banking Group 2019 £	Bank 2019 £
Client deposits	4,143,498	4,143,498	3,317,324	3,317,324
Other loans and overdrafts	562,570	562,238	246,682	246,195
	4,706,068	4,705,736	3,564,006	3,563,519

9 Taxation on profit on ordinary activities

	Banking Group 2020 £	Bank 2020 £	Banking Group 2019 £	Bank 2019 £
Current tax				
UK corporation tax on profits of the period	599,062	403,999	1,656,055	1,027,233
Adjustments in respect of previous period	(141,257)	(143,942)	(2,953)	(1,215)
Total current tax	457,805	260,057	1,653,102	1,026,018
Deferred tax				
Origination and reversal of timing differences	81,641	66,292	89,960	83,468
Adjustment in respect of prior years	125,713	125,713	111,757	899
Effect of tax rate change on operating balance	(23,122)	33,352	-	-
Total deferred tax	184,232	225,357	201,717	84,367
Taxation on profit on ordinary activities	642,037	485,414	1,854,819	1,110,385

Factors affecting tax charge for the year:

	Banking Group 2020 £	Bank 2020 £	Banking Group 2019 £	Bank 2019 £
Profit on ordinary activities before tax	2,573,045	2,215,651	8,000,899	6,008,310
Profit on ordinary activities multiplied by the standard rate of corporation tax of 19% (2019 – 19%)	488,879	420,974	1,520,171	1,141,579
Effects of:				
Fixed asset differences	-	-	65,920	65,920
Expenses not deductible for tax purposes	193,001	49,534	184,930	20,209
Income not taxable for tax purposes	(1,177)	(217)	(24,006)	(117,007)
Adjustments to tax charge in respect of previous periods	(15,544)	(18,229)	108,804	(316)
Chargeable gains/(losses)	-	-	(1,000)	-
Tax rate changes	(23,122)	33,352	-	-
Total tax charge for the year	642,037	485,414	1,854,819	1,110,385

9 Taxation on profit on ordinary activities *(continued)*

	Banking Group 2020 £	Bank 2020 £	Banking Group 2019 £	Bank 2019 £
Deferred tax				
Analysis of deferred tax balances				
Accelerated depreciation allowances	1,114,576	676,435	(1,294)	440,031
Movement in short term timing differences	(210,288)	(293,303)	323,550	(282,256)
	904,288	383,132	322,256	157,775
Deferred tax asset/(liability) at 1 January	322,256	157,775	523,973	73,408
Charged to the profit and loss account	(184,232)	225,357	(201,717)	84,367
Deferred tax asset/(liability) at 31 December	138,024	383,132	322,256	(157,775)

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.

10 Profit attributable to the company

	2020 £	2019 £
Profit on ordinary activities after taxation attributable to the shareholder of Weatherbys Bank Limited	1,730,237	4,897,925

The Bank has taken advantage of Section 408 of the Companies Act 2006 and consequently a profit and loss account for the Company is not presented.

11 Dividends

	Banking Group 2020 £	Bank 2020 £	Banking Group 2019 £	Bank 2019 £
Equity:				
Interim paid	250,000	250,000	2,050,050	2,050,050
Final proposed	-	-	-	-
	250,000	250,000	2,050,050	2,050,050

12 Loans and advances to banks

	Banking Group 2020 £	Bank 2020 £	Banking Group 2019 £	Bank 2019 £
Repayable on demand	322,994,827	322,998,269	259,621,399	259,622,431
Remaining maturity:				
3 months or less excluding on demand	-	-	-	-
More than 3 months but less than 1 year	-	-	-	-
Over 1 year but less than 5 years	-	-	-	-
Over 5 years	3,092,493	3,092,493	1,428,266	1,428,266
	326,087,320	326,090,762	261,049,665	261,050,697

13 Intangible assets

	Banking Group Software £	Banking Group Total £	Bank Software £	Bank Total £
Cost or valuation				
At 1 January 2020	2,875,694	2,875,694	2,727,976	2,727,976
Additions	324,804	324,804	108,575	108,575
At 31 December 2020	3,200,498	3,200,498	2,836,551	2,836,551
Amortisation				
At 1 January 2020	1,048,865	1,048,865	1,000,230	1,000,230
Charge for the year	329,636	329,636	319,802	319,802
At 31 December 2020	1,378,501	1,378,501	1,320,032	1,320,032
Net book value				
At 31 December 2020	1,821,997	1,821,997	1,516,519	1,516,519
At 31 December 2019	1,826,829	1,826,829	1,727,746	1,727,746

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

14 Tangible assets

Banking Group	Investment Properties £	Properties £	Leasehold Property improvements £	Plant and equipment £	Total £
Cost or valuation					
At 1 January 2020	3,302,000	1,098,000	246,258	9,379,750	14,026,008
Additions	-	61,684	57,246	706,705	825,635
Disposals	-	-	-	-	-
Revaluation	(602,000)	(59,684)	-	-	(661,684)
At 31 December 2020	2,700,000	1,100,000	303,504	10,086,455	14,189,959
Depreciation					
At 1 January 2020	-	-	227,685	2,457,526	2,685,211
Charge for the year	-	44,816	7,065	1,412,329	1,464,210
Disposals	-	-	-	-	-
Revaluation	-	(44,816)	-	-	(44,816)
At 31 December 2020	-	-	234,750	3,869,855	4,104,605
Net book value					
At 31 December 2020	2,700,000	1,100,000	68,754	6,216,600	10,085,354
At 31 December 2019	3,302,000	1,098,000	18,573	6,922,224	11,340,797

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). The amounts are included in loans and advances to customers.

14 Tangible assets *(continued)*

Bank	Investment Properties £	Properties £	Leasehold Property improvements £	Plant and equipment £	Total £
Cost or valuation					
At 1 January 2020	3,470,000	930,000	246,258	8,240,798	12,887,056
Additions	-	61,685	57,246	671,776	790,707
Disposals	-	-	-	-	-
Revaluation	(620,000)	(41,685)	-	-	(661,685)
At 31 December 2020	2,850,000	950,000	303,504	8,912,574	13,016,078
Depreciation					
At 1 January 2020	-	-	227,685	2,011,391	2,239,076
Charge for the year	-	30,486	7,066	1,235,773	1,273,325
Disposals	-	-	-	-	-
Revaluation	-	(30,486)	-	-	(30,486)
At 31 December 2020	-	-	234,751	3,247,164	3,481,915
Net book value					
At 31 December 2020	2,850,000	950,000	68,753	5,665,410	9,534,163
At 31 December 2019	3,470,000	930,000	18,573	6,229,407	10,647,980

Assets held under finance leases
The Group has leased offices and buildings on leases which are considered to meet the definition of finance leases and are accounted for accordingly.

Freehold and leasehold land and buildings
Freehold and leasehold land and buildings were professionally valued by Berrys Chartered Surveyors, an independent valuer, to fair value at 31 December with subsequent additions at cost.

Investment properties
Investment properties, which are all freehold, were revalued to fair value at 31 December 2020, based on a valuation undertaken by Berrys Chartered Surveyors, an independent valuer with recent experience in the location and class of the investment property being valued. The valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual.

14 Tangible assets *(continued)*

Investment properties (continued)

As set out in note 4, property rental income earned during the year was £129,996 (2019: £309,996). No contingent rents have been recognised as income in the current or prior year.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2020 £	2019 £
Within one year	-	309,996
In the second to fifth years inclusive	929,988	1,239,984
After five years	-	-

If investment property had been accounted for under the historic cost accounting rules, the property would have been measured as follows:

Historical cost information	2020 £	2019 £
Historical cost of revalued land and buildings	3,441,639	3,379,954
Depreciation based on historical cost	(1,732,531)	(1,575,768)
Historical cost net book value	1,709,108	1,804,186

Leased assets - Banking Group

Land and Buildings with a total cost of £2,700,000 (2019: £3,302,000) and related accumulated depreciation of £Nil (2019: £Nil) were held for use in operating leases

Plant and equipment 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 held within plant and equipment 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	-	-
	471,448	587,712	145,758	143,578

15 Loans and advances to customers

	Banking Group 2020 £	Bank 2020 £	Banking Group 2019 £	Bank 2019 £
Repayable on demand	42,229,908	181,108,302	34,967,264	162,502,195
Remaining maturity:				
3 months or less excluding on demand	56,575,878	35,138,085	50,129,422	32,106,226
1 year or less but over 3 months	114,840,305	74,576,314	93,842,562	56,958,070
5 years or less but over 1 year	403,851,220	317,414,385	352,163,177	272,654,480
Over 5 years	65,229,729	62,332,104	59,782,071	57,606,988
Loan loss provision	(4,163,188)	(974,559)	(1,960,980)	(983,865)
	678,563,852	669,594,631	588,923,516	580,844,094

	Banking Group 2020	Bank 2020	Banking Group 2019	Bank 2019
Amounts included within the above:				
Due from subsidiary undertakings - unsubordinated debt	-	139,121,626	-	127,534,932
Amounts receivable under finance leases	57,944,660	-	65,725,033	-
Amounts receivable under hire purchase agreements	52,541,425	-	41,407,491	-

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*	
	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
			110,486,085	107,132,524
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	110,486,085	107,132,524		

15 Loans and advances to customers *(continued)*

Analysis of individually impaired and non-performing loans and advances

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

	Banking Group 2020 £	Bank 2020 £	Banking Group 2019 £	Bank 2019 £
Gross amount of loans individually determined to be impaired				
- loans and advances before provisions	6,766,161	35,101	4,077,796	44,407
- loans and advances after provisions	3,979,354	-	3,299,181	-
Non-performing loans and advances to customers				
- loans and advances before provisions	6,102,311	-	3,593,454	-
- loans and advances after provisions	3,690,403	-	3,020,266	-

16 Provisions for bad and doubtful debts

	Banking Group			Bank		
	Specific £	Collective £	Total £	Specific £	Collective £	Total £
At 1 January 2020	778,616	1,182,364	1,960,980	44,407	939,458	983,865
New provisions less releases	2,976,208	322,272	3,298,480	(261)	21,316	21,055
Write-offs less recoveries	(968,017)	(128,253)	(1,096,270)	(9,045)	(21,316)	(30,361)
Cumulative provisions As at 31 December 2020	2,786,807	1,376,383	4,163,190	35,101	939,458	974,559
New and additional provisions	3,186,512	322,272	3,508,784	70,828	21,316	92,144
Releases and recoveries	(210,304)	-	(210,304)	(71,089)	-	(71,089)
Net charge to profit and loss account	2,976,208	322,272	3,298,480	(261)	21,316	21,055

Included within the "Banking Group" and "Bank" provisions for bad and doubtful debts is £nil (2019: £nil) that relates to trade debtors. The remaining provisions relate to loans and advances to customers.

16 Provisions for bad and doubtful debts *(continued)*

	Banking Group			Bank		
	Specific £	Collective £	Total £	Specific £	Collective £	Total £
At 1 January 2019	1,052,664	989,273	2,041,937	4,386	747,481	751,867
New provisions less releases	517,718	276,869	794,587	48,884	221,349	270,233
Write-offs less recoveries	(791,766)	(83,778)	(875,544)	(8,863)	(29,372)	(38,235)
Cumulative provisions As at 31 December 2019	778,616	1,182,364	1,960,980	44,407	939,458	983,865
New and additional provisions	900,731	276,869	1,177,600	49,784	221,349	271,133
Releases and recoveries	(383,013)	-	(383,013)	(900)	-	(900)
Net charge to profit and loss account	517,718	276,869	794,587	48,884	221,349	270,233

17 Debt securities

	2020			2019		
	Cost £	Premiums and discounts £	Book value £	Cost £	Premiums and discounts £	Book value £
Investment securities						
At 1 January	97,990,638	102,036	98,092,674	89,518,728	26,170	89,544,898
Acquisitions	46,238,902	599,287	46,838,189	54,775,638	97,316	54,872,954
Disposals	(10,609,960)	36,294	(10,573,666)	(46,303,728)	(11,250)	(46,314,978)
Amortisation of discounts and premiums	-	(99,052)	(99,052)	-	(10,200)	(10,200)
As at 31 December	133,619,580	638,565	134,258,145	97,990,638	102,036	98,092,674
Market value			134,731,355			98,134,552
Unamortised premiums on investment securities			882,536			119,031
Unamortised discounts on investment securities			7,516			16,995

18 Investment in subsidiaries

Bank	2020	2019
Subsidiary undertakings (non-banking)		
Shares		
- Arkle Finance Limited	10,000	10,000
- Weatherbys Bank (Nominees) Limited *(Unaudited)*	1	1
- Weatherbys General Services Limited	1	1
Total unlisted	10,002	10,002

Bank

Details of shares in group undertakings, all of which are included in the consolidation are as follows:

Name	Country of incorporation	Class of share	Proportion of shares and voting rights held	Nature of business
Arkle Finance Limited *Company No. 03398034*	England and Wales	Ordinary	100%	Provision of leasing and instalment credit finance
Weatherbys Bank (Nominees) Limited *Company No. 04375682*	England and Wales	Ordinary	100%	Trust company (Dormant)
Weatherbys General Services Limited *Company No. 08172800*	England and Wales	Ordinary	100%	Investment in and Partner of Weatherbys Hamilton LLP (Joint venture)

The registered office of all subsidiaries is Sanders Road, Wellingborough, Northamptonshire, NN8 4BX.

19 Investment in joint venture

Banking Group	2020 £	2019 £
Investment in equity	50,000	50,000

Name	Country of incorporation	Proportion of share	Nature of business
Weatherbys Hamilton LLP	England and Wales	45%	Provision of insurance mediation services

The registered office of the joint venture is Sanders Road, Wellingborough, Northamptonshire, NN8 4BX

The joint venture financial statements show an operating profit before partner drawings of £1,449,839 (2019: £1,446,166) for the year and the total aggregate amount of its capital and reserves of £1,038,394 (2019: £1,005,640) as at year end. This includes £nil (2019: £nil) of members remuneration charged as interest, the Group's share of which is disclosed in note 7. The remaining balance was shared amongst the members in accordance with the agreed profit-sharing arrangements of which the Group's share in 2020 was £268,000 (2019: £270,000).

20 Investments

	Banking Group 2020 £	Bank 2020 £	Banking Group 2019 £	Bank 2019 £
Convertible preferred stock	214,307	214,307	385,630	385,630
Investment in unlisted equity	331,196	-	331,196	-
	545,503	214,307	716,826	385,630

In 2016, Visa Inc purchased Visa Europe. In part payment for the Bank's membership in Visa Europe it received series B convertible preferred stock from Visa Inc. The earliest this stock will convert to Visa Inc class A common stock is during 2020 and the latest during 2028.
The Group holds a 1% investment in Bondmason Group Ltd and a 10% investment in Practical Finance DAC Ltd. Impairment provisions are included in the administrative expense line item on the income statement.

21 Other assets

	Banking Group 2020 £	Bank 2020 £	Banking Group 2019 £	Bank 2019 £
Amounts falling due within one year:				
Trade debtors	1,333,694	172,271	966,073	58,926
Corporation Tax	34,795	30,991	-	-
Due from subsidiary undertakings	-	482,619	-	490,395
Due from companies under common control	7,618	7,618	9,660	9,660
Deferred tax asset	138,024	-	322,256	-
Other debtors	308,696	449,780	373,785	375,685
	1,822,827	1,143,279	1,671,774	934,666

22 Customer accounts

	Banking Group 2020 £	Bank 2020 £	Banking Group 2019 £	Bank 2019 £
Repayable on demand	755,515,062	756,730,785	643,889,482	644,735,132
With agreed maturity dates or periods of notice, by remaining maturity:				
3 months or less but not repayable on demand	110,260,504	110,260,504	108,252,380	108,252,380
3 months to one year	153,802,385	153,802,385	117,155,245	117,155,245
1 year to five years	69,189,409	69,189,409	30,060,604	30,060,604
	1,088,767,360	1,089,983,083	899,357,711	900,203,361
Amounts include:				
Due to other companies under common control	3,872,395	5,088,119	2,950,728	3,796,379
Due to immediate parent company	17	17	2,009,017	2,009,017

23 Subordinated loan

	Banking Group 2020 £	Bank 2020 £	Banking Group 2019 £	Bank 2019 £
Loan issuance	10,000,000	10,000,000	10,000,000	10,000,000
	10,000,000	10,000,000	10,000,000	10,000,000

During 2018 £10,000,000 of subordinated loans were issued to support the Company's future growth. The loans are repayable on 1 October 2028 and the annual interest payable is 7.5%.

24 Other liabilities

	Banking Group 2020 £	Bank 2020 £	Banking Group 2019 £	Bank 2019 £
Trade creditors	3,374,732	2,257,427	4,291,697	4,304,555
Corporation tax	-	-	896,152	546,197
Deferred tax liability	-	383,132	-	157,775
Amounts due to other companies under common control	67,693	30,983	83,373	78,118
Dividend payable	250,000	250,000	-	-
Other taxation and social security	454,177	386,643	374,938	318,521
	4,146,602	3,308,185	5,646,160	5,405,166

25 Provisions for liabilities

Banking Group and Bank	FSCS levy 2020 £	FSCS levy 2019 £
At 1 January	-	7,868
Charged to the income statement	-	(7,868)
Paid in the year	-	-
At 31 December	-	-

26 Authorised share capital

			Allotted, called up and fully paid	
	2020 Number	2019 Number	2020 £	2019 £
Ordinary shares of £1 each	7,000,000	7,000,000	7,000,000	7,000,000

27 Commitments

The Group had total commitments of £63,054,344 (2019: £72,085,598). Commitments comprise amounts yet to be drawn under lending facilities issued to customers.

28 Risk management policies and objectives

The Board is responsible for determining the long-term strategy of the business and the level of risk acceptable to the Group in each area of its business.

The Risk Committee is responsible to the Banking Group Board for the assessment and control of the high level risks assumed by the Banking Group and for ensuring that the requisite culture, practices and systems are in place to meet both internal and external obligations.

The Assets and Liabilities Committee reviews the allocation and deployment of capital at risk and liquidity risk, taking into account the Group's risk appetite.

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

Credit risk

Credit risk arises from extending credit in all forms in the Group's banking activities where there is a possibility that a counterparty may default. The maximum credit risk approximates to the carrying value of loans and advances to banks (note 12), loans and advances to customers (note 15) and debt securities (note 17).

The table below shows the Group's credit quality of its treasury assets.

	2020 £	2019 £
Loans and advances to banks	326,087,320	261,049,665
Debt securities	134,258,145	98,092,674
Treasury assets at 31 December	460,345,465	359,142,339
By credit grading		
AAA	413,253,586	312,881,996
AA	9,979	2,016,254
A	47,081,900	44,244,089
Treasury assets at 31 December	460,345,465	359,142,339

28 Risk management policies and objectives (continued)

All loans and overdraft applications are assessed with reference to the Group's lending policy. The approval of all loans and overdraft applications is controlled by a Credit Committee within set limits of authority. Transactions above such limits and any changes to policy and procedures require Board approval. The Board is responsible for endorsing treasury counterparties.

The table below shows information on the Group's loans and advances to customers by payment due status.

	2020 £	2019 £
Neither past due nor impaired	670,417,798	583,750,310
Up to three months overdue but not impaired	1,841,274	969,529
Over three months overdue but not impaired	3,675,485	2,086,861
	675,934,557	586,806,700
Individually assessed as impaired	6,792,485	4,077,796
Loan loss provision	(4,163,190)	(1,960,980)
Loans and advances to customers at 31 December	678,563,852	588,923,516

Interest rate sensitivity

The Group is exposed to movements in interest rates and manages this exposure on a continuous basis within value at risk limits set by the Board.

Interest rate sensitivity refers to the relationship between interest rates and net interest income resulting from the periodic repricing of assets and liabilities. The largest single administered rate items in the Bank's balance sheet are retail loans and deposits, the vast majority of which bear interest at variable rates. The Bank has the ability to reprice its variable rate assets and liabilities subject to the constraints imposed by the competitive situation in the marketplace. Deposits agreed at fixed rates may be, subject to prevailing market rates, matched on the money market in order to mitigate the impact of interest rate movements.

Interest rate risk is measured throughout the maturity bandings of the book on a parallel shift scenario for a 50-basis points movement. The current profile of the balance sheet is such that it results in an adverse impact on the economic value of equity of £179,000 (2019: £198,000) for a positive 0.5% shift, and a favourable impact of £256,000 (2019: £203,000) for a negative 0.5% movement.

Operational risk

Operational risk is the exposure to financial or other damage arising through unforeseen events or failure in the Group'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 Group Board. Internal control techniques to reduce their likelihood or impact include segregation of duties, exception and exposure reporting, business continuity planning, reconciliation and delegation of authority and are based on the submission of timely and reliable management reporting. Where appropriate, risk is mitigated by way of insurance with third parties.

28 Risk management policies and objectives (continued)

Cyber risk

An increasing risk that the Group is subject to within its operational processes is cyber risk. This is the risk that the Group businesses are subject to some form of disruption arising from an interruption to its IT and data infrastructure. The Group regularly tests the infrastructure to ensure that it remains robust to a range of threats and has continuity of business plans in place.

Liquidity risk

The Group's liquidity risk is monitored by the 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 Group and to meet its financial obligations. The sources and maturities of assets and liabilities are closely monitored and diversified to avoid any undue concentration. A substantial proportion of deposits are made up of current and savings accounts which, although repayable on demand, have traditionally formed a stable deposit base.

The Group's maturity analysis of its assets and liabilities as at the year-end are summarised below.

At 31 December 2020	Not more than three months £'000	More than three months but not more than one year £'000	More than one year but not more than five years £'000	More than five years £'000	Total £'000
Assets:					
Derivatives	-	-	-	30	30
Loans and advance to banks	322,995	-	-	3,092	326,087
Loans and advances to customers	94,643	114,840	403,851	65,230	678,564
Debt securities	20,323	18,269	95,666	-	134,258
Other assets	4,538	491	8	12,453	17,490
Total assets	442,499	133,600	499,525	80,805	1,156,429
Liabilities:					
Derivatives	-	-	-	2,377	2,377
Customer accounts	755,515	110,261	153,802	69,189	1,088,767
Other liabilities	6,898	-	-	10,000	16,898
Shareholders' funds	-	-	-	48,387	48,387
Total liabilities	762,413	110,261	153,802	129,953	1,156,429
Gap	(319,914)	23,339	345,723	(49,148)	-
Cumulative gap	(319,914)	(296,575)	49,148	-	-

28 Risk management policies and objectives (continued)

At 31 December 2019	Not more than three months £'000	More than three months but not more than one year £'000	More than one year but not more than five years £'000	More than five years £'000	Total £'000
Assets:					
Derivatives	-	-	-	265	265
Loans and advance to banks	259,622	-	-	1,428	261,050
Loans and advances to customers	83,136	93,843	352,163	59,782	588,924
Debt securities	3,772	6,807	87,514	-	98,093
Other assets	4,244	320	321	13,884	18,769
Total assets	350,774	100,970	439,998	75,359	967,101
Liabilities:					
Derivatives	-	-	-	1,258	1,258
Customer accounts	752,142	117,155	30,061	-	899,358
Other liabilities	8,277	886	-	10,000	19,163
Shareholders' funds	-	-	-	47,322	47,322
Total liabilities	760,419	118,041	30,061	58,580	967,101
Gap	(409,645)	(17,071)	409,937	(16,779)	-
Cumulative gap	(409,645)	(426,716)	(16,779)	-	-

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. The Company complied with all relevant external capital requirements during the year.

Foreign exchange risk

The Group does not have any material foreign exchange exposure.

28 Risk management policies and objectives (continued)

Fair value analysis

The Group's and Company's financial instruments measured at fair value may be analysed as follows:

	Group and Company 2020 £	Group and Company 2019 £
Financial assets		
Forward currency contracts	30,047	218,190
Interest rate swaps	-	47,110
Convertible preferred stock	214,307	385,630
Financial liabilities		
Forward currency contracts	114,902	218,626
Interest rate swaps	2,262,335	1,039,081

Forward foreign currency contracts are valued using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

Interest rate swaps are valued at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Convertible preference stock is valued at the present value of future cash flows estimated and discounted based on quoted values of the underlying shares, illiquidity and exchange rates.

29 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operation decisions, or one other party controls both. The definition includes subsidiaries, associates, joint ventures and the Bank's pension schemes, as well as other persons.

The Bank provides banking services to its associates and joint ventures, the Trustees of the Bank's pension fund and to entities under common directorships, providing loans, overdrafts, interest and non-interest bearing deposits and current accounts to these entities as well as other services. All are conducted on the same terms as third-party transactions.

	2020 £'000	2019 £'000
Income	219	448
Expenditure	1,625	2,062
Companies under common control:		
- Amounts owed by related parties	8	10
- Amounts owed to related parties	3,903	2,849
Pension funds and charitable foundation:		
- Amounts owed by related parties	-	-
- Amounts owed to related parties	408	408

29 Related party transactions *(continued)*

Weatherbys Limited ("WL"), Weatherbys Ireland GSB Limited ("WIGSBL"), Weatherbys GSB Limited ("WGSBL") and Weatherbys Hamilton LLP ("WHL") are companies under common control with the Bank. During the year the following transactions were made under normal trading terms and the balances at year-end were as follows:

The Bank charged WL £129,996 (2019: £309,996) for rent of property and WHL £88,921 (2019: £138,091) for services rendered.

Services of £1,624,630 (2019: £2,062,171) were provided by WL.

The Bank also paid WL £nil (2019: £nil) and WGSBL £31 (2019: £84) in interest on deposits held by them.

At 31 December 2020, the Bank held deposited funds of £728,930 (2019: £131,532) on behalf of WL, £9,679 (2019: £5,856) on behalf of WIGSBL, £785,547 (2019: £387,027) on behalf of WGSBL and £2,348,139 (2019: £2,325,042) on behalf of WHL

At 31 December 2020 the Bank owed WL £30,983 (2019: £78,118) relating to services rendered. At 31 December 2020 WHL owed the Bank £7,618 (2019: £9,660) for services rendered.

The Bank also provides banking services to its subsidiaries and parent, providing loans, overdrafts, interest and non-interest-bearing deposits and current accounts to these entities as well as other services. All are conducted on the same terms as third-party transactions.

	2020 £'000	2019 £'000
Income	5,606	5,247
Expenditure	2	6
Amounts owed by related parties	139,603	128,025
Amounts owed to related parties	1,216	2,855

Arkle Finance Limited ("AFL"), Weatherbys General Services Limited ("WGS") and Weatherbys Bank (Nominees) Limited ("WNL") are subsidiary companies of the Bank and Weatherbys Bank Holdings Limited ("WBHL") its parent. During the year the following transactions were made under normal trading terms and the balances at year-end were as follows:

The Bank charged AFL £248,665 (2019: £275,232) for services rendered and services of £2,180 (2019: £5,601) were provided by AFL to the Bank.

The Bank paid WBHL £nil (2019: £nil) in interest on deposits held by them and received from AFL £5,356,678 (2019: £4,971,787) in interest on lending facilities held.

At 31 December 2020, the Bank held deposited funds of £17 (2019: £2,009,017) on behalf of WBHL, £752,797 (2019: £537,022) on behalf of WGS and £3,684 (2019: £3,684) on behalf of WNL. At 31 December 2020 the Bank was owed £138,661,445 (2019: £127,229,988) for lending facilities provided on behalf of AFL and £482,619 (2019: £490,395) for services rendered and accrued interest.

29 Related party transactions *(continued)*

The key management personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank (directly or indirectly). The Bank provides banking services to directors and other key management personnel and persons connected to them. All are conducted on the same terms as third-party transactions. The aggregate amounts outstanding at 31 December are shown below.

	2020 Number	2020 £	2019 Number	2019 £
Loans	4	4,487,228	3	5,222,549
Deposits	9	2,363,451	9	213,007

The total compensation paid to key management personnel for services provided to the Group was £4,848,431 (2019: £3,677,014).

30 Country by country reporting

The Capital Requirement (Country by Country reporting) regulations 2013 require the disclosure on a group basis of corporation tax payments made and public subsidies received. The Group is entirely UK based and pays all taxes to the UK Authorities. The group companies included in the consolidated disclosure and the corporation tax paid are shown below.

	Jurisdiction	Nature of business
Weatherbys Bank Limited	UK	Retail banking
Arkle Finance Limited	UK	Provision of leasing and instalment credit finance
Weatherbys Bank (Nominees) Limited	UK	Trust company (Dormant)
Weatherbys General Services Limited	UK	Investment and partner in Joint Venture

Jurisdiction	Average number of employees 2020 £	Turnover 2020 £	Profit or loss before tax 2020 £	Cash tax paid on profit or loss during the year 2020 £	Public subsidies received during the year 2020 £
United Kingdom	266	35,694,536	2,573,045	1,388,753	-

31 Ultimate parent company

The Bank's immediate and ultimate parent company is Weatherbys Bank Holdings Limited, a company incorporated in Great Britain and registered in England and Wales. The consolidated financial statements of Weatherbys Bank Holdings Limited are the only financial statements into which Weatherbys Bank Limited are consolidated. Copies of these financial statements can be obtained from Sanders Road, Wellingborough, Northamptonshire, NN8 4BX, being the registered address of the ultimate parent company.

The ultimate controlling parties of Weatherbys Bank Limited are three Weatherby family trusts.

32 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 Group's financial instruments and description of respective accounting policies.

Financial Instrument	Terms and conditions	Accounting policy
Derivative instruments	Fixed interest received/paid converted to variable interest paid/received Based on notional value of the derivative	Fair value through profit and loss
Loans and advances to customers		
Finance Leases	Fixed interest rates Fixed term	At amortised cost
Hire purchase agreements	Fixed interest rates Fixed term	At amortised cost
Loans and advances	Fixed and variable interest rates Fixed and variable term	At amortised cost
Deposits at Banks	Non-interest bearing and variable interest rates Instant access	At amortised cost
Debt securities	Fixed and variable interest rates Fixed term	At amortised cost
Loans to joint venture	Variable rate Fixed term	At amortised cost
Loans to group undertakings	Variable rate Variable term	At amortised cost
Investments in unlisted equity	Non-interest bearing Medium to long term	At cost less impairment
Amounts owed to customers	Fixed or variable interest rate Fixed or variable term Short to medium term	At amortised cost

32 Financial instruments *(continued)*

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

	Banking Group		Bank	
	2020	2019	2020	2019
	£	£	£	£
Financial assets				
Measured at fair value through profit or loss				
Derivative Financial assets (note 28)	30,047	265,300	30,047	265,300
Convertible preferred stock (note 28 and 20)	545,503	385,630	214,307	385,630
Instruments measured at amortised cost				
Loans and advances to banks (note 12)	326,087,320	261,049,665	326,090,762	261,050,697
Loans and advances to customers (note 15)	678,563,852	588,923,516	669,594,631	580,844,094
Debt Securities (note 17)	134,258,145	98,092,674	134,258,145	98,092,674
Measured at cost less impairment				
Investment in subsidiaries (note 18)	-	-	10,002	10,002
Investments in unlisted equity (note 20)	331,196	331,196	-	-
Measured at amortised cost				
Trade and other debtors (note 21)	1,822,827	1,671,774	1,143,279	934,666
	1,141,638,890	950,719,755	1,131,341,173	941,583,063
Financial liabilities				
Measured at fair value through profit or loss				
Derivative Financial liabilities (note 28)	2,377,237	1,257,707	2,377,237	1,257,707
Instruments measured at amortised cost				
Customer accounts (note 22)	1,088,767,360	899,357,711	1,089,983,083	900,203,361
Measured at amortised cost				
Other liabilities (note 24)	4,146,602	5,646,160	3,308,185	5,405,166
Measured at amortised cost				
Subordinated Loan (note 23)	10,000,000	10,000,000	10,000,000	10,000,000
	1,105,291,199	916,261,578	1,105,668,505	916,866,234

32 Financial instruments *(continued)*

Fair value hierarchy classification

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: valuation techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

The table below summarises the fair values of the Group's and Company's financial assets and liabilities that are accounted for at fair value, analysed by the valuation methodology used by the Group to derive the financial instrument's fair value:

Fair value hierarchy	Banking Group		Bank	
	2020	2019	2020	2019
	£	£	£	£
	Level 3	Level 3	Level 3	Level 3
Financial assets				
Measured at fair value through profit or loss				
Derivative Financial assets (note 28)	30,047	265,300	30,047	265,300
Convertible preferred stock (note 28 and 20)	214,307	385,630	214,307	385,630
Financial liabilities				
Measured at fair value through profit or loss				
Derivative Financial liabilities (note 28)	2,377,237	1,257,707	2,377,237	1,257,707
Measured at amortised cost				
Subordinated Loan (note 23)	10,000,000	10,000,000	10,000,000	10,000,000

33 Non adjusting post Balance Sheet events

There are no post balance sheet events.