Weatherbys Bank Limited

Annual Report and Consolidated Financial Statements

Year Ended

31 December 2021

Company Number 02943300

Weatherbys Bank Limited

Annual Report and Consolidated Financial Statements
for the year ended 31 December 2021

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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)
J L Eddis	(Non-executive)
C Machell	(Non-executive)
D Vail	(Non-executive) Appointed 1 April 2021

Secretary and registered office

F C Noonan

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

Company number

02943300

Auditor

MHA MacIntyre Hudson, London, United Kingdom

Significant recovery in profits close to pre-Covid levels

Last year was yet another extraordinary year but the Banking Group was much more settled. The IT and organisational challenges of working from home were embedded very quickly in March 2020. As we moved into 2021, the challenge was the uncertainty of another year of working in bedrooms, boxrooms and under the stairs, and without the friendship, energy, enthusiasm and ideas that working from an office with colleagues brings.

Another year of exceptionally low interest rates took their toll on net interest income with a small reduction in Group net interest margin, despite exceptional asset growth of 28% in the year. Lending to private banking clients remained strong and our group lending to SME businesses via our subsidiary Arkle, picked up nicely in the second half of the year. Deposits rose very substantially, up by nearly 30% - and whilst this trend was seen across the wider banking sector in part because of changing spending patterns during the pandemic, the increase was further validation for what we do; the safe model and our conservative balance sheet. Capital and liquidity remain very strong with some £553m held with the Bank of England (nearly 83% of all our Treasury balances).

The bottom line, including a positive swap valuation adjustment, led to profits of £6.8m compared to pre-covid 2019 profits of £8.0m and previous year of £2.6m.

Supporting the economy: Arkle

It is easy to forget that for much of the first half of 2021 we were under another national lockdown and small businesses across the UK and Ireland struggled. However, the second half of the year saw some positive signs with renewed activity across many sectors and this has continued into 2022. We played our full part in channelling Government-backed loans to small and medium-sized enterprises. The initial shock from Covid-19 is now largely behind us and, showing the care in how we lend, our asset finance business remained profitable throughout the crisis.

Embracing change: building for the future

Having already started down the road of digital transformation, the banking industry has been forced to quicken its pace. This is partly due to the emergence of new challengers but is also a result of the Covid-19 pandemic and its impact on people's expectations.

Over the last 20 years, we have observed sudden and profound change in many industries: think of the music industry when songs became downloadable, or Uber for the taxi trade. For many of us used to high levels of service, we are still happy Apple or Amazon consumers.

In the banking world, many so-called 'fintechs' have launched to meet particular customer needs better than the incumbents. The new entrants may use banks to provide their financial backbone but have developed new ways to engage their customers. Some say in time that banks will become prehistoric or be relegated to the background. While this may be hyperbole, we never want to be complacent and, as I always say, you don't last 252 years in the business without constantly looking to the future.

New entrants will threaten those who do not innovate and embrace the future. While the fintechs might not directly operate in our markets they are a useful reminder to innovate further.

Totally human, totally digital

I have borrowed this phrase from the well-known *100% human, 100% digital.* I think it speaks for itself.

We will increase investment in our people. After all, it is they who maintain the fantastic levels of service that our clients love, as well as giving the sensible and trusted advice for which we are known. We need to pick up on the good ideas coming from the digital banks while continuing to do what we do best: real people available to speak to our clients, giving them excellent trusted advice and reminding them about the expertise and security we offer.

While on the subject of security, as we all sadly know fraud is on the increase. At one end of the spectrum, it is just downright annoying. However, unfortunately in most cases it is very upsetting, destructive and criminal. Emotions range from fear and anger to embarrassment – thinking that we have been foolish to fall for a scam. But these scams are incredibly sophisticated and becoming more so – and that is where we do help. Our fraud team has been excellent and, particularly in the last year, has helped countless clients to avoid fraud. When sadly they have fallen victim, the fraud team has also given them the support and help they needed. A digital bank may look all good and slick, but when it comes to actually getting hold of a human to report a potential or actual fraud, to get access to your money in a frozen account or to get that refund, it is virtually impossible – and that's where the human touch really excels.

Ukraine

We cannot write an annual letter right now without referring to the horrors of what is happening in Ukraine. Now it is on our doorstep, combined with the dangers of this escalating, the conflict has become more pressing. Our hearts go out to all those affected, and we are as much aware of the human cost as the economic one, for the UK, Europe and the wider world; both will continue for many years.

Creating The Future

On a more positive note, we have been thrilled and delighted with our Creating The Future project. Our third conference was held online in 2021, for obvious reasons, and although it was a different experience from the first two events held in London, we secured another stellar line-up of speakers to provoke thought and to inform the audience about issues ranging from the environment to health, food and technology.

It is our intention to build on these foundations and to use our connections, and more importantly those of our clients and friends, to help make a difference. As one client put it, 'if we don't act now, then when?'

We all must work together in the best interests of not only our environment but all those on this fragile planet of ours and particularly those who are less well off than we are. And, quite frankly, we need to ensure a better place for our families and future generations.

2022 and beyond

Fantastic results last year, hugely enthusiastic colleagues, record levels of lending and deposits but also the tragedy of Ukraine, rapidly increasing inflation and concerns about recession. Uncertainty abounds but what we can be sure of is that we will continue to play a very long game. The Banking Group is part of a 252-year-old, seventh-generation family business; we invest for and measure our success in decades not quarters. As ever, we will continue to support you in these uncertain times.

Roger Weatherby
CEO

The directors present their strategic report on the Banking Group for the year ended 31 December 2021. 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. The Group provides retail banking services to a client base of predominantly high net worth individuals. In addition to private banking and wealth advisory services, it provides banking services to the horseracing industry and wider community, asset finance to SMEs, tax and insurance services.

1. Business Review: Market Environment

The year was again dominated by the coronavirus pandemic and the country's response to the health and economic crisis. The early months of the year saw further lockdowns and after a brief respite in the summer, new variants caused concern towards the end of the year. Fortunately, a successful vaccination programme provided greater protection to public health as new variants emerged.

Business confidence was generally subdued for much of the year with the Bank of England keeping Base Rate at a historic low for most of 2021 until a small upwards movement to 0.25% in December as inflationary concerns mounted.

UK house prices rose by 10.8% in 2021 as supply shortages and continuing strong demand, supported by advantageous tax changes, resulted in a buoyant market throughout the pandemic (source: ONS bulletin December 2021).

2. Business Review: The Group

New client numbers as well as lending and deposits continued to grow strongly in 2021. The total assets of the Group increased by 28% to £1,476 million (2020: £1,156 million). Customer deposit balances reached a new high of £1,405 million, growing by a record £316 million (29%) during the year (2020: £1,089 million). Customer lending balances have grown by 10% to £744 million (2020: £679 million). The Group ended the year with a loan to deposit ratio of 53% (2020: 62%) and a strong liquidity position.

The Group net interest margin decreased by 11bps to 2.43%, as the Banking Group adjusted to the sharp fall in Base Rate in the previous year. Net interest income increased by £2.6 million (9%) to £32.0 million (2020: £29.4 million).

The Board remains committed to the long-term success of the Banking Group and the investment required to maintain the product and service levels that our clients have come to expect. We have refurbished a number of our offices around the UK and we very much hope that 2022 will be the year that we welcome back more face-to-face meetings with our clients in earnest. Internally we have adjusted our working patterns to reflect the economic reality of the current times. Many of our staff are working more dynamically from locations outside our offices and we expect this flexibility to remain.

Administrative expenses increased by £4.7 million (17%), predominantly through increased investment in people and technology.

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, is beginning to emerge from the effects of the significant disruption to small businesses across the UK. For over one-third of the year, many businesses were severely hampered by ongoing social restrictions and "work from home" guidance. Despite this, Arkle's loan book grew by 7% and new business momentum picked up nicely in the last quarter. It successfully launched a new operating platform in the first half of the year which will improve the speed and range of services provided to its introducing brokers. Operating profit pre provisions was £1.7 million (2020: £3.4m). Profit before tax after provisions was £0.4 million (2020: £0.1 million).

Group operating profit, excluding the market value adjustment for derivatives, was £4.2m, up 14% on the prior year (2020: £3.7m).

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

From January 2021 the Group has adopted hedge accounting to match the movement on interest rate swaps with the underlying assets. The positive adjustment of £2.1m in 2021 cancels out previous negative swings in 2019 and 2020 and going forward hedge accounting for financial derivatives will significantly reduce the volatility caused by market value fluctuations.

Profit before tax for the Group was £6.8 million (2020: £2.6 million). The resilience of the Group has been demonstrated by the strong bounce back from the initial wave of the coronavirus pandemic in 2020 and the directors fully expect that the profits of the Banking Group will continue to recover as the UK economic outlook improves.

Total shareholder's funds increased by 9% to £52.8 million (2020: £48.4 million). The Group remains well capitalised with a Core Equity Tier 1 ratio of 11.8% (2020: 11.7%), well above the regulatory minimum level of 8%. The total capital ratio was 14.5% (2020: 14.5%).

The leverage ratio at the year-end was 3.4% (2020: 3.9%), compared to a minimum level of 3%. From 1st January 2022 the leverage ratio calculation has been amended by the regulators to exclude assets held at the Bank of England resulting in a revised leverage ratio of 5.6% (2020: 5.4%) against a minimum level of 3.25%. At the year end the Group held surplus funds of £710 million in gilts, other qualifying liquidity buffer assets, and treasury deposits at well rated bank counterparties (2020: £460 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. In addition, the changing geopolitical landscape caused by Russia's invasion of Ukraine has added another layer of uncertainty to economies worldwide.

The UK economy began to recover in the second half of the year and inflationary expectations, that were initially seen as transitory, hardened as the year end approached. The Bank of England reacted in December 2021 by increasing Base Rate by 15 basis points to 0.25%. Further rises followed in February and March 2022. Within a few months, the market's expectations around inflation changed significantly causing a significant upward movement in the yield curve.

However, the outbreak of war in Ukraine sent chilling shockwaves across the world, increasing political and economic uncertainty just at a time when Europe was emerging from the shadow of the coronavirus pandemic. It remains to be seen how this affects the UK economy. The Group's balances and operations have not been impacted by any sanctions put in place.

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. We expect that 2022 will see the resumption of face-to-face meetings 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 Prudential Regulation Authority (the "PRA") has announced that the countercyclical buffer would be re-instated at 1% of risk weighted assets in December 2022 (having reduced it to zero when the pandemic struck in March 2020), with a further increase to 2% expected by mid-2023. This will mean that all banks are required to hold additional capital to protect them against unexpected events. The Bank's capital position remains strong relative to its individual capital requirements set by 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. Environmental Policy Statement

One of the Bank's core values is social responsibility and we seek to operate our business in a long-term, sustainable manner. Part of this strategy is the effective management of our carbon footprint and the commitment to become carbon net zero.

During 2021 we met our initial goal to become carbon neutral and laid out our commitment to becoming net zero by 2027. The Bank is also seeking to gain external accreditation through B Corp who have developed a gold standard in social and environmental impact assessment.

Using the Market-based method our carbon footprint for 2021 was 82.91 carbon tonnes, a reduction from 149.29 in 2020, reflecting the energy saving measures the Group has now put in place.

The table below summarises the Greenhouse Gas (GHG) emissions for 2021.

Scope	Activity	Location-based tCO_2e	Market-based tCO_2e
Scope 1	Site gas	21.57	21.57
	Company car travel	1.72	1.72
Scope 1 Sub Total		23.29	23.29
Scope 2	Electricity generation	6.67	3.06
Scope 2 Sub Total		6.67	3.06
Scope 3	Flights	32.86	32.86
	Electricity transmission & distribution	0.63	0.26
	Employee-owned car travel (grey fleet)	12.98	12.98
	Home-workers	5.46	5.46
	Rail travel	4.78	4.78
	Taxi travel	0.22	0.22
	Ferry travel	<0.01	<0.01
Scope 3 Sub Total		56.93	56.56
Total tonnes of CO_2e		**86.89**	**82.91**
Tonnes of CO_2e per employee		**0.26**	**0.25**
Tonnes of CO_2e per £m turnover		**2.43**	**2.32**
Total Energy Consumption (kWh)*		**642,609**	**642,609**

*Total Energy Consumption includes UK Electricity from the national grid, UK Site Gas, Company Owned Vehicles and Employee-owned vehicles (grey fleet).

The Bank has undertaken a number of energy saving measures during the 2021 financial year. These include:

- Growing an established 'green committee' that now meets twice a year, with representatives from each site and members from most departments present. The outcome of these meetings is published on the company's intranet for all employees to access.
- Switching to green energy tariffs as a matter of policy across the sites. This is reflected in the transition of the Wellingborough and London sites to renewables before the beginning of the assessment period. 72% of our electricity is now sourced from renewable energy sources.
- Restricted business travel to an absolute essential minimum and including this within our policies.
- Reduction of single use plastics in our restaurant and recycling of cooking oil.
- Installing energy efficient lighting and sensors.

During 2022 we will also be installing electric car charging ports at our Wellingborough site.

5. Environmental Policy Statement *(continued)*

We have also offset 233 tonnes of CO_2 through investing in renewable wind energy and UK Tree Planting projects that are verified against the Gold Standard VER/Verified Carbon Standard. Our business has therefore maintained Net Zero Carbon status.

Activity	Baseline Year 2020	Current Year 2021
Total energy consumed (kWh)	772,424	642,609
Total Gross Location-Based Emissions (tCO_2e)	64.92	86.89
Total Gross Market-Based Emissions (tCO_2e)	**149.29**	**82.91**
Carbon offsets (tCO_2e)	150	83
Total Net Market-Based Emissions tCO_2e)	**(0.71)**	**(0.09)**
Intensity ratio: tCO_2e (gross Scope 1 & 2, market-based) per £M revenue	1.24	0.74

The GHG emissions have been assessed following the ISO 14064-1:2018 and GHG Protocol standard and has used the 2021 emission conversion factors published by Department of Environment, Food and Rural Affairs (DEFRA) and the Department for Business, Energy and Industry Strategy (BEIS). The company has dual reported both its market and location-based emissions. The operational control approach has been used.

6. 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. We 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. In 2020 we were proud to announce that the Weatherbys group had achieved Carbon Neutral status and we have a stated ambition to be Carbon Net Zero by 2027. We aim shortly 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.

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. 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 the last two years, we envisage further changes to the traditional office based pattern for all our employees providing more flexibility and an improved work life balance. In 2022 we will be seeking accreditation as a Living Wage Employer.

6. Section 172(1) Statement *(continued)*

We have continued our initiatives launched after the pandemic to enhance communications to staff to update them on financial performance, strategic initiatives, charitable donations as well as to provide mental health and wellbeing support programmes to all our employees. We have continued to conduct regular staff surveys to seek feedback and opinions on a wide range of relevant issues.

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. As part of our Time Bank programme, we provide our staff with days off to do good.

We partner with a number of charities, both on an ad-hoc and long-term basis. We have also hosted our Creating the Future event where we invite guests, customers and friends, to hear 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.

7. 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.

7.1 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 80% of the total loan book, customer loans are secured principally on residential properties at an average loan to value ratio of approximately 38%. 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 20% of the total lending portfolio and is directly exposed to the small business sector. Whilst there will be losses in the short term, well managed 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.

Whilst political and economic uncertainty persists, stronger UK economic activity improves the medium-term outlook for the Banking Group.

7.2 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% (2020: 14.5%) and total regulatory capital was £61.7 million against a Total Capital Requirement of £49.6 million.

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

7. Principal Risks and Uncertainties *(continued)*

7.3 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 £710 million (2020: £460 million) of which £553 million (2020: £326 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.

7.4 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 38% (2020: 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.

7.5 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.

7.6 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 Group is exposed to interest rate risk that arises from a mismatch between the repricing of assets and liabilities. The majority of the Group'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 Group'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.

7. Principal Risks and Uncertainties *(continued)*

7.7 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, at certain points of the year.

7.8 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 ever-increasing cyber threats.

7.9 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.

7.10 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.

7.11 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. Principal Risks and Uncertainties *(continued)*

7.12 Climate Change Risk

Climate change and society's response to it present a current and developing risk that could impact the long-term viability of the Bank. For example, through credit losses occurring in industries that become displaced.

The Board is cognisant of the risk from climate change to the banking sector. It has hosted three 'Creating the Future' conferences that have included debate on climate changes issues and has allocated SMF climate change responsibility to its Chief Executive.

The possible effects of climate change have been discussed at Group Risk Committee and at Board level. The initial assessment is that the Bank's primary area of exposure relates to the value of domestic properties taken as security for loans to private clients.

Possible downside risks include exposure to:
- older residential properties that might require significant investment to meet new insulation requirements
- coastal properties at risk from land erosion
- properties on flood plains or lower lying land.

As part of the standard credit approval process, consideration is now given as to whether the value of the security might be affected by some or all of the above factors.

The Bank does not have material exposures to corporate lending and is unlikely to incur direct credit losses through industry displacement. Arkle Finance does undertake motor finance but does not hold any risk on residual values.

At this stage the Board believes that the risk that climate change will affect the long-term viability of the Bank is low, but it will continue to deepen and refine its analysis of such risks in the future.

8. Outlook

The Weatherbys family of companies celebrated its 250th anniversary in 2020. They have proved resilient across the centuries and whilst the outlook in 2022 is still 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 for many years to come.

Approved by the Board and signed on its behalf by:

R N Weatherby
Director
21 April 2022

The directors present their report together with the audited financial statements for the year ended 31 December 2021.

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 clients 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 £5.7 million (2020: £1.3 million). The Board recommended interim ordinary share dividends in the year totalling £0.75 million (2020: £0.25 million) and a final dividend of £0.5 million (2020: £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;

- Asset and Liability Committee (ALCO) – chaired by the Group Finance Director and comprising the Managing Director, Private Banking, the Chief Risk Officer as well as other senior management, it meets monthly to review:
    - Capital allocation and efficiency;
    - Liquidity position and profile;
    - Capital allocation and risk-adjusted returns; and
    - Pricing of assets and liabilities.

- Group Risk Committee – chaired by a non-executive director. It also comprises two other non-executive directors, 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.

3. Risk Management and Governance *(continued)*

- Group Audit Committee – this comprises three 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 £61.7 million at 31 December 2021 (2020: £58.3 million) against a Total Capital Requirement of £49.6 million (2020: £46.4 million). The capital requirement encapsulates pillar 1 and pillar 2 requirements but excludes the capital conservation and counter-cyclical buffers. This represents a total capital ratio of 14.5%, compared to 14.5% in 2020.

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 2021, the consolidated leverage ratio was 3.4% (2020: 3.9%) 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)
J L Eddis	(Non-executive) *
C Machell	(Non-executive) *
D Vail	(Non-executive) * Appointed 1 April 2021
B K Bourne	(Non-executive) * Resigned 31 March 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 28 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 2021 the Banking Group had 302 employees (2020: 288) and the Bank itself had 239 employees (2020: 224).

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 27 to these financial statements.
(2) Use of financial instruments are set out in note 31 to these financial statements.
(3) Post balance sheet events are disclosed in note 32.

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 and the war in Ukraine 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. Auditors

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

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

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

In July 2021 MHA MacIntyre Hudson replaced Deloitte LLP as the Group's auditors as Deloitte LLP were nearing the end of the maximum allowable tenure for auditors of banks. MHA MacIntyre Hudson 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
21 April 2022

Independent Auditor Report to the Members of Weatherbys Bank Limited

For the purpose of this report, the terms "we" and "our" denote MHA MacIntyre Hudson in relation to UK legal, professional and regulatory responsibilities and reporting obligations to the members of Weatherbys Bank Limited. For the purposes of the table on pages 19 to 21 that sets out the key audit matters and how our audit addressed the key audit matters, the terms "we" and "our" refer to MHA MacIntyre Hudson. The "Group" is defined as Weatherbys Bank Limited. The relevant legislation governing the Company is the United Kingdom Companies Act 2006 ("Companies Act 2006").

Opinion

We have audited the financial statements of Weatherbys Bank Limited (the "Parent Company" and its subsidiaries (the "Group") for the year ended 31 December 2021.

The financial statements that we have audited comprise:

- The Consolidated income statement for the year then ended.
- Consolidated statement of comprehensive income for the year then ended.
- Consolidated balance sheet as at 31 December 2021;
- Company balance sheet as at 31 December 2021;
- Consolidated Statement of Changes in Equity for the year then ended.
- Company Statement of Changes in Equity.
- Consolidated statement of cash flows.
- Notes 1 to 32 of the financial statements.

The financial reporting framework that has been applied in the preparation of the Company's financial statements is Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") and the Companies Act 2006.

In our opinion the consolidated financial statements:

- give a true and fair view of the state of the Group's and Parent Company's affairs as at 31 December 2021 and the Group's profit for the year then ended;
- have been properly prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been properly prepared in accordance with the requirements of Companies Act 2006.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the consolidated financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the consolidated 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:

Independent Auditor Report to the Members of Weatherbys Bank Limited (continued)

Conclusions relating to going concern (continued)

- Using our knowledge of the strategic objectives of the Group and the Parent Company, the financial services industry, the financial services regulatory environment and the general economic environment to identify inherent risks in the business model and how such risks might affect the financial resources or ability to continue operations over the going concern period.
- Understanding and evaluating the current and forecast financial position, regulatory capital adequacy and liquidity, including internal stress tests performed on these.
- Evaluation of the strategic plans of the Group and the Parent Company, and the supporting financial forecasts.
- Reading regulatory correspondence, minutes of meetings of the Audit Committee and the Board of Directors, and post balance sheet events to identify events of conditions that may impact the Group's and the Parent Company's ability to continue as a going concern.
- Reading and evaluating the adequacy of the disclosures made in the financial statements in relation 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.

Overview of our audit approach

Key Audit Matter	The key audit matter we identified in the current year was: • Provision for bad and doubtful debts
Materiality	Overall materiality for the consolidated financial statements was £400,000 which was determined based on net assets.
First year transition	This is the first year we have been appointed as auditors to the Group and the Parent Company. We undertook the following transitional procedures: • Held meetings with senior management to gain an understanding of the Company's operations and strategic objectives. • We held meetings with the predecessor auditors, including reviewing their audit working papers for the prior financial period to gain an understanding of the Company's processes, their audit risk assessment, and the design of their audit approach for the year ended 31 December 2020. The results of these procedures were used to inform our audit planning and risk assessment for our audit for the year ended 31 December 2021.
Group audit scope	We have identified significant components based on their significance to the Group balance sheet and operations. We performed full scope audit work on the Parent Company and significant components. The components not covered by our audit scope were subject to analytical procedures to confirm our conclusion that there were no significant risks of material misstatement in the aggregated financial information.

Independent Auditor Report to the Members of Weatherbys Bank Limited (continued)

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated 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 matters 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 and, as required for public interest entities, our results from those procedures. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Provision for bad and doubtful debts

Key audit matter description	Impairment of loans is a judgement-based area and is subject to management override risk. This risk is heightened because of COVID-19 increasing uncertainty around the debt recoveries. The provision for bad and doubtful debts totalled £3.6m (2020: £4.2m). 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. The key areas of judgement in determining the provision for bad and doubt debts for the Group are: • The parent company has limited loss history therefore there is significant management judgement and estimation involved in determining the collective provision in the parent company. • Loss ratios used to determine the specific provisions for receivables under finance lease and hire purchase agreements.
How the scope of our audit responded to the key audit matter	We performed the following procedures: • We obtained an understanding of the relevant controls over the provision for doubtful debts including evaluation the design and implementation of the key management controls. • We have tested the general IT and automated controls over the loan administration system focusing on automatic interest calculation, allocation of customer repayments and identification of loan arrears. • Checked the mathematical accuracy of the of collective provision calculation performed by Management. In doing so we also validated the key inputs of the calculation including testing on a sample basis the credit risk grading of the loans and the assessment of the continued appropriateness of utilising limited customer default experience in determining the collective provision of the parent company. • Performed test of details to test the accuracy of the historical data used by management in the determination of the collective provision.

	• Obtained a list of impaired loans, and on a sample basis we challenged management on the selection of key assumptions used to determine the specific provision. This involved validation of the group's historical cash collection and default recovery experience data used as the basis of determining the loss rates and considered the impact of Covid-19 on management assumptions. • Performed test of details to test the accuracy of the historical data used by management in the determination of the collective provision. • On a sample basis, tested loan arrears to identify any loans that might need to be provided for on an individual basis and selected loans with no objective impairment recognised to identify any customers in financial distress but not identified by management. • We considered evidence which supports or contradicts management's judgement for indication of management bias. • We assessed the appropriateness of the disclosures in the financial statements.
Key Observations and communication to the Audit Committee	We concluded that the overall provision for bad and doubtful debts are appropriately stated and the related disclosures are reasonable.

Independent Auditor Report to the Members of Weatherbys Bank Limited

Our application of materiality

Our definition of materiality considers the value of error or omission on the consolidated financial statements that, individually or in aggregate, would change or influence the economic decision of a reasonably knowledgeable user of those consolidated financial statements. Misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the consolidated financial statements as a whole. Materiality is used in planning the scope of our work, executing that work and evaluating the results.
Based on our professional judgement, we determined materiality for the consolidated financial statements as a whole as follows:

Overall Materiality	£400,000
• Basis of determining overall materiality	We determined materiality based on 0.76% of net assets. We have selected net assets as the benchmark for determining Group materiality. We have chosen net assets as this is a key metric for the key users of the financial statements being the owners of the Group and the regulatory authorities (PRA and FCA). Net assets was chosen as a reasonable proxy for regulatory capital.
Performance materiality	£280,000
• Basis of determining overall performance materiality	We determined performance materiality based on 70% of overall materiality. Performance materiality is the application of materiality at the individual account or balance level, set at an amount to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the consolidated financial statements as a whole. In determining performance materiality, we considered the several factors including the following: • That the current period is the first financial period of our appointment as auditors of the Group and Parent Company. • Our understanding of the control environment of the Group and Parent Company.
Error reporting threshold	We agreed to report any corrected or uncorrected adjustments exceeding £20,000 to the Audit Committee as well as differences below this threshold that in our view warranted reporting on qualitative grounds.

Independent Auditor Report to the Members of Weatherbys Bank Limited

The scope of our audit

Our audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the consolidated financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias on significant accounting judgments and accounting estimates by the Directors that may have represented a risk of material misstatement.

Reporting on other information

The other information comprises the information included in the annual report other than the consolidated 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 consolidated 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 consolidated 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 consolidated 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.

Strategic Report and Directors' Report

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 consolidated financial statements are prepared is consistent with the consolidated 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 its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

Independent Auditor Report to the Members of Weatherbys Bank Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of the Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, the Directors are responsible for assessing the Group'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 to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the consolidated financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the consolidated financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

Independent Auditor Report to the Members of Weatherbys Bank Limited

The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

- Obtaining an understanding of the legal and regulatory frameworks that the Group operates in, focusing on those laws and regulations that had a direct effect on the consolidated financial statements. The key laws and regulations we considered in this context included the Companies Act 2006, regulations and supervisory requirements of the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) and UK tax legislation.

- Reviewing key correspondence with regulatory authorities including the PRA, FCA and HMRC.

- Enquiry of management to identify any instances of non-compliance with laws and regulations.

- Reviewing consolidated financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

- Enquiry of management around actual and potential litigation and claims.

- Enquiry of management to identify any instances of known or suspected instances of fraud.

- Discussing among the engagement team regarding how and where fraud might occur in the consolidated financial statements and any potential indicators of fraud.

- Reviewing minutes of meetings of those charged with governance.

- Reviewing internal audit reports of the Group,

- Reviewing the control systems in place and testing the effectiveness of the controls.

- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business, and reviewing accounting estimates for bias; and

- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular with respect to provisions for impairment of loans and amounts advanced to customers.

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

Independent Auditor Report to the Members of Weatherbys Bank Limited

Other requirements

We were appointed by the Directors on 22 September 2021 to audit the financial statements of the Group and the Parent Company for the year ended 31 December 2021 and subsequent financial periods. The period of total uninterrupted engagement is accordingly one year.
We did not provide any non-audit services which are prohibited by the FRC's Ethical Standard to the Company, and we remain independent of the company in conducting our audit.

Use of our report

This report is made solely to the Group'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 Group'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 Group and the Group's members as a body, for our audit work, for this report, or for the opinions we have formed.

Rakesh Shaunak FCA, CTA
(Senior Statutory Auditor)
For and on behalf of MHA MacIntyre Hudson
Chartered Accountants and Statutory Auditor
6th Floor
2 London Wall Place
London
EC2Y 5AU

25/04/2022

Weatherbys Bank Limited

Consolidated income statement
for the year ended 31 December 2021

	Note	2021 £000	2021 £000	2020 £000	2020 £000
Interest receivable					
- interest receivable arising from debt securities		655		752	
- other interest receivable and similar income	7	35,361		33,377	
Interest payable	8	(3,996)		(4,706)	
Net interest income			32,020		29,423
Fees and commissions receivable		5,118		4,286	
Fees and commissions payable		(493)		(673)	
Rent receivable		-		130	
Other operating income		3,130		2,529	
			7,755		6,272
Operating income			39,775		35,695
Gain/(Loss) on value of derivatives		2,362		(1,355)	
Administrative expenses	5	(31,654)		(26,943)	
Depreciation and amortisation	4	(2,402)		(1,794)	
Provisions for bad and doubtful debts	16	(1,559)		(3,298)	
Share of operating profit in joint venture	19	280		268	
			(32,973)		(33,122)
Operating profit, being profit on ordinary activities before taxation			6,802		2,573
Taxation on profit on ordinary activities	9		(1,596)		(642)
Profit for the financial year			5,206		1,931

All amounts relate to continuing activities.

The notes on pages 36 to 69 form part of these financial statements.

Consolidated statement of comprehensive income
for the year ended 31 December 2021

	Group Banking 2021 £000	Group Banking 2020 £000
Profit for the financial year	5,206	1,931
Revaluation of tangible assets	458	(617)
Total comprehensive income for the year	5,664	1,314

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

The notes on pages 36 to 69 form part of these financial statements

Weatherbys Bank Limited

Consolidated balance sheet
as at 31 December 2021

Company number 02943300	Note	2021 £000	2021 £000	2020 £000	2020 £000
ASSETS					
Derivative financial assets	27		961		30
Loans and advances to banks	12		592,380		326,087
Loans and advances to customers	15		744,591		678,564
Debt securities	17		117,625		134,258
Investment in joint venture	19		330		318
Investments	20		542		546
Intangible fixed assets	13		3,154		1,822
Tangible fixed assets	14		10,747		10,085
Other assets	21		1,803		1,823
Prepayments and accrued income			3,950		2,896
Total assets			1,476,083		1,156,429
LIABILITIES					
Derivative financial liabilities	27		238		2,377
Customer accounts	22		1,404,601		1,088,767
Other liabilities	24		4,568		4,147
Accruals and deferred income			3,876		2,752
Subordinated loan	23		10,000		10,000
Total liabilities			1,423,283		1,108,043
SHAREHOLDER'S FUNDS					
Called up share capital	25	7,000		7,000	
Revaluation reserve		975		517	
Profit and loss account		44,825		40,869	
			52,800		48,386
Total liabilities and equity			1,476,083		1,156,429

The financial statements were approved by the Board of Directors and authorised for issue on 21 April 2022.

R N Weatherby
Director

The notes on pages 36 to 69 form part of these financial statements.

Weatherbys Bank Limited

Company balance sheet
as at 31 December 2021

Company number 02943300	Note	2021 £000	2021 £000	2020 £000	2020 £000
ASSETS					
Derivative financial assets	27		961		30
Loans and advances to banks	12		591,846		326,091
Loans and advances to customers	15		744,160		669,595
Debt securities	17		117,625		134,258
Investment in subsidiaries	18		10		10
Investments	20		211		214
Intangible fixed assets	13		2,649		1,517
Tangible fixed assets	14		10,314		9,534
Other assets	21		1,137		1,143
Prepayments and accrued income			2,298		2,186
Total assets			1,471,211		1,144,578
LIABILITIES					
Derivative financial liabilities	27		238		2,377
Customer accounts	22		1,407,636		1,089,983
Other liabilities	24		8,659		3,308
Accruals and deferred income			2,727		1,556
Subordinated loan	23		10,000		10,000
Total liabilities			1,429,260		1,107,224
SHAREHOLDER'S FUNDS					
Called up share capital	25	7,000		7,000	
Revaluation reserve		831		419	
Profit and loss account		34,120		29,935	
			41,951		37,354
Total liabilities and equity			1,471,211		1,144,578

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 £5,435,060 (2020: £1,730,237).

The financial statements were approved by the Board of Directors and authorised for issue on 21 April 2022.

R N Weatherby
Director

he notes on pages 36 to 69 form part of these financial statements.

Weatherbys Bank Limited

Consolidated statement of changes in equity
for the year ended 31 December 2021

	Share capital £	Revaluation reserve £	Profit and loss account £	Total equity £
1 January 2021	7,000	517	40,869	48,386
Profit for the year	-	-	5,206	5,206
Other Comprehensive expense				
Revaluation of tangible fixed assets	-	458	-	458
Other comprehensive expense for the year	-	458	-	458
Total comprehensive income for the year	-	458	5,206	5,664
Contributions by and distributions to owners				
Dividends	-	-	(1,250)	(1,250)
Total contributions by and distributions to owners	-	-	(1,250)	(1,250)
31 December 2021	7,000	975	44,825	52,800

The notes on pages 36 to 69 form part of these financial statements.

Weatherbys Bank Limited

Consolidated statement of changes in equity
for the year ended 31 December 2021

	Share capital £	Revaluation reserve £	Profit and loss account £	Total equity £
1 January 2020	7,000	1,134	39,188	47,322
Profit for the year	-	-	1,931	1,931
Other comprehensive expense				
Revaluation of tangible fixed assets	-	(617)	-	(617)
Other comprehensive expense for the year	-	(617)	-	(617)
Total comprehensive income for the year	-	(617)	1,931	1,314
Contributions by and distributions to owners				
Dividends	-	-	(250)	(250)
Total contributions by and distributions to owners	-	-	(250)	(250)
31 December 2020	7,000	517	40,869	48,386

The notes on pages 36 to 69 form part of these financial statements.

Company statement of changes in equity
for the year ended 31 December 2021

	Share capital £	Revaluation reserve £	Profit and loss account £	Total equity £
1 January 2021	7,000	419	29,935	37,354
Profit for the year	-	-	5,435	5,435
Other comprehensive expense				
Revaluation of tangible fixed assets	-	412	-	412
Other comprehensive expense for the year	-	412	-	412
Total comprehensive income for the year	-	412	5,435	5,847
Contributions by and distributions to owners				
Dividends	-	-	(1,250)	(1,250)
Total contributions by and distributions to owners	-	-	(1,250)	(1,250)
31 December 2021	7,000	831	34,120	41,951

The notes on pages 36 to 69 form part of these financial statements.

Weatherbys Bank Limited

Company statement of changes in equity
for the year ended 31 December 2021

	Share capital £	Revaluation reserve £	Profit and loss account £	Total equity £
1 January 2020	7,000	1,050	28,455	36,505
Profit for the year	-	-	1,730	1,730
Other comprehensive expense				
Revaluation of tangible fixed assets	-	(631)	-	(631)
Other comprehensive expense for the year	-	(631)	-	(631)
Total comprehensive income for the year	-	(631)	1,730	1,099
Contributions by and distributions to owners				
Dividends	-	-	(250)	(250)
Total contributions by and distributions to owners	-	-	(250)	(250)
31 December 2020	7,000	419	29,935	37,354

The notes on pages 36 to 69 form part of these financial statements.

Consolidated statement of cash flows
for the year ended 31 December 2021

	Note	2021 £000	2020 £000
Cash flows from operating activities			
Profit for the financial year before exceptional items		5,206	1,931
Adjustments for:			
Depreciation, impairment, and amortisation of fixed assets	4	2,402	1,794
Depreciation, impairment, and amortisation of debt securities	17	133	63
Taxation expense	9	1,596	642
Increase in prepayments and accrued income		(1,055)	(2)
Decrease/(increase) in trade and other debtors		20	(151)
Change in fair value of financial instruments	27	(3,069)	1,355
Loss on investments	20	3	171
(Decrease) in trade and other creditors	24	(496)	(753)
Increase/(decrease) in provisions		1,123	(766)
(Decrease)/increase in provision for bad and doubtful debts	16	(518)	2,202
Net increase in deposits from customers	22	315,834	189,410
Net increase in loans and advances to customers	15	(65,508)	(91,843)
Cash from operations		**255,671**	**104,053**
Net taxation paid		(678)	(1,389)
Net cash (used)/generated from operating activities		**254,993**	**102,664**
Cash flows from investing activities			
Investment in joint venture	19	(12)	2
Purchase of investment securities	17	(22,148)	(46,838)
Sale of investment securities	17	38,649	10,610
Purchase of intangible/tangible fixed assets	13/14	(3,939)	(1,151)
Net cash used from investing activities		**12,550**	**(37,377)**
Cash flows from financing activities			
Equity dividends paid		(1,250)	(250)
Net cash used from financing activities		**(1,250)**	**(250)**
Net increase/(decrease) in cash and cash equivalents		266,293	65,037
Cash and cash equivalents at beginning of year		326,087	261,050
Cash and cash equivalents at end of year	12	**592,380**	**326,087**

The notes on pages 36 to 69 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 Derivative Financial assets and Convertible preferred stock at fair value, and in accordance with Financial Reporting Standard 102 (FRS102) 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 FRS102 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 FRS102:

- 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.

Hedge accounting

The Group has entered into variable to fixed interest swaps to manage its exposure to interest rate cash flow on its variable rate debt. These derivatives are measured at fair value at each reporting date. To the extent the hedge is effective, the derivatives are recognised at fair value through the consolidated income statement.

1 Accounting policies *(continued)*

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	
	2021	2020	2021	2020
	£000	£000	£000	£000
Banking and financial services	31,154	26,995	6,423	2,469
Asset finance	8,621	8,700	379	104
	39,775	35,695	6,802	2,573

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

	Assets		Liabilities	
	2021	2020	2021	2020
	£000	£000	£000	£000
Banking and financial services	1,313,360	1,005,384	1,270,869	967,016
Asset finance	162,723	151,045	152,414	141,027
	1,476,083	1,156,429	1,423,283	1,108,043

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

4 Operating profit

	Banking Group 2021 £000	Bank 2021 £000	Banking Group 2020 £000	Bank 2020 £000
This is arrived at after (crediting) /charging:				
Income				
Rentals receivable under operating leases (plant and equipment)	(183)	-	(183)	-
Rentals receivable under operating leases (property)	-	-	(130)	(130)
Charges				
Depreciation on tangible fixed assets:				
- owned assets (note 14)	1,967	1,726	1,464	1,273
Amortisation of intangible assets (note 13)	435	320	330	320

4 Operating profit *(continued)*

	2021 £000	2020 £000
Auditors' remuneration:		
- fees payable to the company's auditor in respect of the company's annual financial statements	187	129
- fees payable in respect of the audit of subsidiary companies, pursuant to legislation	52	52
Total audit fees	239	181
- Other services	-	-
Total fees	239	181

5 Administrative expenses

Staff costs (including directors) consist of:	Banking Group 2021 £000	Bank 2021 £000	Banking Group 2020 £000	Bank 2020 £000
Wages and salaries	14,561	11,949	12,540	10,230
Social security costs	1,598	1,311	1,425	1,177
Pension costs	1,641	1,428	1,337	1,128
IT operations and development	3,958	3,649	3,739	3,548
Other administrative expenses	9,896	6,713	7,902	5,739
	31,654	25,050	26,943	21,822

The average number of persons employed in the Group during the year was 296 (2020 - 266) and in the Bank 233 (2020 - 206). All employees related to office and management.

Pension costs

An amount of £1,640,910 was recognised as an expense for the defined contribution plans in 2021 (2020: £1,336,684). 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 FRS102 section 28 accounts for its contributions to the defined benefits section of the pension scheme as if it was a defined contribution scheme.

5 Administrative expenses *(continued)*

Hedge Accounting

The hedged item is the portfolio of assets consisting of the Group's fixed-rate lending, fixed-rate savings, and other fixed-rate financial instruments.

The hedging instrument is made up of plain vanilla interest rate swaps transacted with third parties at prevailing market rates with the following characteristics:

- GBP denominated
- Fixed residual term to maturity and fixed or amortising notional amount
- Variable rate basis and any spread over the benchmark rate is determined at the instrument's trade date
- The Group pays fixed rate cash flows, receives variable rate cash flows on asset swaps and pays variable rate cash flows, receives fixed rate cash flows on liability swaps

No non-standard features

At the year end the fair value of the derivative was £712,101 (2022: (£2,262,335))

6 Directors' remuneration

	2021 £000	2020 £000
Emoluments	1,426	1,711
Pension contributions	150	95
	1,577	1,806

The emoluments of the highest paid director were £513,615 (2020: £443,130) and defined benefit pension contributions of £83,720 (2020: £48,480) were paid on their behalf.

Two of the directors of the Group have retirement benefits accruing under a money purchase pension scheme (2020: two).

Two of the directors of the Group have retirement benefits accruing under a Defined Benefit pension scheme (2020: two).

7 Other interest receivable and similar income

	Banking Group 2021 £000	Bank 2021 £000	Banking Group 2020 £000	Bank 2020 £000
In respect of:				
Loans and advances to customers	35,128	28,000	33,003	25,538
Loans and advances to banks	233	233	374	374
	35,361	28,233	33,377	25,912

Loans and advances to customers for 'Bank' includes interest of £5,412,246 (2020: £5,356,678 relating to the overdraft provided to its subsidiary Arkle Finance Limited.

Loans and advances to customers for 'Group' includes interest of £nil (2020: £nil) on the subordinated loan and other loans provided to its joint venture, Weatherbys Hamilton LLP.

8 Interest payable

	Banking Group 2021 £000	Bank 2021 £000	Banking Group 2020 £000	Bank 2020 £000
Client deposits	3,395	3,395	4,144	4,144
Other loans and overdrafts	601	601	562	562
	3,996	3,996	4,706	4,706

9 Taxation on profit on ordinary activities

	Banking Group 2021 £000	Bank 2021 £000	Banking Group 2020 £000	Bank 2020 £000
Current tax				
UK corporation tax on profits of the period	1,523	1,292	599	404
Adjustments in respect of previous period	(89)	(76)	(141)	(144)
Total current tax	1,434	1,216	458	260
Deferred tax				
Origination and reversal of timing differences	66	13	81	66
Adjustment in respect of prior years	93	80	126	126
Effect of tax rate change on operating balance	3	146	(23)	33
Total deferred tax	162	239	184	225
Taxation on profit on ordinary activities	1,596	1,455	642	485

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

Factors affecting tax charge for the year:

	Banking Group 2021 £000	Bank 2021 £000	Banking Group 2020 £000	Bank 2020 £000
Profit on ordinary activities before tax	6,802	6,890	2,573	2,216
Profit on ordinary activities multiplied by the standard rate of corporation tax of 19% (2020 – 19%)	1,292	1,309	489	421
Effects of:				
Fixed asset differences	52	52	-	-
Expenses not deductible for tax purposes	245	77	193	49
Income not taxable for tax purposes	(1)	(133)	(1)	(-)
Adjustments to tax charge in respect of previous periods	4	4	(16)	(18)
Tax rate changes	3	146	(23)	33
Total tax charge for the year	1,596	1,455	642	485

	Banking Group 2021 £000	Bank 2021 £000	Banking Group 2020 £000	Bank 2020 £000
Deferred tax				
Analysis of deferred tax balances				
Accelerated depreciation allowances	(451)	972	(238)	676
Movement in short term timing differences	428	(350)	376	(293)
	(23)	622	138	383
Deferred tax asset/(liability) at 1 January	138	383	322	158
Charged to the profit and loss account	(161)	239	(184)	225
Deferred tax asset/(liability) at 31 December	(23)	622	138	383

The increase in the corporation tax rate from 19% to 25% was substantively enacted in 2021. As a result, a rate change adjustment is required to restate deferred tax to the 25% rate.

10 Profit attributable to the company

	2021 £000	2020 £000
Profit on ordinary activities after taxation attributable to the shareholder of Weatherbys Bank Limited	5,435	1,730

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 2021 £000	Bank 2021 £000	Banking Group 2020 £000	Bank 2020 £000
Equity:				
Interim paid	1,250	1,250	250	250
Final proposed	-	-	-	-
	1,250	1,250	250	250

12 Loans and advances to banks

	Banking Group 2021 £000	Bank 2021 £000	Banking Group 2020 £000	Bank 2020 £000
Repayable on demand	590,867	590,333	322,995	322,999
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	1,513	1,513	3,092	3,092
	592,380	591,846	326,087	326,091

13 Intangible assets

	Banking Group Software £	Banking Group Total £	Bank Software £	Bank Total £
Cost or valuation				
At 1 January 2021	3,201	3,201	2,837	2,837
Additions	1,767	1,767	1,453	1,453
At 31 December 2021	4,968	4,968	4,289	4,289
Amortisation				
At 1 January 2021	1,379	1,379	1,320	1,320
Charge for the year	435	435	320	320
At 31 December 2021	1,814	1,814	1,640	1,640
Net book value				
At 31 December 2021	3,154	3,154	2,649	2,649
At 31 December 2020	1,822	1,822	1,517	1,517

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 2021	2,700	1,100	304	10,087	14,191
Additions	-	-	974	1,213	2,187
Disposals	-	(12)	-	(45)	(57)
Revaluation	250	162	-	-	412
At 31 December 2021	2,950	1,250	1,278	11,255	16,733
Depreciation					
At 1 January 2021	-	-	235	3,870	4,105
Charge for the year	-	47	15	1,905	1,967
Disposals	-	-	-	(39)	(39)
Revaluation	-	(47)	-	-	(47)
At 31 December 2021	-	-	250	5,736	5,986
Net book value					
At 31 December 2021	2,950	1,250	1,028	5,519	10,747
At 31 December 2020	2,700	1,100	69	6,217	10,085

The cost of assets acquired during the year for the purpose of letting under finance leases and hire purchase agreements was £56,578,000 (2020: £51,265,488). 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 2021	2,850	950	304	8,912	13,016
Additions	-		974	1,134	2,108
Disposals	-	(12)	-	(2)	(14)
Revaluation	225	187	-	-	412
At 31 December 2021	3,075	1,125	1,278	10,044	15,522
Depreciation					
At 1 January 2021	-	-	235	3,247	3,482
Charge for the year	-	-	15	1,711	1,726
Disposals	-	-	-	-	-
Revaluation	-	-	-	-	-
At 31 December 2021	-	-	250	4,958	5,208
Net book value					
At 31 December 2021	3,075	1,125	1,028	5,086	10,314
At 31 December 2020	2,850	950	69	5,665	9,534

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, 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 £nil (2020: £129,996). 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:

	2021 £000	2020 £000
Within one year	-	-
In the second to fifth years inclusive	620	930
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	2021 £000	2020 £000
Historical cost of revalued land and buildings	3,430	3,442
Depreciation based on historical cost	(1,887)	(1,733)
Historical cost net book value	1,543	1,709

Leased assets - Banking Group

Land and Buildings with a total cost of £2,950,000 (2020: £2,700,000) and related accumulated depreciation of £Nil (2020: £Nil) were held for use in operating leases

Plant and equipment with a cost of £995,000 (2020: £978,616) and related accumulated depreciation of £606,000 (2020: £484,297) 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	
	2021 £	2020 £	2021 £	2020 £
Within one year	152	200	64	15
In the second to fifth years inclusive	188	271	64	131
Later than five years	-	-	-	-
	340	471	128	146

15 Loans and advances to customers

	Banking Group 2021 £000	Bank 2021 £000	Banking Group 2020 £000	Bank 2020 £000
Repayable on demand	94,379	249,936	42,230	181,108
Remaining maturity:				
3 months or less excluding on demand	64,501	42,184	56,576	35,138
1 year or less but over 3 months	115,204	73,337	114,840	74,576
5 years or less but over 1 year	387,782	298,929	403,851	317,415
Over 5 years	86,370	80,952	65,230	62,332
Loan loss provision	(3,645)	(1,178)	(4,163)	(974)
	744,591	744,160	678,564	669,595

	Banking Group 2021 £000	Bank 2021 £000	Banking Group 2020 £000	Bank 2020 £00
Amounts included within the above:				
Due from subsidiary undertakings - unsubordinated debt	-	154,922	-	139,122
Amounts receivable under finance leases	48,368	-	57,945	-
Amounts receivable under hire purchase agreements	61,289	-	52,541	-

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*	
	2021 £000	2020 £000	2021 £000	2020 £000
Less than one year	56,559	57,933	44,547	44,673
Later than one year but less than five years	73,170	74,379	64,404	65,074
Later than five years	1,332	779	1,237	739
	131,061	133,091	110,188	110,486
Less				
Unearned finance income	(18,549)	(19,875)		
Provision for uncollectible minimum lease payments	(2,324)	(2,730)		
Net investment in leases	110,188	110,486		

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 2021 £000	Bank 2021 £000	Banking Group 2020 £000	Bank 2020 £000
Gross amount of loans individually determined to be impaired				
- loans and advances before provisions	6,833	81	6,766	35
- loans and advances after provisions	4,656	-	3,979	-
Non-performing loans and advances to customers				
- loans and advances before provisions	6,372	-	6,102	-
- loans and advances after provisions	4,314	-	3,690	-

16 Provisions for bad and doubtful debts

	Banking Group			Bank		
	Specific £	Collective £	Total £	Specific £	Collective £	Total £
At 1 January 2021	2,787	1,376	4,163	35	939	974
New provisions less releases	1,535	24	1,559	64	166	230
Write-offs less recoveries	(2,064)	(13)	(2,077)	(18)	(8)	(26)
Cumulative provisions As at 31 December 2021	2,258	1,387	3,645	81	1,097	1,178
New and additional provisions	2,299	166	2,465	85	166	251
Releases and recoveries	(764)	(142)	(906)	(21)	-	(21)
Net charge to profit and loss account	1,535	24	1,559	64	166	230

Included within the “Banking Group” and “Bank” provisions for bad and doubtful debts is £nil (2020: £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 Specific £	Banking Group Collective £	Banking Group Total £	Bank Specific £	Bank Collective £	Bank Total £
At 1 January 2020	779	1,182	1,961	44	939	983
New provisions less releases	2,976	322	3,298	-	21	21
Write-offs less recoveries	(968)	(128)	(1,096)	(9)	(21)	(30)
Cumulative provisions As at 31 December 2020	2,787	1,376	4,163	35	939	974
New and additional provisions	3,186	322	3,508	71	21	92
Releases and recoveries	(210)	-	(210)	(71)	-	(71)
Net charge to profit and loss account	2,976	322	3,298	-	21	21

17 Debt securities

	2021 Cost £000	2021 Premiums and discounts £000	2021 Book value £000	2020 Cost £000	2020 Premiums and discounts £000	2020 Book value £000
Investment securities						
At 1 January	133,620	638	134,258	97,991	102	98,093
Acquisitions	22,248	(100)	22,148	46,239	599	46,838
Disposals	(38,650)	58	(38,592)	(10,610)	36	(10,574)
Amortisation of discounts and premiums	-	(189)	(189)	-	(99)	(99)
As at 31 December	117,218	407	117,625	133,620	638	134,258
Market value			118,058			134,731
Unamortised premiums on investment securities			1			883
Unamortised discounts on investment securities			664			8

18 Investment in subsidiaries

Bank	**2021** **£000**	**2020** **£000**
Subsidiary undertakings (non-banking)		
Shares		
- Arkle Finance Limited	10	10
- Weatherbys Bank (Nominees) Limited *(Unaudited)*	-	-
- Weatherbys General Services Limited	-	-
Total unlisted	10	10

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	**2021** **£**	**2020** **£**
Investment in equity	50	50

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 £1,484,439 (2020: £1,449,839) for the year and the total aggregate amount of its capital and reserves of £1,068,100 (20120 £1,038,394) as at year end. This includes £nil (2020: £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 2021 was £280,000 (2020: £268,000).

20 Investments

	Banking Group 2021 £000	Bank 2021 £000	Banking Group 2020 £000	Bank 2020 £000
Convertible preferred stock	211	211	214	214
Investment in unlisted equity	331	-	331	-
	542	211	545	214

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 2021 £000	Bank 2021 £000	Banking Group 2020 £000	Bank 2020 £000
Amounts falling due within one year:				
Trade debtors	1,000	197	1,334	172
Corporation Tax	-	-	35	31
Due from subsidiary undertakings	-	488	-	482
Due from companies under common control	8	8	8	8
Deferred tax asset	599	-	138	-
Other debtors	196	444	308	450
	1,803	1,137	1,823	1,143

22 Customer accounts

	Banking Group 2021 £000	Bank 2021 £000	Banking Group 2020 £000	Bank 2020 £000
Repayable on demand	1,093,237	1,096,272	755,515	756,731
With agreed maturity dates or periods of notice, by remaining maturity:				
3 months or less but not repayable on demand	129,938	129,938	110,261	110,261
3 months to one year	124,096	124,096	153,802	153,802
1 year to five years	57,330	57,330	69,189	69,189
	1,404,601	1,407,636	1,088,767	1,089,983
Amounts include:				
Due to other companies under common control	4,228	7,262	3,872	5,088
Due to immediate parent company	-	-	-	-

23 Subordinated loan

	Banking Group 2021 £000	Bank 2021 £000	Banking Group 2020 £000	Bank 2020 £000
Loan issuance	10,000	10,000	10,000	10,000
	10,000	10,000	10,000	10,000

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 2021 £000	Bank 2021 £000	Banking Group 2020 £000	Bank 2020 £000
Trade creditors	1,676	5,840	3,375	2,257
Corporation tax	721	733	-	-
Deferred tax liability	622	622	-	383
Amounts due to other companies under common control	55	45	68	31
Dividend payable	1,000	1,000	250	250
Other taxation and social security	494	419	454	387
	4,568	8,659	4,147	3,308

25 Authorised share capital

	Allotted, called up and fully paid			
	2021 Number	2020 Number	2021 £000	2020 £000
Ordinary shares of £1 each	7,000	7,000	7,000	7,000

The ordinary shares each carry one voting right and dividend entitlement.

26 Commitments

The Group had total commitments of £64,720,979 (2020: £63,054,344). Commitments comprise amounts yet to be drawn under lending facilities issued to customers.

27 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.

	2021 £000	2020 £000
Loans and advances to banks	592,380	326,087
Debt securities	117,625	134,258
Treasury assets at 31 December	710,005	460,345
By credit grading		
AAA	672,486	413,253
AA	10	10
A	37,509	47,082
Treasury assets at 31 December	710,005	460,345

27 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.

	2021	**2020**
	£000	**£000**
Neither past due nor impaired	737,664	670,418
Up to three months overdue but not impaired	582	1,841
Over three months overdue but not impaired	3,145	3,675
	741,391	675,934
Individually assessed as impaired	6,845	6,793
Loan loss provision	(3,645)	(4,163)
Loans and advances to customers at 31 December	744,591	678,564

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 200-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 £914,000 (2019: £179,000) for a positive 2% shift, and a favourable impact of £1,055,000 (2020: £256,000) for a negative 2% 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.

27 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 2021	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	-	-	-	961	961
Loans and advance to banks	590,867	-	-	1,513	592,380
Loans and advances to customers	155,234	115,204	387,782	86,370	744,590
Debt securities	38,647	8,002	70,976	-	117,625
Other assets	5,155	929	-	14,443	20,527
Total assets	789,903	124,135	458,758	103,287	1,476,083
Liabilities:					
Derivatives	-	-	-	238	238
Customer accounts	1,093,237	129,938	124,096	57,330	1,404,601
Other liabilities	7,099	1,344	-	10,000	18,443
Shareholders' funds	-	-	-	52,801	52,801
Total liabilities	1,100,336	131,282	124,096	120,369	1,476,083
Gap	(310,433)	(7,147)	334,662	(17,082)	-
Cumulative gap	(310,433)	(317,580)	17,082	-	-

27 Risk management policies and objectives (continued)

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	-	-

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.

27 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 2021 £000	Group and Company 2020 £000
Financial assets		
Forward currency contracts	21	30
Interest rate swaps	940	-
Convertible preferred stock	211	214
Financial liabilities		
Forward currency contracts	10	115
Interest rate swaps	228	2,262

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.

28 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.

	2021 £'000	2020 £'000
Income	85	219
Expenditure	1,559	1,625
Companies under common control:		
- Amounts owed by related parties	8	8
- Amounts owed to related parties	4,273	3,903
Pension funds and charitable foundation:		
- Amounts owed by related parties	-	-
- Amounts owed to related parties	357	408

28 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 £nil (2019: £129,996) for rent of property and WHL £85,162 (2020: £88,921) for services rendered. During 2020 the Bank, as the owner of the property at Wellingborough, agreed a three-year rent holiday for Weatherbys Limited.

Services of £1,558,558 (2020: £1,624,630) were provided by WL.

The Bank also paid WL £nil (2020: £nil) and WGSBL £7 (2020: £31) in interest on deposits held by them.

At 31 December 2021, the Bank held deposited funds of £882,217 (2020: £728,930) on behalf of WL, £9,908 (2020: £9,679) on behalf of WIGSBL, £1,075,849 (2020: £785,547) on behalf of WGSBL and £2,260,084 (2020: £2,348,139) on behalf of WHL

At 31 December 2021 the Bank owed WL £45,430 (2020: £30,983) relating to services rendered. At 31 December 2021 WHL owed the Bank £8,260 (2020: £7,618) 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.

	2021 £'000	2020 £'000
Income	5,648	5,606
Expenditure	-	2
Amounts owed by related parties	151,417	139,603
Amounts owed to related parties	3,034	1,216

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 £248,506 (2020: £249,665) for services rendered and services of £nil (2020: £2,180) were provided by AFL to the Bank.

The Bank paid WBHL £nil (2020: £nil) in interest on deposits held by them and received from AFL £5,412,000 (2020: £5,356,678) in interest on lending facilities held.

At 31 December 2021, the Bank held deposited funds of £17 (2020: £17) on behalf of WBHL, £269,665 (2020: £752,797) on behalf of WGS and £3,684 (2020: £3,684) on behalf of WNL. At 31 December 2021 the Bank was owed £148,169,782 (2020: £138,661,445) for lending facilities provided on behalf of AFL and £486,043 (2020: £482,619) for services rendered and accrued interest.

28 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.

	2021 Number	2021 £000	2020 Number	2020 £000
Loans	3	4,577	4	4,487
Deposits	10	3,578	9	2,363

The total compensation paid to key management personnel for services provided to the Group was £5,106,795 (2020: £4,848,431).

29 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 2021	Turnover 2021 £000	Profit or loss before tax 2021 £000	Cash tax paid on profit or loss during the year 2021 £000	Public subsidies received during the year 2021 £000
United Kingdom	296	39,776	6,802	678	-

30 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.

31 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

31 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	
	2021	2020	2021	2020
	£000	£000	£000	£000
Financial assets				
Measured at fair value through profit or loss				
Derivative Financial assets (note 28)	961	30	961	30
Convertible preferred stock (note 28 and 20)	542	546	211	214
Instruments measured at amortised cost				
Loans and advances to banks (note 12)	592,380	326,087	591,846	326,091
Loans and advances to customers (note 15)	744,591	678,564	744,160	669,595
Debt Securities (note 17)	117,625	134,258	117,625	134,258
Measured at cost less impairment				
Investment in subsidiaries (note 18)	-	-	10	10
Investments in unlisted equity (note 20)	330	318	-	-
Measured at amortised cost				
Trade and other debtors (note 21)	1,803	1,823	1,137	1,143
	1,458,232	1,141,626	1,455,950	1,131,341
Financial liabilities				
Measured at fair value through profit or loss				
Derivative Financial liabilities (note 28)	238	2,377	238	2,377
Instruments measured at amortised cost				
Customer accounts (note 22)	1,404,601	1,088,767	1,407,636	1,089,983
Measured at amortised cost				
Other liabilities (note 24)	4,568	4,147	8,659	3,308
Measured at amortised cost				
Subordinated Loan (note 23)	10,000	10,000	10,000	10,000
	1,419,407	1,105,291	1,462,533	1,105,668

31 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**	
	2021	**2020**	**2021**	**2020**
	£000	**£000**	**£000**	**£000**
	Level 3	**Level 3**	**Level 3**	**Level 3**
Financial assets				
Measured at fair value through profit or loss				
Derivative Financial assets (note 28)	961	30	961	30
Convertible preferred stock (note 28 and 20)	211	214	211	214
Financial liabilities				
Measured at fair value through profit or loss				
Derivative Financial liabilities (note 28)	238	2,377	238	2,377

32 Non adjusting post Balance Sheet events

The outbreak of war in Ukraine sent chilling shockwaves across the world, increasing political and economic uncertainty just at a time when Europe was emerging from the shadow of the coronavirus pandemic. It remains to be seen how this affects the UK economy. The Group's balances and operations have not been impacted by any sanctions put in place.