Toyota Financial Services (UK) PLC

Directors' Report and Financial Statements

For the Year Ended 31 March 2019

Registered Office: **Great Burgh, Burgh Heath, Epsom, Surrey KT18 5UZ**

Registered Number: **2299961**

Toyota Financial Services (UK) PLC

Directors' Report and Financial Statements

For the Year Ended 31 March 2019

Contents

Directors' report for the year ended 31 March 2019

The directors submit their report and the audited consolidated financial statements of Toyota Financial Services (UK) PLC ("TFSUK") and its subsidiaries (the "Group") for the year ended 31 March 2019. These have been prepared using International Financial Reporting Standards (IFRSs), as adopted by the European Union.

Results and dividends

The results of the Group for the year ended 31 March 2019 are set out on page 11. The directors recommend the payment of a dividend as detailed in Note 29. The profit on ordinary activities after taxation has been transferred to retained earnings.

Business structure changes

On 29th March 2019 the Group converted the Italian branch into a subsidiary in an assets for shares transaction.

Going concern

The directors have considered the sources of liquidity available to the Group and the Company, including the European treasury funding programme, the ability to access the European Commercial Paper market and committed and uncommitted bank lines. The credit rating of Toyota Motor Corporation (AA- S&P / Aa3 Moodys), as the ultimate parent, is also considered to support the ability of the Group to raise funding as required. The directors have concluded that the Group remains well funded and is expected to remain so for the foreseeable future, and for this reason they consider the going concern basis to continue to be appropriate.

Future outlook of the business and future developments

Toyota as a brand is well positioned within the automotive sector with a continually evolving and renewing range of vehicles. This range covers all the major sectors with a bias towards small, economic and environmentally friendly vehicles. The Group is in a strong financial position, remains liquid and well-funded and expects to remain profitable. The Group is confident that its business model will continue to deliver growth and profitability. This view is supported by the internal management budget and five year plan. In the longer term Toyota is shifting towards a 'mobility company' as the industry faces profound transformation change, and the Group is exploring opportunities and transformation strategies as we strive towards our goal of realizing the future mobility society.

Principal risks and uncertainties

The Group has five main areas of financial risk arising from its activities:

Interest Rate Exposure

The majority of the Group's lending to customers is at fixed rates of interest, whereas borrowing is a mixture of fixed and variable rates. The Group manages this risk by hedging interest rate exposure through interest rate swaps.

Credit Risk

The Group manages credit risk through credit scoring, effective collections activity, and credit checks in the UK and other markets where local regulations and trading conditions permit. In addition, credit risk exposure is mitigated through collateral in relation to loan and lease products. More detail is provided in Note 3 to the financial statements.

Residual Value Exposure

The Group manages residual value risk through a robust residual value setting process, mature remarketing processes, and ongoing monitoring through quarterly asset impairment reviews referencing to industry data where available.

Liquidity Risk

The Group manages liquidity risk by employing a number of funding strategies and utilising monitoring tools to enforce group-wide policy. Diversification of funding sources via short-term and long-term capital markets (both directly and via intercompany funding sources), asset backed securitisation, committed and uncommitted bank facilities are used to manage borrowing capacity. Capital market activity is further managed by the use of a Credit Support Agreement in place with the parent company. This agreement allows the Group to utilise the credit rating of the parent when borrowing on the markets. A fee is then paid to the parent company for this privilege.

Currency Risk

The Group manages its currency risk in order to ensure that the operating businesses are not exposed to significant currency risk, mainly through matching assets & liabilities denominated in foreign currencies. More detail is provided in Note 3 to the financial statements.

Directors' report for the year ended 31 March 2019 (cont'd)

Employment policies

Toyota Financial Services (UK) PLC is an equal opportunities employer and is committed to a policy of treating all our employees and job applicants equally (irrespective of sex, race, colour, disability or marital status). The Company will, therefore, promote equal opportunity through the application of employment policies which will ensure that individuals receive treatment which is fair, equitable and consistent with their relevant aptitudes, potential, skill and abilities. All managers will seek to ensure that all employees comply with these principles. The Company also recognises that it is the duty of all employees to accept their personal responsibility for fostering a fully integrated community at work by adhering to the principles of equal opportunity and maintaining racial harmony.

All job applications will be processed in the same way, regardless of level. The selection criteria for all vacancies will be defined and reflected in the relevant job description and person specification, which all potential candidates will have access to. The Company continues to be committed to maintaining its high standard in recruitment and individuals will always be selected on the basis of aptitude, ability and suitability for the specific position. The Company gives full and fair consideration to applications for employment from disabled persons having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment, training, career development and promotion of disabled persons employed by the Company. If members of staff become disabled the Company continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

The Company keeps employees informed about matters that concern them in a variety of ways. Examples of these include an employee intranet and regular staff briefing sessions, where employees are made aware of the financial performance of the Company and future plans. Employee involvement in the Company is encouraged by various means. An example of this includes completion of a biennial satisfaction survey.

Further Information

Toyota publishes detailed global financial results and associated information on its English language web-site: "www.toyota.co.jp/en".

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

Mr C Ruben

Mr D Gillies

Mr I Ljubica

Mr Y Hiramine

Mr P Van der Burgh

Mr R Wentworth-Jessop*

*Company Secretary

Dividend

The directors recommend the payment of a £11.3m (2018: £13.4m) dividend to its immediate parent Toyota Financial Services Corporation.

Directors' report for the year ended 31 March 2019 (cont'd)

Statement of 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 prepared the group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union 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 and the group will continue in business.

The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 the group and enable them to ensure that the financial statements comply with the Companies Act 2006.

Statement of disclosure of information to auditors

In accordance with Section 418 of the Companies Act 2006, in the case of each director in office at the date the directors' report is approved:

(a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and

(b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

By Order of the Board

Rupert Wentworth-Jessop
Secretary
29 July 2019

Strategic report for the year ended 31 March 2019

The directors present their strategic report on the Group for the year ended 31 March 2019.

Review of principal activities

The principal trading activities of the Company and the Group during the year were the leasing and financing of vehicles and equipment. In addition, the Company provides financial information administration and information technology services to affiliates throughout the UK and Europe. From 1st April 2019 the Company ceased providing information technology services to affiliates.

Risks and uncertainties

The Group views risk management as a core competency which is managed at levels throughout the corporation, and through specific committees and risk professionals.

The Group faces operational risks on a day to day basis which are detailed in note 3 to the accounts, in particular:

Credit Risk – the risk that our customers or dealers will not be able to meet payments due to the Group under finance and hire agreements

Residual Value Risk – the risk that the expected values for vehicles held in our balance sheet are not realised

Funding Risk – the risk that movements in interest rates or foreign currencies impact negatively on the profitability of the Group, and the risk that the Group does not access to the liquidity required to fund ongoing operations.

The Group is committed to ensuring that it balances the need to manage these risks against our desire to provide the very best outcomes to our customers.

The Group has strategies and processes in place to manage the above risks, but there are other risks that the Group has less ability to control. The Group maintains a risk register for such risks which includes the following:

Vehicle Sales

The Groups main activity is to finance new and used Toyota and Lexus sales, if those sales decline there will be less vehicles to finance and less dealer stocking opportunity. The Group works very closely with the sales and distribution companies within its market, together with its Dealers, and sees the sale of vehicles as a partnership between all three parties.

Business Continuation

Business interruption either through software or hardware failure, or through malicious activity is a key concern to the Group. Measures are in place including arrangements with specialist providers of alternative premises and IT hardware and systems, cloud based services, and regular testing of disaster recovery and crisis management scenarios.

Regulatory

The Regulatory environment has become more complex with the introduction of the General Data Privacy Regulation, and stronger consumer credit regulations such as that by the Financial Conduct Authority in the United Kingdom. A significant breach can incur fines, loss of reputation, and a discontinuation of business. The Group manages these risks through close co-operation with Regulators, and through building compliant customer focussed cultures throughout its staff and operations.

Strategic report for the year ended 31 March 2019 (cont'd)

Key Performance Indicators (KPIs)

Fiscal Year To Date		2019	2018	Increase / (decrease)
Management KPIs (Unconsolidated Basis)				
Distributor Vehicle Sales	Units	417,574	396,123	21,451
New Vehicle Contracts Written in the Year	Units	165,423	166,737	(1,314)
Finance Penetration *	%	39.6	42.1	(2.5)
Used Vehicle Contracts Written in the Year	Units	80,285	77,718	2,567
Total Live Contracts	Units	728,861	685,325	43,536
Delinquency Ratio **	%	2.03	1.95	0.08
Return on Managed Assets	%	1.92	1.88	0.04
OPEX***	%	1.25	1.34	(0.09)
Loans and receivables	£000's	6,676,171	5,673,059	1,003,112
Profit Before Tax	£000's	92,654	124,158	(31,504)

* 'Finance Penetration' – vehicles financed as a percentage of new registrations

** 'Delinquency Ratio' – contracts in arrears as a percentage of total contracts

*** 'OPEX' – operating costs as a percentage of average earning assets

Strategy and fair review of the business

The Group's mission is to support Toyota and Lexus sales by attracting customers for life through superior financial products and services and exploring new customer focussed opportunities. Our vision is to become the most admired sales finance company in the eyes of our customers, dealers, employees and the market, whilst achieving profitability and growth in line with our shareholder expectations. Our core values of Teamwork, Respect, Challenge, Kaizen (continuous improvement) and Genchi-Genbutsu (going to the source of a problem) underpin The Toyota Way in striving to achieve our vision.

The Group mainly operates in the European Union. Within the Group the UK is the largest market and accounts for 37% of the Group's total live contracts. The economy of the European Union has performed relatively well over the year under review, as indicated by an increase in GDP growth of 2.0% during 2018, down on the prior year's growth of 2.4% but much improved from the lows of 6 / 7 years ago: 2012 (-0.4%) and 2013 (0.3%), (Calendar year Real GDP growth rate EU-28, Eurostat). Unemployment has continued to fall from 7.1% March 2018 to 6.8% March 2019 (Monthly average, EU-28 Eurostat). This is positive economically although a skills shortage is evident in some markets. Inflation increased during the year from 1.7% calendar year 2017 to 1.9% calendar year 2018, this is relatively low when compared to a longer time horizon (HICP annual average rate of change, EU-28, Eurostat).

Global economic uncertainty has reduced consumer confidence within Europe, and the automotive market has been impacted by environmental concerns, in particular the negativity around diesel powertrains, and the implementation of the Worldwide Harmonised Light Vehicle Test Procedure. As a result of these factors, passenger car registrations fell during the year in many of the markets in which the Group operates, for example: UK -3.7%, Italy -4.6%, Finland -3.9%. In the UK registrations were also impacted by Brexit uncertainty, and the reduced attractiveness of the UK vehicle market to overseas manufacturers following the fall in sterling after the Brexit vote. Overall across the European Union registrations fell from 15.2m to 15.0m (-0.2m units, -1.0%).

Toyota is very well positioned in the current market with a range of small efficient vehicles and strong representation in the 'Alternative Fuelled Vehicles' sector through our Hybrid technology. Distributor sales in the markets in which the Group operates showed a strong increase of 21,451 units, 5.4%. Financial Services market share / finance penetration fell marginally to 39.6% compared to 42.1% last year, a reduction but still a very strong result. Overall the Group provided finance to 165,423 new vehicle finance customers, in line with the prior year (166,737). This performance was driven by strong alignment between the Distributors, Sales Finance Companies and Dealer Networks across Europe, providing our customers with attractive, accessible and affordable finance products for their new Toyota / Lexus vehicles.

Used vehicles remain a core strategic priority for the Group. They provide an entry point into the Toyota and Lexus brands for future new vehicle customers, and support strong residual values. Toyota and Lexus used finance cases increased during the year to 80k, up from 78k prior year.

During the year under review the Group's portfolio of live customer contracts grew to an all-time high of 728,861, +43,536 compared to the prior year of 685,325, growth of 6.4%. Loans and receivables grew to £6.7bn, an increase of £1bn driven by the record levels of new business and customers taking advantage of balloon products which make Toyota and Lexus products accessible and affordable.

Strategic report for the year ended 31 March 2019 (cont'd)

On 9 January 2019 several banks, captive finance providers and car manufacturers were fined by the Italian Competition Authority (Authorita Garante della Concorrenza e del Mercato – "AGCM") for having infringed competition law by exchanging, according to the AGCM, sensitive information. The total issued fines amounted to €670m. The Company's branch in Italy was issued with a fine of €43.4m / £38.0m. The Company has accrued for this fine in total and has appealed the decision. The first hearing of the appeal will be in February 2020. This fine has significantly reduced the Group's profit compared to previous years.

The Group maintains a strong focus on risk management including robust underwriting, residual value setting and processes and procedures to address customers who fall into arrears. This combined with the positive economic environment impacts positively on delinquency rates, which remained stable during the year at 2.03%, a small increase on the 1.95% reported in the previous year. Used vehicle values remained stable during the year, relatively low losses were incurred from selling repossessed vehicles and from selling vehicles returned at the end of operating leases. Actual loss experience remains relatively low, although the outlook is unpredictable with uncertainty around both when, how and if the UK will exit the European Union, and the uncertainty around the trade deal which may follow. The company has reviewed all relevant risks and factored these into assessments of the recoverability of assets within the portfolio. The result of this review is an overall increase in asset impairments relative to the size of the portfolio.

The Group considered there was a risk that it could not continue operating a branch within the European Union in Italy once the UK had exited from the European Union. To protect against this risk the Italian branch was converted to a subsidiary by way of a transfer of the entire business for consideration in shares, which completed on the 29th March 2019.

The Group maintains strong cost controls and utilises the Japanese discipline of 'Kaizen' – 'continuous improvement'. Costs have been further reduced during the year delivering an OPEX of 1.25% compared to 1.34% for the previous year.

The underlying profitability of the Group excluding the impact of the Italian fine increased during the year, the return on managed assets rising from 1.88% to 1.92%. The Directors report a profit before tax for the Group of £92.7m, a decrease of £31.6m on the previous year and a profit before tax for the Company of £64.5m, a decrease of £48.7m.

By Order of the Board

Rupert Wentworth-Jessop
Secretary
29 July 2019

Independent auditors' report to the members of Toyota Financial Services (UK) PLC

Report on the audit of the financial statements

Opinion

In our opinion, Toyota Financial Services (UK) Plc's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2019 and of the group's profit and the group's and the company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Directors' Report and Financial Statements (the "Annual Report"), which comprise: the group and parent company statements of financial position as at 31 March 2019; the consolidated income statement and statements of comprehensive income, the group and parent company statements of cash flows, and the group and parent company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Strategic Report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Independent auditors' report to the members of Toyota Financial Services (UK) PLC (cont'd)

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 Directors' report for the year ended 31 March 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' repsonibilities set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Hamish Anderson (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London, UK
30th July 2019

Consolidated Income Statement for the year ended 31 March 2019

	Note	Group 2019 £000's	Group 2018 £000's
Interest and similar income	6	240,346	205,207
Fee and commission income	6	40,220	32,722
Other operating income	6	82,816	72,253
Total revenue		**363,382**	**310,182**
Interest expense and similar charges	7	(52,957)	(39,289)
Fee and commission expense	8	(4,535)	(4,087)
Gross profit		**305,890**	**266,806**
Other expenses			
- Administrative expenses		(81,360)	(74,469)
- Other operating expenses		(3,190)	(2,017)
- Depreciation and amortisation		(53,119)	(50,969)
- Credit impairment losses		(36,414)	(33,641)
- Other provisions		(37,987)	-
Total other expenses	9	**(212,070)**	**(161,096)**
Operating profit before other (losses) / gains		**93,820**	**105,710**
Other (losses) / gains	10	(12,229)	8,383
Operating profit		**81,591**	**114,093**
Share of profits of associates	11	11,063	10,065
Profit before income tax		**92,654**	**124,158**
Income tax expense	12	(29,848)	(27,261)
Profit for the year		**62,806**	**96,897**
Attributable to:			
Owners of the parent		61,279	97,278
Minority interest	13	1,527	(381)

The profit after tax of the Company was £38,590k (2018: £90,010k). As permitted by Section 408 of the Companies Act 2006, the Company's income statement has not been presented.

The notes on pages 18 to 89 form part of these financial statements.

Statements of Comprehensive Income for the year ended 31 March 2019

	Note	Group		Company	
		2019	2018	2019	2018
		£000's	£000's	£000's	£000's
Profit for the year		**62,806**	**96,897**	**38,590**	**90,010**
Other Comprehensive (expense) / Income					
Items that will not be reclassified to profit or loss					
- Exchange differences on translation of foreign operations		(14,227)	5,476	(2,134)	2,632
- Actuarial gains / (losses) on defined benefit pension schemes	27	5,453	(2,170)	5,453	(2,170)
- Actuarial (losses) / gains on other pension schemes		(90)	16	-	16
- Tax on items taken directly to equity	12	17	370	19	370
- Contribution for loan portfolio		(1,651)	-	-	-
Total items that will not be reclassified to profit or loss		**(10,498)**	**3,692**	**3,338**	**848**
Total comprehensive income for the year		**52,308**	**100,589**	**41,928**	**90,858**
Attributable to:					
Owners of the parent		51,434	100,688	41,928	90,858
Minority interest		874	(99)	-	-

The notes on pages 18 to 89 form part of these financial statements.

Statements of Financial Position as at 31 March 2019

	Note	Group 2019 £000's	Group 2018 £000's	Company 2019 £000's	Company 2018 £000's
Assets					
Cash and bank balances	14	99,909	15,422	2,259	3,991
Other assets	15	72,010	68,802	29,461	51,166
Vehicles held for sale	16	9,568	7,718	9,060	7,146
Loans and receivables	17	6,676,171	5,673,059	3,371,405	4,342,610
Derivative financial instruments	19	1,384	9,514	1,113	9,350
Property, plant and equipment	21	244,145	232,209	157,881	162,255
Intangible assets	22	4,821	4,061	106	2,803
Current tax assets	26	19,983	16,577	17,721	15,241
Deferred tax assets	20	24,983	23,709	22,789	22,095
Investments in subsidiaries	11	-	-	157,534	46,679
Investments in associates	11	66,347	68,294	16,937	16,937
Total Assets		**7,219,321**	**6,119,365**	**3,786,266**	**4,680,273**
Equity and liabilities					
Liabilities					
Trade and other payables	23	101,263	104,809	44,457	79,875
Other provisions	34	37,987	-	37,987	-
Borrowings	24	6,131,548	5,315,785	3,150,202	4,042,934
Derivative financial instruments	19	5,401	1,152	2,930	-
Other liabilities	25	301,723	78,332	52,503	76,756
Current tax liabilities	26	1,129	8,983	-	5,837
Deferred tax liabilities	20	12,236	10,695	-	-
Retirement benefit obligations	27	473	5,445	473	5,445
Total Liabilities		**6,591,760**	**5,525,201**	**3,288,552**	**4,210,847**
Capital and reserves attributable to owners of the parent					
Share capital	28	119,800	114,500	119,800	114,500
Translation reserve		609	14,457	14,273	16,407
Other reserves		-	(1,285)	-	(1,285)
Retained earnings		488,764	448,978	363,641	339,804
Equity attributable to owners of the parent		**609,173**	**576,650**	**497,714**	**469,426**
Minority interest in equity	13	18,388	17,514	-	-
Total Equity		**627,561**	**594,164**	**497,714**	**469,426**
Total Equity and Liabilities		**7,219,321**	**6,119,365**	**3,786,266**	**4,680,273**

The notes on pages 18 to 89 form part of these financial statements.

The financial statements on pages 11 to 89 were approved by the Board of Directors on 29 July 2019 and signed on its behalf by:

D Gillies

Director

Statements of Changes in Equity for the year ended 31 March 2019

	Share capital	Translation reserve	Other reserves	Retained earnings	Total Equity attributable to owners of the parent	Minority interest in equity	Total equity
Group	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
At 31 March 2018	**114,500**	**14,457**	**(1,285)**	**448,978**	**576,650**	**17,514**	**594,164**
IFRS 9 transition adjustment	-	-	-	(10,573)	(10,573)	(274)	(10,847)
At 1 April 2018	**114,500**	**14,457**	**(1,285)**	**438,405**	**566,077**	**17,240**	**583,317**
Profit for the year	-	-	-	61,279	61,279	1,527	62,806
Exchange differences on translation of overseas operations	-	(13,848)	-	-	(13,848)	(379)	(14,227)
Pension scheme net actuarial gains	-	-	-	5,380	5,380	-	5,380
Contribution for loan portfolio	-	-	-	(1,651)	(1,651)	-	(1,651)
Total comprehensive income for the year ended 31 March 2019	**-**	**(13,848)**	**-**	**65,008**	**51,160**	**1,148**	**52,308**
New shares issued	5,300	-	-	-	5,300	-	5,300
Increase in minority shareholding	-	-	-	-	-	-	-
Dividends to shareholders	-	-	-	(13,364)	(13,364)	-	(13,364)
Transfer between reserves	-	-	1,285	(1,285)	-	-	-
At 31 March 2019	**119,800**	**609**	**-**	**488,764**	**609,173**	**18,388**	**627,561**

At 1 April 2017	**104,500**	**9,263**	**(1,285)**	**362,595**	**475,073**	**9,181**	**484,254**
Profit for the year	-	-	-	97,278	97,278	(381)	96,897
Exchange differences on translation of overseas operations	-	5,194	-	-	5,194	282	5,476
Pension scheme net actuarial losses	-	-	-	(1,784)	(1,784)	-	(1,784)
Total comprehensive income for the year ended 31 March 2018	**-**	**5,194**	**-**	**95,494**	**100,688**	**(99)**	**100,589**
New shares issued	10,000	-	-	-	10,000	-	10,000
Increase in minority shareholding	-	-	-	-	-	9,366	9,366
Dividends to shareholders	-	-	-	(9,111)	(9,111)	(934)	(10,045)
At 31 March 2018	**114,500**	**14,457**	**(1,285)**	**448,978**	**576,650**	**17,514**	**594,164**

Statements of Changes in Equity for the year ended 31 March 2019 (cont'd)

	Share capital	Translation reserve	Other reserves	Retained earnings	Total equity
Company	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
At 31 March 2018	**114,500**	**16,407**	**(1,285)**	**339,804**	**469,426**
IFRS 9 transition adjustment	-	-	-	(5,576)	(5,576)
At 1 April 2018	**114,500**	**16,407**	**(1,285)**	**334,228**	**463,850**
Profit for the year	-	-	-	38,590	38,590
Exchange differences on translation of overseas operations	-	(2,134)	-	-	(2,134)
Pension scheme net actuarial losses	-	-	-	5,472	5,472
Total comprehensive income for the year ended 31 March 2019	**-**	**(2,134)**	**-**	**44,062**	**41,928**
New shares issued	5,300	-	-	-	5,300
Dividends to shareholders	-	-	-	(13,364)	(13,364)
Transfer between reserves	-	-	1,285	(1,285)	-
At 31 March 2019	**119,800**	**14,273**	**-**	**363,641**	**497,714**

At 1 April 2017	**104,500**	**13,775**	**(1,285)**	**260,689**	**377,679**
Profit for the year	-	-	-	90,010	90,010
Exchange differences on translation of overseas operations	-	2,632	-	-	2,632
Pension scheme net actuarial gains	-	-	-	(1,784)	(1,784)
Total comprehensive income for the year ended 31 March 2018	**-**	**16,407**	**-**	**88,226**	**90,858**
New shares issued	10,000	-	-	-	10,000
Dividends to shareholders	-	-	-	(9,111)	(9,111)
At 31 March 2018	**114,500**	**16,407**	**(1,285)**	**339,804**	**469,426**

Other reserves relate to branch loss replenishment for the company's Italian branch.

Statements of Cash Flows for the year ended 31 March 2019

	Note	Group 2019 £000's	Group 2018 £000's	Company 2019 £000's	Company 2018 £000's
Cash flows from operating activities					
Profit before taxation		**92,654**	**124,158**	**64,496**	**113,153**
Adjustments for:					
Depreciation and amortisation	9	53,119	50,969	35,038	37,739
Gain on sale of property, plant and equipment	9	(144)	(2,307)	522	(5,163)
Share of profits of associates	11	(11,063)	(10,065)	-	-
Foreign currency translation (gains) / losses	10	(254)	(100)	(116)	3,278
Net impairment on financial assets	9	36,414	33,641	31,502	29,752
Interest expense	7	52,957	39,289	45,661	34,761
Interest income	6	(240,346)	(205,207)	(203,601)	(178,835)
Fair value losses on derivatives		12,426	(8,855)	11,167	(9,115)
Net (decrease) / increase in other assets		(3,654)	(22,325)	22,199	(12,475)
Net increase in non-current assets held for sale		(1,858)	(590)	(1,912)	(316)
Net increase in loans and receivables		(399,859)	(1,084,661)	1,549,850	(826,515)
Net (decrease) / increase in trade and other payables		(2,880)	8,544	(35,918)	2,293
Net increase in other provisions		37,987	-	37,987	-
Net increase / (decrease) in other liabilities		229,556	34,125	(24,337)	33,898
Net (decrease) / increase in retirement benefit obligations		(84)	(13,145)	481	(13,145)
Cash used in operations		**(145,029)**	**(1,056,529)**	**1,533,019**	**(790,690)**
Interest paid		(52,391)	(38,411)	(45,569)	(33,889)
Interest received		240,346	205,207	203,601	178,835
Income taxes paid		(41,139)	(27,067)	(34,825)	(24,764)
Net cash used in operating activities		**1,787**	**(916,800)**	**1,656,226**	**(670,508)**

Statements of Cash Flows for the year ended 31 March 2019 (cont'd)

	Note	Group 2019 £000's	Group 2018 £000's	Company 2019 £000's	Company 2018 £000's
Cash flows from investing activities					
Purchase of property, plant and equipment		(148,959)	(144,722)	(74,888)	(98,354)
Proceeds from sale of property, plant and equipment		82,887	69,884	44,814	47,665
Purchase of intangible assets		(9,050)	(1,522)	(1,151)	(954)
Proceeds from sale of intangible assets		2,756	-	2,756	-
Investment in subsidiaries		(6,888)	(10,259)	(6,888)	(10,259)
Dividends paid to minority shareholders	13	-	(934)	-	-
Dividends received from associates		-	3,937	-	-
Net cash used in investing activities		**(79,254)**	**(83,616)**	**(35,357)**	**(61,902)**
Cash flows from financing activities					
Proceeds from borrowings		7,330,132	5,728,612	4,415,343	4,375,826
Repayment of borrowings		(7,170,740)	(4,744,743)	(6,024,388)	(3,648,802)
Dividends paid		(13,364)	(9,111)	(13,364)	(9,111)
Capital contribution from parent undertaking		5,300	10,000	5,300	10,000
Net cash generated from financing activities		**151,328**	**984,758**	**(1,617,109)**	**727,913**
Effects of exchange rate changes on cash and cash equivalents		1,983	7,292	166	209
Net decrease in cash and cash equivalents		75,844	**(8,366)**	**3,926**	**(4,288)**
Cash and cash equivalents at the beginning of the year		(570)	7,796	(1,667)	2,621
Cash and cash equivalents at the end of the year		**75,274**	**(570)**	**2,259**	**(1,667)**

	Note	Group 2019 £000's	Group 2018 £000's	Company 2019 £000's	Company 2018 £000's
Cash & Bank Balances	14	99,909	15,422	2,259	3,991
Bank Overdrafts	24	(24,635)	(15,992)	-	(5,658)
Cash and cash equivalents		**75,274**	**(570)**	**2,259**	**(1,667)**

The notes on pages 18 to 89 form part of these financial statements.

Notes to the Financial Statements for the year ended 31 March 2019

1. General information

Toyota Financial Services (UK) PLC ('the Company') is a wholly-owned subsidiary of Toyota Financial Services Corporation (TFSC).

Toyota Financial Services (UK) PLC and its subsidiaries ("the Group") offer financial products and services promoting Toyota and Lexus vehicle sales in the UK and Europe.

The principal trading activities of the Group and Company during the year are described in the directors' report.

In addition to the UK, the Company operates through subsidiaries in seven other European countries and a subsidiary in Kazakhstan.

The Company is a public limited company, limited by shares, domiciled and incorporated in England and Wales under the Companies Act 2006.

The address of its registered office is Great Burgh, Burgh Heath, Epsom, Surrey KT18 5UZ, United Kingdom. The registered number of the Company is no 2299961.

2. Summary of significant accounting policies

The accounting policies set out below have, unless otherwise stated, been applied consistently to all years presented in these Group financial statements.

Basis of preparation

These consolidated financial statements for the financial year to 31 March 2019 have been prepared on a going concern basis and have been approved for issue by the Board of Directors on 29 July 2019.

As permitted by Section 408 of the Companies Act 2006, the parent company's profit and loss account has not been included in these financial statements and its profit for its financial year is disclosed in the Company Statement of Changes in Equity.

The consolidated and company financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and financial instruments classified as fair value through the profit or loss. Vehicles held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

(a) Statement of compliance

The consolidated and company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and International Financial Reporting Interpretations Committee (IFRIC) interpretations, as adopted by the EU and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

(b) Functional and presentation currency

These consolidated and company financial statements are presented in pounds sterling (£), which is the Company's functional currency. All financial information presented in pounds sterling (£) has been rounded to the nearest thousand.

(c) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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 and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 4.

Changes in accounting policies

IFRS 9 Financial Instruments

The Group has applied IFRS 9 'Financial Instruments' as issued by the IASB with a date of transition of 1 April 2018. In accordance with the transition requirements, comparatives are not restated. The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets, financial liabilities and impairment of financial assets. The Group has also adopted changes to IFRS 7 'Financial Instruments: Disclosures' which have been amended due to the introduction of IFRS 9.

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

Applying IFRS 9 has resulted in the following changes to the Group's accounting policies:

Financial assets

(a) Classification and measurement

The new standard introduces three measurement categories for financial assets:

-amortised cost

-fair value through other comprehensive income (FVOCI)

-fair value through profit and loss (FVPL)

Classification and subsequent measurement depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

A financial asset is measured at amortised cost if the assets are held for collection of contractual cash flows where cash flows represent solely payments of principal and interest. The carrying amount of these assets is adjusted by any expected credit loss allowance.

A financial asset is measured at FVOCI if the cash flow characteristics are solely payments of principal and interest and held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

A financial asset that does not meet the criteria for amortised cost or FVOCI are measured at FVPL.

(b) Impairment

IFRS 9 introduces a forward looking expected credit loss model and replaces the incurred loss model under IAS 39. The Group applies a three stage model for measuring expected credit losses (ECL) based on changes in credit quality since initial recognition, as summarised below:

(i) Stage 1: 12-months ECL

A financial asset that is not credit impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored. The portion of lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.

(ii) Stage 2: Lifetime ECL – not credit impaired

If a significant increase in credit risk since initial recognition is identified, the financial asset is moved to 'Stage 2' but is not yet deemed to be credit impaired. A lifetime ECL is recognised.

(iii) Stage 3: Lifetime ECL – credit impaired

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the asset have occurred. In such a case the financial asset is moved to 'Stage 3'.

At each reporting date, the Group makes an assessment on whether there has been a significant increase in credit risk for financial assets since initial recognition.

Impairment losses are assessed individually for financial assets that are individually significant and individually or collectively for assets that are not individually significant. In making a collective assessment of impairment, financial assets are grouped into portfolios on the basis of similar credit risk characteristics.

IFRS 9 introduces the use of macroeconomic factors within the impairment model and how these affect the ECL. Examples that could be used include unemployment, interest rates, gross domestic product and inflation.

If the credit quality of a financial asset improves and reverses any previously assessed significant increase in credit risk since origination, then the provision may revert from a lifetime ECL to 12 months ECL.

Impairment losses are recognised in profit or loss and the carrying amount of the financial asset or group of financial assets reduced by establishing an allowance for impairment losses.

Measuring ECL – Explanation of inputs, assumptions and estimation techniques

ECL are the discounted product of the Probability of Default percentage (PD), Loss Given Default (LGD) and Exposure at Default (EAD) defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation either over the next 12 months or over the remaining lifetime of the obligation.

- LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12 month or lifetime basis, where 12 month LGD is the percentage of loss per unit of exposure expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

The Group has split the impairment process into three main models, Retail, Wholesale and Fleet, these being the three main types of portfolios.

Retail impairment model

The Retail impairment model calculates the ECL for loans and receivables made to general customers. On origination, the majority of the Group uses a customer scorecard as a measure of the initial credit quality and converts this into PD.

In determining whether credit risk has increased significantly since initial recognition the majority of the Group uses days past due as its measure. However, in the UK uses payments overdue as its measure. From experience, it has been the most accurate and easily available measure that predicts the potential to default. Days past due has not been used due to variations in payment days and months, which at the reporting date could potentially impact the models ability to assign specific contracts to stages. However, within the rest of the Group days past due has been used.

The majority of the Group defines a significant decrease in credit quality as being when a contract exceeds 30 days past due. In the UK, a significant decrease in credit quality is defined as being when a contract reaches one payment overdue. In addition, if any contract has previously been one payment overdue at the last reporting date but has recovered, the contract is still deemed to have experienced a decrease in credit quality.

The majority of the Group defines default as when a contract has exceeded 90 days past due. In the UK, default is defined as when a contract has reached three payments overdue. It further defines that if any contract has previously been three payments overdue at the last reporting date but has recovered, the contract is still deemed to be in default.

Forward transitions

For forward transitions, the model will use credit quality measurement to re-evaluate the portfolio at the reporting date and move specific contracts through stages based on performance.

Backward transitions

For the majority of the Group backward transition from Stage 3 to Stage 2 will happen the when days past due falls below 90 days continuously for a period of time (usually one year). Backward transition from Stage 2 to Stage 1 will happen when days past due falls below 30 days continuously for a period of time (usually one year). In the UK, there are no backward transitions as in practice there is an immaterial number of customers that ever reverse back through the stages.

Portfolio segmentation

For the purposes of calculating provisions the portfolio will be segmented by the following:

- Finance product – in line with current postings
- Credit score grade ranges

Two PD calculations are required, a 12 month PD which will be used in the calculation of stage 1 and a lifetime PD which will be used for stage 2.

12 month PD

When a finance proposal is received the customers' credit worthiness and ability to make the contractual payments is assessed using a bespoke scorecard which generates a credit score. A credit reference agency is used to associate a PD with each credit score band. The Group uses this PD for all stage 1 contracts. The PD associated to credit score will be refreshed periodically.

Lifetime PD

Lifetime PD is calculated using historic contract performance to create a cumulative PD.

LGD calculations

LGD is based on detailed historical contract performance taking into account all cash flows and is expressed as a percentage.

EAD calculations

EAD is the total value that an organisation is exposed to at the time of a loan's default. EAD is the capital outstanding balance plus any arrears on the day of default.

Macroeconomic factors

The Group conducted a trend analysis of various macroeconomic factors to see if there was any correlation with the Group's PD. The Group looked at Gross Domestic Product (GDP), disposable income, interest rates and inflation. This analysis concluded that the most significant correlation occurred between GDP and PD. A correlation coefficient for GDP and PD is calculated and used in the model. This correlation coefficient is used to calculate an adjustment to the 12 month and lifetime PDs.

There are three scenarios for the macroeconomic factor used, base, optimistic and pessimistic. Each of these are probability weighted using management judgement.

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

Wholesale impairment model

The Wholesale impairment model is to calculate ECL for loans and receivables made to dealerships for new and used car stocking, current accounts, demonstrators and mortgages for premises. The Group uses a Wholesale Master Grading System (WMGS) to provide dealer scoring of credit quality. WMGS contains a range of scores assigned to dealers based on financial and qualitative factors (including days past due). Ratings range from 1 to 12 as follows:

- 1 to 7 Performing
- 8 to 11 Underperforming
- 12 Default

Stage allocations

Upon origination, if the dealer grade is in the 1 to 7 category all the loans and receivables attributable to that dealer are allocated to stage 1. If the dealer grade is in the 8 to11 category all the loans and receivables attributable to that dealer are allocated to stage 2. If the dealer grade is in the 12 category all the loans and receivables attributable to that dealer are allocated to stage 3.

The credit risk has been deemed to increase significantly since initial recognition if the dealer grade has deteriorated 2 or more grades.

Forward transitions

A WMGS of 12 is the definition of default and the loans and receivables will be moved to stage 3. Grades of 8 or more (but less than 12) indicates the dealer has moved into stage 2.

It has been agreed that if a dealer drops 2 or more grades whilst still maintaining a grade less than 8, then there is deemed to be a significant decrease in credit quality and thus are moved to stage 2.

Backward transitions

The origination date is set to last review date (every year), thus dealers moved into bucket 2 due to a deterioration would cure naturally after 12 months as long as their grades do not get worse than 7.

The Group has made the decision that if a dealer has previously had a grade of 12 and ended up in bucket 3, they can cure back to bucket 2 should their grade improve, but never cure back to bucket 1. If the dealer was taken over and a new entity created then this rule would not apply.

12 month PD

The WMGS will provide a 12 month PD at the point of dealer scoring. TFS UK will utilise this as the PD for all loans in stage 1 and loans in stage 2 that have contract duration of less than 12 months left (this includes revolving loans and other loans).

Lifetime PD

The Lifetime PD is derived from a matrix that has been constructed based on a roll rate analysis of the dealer network's historic migration through the different risk ratings that are allocated via the WMGS. This matrix calculates a lifetime PD up to a maximum period of 10 years.

LGD calculations

A collateral assessment is performed on each type of dealer lending product. The proportion not covered by the collateral is deemed to be the generic unsecured portion, which represents the average anticipated loss, by product line, in any Default scenario.

EAD calculations

For term loans where there is no credit limit the Group will take the outstanding balance at the reporting date as the EAD. For revolving loans where there is a credit limit the Group will potentially take the utilisation of the loan or have the option to take percentage of the limit (whichever is the greater) as the EAD.

Macroeconomic factors

The Group conducted a trend analysis of various macroeconomics to see if there was any correlation with the dealer losses. The Group looked at Gross Domestic Product (GDP) and interest rates. The analysis concluded there was only correlation between GDP and dealer losses. When there was a period of negative GDP growth, dealers' credit risk rating increased and losses were subsequently incurred. Further investigation revealed that when there was a period of negative GDP growth, deemed to be 2 consecutive quarters, 20% of dealers' credit risk rating worsened by 3 grades, 10% by 2 grades and 5% by 1 grade. 65% of dealers' grades either remained static or improved. The IFRS9 wholesale model uses the macroeconomic scenario relating to GDP and calculates the impact on the provision of dealers' credit risk grades worsening as per the observed data.

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

Fleet impairment model

The Fleet impairment model calculates the ECL for loans and receivables made under the contract hire portfolio, finance leases covered by undisclosed agency agreements and other products not covered in any other model.

The simplified model, as allowed by IFRS 9, is used for operating leases in the contract hire portfolio. This model removes the requirement to monitor significant increase in credit risk and only uses lifetime PD.

The low risk model, as allowed by IFRS 9, is used for finance leases covered by undisclosed agency agreements and other products not covered in any other model. This model assumes no significant increase in credit risk and uses a 12 month PD.

Stage allocations

At origination all customers are allocated to stage 1 and appropriate PD applied.

Forward transitions

At the reporting date a review of the arrears position of all customers is performed and based on the arrears status customers are moved into stage 3 as applicable.

Backward transitions

At the reporting date a review of the arrears position of all customers is performed and based on the arrears status customers are moved back to stage 1 as applicable.

12 month PD

The low risk model uses a 12 month PD and this is obtained from the WMGS.

Lifetime PD

The simplified model uses a lifetime PD. The Lifetime PD is derived from a matrix that has been constructed based on a roll rate analysis of all fleet customers' historic migration through the different risk ratings that are allocated via the WMGS. This matrix calculates a lifetime PD up to a maximum period of 10 years.

LGD calculations

Both simplified and low risk models use an LGD derived from average write off amount divided by average amount outstanding.

EAD calculations

The EAD is amount outstanding at the reporting date.

Macroeconomic factors

The Group has deemed it is not appropriate to use any macroeconomic factors either in the simplified or low risk model due to materiality.

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

(c) Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from the assets have expired or the Group has transferred its rights to receive contractual cash flows on the financial assets in a transaction in which substantially all the risks and rewards of ownership are transferred.

Financial liabilities

(a) Classification and measurement

Financial liabilities classification and measurement remains unchanged from the prior year. Financial liabilities are classified at amortised cost, except for financial liabilities at fair value through profit or loss (as applied to derivative financial instruments).

(b) Derecognition

Financial liabilities are derecognised from the balance sheet when the Group has discharged its obligation or the contract is cancelled or expires.

Disclosures relating to IFRS 9 adoption

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Group.

(a) Classification and measurement of financial instruments

The following table summarises the impact on classification and measurement to financial assets and financial liabilities on 1 April 2018.

Group	IAS 39		IFRS 9	
	Measurement category	Carrying amount	Measurement category	Carrying amount
Financial assets		£000's		£000's
Cash and bank balances	Loans and receivables	15,422	Amortised cost	15,422
Vehicles held for sale	Loans and receivables	7,718	Amortised cost	7,718
Loans and receivables	Loans and receivables	5,673,059	Amortised cost	5,666,198
Derivative financial instruments	Fair value through profit and loss	9,514	Fair value through profit and loss	9,514

Company	IAS 39		IFRS 9	
	Measurement category	Carrying amount	Measurement category	Carrying amount
Financial assets		£000's		£000's
Cash and bank balances	Loans and receivables	3,991	Amortised cost	3,991
Vehicles held for sale	Loans and receivables	7,146	Amortised cost	7,146
Loans and receivables	Loans and receivables	4,342,610	Amortised cost	4,336,586
Derivative financial instruments	Fair value through profit and loss	9,350	Fair value through profit and loss	9,350

Group	IAS 39		IFRS 9	
	Measurement category	Carrying amount	Measurement category	Carrying amount
Financial liabilities		£000's		£000's
Derivative financial instruments	Fair value through profit and loss	1,152	Fair value through profit and loss	1,152

There were no changes to the classification and measurement of financial liabilities for the Company.

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

(b) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

The following table reconciles the carrying amounts of financial assets and financial liabilities, from their previous measurement category in accordance with IAS 39 to their new measurement category upon transition to IFRS 9 on 1 April 2018:

Group	IAS 39 carrying amount 31 March 2018	Reclassifications	Remeasurements	IFRS 9 carrying amount 1 April 2018
	£000's	£000's	£000's	£000's
Financial Assets				
Amortised Cost				
Cash and bank balances				
Closing balance under IAS 39 and opening balance under IFRS 9	15,422	-	-	15,422
Vehicles held for sale				
Closing balance under IAS 39 and opening balance under IFRS 9	7,718	-	-	7,718
Loans and receivables				
Closing balance under IAS 39 and opening balance under IFRS 9	5,673,059	-	(6,861)	5,666,198
Fair value through profit and loss account				
Derivative financial instruments				
Closing balance under IAS 39 and opening balance under IFRS 9	9,514	-	-	9,514
Financial Liabilities				
Fair value through profit and loss account				
Derivative financial instruments				
Closing balance under IAS 39 and opening balance under IFRS 9	1,152	-	-	1,152

Company	IAS 39 carrying amount 31 March 2018	Reclassifications	Remeasurements	IFRS 9 carrying amount 1 April 2018
	£000's	£000's	£000's	£000's
Financial Assets				
Amortised Cost				
Cash and bank balances				
Closing balance under IAS 39 and opening balance under IFRS 9	3,991	-	-	3,991
Vehicles held for sale				
Closing balance under IAS 39 and opening balance under IFRS 9	7,146	-	-	7,146
Loans and receivables				
Closing balance under IAS 39 and opening balance under IFRS 9	4,342,610	-	(6,024)	4,336,586
Fair value through profit and loss account				
Derivative financial instruments				
Closing balance under IAS 39 and opening balance under IFRS 9	9,350	-	-	9,350

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

c) Reconciliation of impairment allowance balance from IAS 39 to ECL allowance under IFRS 9

The following table reconciles the prior year's closing impairment allowance measured in accordance with the IAS 39 incurred loss model to the new ECL allowance measured in accordance with the IFRS 9 expected loss model at 1 April 2018.

Group	Impairment allowance under IAS 39 as at 31 March 2018	Reclassifications	Remeasurements	ECL allowance under IFRS 9 as at 1 April 2018
	£000's	£000's	£000's	£000's
Loans and receivables (IAS 39)/Financial assets at amortised cost (IFRS 9)				
Cash and bank balances	-	-	-	-
Vehicles held for sale	-	-	-	-
Loans and receivables	106,241	-	6,861	113,102

Company	Impairment allowance under IAS 39 as at 31 March 2018	Reclassifications	Remeasurements	ECL allowance under IFRS 9 as at 1 April 2018
	£000's	£000's	£000's	£000's
Loans and receivables (IAS 39)/Financial assets at amortised cost (IFRS 9)				
Cash and bank balances	-	-	-	-
Vehicles held for sale	-	-	-	-
Loans and receivables	94,008	-	6,024	100,032

d) Reconciliation of the carrying impairment amount in the Statements of Financial Position from IAS 39 to ECL allowance under IFRS 9 as at 1 April 2018

Group	Impairment allowance under IAS 39 as at 31 March 2018	Additional IFRS 9 ECL allowance	ECL allowance under IFRS 9	Retained profits impact as at 1 April 2018
	£000's	£000's	£000's	£000's
Retail model	101,523	5,403	106,926	(5,403)
Wholesale model	4,719	1,458	6,177	(1,458)
Fleet model	1,413	(231)	1,182	231
Total	**107,655**	**6,630**	**114,285**	**(6,630)**

Company	Impairment allowance under IAS 39 as at 31 March 2018	Additional IFRS 9 ECL allowance	ECL allowance under IFRS 9	Retained profits impact as at 1 April 2018
	£000's	£000's	£000's	£000's
Retail model	91,040	4,818	95,858	(4,818)
Wholesale model	2,968	1,206	4,174	(1,206)
Fleet model	1,179	(448)	731	448
Total	**95,187**	**5,576**	**100,763**	**(5,576)**

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 Revenue from Contacts with Customers was effective from 1 January 2018 replaces IAS 18 Revenue for all existing revenue guidance. The new standard sets out the rules for revenue from contracts with customers using a five step model. Revenues are to be recognised at either a specific point in time or over time.

The Group has made an assessment of the impact of IFRS 15 and it has been concluded that there are no material impacts on the financial statements.

Adopted IFRSs not yet applied

IFRS 16 – Leases

This standard was issued in January 2016 to replace IAS 17 'Leases'. For a lessee, IFRS 16 eliminates the classification of leases as either operating lease or finance lease and will require recognition of an asset and a liability for most leases. Lessors continue to classify leases as operating leases or finance leases with the approach to accounting substantially unchanged from IAS 17. The Group may have to recognise right of use of certain operating lease arrangements and corresponding liability on its financial statements. The effective date is 1 January 2019. The impact of IFRS 16 has been assessed and it is estimated that the Group's assets and liabilities will increase by £2.1m and the Company's assets and liabilities will increase by £0.9m.

Effect of new / changes to IFRS

At the date of authorisation of these financial statements the following standards, amendments and interpretations to existing standards were effective for accounting period beginning on or after 1 January 2018, but were not relevant to the Company's operations:

Amendments to IFRS 3 - 'Business Combinations'
Amendments to IFRS 4 – 'Insurance contracts'
Amendments to IFRS 11 'Joint Arrangements'

The following standards, amendments and interpretations to existing standards have been issued but are not effective for accounting periods beginning on 1 January 2018, and the Company has not early adopted them:

Amendments to IAS 28 'Investments in Associates and Joint Venture'
Annual improvements 2015-2017
IFRIC 23 – 'Uncertainty over income taxes treatments'
IFRS 17 - 'Insurance contracts' (effective date to be confirmed)

The Directors anticipate that the adoption of these standards, amendments and interpretations are either not applicable to the Group's operations or will have no material impact on the financial statements of the Group.

Consolidation

(a) Basis of consolidation

The consolidated financial statements include the assets, liabilities and results of Toyota Financial Services (UK) PLC ("the Company") and its subsidiaries ("the Group"). Results of acquired businesses are consolidated from the date of acquisition. Inter-company transactions, balances and income and expense on transactions between companies within the Group are eliminated.

The income statement includes income from interests in associated undertakings based on financial statements made up to 31 March 2019.

(b) Subsidiaries

Subsidiaries are all entities, over which the Group has the power to directly or indirectly govern the financial and operating policies, generally accompanying a shareholding of more than 50% of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The Company's interest in Group undertakings is stated at cost less any provisions for impairment.

(c) Associates

Investments in associates are accounted for using the equity method in the Group balance sheet and at cost in the Company balance sheet.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement; its share of movements in reserves is recognised in reserves.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

d) Special Purpose Entities (SPEs)

The SPEs that are utilised by the company are established for the sole purpose of meeting the securitisation needs of the company. The assets sold to the SPE are not derecognised. The SPE is accounted for as a subsidiary within the group numbers.

The company, its officers, directors and employees hold no equity interest in the SPE or receive no remuneration from the SPE. Additionally, the SPE holds no shares in the company.

Foreign currency translation

Transactions in foreign currencies are recorded at the daily closing spot rates.

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the Balance Sheet date and any exchange differences arising are taken to the Income Statement.

For consolidation purposes the assets and liabilities of overseas subsidiaries and associates are translated at closing exchange rates at the Balance sheet date. The Income Statements of such undertakings are consolidated at the average exchange rate applicable during the period where exchange rates have not been significantly fluctuating.

Exchange differences arising on the translation of the net assets and result of overseas entities are recognised in a separate translation reserve.

Revenue recognition

Revenue comprises the following:

(a) Interest income

Interest income is recognised in the income statement using the effective interest method for all financial assets that are measured at amortised cost.

Interest supplements and other support payments ('subvention income') from related parties are provided on origination of eligible contracts. Payments received are deferred on the statement of financial position within 'loans and receivables' and are recognised in 'interest and similar income' using the effective interest method.

Certain loan origination fees (income) and costs (expenses), including commissions and other bonuses payable to dealers, which can be directly associated to the origination of 'loans and receivables' are regarded as part of the economic return on the loan and included in the loan's carrying value and deferred. The amount deferred is recognised in 'interest and similar income' using the effective interest method.

Interest income is also recognised on cash and bank balances as it falls due to the Group.

(b) Fee and commission income

Fee and commission revenue that is not directly attributable to the origination of loan or lease products is recognised in accordance with contractual agreements, in profit or loss on completion of the related service.

(c) Other operating income

Other operating income mainly includes Operating Lease income, the accounting policy for which can be found under "Leases" below.

Cash and cash equivalents

For the purpose of the cash flow statement cash and cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are those with less than three months' maturity from the date of acquisition / origination and include cash and balances at banks and overdrafts. Bank overdrafts are shown within borrowings on the balance sheet but included in cash and cash equivalents within the cash flow statement.

Vehicles held for sale

Vehicles are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for sale within a year, in its present condition.

Vehicles classified as held for sale are measured at the lower of the asset's carrying amount and the fair value less costs to sell. Vehicles classified as held for sale are not depreciated.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables include finance lease receivables and overdue operating lease rentals, the accounting policy for which has been defined below separately.

Other loans and receivables are recognised initially at fair value plus transaction costs and contractual incomes that are directly attributable to their origination and are subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

The effective interest method is a method of calculating the amortised cost of a financial asset (or group of financial assets) and of allocating the interest income over the expected life of the asset.

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

The effective interest rate is the rate that exactly discounts estimated future cash flows to the instrument's initial carrying amount. Calculation of the effective interest rate takes into account fees receivable that are an integral part of the instrument's yield, subvention income, commission income and transaction costs including commission payments to dealers. All contractual terms of a financial instrument are considered when estimating future cash flows.

Where a contract is renegotiated, or other changes occur that affect the expected term, the deferred income and deferred cost balances are released over the revised expected term.

Borrowings and borrowing costs

Borrowings, including debt, are recognised initially at fair value net of transaction costs incurred.

Borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is adjusted for the amortisation of any transaction costs, premiums and discounts. The amortisation is recognised in interest expense and similar charges using the effective interest method.

Net gains and losses arising on borrowings principally derive from realised foreign exchange gains and losses on borrowings transactions during the year. These are recognised in the income statement within "Other gains and (losses)".

Financial liabilities are derecognised when they are extinguished – that is, when the obligation is discharged, cancelled or expires.

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds.

Borrowing costs directly attributable to the acquisition, construction, or production of a qualifying asset are capitalised as part of the cost of the asset.

Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

Derivative financial instruments

Derivatives are used when considered necessary to manage interest rate and currency risk arising from underlying exposure(s) within normal business operations. Derivatives are not used for speculative purposes.

Derivatives are categorised as 'held for trading' unless they are designated as hedging instruments. Currently no derivatives have been designated as hedging instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. It is not group policy to apply hedge accounting. Consequently, all changes in the fair value of any derivative instruments are recognised immediately in the income statement within "Other gains and (losses)". Accrued interest on derivatives is recorded in the income statement within "interest expense and similar charges".

Fair values are determined from quoted prices in active markets where available. Where there is no active market for an instrument, fair value is derived from prices for the derivative's components using appropriate pricing or valuation models, including recent market transactions, and valuation techniques including discounted cash flow models and options pricing models, as appropriate.

All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Where there is the legal ability and intention to settle net, then the derivative is classified as a net asset or liability as appropriate.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Property, plant and equipment

Items of property, plant and equipment are carried at cost less any accumulated depreciation and any accumulated impairment losses.

When an item of property, plant and equipment comprises major components having different useful lives, they are accounted for separately.

Depreciation is charged to profit or loss on a straight-line basis so as to write off the depreciable amount of property, plant and equipment over the estimated useful life of the assets as follows:

- Leasehold Improvements: 5 - 10 years
- Motor Vehicles: 3 - 6 years
- Office Furniture and Equipment: 3 - 10 years
- Computer Hardware: 3 - 5 years
- Operating Lease Assets: Life of the lease

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing proceeds with carrying amount. These are included in other operating expenses in the income statement.

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and any accumulated impairment losses.

Directly attributable costs associated with the development of an intangible asset that will generate future economic benefits are capitalised as part of the intangible asset.

Amortisation is charged to profit or loss on a straight-line basis over the asset's estimated useful life and is included in "Depreciation and amortisation".

The estimated useful economic lives are as follows:

- Computer software: 3 - 5 years

Impairment of non-financial assets

An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount. At each reporting date the reporting entity assesses whether there is any indication that an asset may be impaired. If any such indication exists the recoverable amount of the asset is estimated.

Property plant and equipment is subject to an impairment review if there are events or changes in circumstance which indicate that the carrying amount may not be recoverable. Impairment losses arising from changes in future residual values for operating leases are recognised as additional depreciation.

Intangible assets are subject to impairment review if there are events or changes in circumstances that indicate that the carrying amount may not be recoverable.

Intangible assets that have an indefinite useful life or are not yet ready for use are tested for impairment annually. An intangible asset recognised during the current period is tested before the end of the current year.

Provision for vehicle residual value losses

Residual values represent the estimated value of the vehicle at the end of the retail or lease plan. Residual values are calculated after analysing published residual values and the Group's own historical experience in the used vehicle market. Residual value provisions are accounted for as an adjustment to the carrying value of assets. The amount of any impairment to residual values is accounted for as a deduction to 'loans and receivables'.

Leases

(a) Finance Leases

Contracts to lease assets are classified as finance leases if they transfer substantially all the risks and rewards of ownership of the asset to the customer. All other contracts to lease assets are classified as operating leases.

Finance leases include amounts advanced to customers related to assets purchased under conditional sales and personal contract purchase agreements (hire purchase contracts) and assets leased under finance leases. Impairment losses arising from changes in future residual values for finance leases are recognised as part of impairment of financial assets.

Finance lease receivables are stated in the balance sheet at the amount of the net investment in the lease being the minimum lease payments and any unguaranteed residual value discounted at the interest rate implicit in the lease.

Finance lease income is allocated to accounting periods so as to give a constant periodic rate of return before tax on the net investment.

(b) Operating Leases

Where the Group is the lessor:

Operating lease assets to customers are included within property, plant and equipment and depreciated over their useful lives (life of the lease), in accordance with the accounting policy for property, plant and equipment.

All rental income from operating leases is credited to the income statement on a straight line basis over the term of the lease.

Where the Group is the lessee:

All leases entered into by the Group as a lessee are operating leases.

Operating lease rental expense is charged to the income statement on a straight line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

Provisions, contingent liabilities and contingent assets

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a present legal or constructive obligation as a result of past events, and a reliable estimate can be made of the amount of the obligation.

If these conditions are not met, no provision is recognised.

Provisions are not recognised for future operating losses.

A provision is used only for expenditure for which the provision was originally recognised.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date, which is the amount that an entity would rationally pay to settle the obligation at the balance sheet date or to transfer it to a third party at that time.

Contingent liabilities are not recognised but are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised but are disclosed, where an inflow of economic benefits is probable.

Current and deferred income tax

(a) Current income tax

The charge for current tax is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the reporting entity and it is probable that the temporary difference will not reverse in the foreseeable future.

Employee benefits

(a) Short-term employee benefits

The Group does not apply any actuarial assumptions in measuring its short-term employee benefit obligations. These obligations are measured on an undiscounted basis.

(b) Post-employment benefits

The Group provides employee retirement benefits in the form of defined contribution plans and a defined benefit plan.

Under the defined contribution plans, the reporting entity recognises the contribution paid to a fund when an employee has rendered service in exchange for those contributions.

For the defined benefit plan, the plan's liabilities are measured on an actuarial basis using the projected unit credit method, and discounted at a rate that reflects the current rate of return on a high quality corporate bond of equivalent term and currency to the plan liabilities. Any surplus or deficit of plan assets over liabilities is recognised in the balance sheet as an asset (surplus) or liability (deficit).

Actuarial gains and losses are recognised in full in the period in which they occur outside the income statement in equity and disclosed in the Statement of Comprehensive Income.

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

Dividend distribution

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Group's shareholders.

Securitisation

Sold finance receivables are not derecognised. The risks and rewards of the sold receivables are not transferred and as such the criteria for derecognition are not met. Sold receivables are recognised at the amount of the net investment in the finance lease, as per the recognition of all finance leases.

The SPE recognises a liability for the subordinated debt.

Impairment of financial assets (comparatives under IAS 39)

A financial asset, or portfolio of financial assets, is impaired and an impairment loss incurred if there is objective evidence that an event or events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the asset. The Group assesses financial assets for impairment on a quarterly basis.

Impairment losses are assessed individually for financial assets that are individually significant and individually or collectively for assets that are not individually significant. In making a collective assessment of impairment, financial assets are grouped into portfolios on the basis of similar credit risk characteristics. Future cash flows from these portfolios are estimated on the basis of the contractual cash flows and historical loss experience for assets with similar credit risk characteristics. Historical loss experience is adjusted, on the basis of current observable data, to reflect the effects of current conditions not affecting the period of historical experience.

Impairment losses are recognised in profit or loss and the carrying amount of the financial asset or group of financial assets reduced by establishing an allowance for impairment losses.

If in a subsequent period the amount of the impairment loss reduces and the reduction can be ascribed to an event after the impairment was recognised, the previously recognised loss is reversed by adjusting the allowance. Interest income continues to be recognised on the adjusted carrying amount, using the original effective interest rate, after an impairment loss has been recognised on a financial asset or group of financial assets.

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

3. Financial Risk management

3.1 Credit risk

Credit risk is the possibility of loss from a customer's failure to make payments according to contract terms.

Credit risk arises from exposures to wholesale and retail customer contracts, including outstanding receivables and committed transactions as well as cash and cash equivalents, derivative financial instruments with a positive fair value and deposits with banks and financial institutions.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, plus undrawn credit commitments disclosed in Note 30(a), represent the Group's maximum exposure to credit risk without taking account of the value of any collateral held.

3.1.1. Credit risk measurement

(a) Investment & derivative counterparty credit risk

Counterparty credit risk is the risk that the Company (or Group) could incur a loss if the counterparty to an investment, interest rate or foreign currency derivative with the Company (or Group) defaults.

The Group generally only transacts with entities that are rated the equivalent of investment grade and above as a means of mitigating the risk of financial loss from defaults.

The Group's exposure and the credit ratings of its counterparties are continuously monitored and managed by diversifying derivative activity amongst highly rated approved counterparties.

Substantially all of the Group's treasury activities are transacted with financial institutions, and wherever legally enforceable, payments for derivative transactions are netted. Counterparty offset is completed where there is a current enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis.

Credit exposure is controlled by counterparty limits that are established in order to minimise risk and provide counterparty diversification - these are reviewed and approved by Group Treasury on a regular basis.

As at 31 March 2019 and 2018 no individual counterparty exposures exceeded limits set out in exposure management practices. No individual exposure is considered significant in the ordinary course of treasury management.

The Group holds cash deposits in a range of financial institutions, the majority of which at the balance sheet date had a credit rating between A and AA-.

(b) Loans and receivables credit risk

The Group employs a range of policies and practices to mitigate credit risk. Common practice is to require collateral from customers in relation to loan and lease products, which for the majority of customer arrangements, mitigates the credit risk involved.

The principal collateral types for loans and receivables are:

- Legal title and charges over vehicles under finance leases or loans;
- Charges over business assets such as premises, inventory and accounts receivable;

In the case of customer default, the value of the repossessed collateral provides a source of protection.

Loans and receivables consist of a large number of customers (including dealers); credit scoring is performed based on publicly available information, and historical information from past transactions. Applications for new leases or loans must be approved based on this internal credit scoring process. The effectiveness of this process is monitored and reviewed.

Deposits are frequently required and taken from customers based on their risk profile. Ongoing credit evaluation and monitoring is performed on the financial condition of accounts receivable.

Currently, no significant concentration of risk is considered to exist based on the factors above and the credit monitoring processes performed. This includes review of undrawn credit commitments which are identified in Note 30(a).

The Group also seeks to mitigate credit risk by taking collateral in vehicles being financed.

Under 'Hire Purchase' contracts (accounted for as 'Finance Leases') the Group retains legal title over the vehicle and can repossess the vehicle if the customer defaults. The majority of hire purchase agreements are in the UK, where a court order is required if the customer has repaid a third or more of the amount payable under the contract.

The Group operates two loan products: 'Personal Loans' and 'Car Purchase Loans'. Under Car Purchase Loans the company registers a charge over the vehicle financed. There is no collateral involved in Personal Loan Contracts.

All of the above is standard industry practice and the Group does not keep records of the fair value of collateral held as this would be onerous and difficult to obtain and maintain and would add little commercial value.

At initiation, the Group prices the contract with the intention that the value of the vehicle will remain higher than the amount outstanding on the contract throughout its life. In a default situation there will be unpaid rentals and charges which are added to the amount outstanding. The value of the repossessed collateral on such cases ranges between 60-66% of the amount outstanding.

Every reasonable effort is made to monitor and follow-up on delinquent customer accounts, and to keep accounts current.

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

Repossession is considered in the last resort. A repossessed vehicle is sold and proceeds are applied to the amount owing on the related customer account. Collection of the remaining balance continues after repossession until the account is either paid in full or deemed to be economically uncollectable.

The Group and Company's credit risk exposure is detailed in the table below:

Group	Stage 1 – 12 Month ECL	Stage 2 – Lifetime ECL	Stage 3 – Credit impaired	Total
	£000's	£000's	£000's	£000's
2019				
Finance leases	255,680	184,876	3,914	444,470
Hire purchase	3,630,273	1,169,339	32,169	4,831,781
Retail loans	587,048	10,561	4,139	601,748
Wholesale loans	860,569	203,806	22,482	1,086,857
Gross loans and receivables	**5,333,570**	**1,568,582**	**62,704**	**6,964,856**
ECL allowance	(29,891)	(73,871)	(35,430)	(139,192)
Loans and receivables less impairment	**5,303,679**	**1,494,711**	**27,274**	**6,825,664**

Company	Stage 1 – 12 Month ECL	Stage 2 – Lifetime ECL	Stage 3 – Credit impaired	Total
	£000's	£000's	£000's	£000's
2019				
Finance leases	106,001	-	55	106,056
Hire purchase	2,752,468	53,614	17,349	2,823,431
Retail loans	1,009	-	8	1,017
Wholesale loans	416,683	188,590	-	605,273
Gross loans and receivables	**3,276,161**	**242,204**	**17,412**	**3,535,777**
ECL allowance	(10,794)	(6,136)	(6,599)	(23,529)
Loans and receivables less impairment	**3,265,367**	**236,068**	**10,813**	**3,512,248**

3.2 Market risk

3.2.1 Market risk management strategies

Interest rate risk

The Group is exposed to interest rate risk as a result of lending and borrowing activities. The Group uses a mixture of fixed and floating interest rate and short and long term debt, including securitised debt, which is used to fund a mixture of fixed and floating interest rate assets.

The Group manages interest rate risk on a business unit basis by maintaining an appropriate mix of fixed and floating rate borrowings and by the use of interest rate swap contracts. The group has not adopted hedge accounting.

The Group maintains the flexibility to raise long term borrowings at fixed rates and swap them into floating rates that are lower than those available if the Group borrowed at floating rates directly.

Interest rate risk management activities are evaluated on a regular basis to ensure alignment with interest rate forecasts and the Group's defined risk appetite. Interest rate risk management seeks to implement optimal risk management strategies are continually applied, by either positioning the balance sheet or protecting interest expense through different interest rate cycles.

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

The Group's interest rate risk exposure derives from the following financial contracts:

Group	Fixed rate £000's	Floating rate £000's	Non interest bearing £000's	Total £000's
2019				
Cash and bank balances				
- Cash and bank balances	2,985	92,713	-	95,698
- Deposits	4,043	164	-	4,207
- Cash associated with securitisation transaction	-	4	-	4
Total cash and bank balances	**7,028**	**92,881**	**-**	**99,909**
Loans and receivables				
- Finance lease	355,424	67,562	-	422,986
- Hire purchase	4,512,393	94,393	-	4,606,786
- Retail loans	294,740	301,323	-	596,063
- Wholesale loans	346,053	702,956	-	1,049,009
- Operating Lease	58	-	1,269	1,327
Total loans and receivables	**5,508,668**	**1,166,234**	**1,269**	**6,676,171**
Borrowings	(2,000,252)	(4,127,875)	(3,421)	(6,131,548)
Pre-derivative position (a)	**3,515,444**	**(2,868,760)**	**(2,152)**	**644,532**
Derivative effect (b)	(2,430,645)	2,430,645	-	-
Net position (a) + (b)	**1,084,799**	**(438,115)**	**(2,152)**	**644,532**

	Fixed rate £000's	Floating rate £000's	Non interest bearing £000's	Total £000's
2018				
Cash and bank balances				
- Cash and bank balances	508	11,700	-	12,208
- Deposits	3,052	159	-	3,211
- Cash associated with securitisation transaction	-	3	-	3
Total cash and bank balances	**3,560**	**11,862**	-	**15,422**
Loans and receivables				
- Finance lease	293,524	68,922	-	362,446
- Hire purchase	4,006,568	66,943	-	4,073,511
- Retail loans	254,539	300,483	-	555,022
- Wholesale loans	8,111	672,783	-	680,894
- Operating Lease	30	-	1,156	1,186
Total loans and receivables	**4,562,772**	**1,109,131**	**1,156**	**5,673,059**
Borrowings	(1,490,481)	(3,822,113)	(3,191)	(5,315,785)
Pre-derivative position (a)	**3,075,851**	**(2,701,120)**	**(2,035)**	**372,696**
Derivative effect (b)	(1,996,376)	1,996,376	-	-
Net position (a) + (b)	**1,079,475**	**(704,744)**	**(2,035)**	**372,696**

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

Company	Fixed rate	Floating rate	Non interest bearing	Total
	£000's	£000's	£000's	£000's
2019				
Cash and bank balances				
- Cash and bank balances	-	2,259	-	2,259
Total cash and bank balances	**-**	**2,259**	**-**	**2,259**
Loans and receivables				
- Finance lease	115,413	-	-	115,413
- Hire purchase	2,619,171	48,581	-	2,667,752
- Retail loans	774	-	-	774
- Wholesale loans	-	586,198	-	586,198
- Operating Lease	-	-	1,268	1,268
Total loans and receivables	**2,735,358**	**634,779**	**1,268**	**3,371,405**
Borrowings	(45,781)	(3,101,000)	(3,421)	(3,150,202)
Pre-derivative position (a)	**2,689,577**	**(2,463,962)**	**(2,153)**	**223,462**
Derivative effect (b)	(2,015,000)	2,015,000	-	-
Net position (a) + (b)	**674,577**	**(448,962)**	**(2,153)**	**223,462**

	Fixed rate	Floating rate	Non interest bearing	Total
	£000's	£000's	£000's	£000's
2018				
Cash and bank balances				
- Cash and bank balances	-	3,991	-	3,991
Total cash and bank balances	**-**	**3,991**	**-**	**3,991**
Loans and receivables				
- Finance lease	213,380	-	-	213,380
- Hire purchase	3,547,679	31,554	-	3,579,233
- Retail loans	1,538	-	-	1,538
- Wholesale loans	-	547,303	-	547,303
- Operating Lease	-	-	1,156	1,156
Total loans and receivables	**3,762,597**	**578,857**	**1,156**	**4,342,610**
Borrowings	(1,213,085)	(2,826,659)	(3,190)	(4,042,934)
Pre-derivative position (a)	**2,549,512**	**(2,243,811)**	**(2,034)**	**303,667**
Derivative effect (b)	(1,640,000)	1,640,000	-	-
Net position (a) + (b)	**909,512**	**(603,811)**	**(2,034)**	**303,667**

Short-term borrowings, with a term of 1-3 months, are included within floating rate borrowings to reflect their economic impact.

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

3.2.2 Market risk - Currency risk

The Group operates internationally via its operating subsidiaries and branch operations (until March 2019). Across the Group, foreign exchange risk arises from commercial transactions, recognised assets, and liabilities such as from issuing debt denominated in foreign currencies.

Management policy requires Group companies to manage their foreign exchange risk against their functional currency. The currency risk associated with transacting contracts in currencies other than the functional currency of the subsidiary or branch (until March 2019), are managed by matching currencies of assets and liabilities.

Where foreign currency denominated debt is not matching foreign currency denominated assets, the exposure from this debt is managed by the use of currency derivatives linked to specific foreign currency debt issuance. The effect of the use of currency derivatives is to maintain borrowing in the functional currency of the operating subsidiary.

With respect to near term foreign exchange risk, the Group uses foreign exchange swaps to manage foreign exchange transaction exposure.

As a result of the currency risk management policies and processes, the operating business units are not exposed to significant currency risk.

Due to the currency risk management policies and processes, the Group's sensitivity to changes in currency exchange rates is not significant in terms of net gains and losses recognised in the income statement.

It is not Group policy to hedge against fluctuations in the value of structural foreign currency investments in overseas operations as such investments are considered to be of a long term nature.

The company's structural foreign currency exposure is limited to its capital investment in foreign operations.

Structural Foreign Currency Exposure	Group & Company	
	2019	2018
	£000's	£000's
Euro	163,983	153,445
Other	72,705	47,752
Total	**236,688**	**201,197**

The impact on equity (through the exchange revaluation reserve) of a 5% change in exchange rates at the reporting date is shown below:-

	Group & Company	
	2019	2018
	£000's	£000's
Loss from Sterling strengthening by 5%	(11,271)	(9,581)
Gain from Sterling weakening by 5%	12,457	10,589

3.2.3 Sensitivity analysis of Market risks

The Group performs regular sensitivity analysis of several market risk factors. Below are the results of sensitivity analysis conducted:

For the year ended 31 March 2019, a 1% increase in interest rates would have resulted in an increase in interest expense of £17,149k (2018: £18,249k).

For the year ended 31 March 2019, a 10% decrease in used car market values would have resulted in an increase of residual value exposure of £18,762k (2018: £14,746k).

For the year ended 31 March 2019, a 1% increase in credit arrears would have resulted in a loss of £112k (2018: £83k).

Sensitivity analysis related to credit risk impairment has been performed in Note 4.

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

3.3 Liquidity risk

Liquidity risk is the risk that the Group is unable to meet payment obligations associated with its financial liabilities when they fall due.

The management of liquidity is primarily carried out locally in the operating companies of the Group in accordance with practices and limits set by the Toyota Financial Services Corporation (TFSC) global policy, which is closely monitored to enforce Group-wide compliance.

Across the Group, liquidity requirements are managed by the use of both short and long-term cash flow forecasts, and by monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Maintenance of parent company policy limits and forecasts are supplemented by the availability of a number of different funding options including: maintaining funding from an adequate amount of committed and uncommitted credit facilities, securitised debt and maintaining access to sources of parent company group liquidity via the global funding vehicle operated by its global treasury operations.

Due to the dynamic nature of the underlying businesses, Group Treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The following table details the contractual maturity of non-derivative financial liabilities and derivative financial instruments. The analysis is based on gross contractual (undiscounted) cash flows payable. The position shown does not consider the options highlighted above, such as committed credit lines and the underlying liquidity position of the related party funding vehicle which provides the majority of the debt to the group.

Foreign currency cash flows included in the table below have been translated using market rates. Where future interest payments are variable, the cash flows are based on the interest rate index at the balance sheet date. The major indices to which interest rate exposure arises are 3 month LIBOR and 3 month EURIBOR.

When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to current market indices at the reporting date.

Group				
2019	**Due within 3 months**	**Due between 3 and 12 months**	**Due between 1 and 5 years**	**Due after 5 years**
	£000's	**£000's**	**£000's**	**£000's**
Bank borrowings	245,844	280,136	1,032,499	-
Related party borrowings	1,080,839	1,201,720	2,306,804	-
Total debt cash flows	**1,326,683**	**1,481,856**	**3,339,303**	-
Interest derivatives	347	1,172	4,004	-
Total derivative cash flows	**347**	**1,172**	**4,004**	-
Total net cash flows	**1,327,030**	**1,483,028**	**3,343,307**	-

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

2018	**Due within 3 months**	**Due between 3 and 12 months**	**Due between 1 and 5 years**	**Due after 5 years**
	£000's	**£000's**	**£000's**	**£000's**
Bank borrowings	266,907	286,207	1,036,379	-
Related party borrowings	677,102	1,175,237	1,966,698	-
Total debt cash flows	**944,009**	**1,461,444**	**3,003,077**	**-**
Interest derivatives	375	1,935	2,946	-
Total derivative cash flows	**375**	**1,935**	**2,946**	**-**
Total net cash flows	**944,384**	**1,463,379**	**3,006,023**	**-**

Company

2019	**Due within 3 months**	**Due between 3 and 12 months**	**Due between 1 and 5 years**	**Due after 5 years**
	£000's	**£000's**	**£000's**	**£000's**
Bank borrowings	70,636	10,003	730,009	-
Related party borrowings	842,550	493,793	1,075,339	-
Total debt cash flows	**913,186**	**503,796**	**1,805,348**	**-**
Interest derivatives	215	1,170	3,687	-
Total derivative cash flows	**215**	**1,170**	**3,687**	**-**
Total net cash flows	**913,401**	**504,966**	**1,809,035**	**-**

2018	**Due within 3 months**	**Due between 3 and 12 months**	**Due between 1 and 5 years**	**Due after 5 years**
	£000's	**£000's**	**£000's**	**£000's**
Bank borrowings	232,431	230,207	894,184	-
Related party borrowings	489,237	722,317	1,557,468	-
Total debt cash flows	**721,668**	**952,524**	**2,451,652**	**-**
Interest derivatives	166	1,821	2,772	-
Total derivative cash flows	**166**	**1,821**	**2,772**	**-**
Total net cash flows	**721,834**	**954,345**	**2,454,424**	**-**

There are other possible contractual cash flows in respect of wholesale credit lines shown in Note 30.

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

3.4 Fair value of financial assets and liabilities

The following tables compare the carrying value and fair value financial assets and liabilities both presented and not presented on the balance sheet at fair value.

The different fair value hierarchy levels have been defined as follows:

Level 1 – the asset is freely traded on an open market

Level 2 – quoted prices are available in active markets for similar assets or liabilities or other valuation techniques for which all significant inputs are based on observable market data

Level 3 – valuation techniques for which any significant input is not based on observable market data.

Fair value is obtained by calculating the amount at which an asset or liability could be exchanged in an arm's length transaction between informed and willing parties other than in a forced liquidation.

(a) Fair value of financial assets and liabilities that are presented on the balance sheet at fair value

Derivative financial instruments are the only financial assets and liabilities that are presented in the balance sheet at their fair value.

The fair value of derivative financial instruments is based on current market prices where available.

Where active market prices are not available, the fair value of interest rate SWAPS is based on future cash flows discounted at the current rate for similar debt or assets with the same remaining maturities. This amount is then reduced by the relevant non-performance risk factor.

Group	**2019**			**2018**		
Financial assets	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Derivative financial instruments	-	1,384	-	-	9,514	-
Financial liabilities						
Derivative financial instruments	-	5,401	-	-	1,152	-

Company	**2019**			**2018**		
Financial assets	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Derivative financial instruments	-	1,113	-	-	9,350	-
Financial liabilities						
Derivative financial instruments	-	2,930	-	-	-	-

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

(b) Fair value of financial assets and liabilities that are not presented at fair value on the balance sheet

Financial assets:

The fair value of cash held in the group's bank accounts is the same as the carrying amount.

The book value of short-term financial assets approximates their fair value due to the short maturities of these instruments.

The fair value calculation for loans and receivables is based on discounting expected future cash flows using an estimated discount rate that reflects the following:

- Expected future interest rates derived from quoted market rates at the reporting date
- Current market credit spreads based on recent transactions of similar financial instruments
- Current product yields based on recently incepted transactions of similar receivable type

This amount is then reduced by the relevant non-performance risk factor, the impairment relevant to that receivable type.

Statistical methods are used that divide receivables into segments by type of receivables and contractual term.

Financial liabilities:

The book value of short-term financial liabilities approximates their fair value due to the short maturities of these instruments.

The fair value of borrowings is based on current market prices where available.

Where active market prices are not available, the fair value of fixed interest borrowings is based on future cash flows discounted at the current rate for similar debt or assets with the same remaining maturities.

The carrying value of loans and receivables is shown net of impairment.

Group	**2019**				**2018**			
	Fair Value			**Carrying Value**	**Fair Value**			**Carrying Value**
	Level 1	**Level 2**	**Level 3**		**Level 1**	**Level 2**	**Level 3**	
	£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Financial assets								
Loans and finance lease receivables								
- Finance leases	-	-	445,092	422,986	-	-	390,258	362,446
- Hire purchase	-	-	4,658,564	4,606,786	-	-	4,227,345	4,073,511
- Retail loans	-	-	600,465	596,063	-	-	578,692	555,022
- Wholesale loans	-	-	1,073,539	1,049,009	-	-	701,976	680,894
Total financial assets	-	-	**6,777,660**	**6,674,844**	-	-	**5,898,271**	**5,671,873**
Financial liabilities								
Borrowings								
- Bank overdraft		24,281		24,635	-	15,817	-	15,992
- Bank borrowings		693,003		743,692	-	782,119	-	782,527
- Securitised loan		707,227		700,281	-	710,481	-	700,230
- Related party borrowings		4,752,546		4,662,940	-	3,663,842	-	3,817,036
Total financial liabilities		**6,177,057**		**6,131,548**	-	**5,172,259**	-	**5,315,785**

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

Company	2019				2018			
	Fair Value			Carrying Value	Fair Value			Carrying Value
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Financial assets								
Loans and finance lease receivables								
- Finance leases	-	-	105,694	115,413	-	-	228,471	213,380
- Hire purchase	-	-	2,571,663	2,667,752	-	-	3,739,587	3,579,233
- Retail loans	-	-	971	774	-	-	1,700	1,538
- Wholesale loans	-	-	610,728	586,198	-	-	568,397	547,303
Total financial assets	**-**	**-**	**3,289,056**	**3,370,137**	**-**	**-**	**4,538,155**	**4,341,454**
Financial liabilities								
Borrowings								
- Bank overdraft	-	-	-	-	-	5,483	-	5,658
- Bank borrowings	-	70,592	-	70,589	-	600,329	-	598,313
- Securitised loan	-	707,227	-	700,281	-	710,481	-	700,230
- Related party borrowings	-	2,391,313	-	2,379,332	-	2,735,641	-	2,738,733
Total financial liabilities	**-**	**3,169,132**	**-**	**3,150,202**	**-**	**4,051,934**	**-**	**4,042,934**

3.5 Capital management

The Group's managed capital consists of shareholders' equity, as disclosed in Note 28.

The Group's objectives when managing capital are:

• To safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;

• To provide an adequate return to the Group's primary shareholder, Toyota Financial Services Corporation ('TFSC'), by pricing products and services commensurately with the level of risk; and

• To remain within covenants agreed with the UK tax authorities relating to interest cover and debt to equity ratio.

The Group monitors capital on the basis of the debt-to-equity ratio. Net debt includes the following categories detailed in the note on Borrowings:

- Bank overdraft
- Bank borrowings (including securitised loans)
- Related party borrowings*

* These items include inter-company funding loans from Toyota Motor Finance Netherlands B.V., a fellow subsidiary of TFSC.

Equity is equivalent to capital and consists of share capital and reserves:

- Share capital
- Translation reserve
- Other reserves
- Retained earnings
- Minority interests

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

The Share capital has been invested by TFSC to provide working capital to fund the set-up and operations of the company its subsidiaries. The Group intends to manage its capital such that no further investment is required from TFSC. This will be achieved by retaining earnings and paying up dividends as appropriate.

During 2019 the Group's capital management strategy remained unchanged from 2018 and was to maintain the debt (borrowings)-to-equity ratio between 6:1 and 12:1.

Debt (borrowings) to equity ratios for the current and comparative year are as follows:

	GROUP		COMPANY	
	2019	**2018**	**2019**	**2018**
	£000's	**£000's**	**£000's**	**£000's**
Total Borrowings	6,131,548	5,315,785	3,150,202	4,042,934
Total Equity	627,561	594,164	497,714	469,426
Borrowings : Equity ratio	**9.8:1.0**	**8.9:1.0**	**6.3:1.0**	**8.6:1.0**

4. Critical accounting estimates and judgements

The Group and the Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment losses on loans, leases and advances

The Group reviews its loan and lease portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans and leases before the decrease can be identified with an individual loan or lease in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the Group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Sensitivity analysis has been carried out on the impairment allowance provision and the impact of a 10% shift of portfolio from Stage 1 to Stage 2 due to worsening economic conditions would result in an increase of £22,128k in ECL for the Group and an increase of £7,220k in ECL for the Company.

(b) Fair value of derivatives

The fair value of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

(c) Vehicle residual value

The Group manages residual value risk through a robust residual value setting process combined with quarterly asset impairment reviews referencing to industry data where available. Details for vehicle residual values are provided in Note 31.

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

(d) Pension

The Group operates a number of pension schemes. There is a defined benefit scheme in the UK, which is the principal pension scheme, with assets held in a separate trustee administered fund. The other schemes are of the defined contribution type.

The assumptions used by the actuary and agreed by the Trustees for the purposes of calculating the liabilities of the defined benefit scheme can be split into:

financial assumptions:

- the discount rate to be used in valuing the scheme's liabilities, which is based on Merrill Lynch nominal AA corporate spot yield curve, using a duration of 25 years
- the inflation rate which is calculated by reference to both the Retail Prices Index(RPI) and the Consumer Price Index (CPI). Future RPI is estimated by considering the difference between yields on fixed interest and index-linked government bonds
- salary increase rates based on historic performance and discussions with the employer
- pension increase rate which increases in line with RPI subject to maximum increase of 5%

demographic assumptions:

- likely deaths using CMI_2018 mortality tables with core parameters and a long term improvement rate of 1.25%
- a commutation rate of 85% of members taking a lump sum of 25% on retirement
- 90% of members will have a dependent on death
- No members will withdraw from the

Further detail is provided in note 27 to the accounts.

5. Segment analysis

5.1 Principal Operating Segments

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is by strategic (significant) business unit, i.e. on a geographic basis.

Secondary (less detailed) reporting information is also provided to the chief operating decision maker regarding business products.

The Group's primary reporting segments under IFRS 8 are therefore as follows:

• UK

• South Africa

• Italy

• Denmark

• Rest of World

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

Information regarding the Group's reportable segments is presented below.

2019	UK	South Africa (Associate)	Italy	Denmark	Rest of world	Eliminations	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Revenue generated from external customers:							
Interest and similar income	139,234	-	61,396	7,016	32,700	-	**240,346**
Fee and commission income	3,565	-	17,033	14,147	5,475	-	**40,220**
Other operating income	60,135	-	1,804	9,282	11,595	-	**82,816**
Inter-segment revenue	4,244	-	-	-	-	(4,244)	-
Reportable segment revenue	**207,178**	**-**	**80,233**	**30,445**	**49,770**	**(4,244)**	**363,382**
Interest expense and similar charges	(40,808)	-	(1,438)	33	(10,744)	-	**(52,957)**
Fee and commission expense	38	-	(4,373)	-	(200)	-	**(4,535)**
Depreciation and amortisation	(33,896)	-	(1,149)	(8,056)	(10,018)	-	**(53,119)**
Other expenses	(93,980)	-	(35,110)	(10,650)	(19,211)	-	**(158,951)**
Other (losses) / gains	(11,239)	-	175	-	(1,165)	-	**(12,229)**
Inter-segment expense	-	-	(3,649)	(17)	(578)	4,244	-
Reportable segment expense	**(179,885)**	**-**	**(45,544)**	**(18,690)**	**(41,916)**	**4,244**	**(281,791)**
Share of profit of associates	(40)	11,103	-	-	-	-	**11,063**
Reportable segment profit before tax	**27,253**	**11,103**	**34,689**	**11,755**	**7,854**	**-**	**92,654**
Income tax expense	(13,397)	-	(12,600)	(2,595)	(1,256)	-	**(29,848)**
Segment profit after tax	**13,856**	**11,103**	**22,089**	**9,160**	**6,598**	**-**	**62,806**
Balance sheet disclosures							
Reportable segment assets	3,611,582	66,112	1,887,002	672,693	981,932	-	**7,219,321**
Impairment of assets	(22,193)	-	(5,844)	(36)	(2,829)	-	**(30,902)**
Non-current segment assets	157,987	-	4,090	36,920	49,969	-	**248,966**
Expenditures on new non-current segment assets	74,239	-	10,222	29,352	42,048	-	**155,861**
Reportable segment liabilities	3,288,588	-	1,782,764	614,577	905,831	-	**6,591,760**

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

2018	UK	South Africa (Associate)	Italy	Denmark	Rest of world	Eliminations	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Revenue generated from external customers:							
Interest and similar income	122,724	-	53,356	8,019	21,108	-	**205,207**
Fee and commission income	3,785	-	11,798	12,451	4,688	-	**32,722**
Other operating income	55,369	-	1,261	6,561	9,062	-	**72,253**
Inter-segment revenue	4,922	-	-	-	-	(4,922)	**-**
Reportable segment revenue	**186,800**	**-**	**66,415**	**27,031**	**34,858**	**(4,922)**	**310,182**
Interest expense and similar charges	(30,232)	-	(1,819)	(309)	(6,929)	-	**(39,289)**
Fee and commission expense	64	-	(3,999)	-	(152)	-	**(4,087)**
Depreciation and amortisation	(36,741)	-	(997)	(5,683)	(7,548)	-	**(50,969)**
Other expenses	(49,209)	-	(36,273)	(10,373)	(14,272)	-	**(110,127)**
Other gains / (losses)	8,528	-	163	-	(308)	-	**8,383**
Inter-segment expense	-	-	(2,966)	(8)	(1,948)	4,922	**-**
Reportable segment expense	**(107,590)**	**-**	**(45,891)**	**(16,373)**	**(31,157)**	**4,922**	**(196,089)**
Share of profit of associates	79	9,986	-	-	-	-	**10,065**
Reportable segment profit before tax	**79,289**	**9,986**	**20,524**	**10,658**	**3,701**	**-**	**124,158**
Income tax expense	(15,906)	-	(7,237)	(2,436)	(1,682)	-	**(27,261)**
Segment profit after tax	**63,383**	**9,986**	**13,287**	**8,222**	**2,019**	**-**	**96,897**
Balance sheet disclosures							
Reportable segment assets	3,285,703	68,019	1,330,617	622,985	812,041	-	**6,119,365**
Impairment of assets	(33,246)	-	(79,646)	(5,132)	(9,299)	-	**(127,323)**
Non-current segment assets	161,632	-	3,426	27,871	43,341	-	**236,270**
Expenditures on new non-current segment assets	97,866	-	1,435	13,881	33,107	-	**146,289**
Reportable segment liabilities	3,694,053	-	516,834	571,965	742,349	-	**5,525,201**

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

The Rest of world includes Czech Republic, Finland, Hungary, Slovakia, Kazakhstan and Ireland.

South Africa is accounted for using the equity method as it is an associate - the reportable segment assets presented represent the net assets in the associate.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2.

Non-current segment assets disclosed above include all non-current assets other than financial instruments and deferred tax assets.

5.2 Business product information

The Group provides a number of products to its customers, and reports certain information about these internally.

The Group's revenue from external customers by product stream are detailed below:

Revenue - total	2019	2018
	£000's	£000's
Finance lease	24,111	17,707
Hire purchase	203,969	174,428
Retail loans	20,412	18,684
Wholesale loans	20,102	17,289
Operating lease	73,050	68,477
Other	21,738	13,597
Revenue - total	**363,382**	**310,182**

6. Revenue

(a) Interest and similar income

	Group	
	2019	2018
Interest and similar income	£000's	£000's
Interest on loans and receivables	239,655	204,710
Interest received on bank and similar deposits	691	497
Total interest and similar income	**240,346**	**205,207**

Note 32 provides information on interest and similar income relating to related parties.

Included within interest receivable and similar income is interest accrued on impaired financial assets as follows:

	Group	
	2019	2018
	£000's	£000's
Interest on impaired financial assets	100	97

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

Interest received on bank and similar deposits are analysed as follows:

	Group	
	2019	2018
	£000's	£000's
Cash at bank	-	1
Deposits	470	315
Money market funds	-	1
Other	221	180
Interest received on bank and similar deposits	**691**	**497**

(b) Fee and commission income

Fee income relates to fees received which cannot be directly associated with the origination of loans and receivables.

	Group	
	2019	2018
	£000's	£000's
Loans and receivables fee income	28,939	23,398
Other	11,281	9,324
Fee and commission income - total	**40,220**	**32,722**

(c) Other operating income

Other operating income includes rentals received from leasing vehicles under operating leases to commercial customers including leasing companies, daily rental companies and fleet customers, plus maintenance and service income received in relation to such vehicles.

	Group	
	2019	2018
	£000's	£000's
Operating lease income	73,050	68,477
Service charge income	2,128	310
Other	7,638	3,466
Other operating income - total	**82,816**	**72,253**

7. Interest expense and similar charges

	Group	
	2019	2018
	£000's	£000's
Interest on financial liabilities at amortised cost	50,006	33,633
Interest expense - Funding Swaps	2,812	4,749
Other	139	907
Interest expense and similar charges - total	**52,957**	**39,289**

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

Interest on financial liabilities at amortised cost by class:

	Group	
	2019	**2018**
	£000's	**£000's**
Interest expense - Overdraft	20	12
Interest expense - Bank loans	11,902	8,708
Interest expense - Toyota Motor Finance Netherlands B.V. loans	30,028	19,320
Interest expense - Commercial paper	56	22
Interest expense - Securitised loans	8,000	5,571
Interest on financial liabilities at amortised cost - total	**50,006**	**33,633**

8. Fee and commission expense

Fee and commission expense includes commissions and other fees payable to dealers and other third parties which cannot be directly associated with the origination of loans and receivables.

	Group	
	2019	**2018**
	£000's	**£000's**
Loans and receivables fee expense	4,535	4,087

9. Other expenses

Total other expenses include the following items:

	Group	
	2019	**2018**
	£000's	**£000's**
Staff costs	33,601	32,279
Research and development	119	71
Operating lease rentals	2,480	2,300
Auditors' remuneration	786	830
Other administrative expenses	44,374	38,989
Operating expenses	3,334	4,324
Profit on sale of property, plant and equipment and intangible assets	(144)	(2,307)
Depreciation of property, plant and equipment	51,466	49,471
Amortisation of intangible assets	1,653	1,498
Credit impairment losses	36,414	33,641
Other provisions	37,987	-
Total other expenses	**212,070**	**161,096**

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

During the year the Group (including its overseas subsidiaries) obtained the following services from the company's auditors and its associates:

	Group	
	2019	2018
	£000's	£000's
1) Audit	719	650
2) Audit related assurance services	45	35
3) Taxation compliance services	5	27
4) Taxation advisory services not covered in 3)	2	32
5) Internal audit services	-	-
6) All assurance services not covered in 1) to 5)	-	35
7) Services for corporate finance transactions	-	-
8) All non audit services	15	51
Total auditors' remuneration	**786**	**830**

(a) Staff costs

	Group	
	2019	2018
Staff costs	£000's	£000's
Wages and salaries	27,339	25,048
Social security costs	3,857	3,551
Other pension costs	2,405	3,680
Total Staff costs	**33,601**	**32,279**

	Group	
	2019	2018
Pension costs	£000's	£000's
Defined contribution plans	745	398
Defined benefit plans	1,660	3,282
Reversal of pension accrual on bonus and effect of accruals posted	-	-
Total Pension costs	**2,405**	**3,680**

	Group	
	2019	2018
Average number of staff	Number	Number
Direct employees	401	389
Staff seconded to the company	19	16
Average number of staff – total	**420**	**405**

The payroll costs of seconded staff are included within the amounts shown above.

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

	Group	
	2019	2018
Directors emoluments	**£000's**	**£000's**
Salaries and other short term benefits	556	511
Pension contributions	13	37
Total directors' emoluments	**569**	**548**

	Group	
	2019	2018
Highest paid director	**£000's**	**£000's**
Total emoluments	324	276

Retirement benefits are accruing to one director (2018: one) under the defined benefit scheme. Retirement benefits are accruing to the highest paid director.

(b) Net impairment on financial assets

	Group	
	2019	2018
	£000's	£000's
- Finance lease	3,384	6,226
- Hire purchase	28,964	26,011
- Retail loans	1,451	1,611
- Wholesale loans	2,615	(207)
Net impairment on financial assets - total	**36,414**	**33,641**

10. Other (losses) / gains

Other gains and losses include fair value movement and exchange gains and losses.

	Group	
	2019	2018
	£000's	£000's
Financial assets or liabilities at fair value through profit or loss – net (losses) / gains – Derivative financial instruments	(12,483)	8,283
Financial assets and liabilities measured at amortised cost – net gains	254	100
Financial assets or liabilities – net (losses) / gains	**(12,229)**	**8,383**

Total gains / (losses) of financial assets and liabilities measured at amortised cost, are split out below between "Loans and receivables" and "Other financial liabilities":

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

	Group	
	2019	**2018**
	£000's	**£000's**
Loans and receivables – net gains	134	105
Other financial liabilities measured at amortised cost – net gains / (losses)	120	(5)
Financial assets or liabilities measured at amortised cost - total	**254**	**100**

11. Investments in subsidiary undertakings and associated companies

The interests of Toyota Financial Services (UK) PLC ("the Company") in its principal subsidiary undertakings and associated companies, all of which are consolidated, as at 31 March are set out below:

Name of undertaking	**Nature of business**	**Country of Incorporation**	**Accounting *reference* date**	**Description *of shares* Held**	**Proportion of nominal value held by the parent undertaking and Group**
Subsidiary undertakings					
Toyota Financial Services Czech s.r.o.	Leasing & financing of vehicles	Czech Republic	31 March	Ordinary Shares	100%
Toyota Finance Finland Oy	Leasing & financing of vehicles	Finland	31 March	Ordinary Shares	100%
Toyota Financial Services Danmark A/S	Leasing & financing of vehicles	Denmark	31 March	Ordinary Shares	80%
Toyota Financial Services Hungary Rt.	Leasing & financing of vehicles	Hungary	31 March	Ordinary Shares	100%
Toyota Financial Services Slovakia s.r.o	Leasing & financing of vehicles	Slovakia	31 March	Ordinary Shares	100%
Toyota Financial Services Kazakhstan MFO LLP	Leasing & financing of vehicles	Kazakhstan	31 March	Ordinary Shares	100%
Toyota Financial Services Ireland (DAC)	Leasing & financing of vehicles	Ireland	31 March	Ordinary Shares	51%
Toyota Financial Services Italy S.P.A.	Leasing & financing of vehicles	Italy	31 March	Ordinary Shares	100%
Associated undertakings					
Toyota Insurance Management Limited	Insurance services	United Kingdom	31 December	Ordinary Shares	25%
Toyota Financial Services (South Africa) (Proprietary) Limited	Leasing & financing of vehicles	South Africa	31 March	Ordinary Shares	33%
Special Purpose Entities (SPE)					
CFL Automotive Receivables Limited	UK finance lease receivables	United Kingdom	31 March	n/a	n/a

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

On 29th March 2019 the Group converted the Italian branch into a subsidiary by way of a transfer of the entire business for consideration in shares.

Disclosures of Investments in Associates

2019	TFS South Africa £000's	Toyota Insurance Management Limited £000's
Country of incorporation	South Africa	United Kingdom
Reporting date of the financial statements of the associate	March	December
% interest held (% ordinary shares)	33%	25%
Aggregated amount of assets	2,153,635	15,067
Aggregated amount of liabilities	1,955,298	14,126
Aggregated amount of revenues	294,238	9,371
Aggregated amount of profit	33,309	189

2018	TFS South Africa £000's	Toyota Insurance Management Limited £000's
Country of incorporation	South Africa	United Kingdom
Reporting date of the financial statements of the associate	March	December
% interest held (% ordinary shares)	33%	25%
Aggregated amount of assets	2,305,828	11,990
Aggregated amount of liabilities	2,101,772	11,239
Aggregated amount of revenues	251,415	8,034
Aggregated amount of profit / (loss)	29,958	316

2019	TFS South Africa £000's	Toyota Insurance Management Limited £000's	Total £000's
Share of the profit and recognised income of equity method investments	11,103	(40)	**11,063**
Carrying amount of investments	66,112	235	**66,347**

2018	TFS South Africa £000's	Toyota Insurance Management Limited £000's	Total £000's
Share of the profit / (loss) of equity method investments	9,986	79	**10,065**
Carrying amount of investments	68,019	275	**68,294**

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

The movement of investments in subsidiaries and associates during the year is as follows:

	Group		Company	
	2019	2018	2019	2018
	£000's	£000's	£000's	£000's
Shares in subsidiary undertakings				
At 1 April	-	-	**46,679**	**36,421**
Additions in the year	-	-	110,855	10,258
Write offs in the year	-	-	-	-
At 31 March	-	-	**157,534**	**46,679**
Shares in associated undertakings				
At 1 April	**68,294**	**61,197**	**16,937**	**16,937**
Dividends paid in the year	-	(3,937)	-	-
Share of retained profits	11,063	10,065	-	-
Foreign currency translation adjustments	(8,748)	969	-	-
Share of IFRS 9 transition adjustment	(4,262)	-		
At 31 March	**66,347**	**68,294**	**16,937**	**16,937**

12. Income tax expense

(a) Income tax recognised in the income statement

	Group	
	2019	2018
	£000's	£000's
Current UK taxation ("local")	14,331	14,184
Current taxation for all other jurisdictions ("overseas")	15,329	9,567
Adjustments in respect of prior years to current taxation	19	405
Deferred tax expense relating to the origination and reversal of temporary differences	907	3,430
Adjustments in respect of prior years to deferred tax	(738)	(325)
Income tax expense - total	**29,848**	**27,261**

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

(b) Reconciliation of effective tax rate

	Group	
	2019	**2018**
	£000's	**£000's**
Profit before income tax	92,654	124,158
Income tax calculated at UK current tax rate of 19% (2018: 19%)	17,604	23,590
Effects of:		
Tax effect of associates results reported net of tax	(2,110)	(1,897)
Expenses that are not deductible in determining taxable profit	9,717	1,759
Adjustments in respect of prior years	(719)	80
Adjustments in respect of foreign tax rates and rate changes	3,459	2,405
Other	1,897	1,324
Total income tax expense in income statement	**29,848**	**27,261**

(c) Income tax recognised directly in equity

	Group	
	2019	**2018**
	£000's	**£000's**
Income tax recognised directly in equity		
Actuarial movements on defined benefit pension plans @ 19% (2018: 19%)	(17)	(370)

13. Minority interest

	Group	
	2019	**2018**
	£000's	**£000's**
Minority interests - Opening balance	**17,514**	**9,181**
Translation adjustments	(379)	282
Increase in minority shareholding	-	9,366
Dividends paid	-	(934)
Share of profit for the year	1,527	(381)
Share of IFRS 9 transition adjustment	(274)	-
Minority interests - Closing balance	**18,388**	**17,514**

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

14. Cash and bank balances

Cash and bank balances, included in the balance sheet, are as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	£000's	**£000's**	**£000's**	**£000's**
Cash at bank and in hand	95,698	12,208	2,259	3,991
Deposits with an original term of less than 3 months	4,207	3,211	-	-
Cash associated with securitisation transactions	4	3	-	-
Total cash and bank balances	**99,909**	**15,422**	**2,259**	**3,991**

The net book value of cash and bank balances approximates fair value due to the short maturities of these investments.

Cash associated with securitisation transactions is not available for use in day to day operations.

15. Other assets

	Group		Company	
	2019	**2018**	**2019**	**2018**
Other Assets	**£000's**	**£000's**	**£000's**	**£000's**
Trade receivables	6,636	15,877	4,451	10,985
Withholding tax receivable	891	1,651	-	1,650
Other taxes	16,627	7,845	-	7,716
Other debtors & prepayments	47,856	43,429	25,010	30,815
Other Assets - total	**72,010**	**68,802**	**29,461**	**51,166**
Not more than 12 months	72,010	68,802	29,461	51,166
More than 12 months	-	-	-	-

Where financial instruments are included within other assets, due to the short term nature of the receivable, the fair value approximates the carrying value in the balance sheet. In the normal course of business the majority of these assets are settled within 3 months.

16. Vehicles held for sale

The Group disposes of assets in respect of terminated operating leases, repossessed assets in respect of defaulting loans, and voluntary surrenders by customers. The Group anticipates that all such disposals will be completed within the next 12 months.

	Group		Company	
	2019	**2018**	**2019**	**2018**
Vehicles Held For Sale	**£000's**	**£000's**	**£000's**	**£000's**
Assets related to completed / terminated operating leases	6,354	5,028	6,179	4,830
Assets related to terminated finance leases	-	201	-	-
Assets related to terminated hire purchases	3,079	2,362	2,881	2,316
Assets related to defaulted loans	135	127	-	-
Vehicles classified as held for sale - total	**9,568**	**7,718**	**9,060**	**7,146**

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

17. Loans and receivables

	Group		Company	
	2019	2018	2019	2018
Loans and Receivables	**£000's**	**£000's**	**£000's**	**£000's**
Operating lease receivable	1,327	1,186	1,268	1,156
Finance leases	422,986	362,446	115,413	213,380
Hire purchase	4,606,786	4,073,511	2,667,752	3,579,233
Retail loans	596,063	555,022	774	1,538
Wholesale loans	1,049,009	680,894	586,198	547,303
Loans and receivables - total	**6,676,171**	**5,673,059**	**3,371,405**	**4,342,610**
Loans and finance lease receivable – not securitised	**5,749,817**	**4,741,511**	**2,445,051**	**3,411,062**
Loans and finance lease receivable - securitised	**926,354**	**931,548**	**926,354**	**931,548**

(a) Credit loss allowance and other provisions to loans and receivables

Group

2019	**Finance Lease**	**Hire Purchase**	**Retail Loan**	**Wholesale Loan**	**Total**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**
IFRS 9	(25,217)	(84,247)	(5,450)	(24,279)	(139,193)
Residual value	(5,881)	(20,420)	-	-	(26,301)
Others	-	(4,601)	-	-	(4,601)
Total provisions to loans and receivables	**(31,098)**	**(109,268)**	**(5,450)**	**(24,279)**	**(170,095)**

2018	**Finance Lease**	**Hire Purchase**	**Retail Loan**	**Wholesale Loan**	**Total**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**
IAS 39	(22,843)	(70,085)	(4,539)	(4,719)	(102,186)
Residual value	(4,072)	(17,038)	-	-	(21,110)
Others	-	(4,026)	-	-	(4,026)
Total provisions to loans and receivables	**(26,915)**	**(91,149)**	**(4,539)**	**(4,719)**	**(127,322)**

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

Company

2019	Finance Lease	Hire Purchase	Retail Loan	Wholesale Loan	Total
	£000's	£000's	£000's	£000's	£000's
IFRS 9	(257)	(17,758)	(8)	(5,505)	(23,528)
Residual value	-	(17,591)	-	-	(17,591)
Others	-	(4,601)	-	-	(4,601)
Total provisions to loans and receivables	**(257)**	**(39,950)**	**(8)**	**(5,505)**	**(45,720)**

2018	Finance Lease	Hire Purchase	Retail Loan	Wholesale Loan	Total
	£000's	£000's	£000's	£000's	£000's
IAS 39	(21,189)	(65,800)	(15)	(2,968)	(89,972)
Residual value	(4,035)	(14,858)	-	-	(18,893)
Others	-	(4,026)	-	-	(4,026)
Total provisions to loans and receivables	**(25,224)**	**(84,684)**	**(15)**	**(2,968)**	**(112,891)**

(b) Performance of loans and receivables

Group

2019	Finance Lease	Hire Purchase	Retail Loan	Wholesale Loan	Total
	£000's	£000's	£000's	£000's	£000's
Performing	440,494	4,600,128	594,915	883,021	6,518,558
Past due but not specifically impaired	10,968	91,585	5,926	190,236	298,715
Credit impaired	2,622	24,341	673	30	27,666
Loans and receivables pre impairment	**454,084**	**4,716,054**	**601,514**	**1,073,287**	**6,844,939**

2018	Finance Lease	Hire Purchase	Retail Loan	Wholesale Loan	Total
	£000's	£000's	£000's	£000's	£000's
Performing	376,026	4,103,939	549,489	685,385	5,714,839
Past due but not specifically impaired	10,368	48,684	8,923	196	68,171
Credit impaired	2,967	12,038	1,149	31	16,185
Loans and receivables pre impairment	**389,361**	**4,164,661**	**559,561**	**685,612**	**5,799,195**

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

Company

2019	Finance Lease	Hire Purchase	Retail Loan	Wholesale Loan	Total
	£000's	£000's	£000's	£000's	£000's
Performing	115,615	2,636,741	774	403,111	3,156,241
Past due but not specifically impaired	-	53,614	-	188,590	242,204
Specifically impaired	55	17,349	8	-	17,412
Loans and receivables pre impairment	**115,670**	**2,707,704**	**782**	**591,701**	**3,415,857**

2018	Finance Lease	Hire Purchase	Retail Loan	Wholesale Loan	Total
	£000's	£000's	£000's	£000's	£000's
Performing	230,398	3,607,886	1,525	550,271	4,390,080
Past due but not specifically impaired	5,456	44,235	12	-	49,703
Specifically impaired	2,750	11,796	16	-	14,562
Loans and receivables pre impairment	**238,604**	**3,663,917**	**1,553**	**550,271**	**4,454,345**

The breakdown of the gross amount of individually impaired loans and receivables by class is as shown above.

Collateral is held by the Group, and an impairment provision has been provided against the net amount after considering the value of the collateral.

(c) Credit quality of retail receivables that are neither past due nor specifically impaired

	Group		Company	
	2019	2018	2019	2018
	£000's	£000's	£000's	£000's
Good quality	3,197,059	4,023,489	2,037,945	3,030,601
Satisfactory quality	2,182,471	807,868	559,946	694,540
Lower quality	256,007	198,097	155,239	114,668
Retail performing receivables	**5,635,537**	**5,029,454**	**2,753,130**	**3,839,809**

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

(d) Credit quality of wholesale receivables that are neither past due nor specifically impaired

The Group monitors credit quality of wholesale receivables using a global grading methodology which is applied to all the geographic locations that it operates in. Although the Group does monitor the credit quality of retail assets when they are originated, it does not monitor these on an ongoing basis. The group views all retail assets that are neither past due nor specifically impaired to be good quality.

	Group		Company	
	2019	**2018**	**2019**	**2018**
	£000's	**£000's**	**£000's**	**£000's**
Good quality	550,337	592,487	403,111	479,877
Satisfactory quality	324,738	86,983	-	68,320
Lower quality	7,946	5,915	-	2,074
Wholesale performing receivables	**883,021**	**685,385**	**403,111**	**550,271**

(e) Loans and receivables past due (but not specifically impaired)

Loans and receivables that are less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary.

Gross amount of loans and advances by class to customers that were past due but not impaired were as follows:

Group

2019	**Finance Lease**	**Hire Purchase**	**Retail Loan**	**Wholesale Loan**	**Total**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**
Past due up to 30 days	6,910	84,552	2,749	189,600	283,811
Past due 31 - 90 days	2,807	4,501	1,150	564	9,022
Past due over 90 days	1,251	2,532	2,027	72	5,882
Loans and receivables past due - Total	**10,968**	**91,585**	**5,926**	**190,236**	**298,715**

2018	**Finance Lease**	**Hire Purchase**	**Retail Loan**	**Wholesale Loan**	**Total**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**
Past due up to 30 days	5,100	34,628	1,208	27	40,963
Past due 31 - 90 days	3,258	8,431	5,857	29	17,575
Past due over 90 days	2,010	5,625	1,858	140	9,633
Loans and receivables past due - Total	**10,368**	**48,684**	**8,923**	**196**	**68,171**

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

Company

2019	Finance Lease	Hire Purchase	Retail Loan	Wholesale Loan	Total
	£000's	£000's	£000's	£000's	£000's
Past due up to 30 days	-	53,614	-	188,590	242,204
Past due 31 - 90 days	-	-	-	-	-
Past due over 90 days	-	-	-	-	-
Loans and receivables past due - Total	**-**	**53,614**	**-**	**188,590**	**242,204**

2018	Finance Lease	Hire Purchase	Retail Loan	Wholesale Loan	Total
	£000's	£000's	£000's	£000's	£000's
Past due up to 30 days	3,564	31,133	-	-	34,697
Past due 31 - 90 days	825	7,539	12	-	8,376
Past due over 90 days	1,067	5,563	-	-	6,630
Loans and receivables past due - Total	**5,456**	**44,235**	**12**	**-**	**49,703**

(f) Loans and receivables specifically impaired – renegotiated

Loans and receivables outstanding 90 days after their due date are considered to be specifically impaired.

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of local management, indicate that payment will most likely continue. These policies are kept under continuous review.

Restructuring is most commonly applied to term loans, in particular customer loans.

Renegotiated loans that would otherwise be past due or impaired totalled £120,219 at 31 March 2019 (2018: £113,737).

(g) Repossessed collateral

During the year, the Group and Company obtained assets by taking possession of collateral held as security, as follows:

Group

		Finance lease	Hire purchase	Retail loans	Wholesale loans	Total
		£000's	£000's	£000's	£000's	£000's
Repossessed assets for the year	**2019**	491	2,460	253	-	**3,204**
Repossessed assets for the year	**2018**	314	1,818	256	-	**2,388**

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

Company

		Finance lease	Hire purchase	Retail loans	Wholesale loans	Total
		£000's	£000's	£000's	£000's	£000's
Repossessed assets for the year	**2019**	88	1,675	-	-	**1,763**
Repossessed assets for the year	**2018**	51	934	-	-	**985**

Repossessed assets are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness.

Repossessed assets are classified in the balance sheet within vehicles held for sale.

(h) Loans and receivables include Finance Lease receivables as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
Gross investment in finance lease receivables	**£000's**	**£000's**	**£000's**	**£000's**
– Not later than 1 year	145,512	149,657	41,390	72,612
– Later than 1 year and not later than 5 years	294,996	227,849	78,740	146,364
– Later than 5 years	1,596	924	-	-
Gross investment in finance lease receivables	**442,104**	**378,430**	**120,130**	**218,976**
Unearned future finance income on finance leases	(19,118)	(15,984)	(4,717)	(5,596)
Net investment in finance lease receivables	**422,986**	**362,446**	**115,413**	**213,380**

	Group		Company	
	2019	**2018**	**2019**	**2018**
Net investment in finance lease receivables	**£000's**	**£000's**	**£000's**	**£000's**
– Not later than 1 year	138,971	143,351	39,752	70,358
– Later than 1 year and not later than 5 years	282,889	218,453	75,661	143,022
– Later than 5 years	1,126	642	-	-
Net investment in finance lease receivables	**422,986**	**362,446**	**115,413**	**213,380**

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

(i) Loans and receivables include Hire Purchase receivables as follows:

	Group		Company	
	2019	2018	2019	2018
Gross investment in hire purchase receivables	**£000's**	**£000's**	**£000's**	**£000's**
– Not later than 1 year	1,531,474	1,300,472	881,096	1,163,238
– Later than 1 year and not later than 5 years	3,430,761	3,090,703	1,951,543	2,714,528
– Later than 5 years	10,118	6,016	-	4,973
Gross investment in hire purchase receivables	**4,972,353**	**4,397,191**	**2,832,639**	**3,882,739**
Unearned future finance income on hire purchase arrangements	(365,567)	(323,680)	(164,887)	(303,506)
Net investment in hire purchase receivables	**4,606,786**	**4,073,511**	**2,667,752**	**3,579,233**

	Group		Company	
	2019	2018	2019	2018
Net investment in hire purchase receivables	**£000's**	**£000's**	**£000's**	**£000's**
– Not later than 1 year	1,416,606	1,174,271	830,506	1,046,327
– Later than 1 year and not later than 5 years	3,180,748	2,893,613	1,837,246	2,528,301
– Later than 5 years	9,432	5,627	-	4,605
Net investment in hire purchase receivables	**4,606,786**	**4,073,511**	**2,667,752**	**3,579,233**

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

18. Allowance for expected credit losses

The Group has split the impairment process into three main models, Retail, Wholesale and Fleet, these being the three main types of portfolios (the details of which can be found under the "Changes in accounting policies" in Note 2). The details of the models are outlined below:

Group	Stage 1 – 12 month ECL	Stage 2 – Lifetime ECL	Stage 3 – Credit impaired	Total
2019	**£000's**	**£000's**	**£000's**	**£000's**
Retail model				
ECL allowance - Opening balance	**23,085**	**59,395**	**18,902**	**101,382**
Transfer from Stage 1 to Stage 2	(985)	985	-	-
Transfer from Stage 1 to Stage 3	(477)	-	477	-
Transfer from Stage 2 to Stage 3	-	(1,462)	1,462	-
Transfer from Stage 2 to Stage 1	315	(315)	-	-
Transfer from Stage 3 to Stage 2	-	378	(378)	-
Transfer from Stage 3 to Stage 1	159	-	(159)	-
New assets originated in year	15,059	26,598	5,676	**47,333**
Write offs	(1,824)	(3,958)	(3,219)	**(9,001)**
Financial assets that have been derecognised	(363)	(2,609)	(870)	**(3,842)**
Changes to macroeconomic factors	3,722	690	(1,113)	**3,299**
Changes to model	(4,350)	-	3,165	**(1,185)**
Other changes	(8,526)	(11,279)	(3,267)	**(23,072)**
ECL allowance - Closing balance	**25,815**	**68,423**	**20,676**	**114,914**

Company	Stage 1 – 12 month ECL	Stage 2 – Lifetime ECL	Stage 3 – Credit impaired	Total
2019	**£000's**	**£000's**	**£000's**	**£000's**
Retail model				
ECL allowance - Opening balance	**19,173**	**58,334**	**12,910**	**90,417**
Transfer from Stage 1 to Stage 2	(640)	640	-	-
Transfer from Stage 1 to Stage 3	(65)	-	65	-
Transfer from Stage 2 to Stage 3	-	(1,025)	1,025	-
Transfer from Stage 2 to Stage 1	(29)	29	-	-
Transfer from Stage 3 to Stage 2	-	(53)	53	-
Transfer from Stage 3 to Stage 1	(2)	-	2	-
New assets originated in year	13,668	26,327	5,501	**45,496**
Write offs	(1,823)	(3,939)	(1,653)	**(7,415)**
Financial assets that have been derecognised	(125)	(2,435)	(4)	**(2,564)**
Changes to macroeconomic factors	3,718	689	(1,118)	**3,289**
Changes to model	(4,350)	-	3,165	**(1,185)**
Other changes	(9,522)	(11,379)	(4,122)	**(25,023)**
Assets transferred to the Group	(9,770)	(65,996)	(9,226)	**(84,992)**
ECL allowance - Closing balance	**10,233**	**1,192**	**6,598**	**18,023**

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

Group	**Stage 1 – 12 month ECL**	**Stage 2 – Lifetime ECL**	**Stage 3 – Credit impaired**	**Total**
2019	**£000's**	**£000's**	**£000's**	**£000's**
Wholesale model				
ECL allowance - Opening balance	**2,494**	**3,472**	**82**	**6,048**
Transfer from Stage 1 to Stage 2	(406)	406	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	521	(521)	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
New assets originated in year	2,411	2,558	14,722	**19,691**
Write offs	-	-	-	-
Financial assets that have been derecognised	(327)	-	-	**(327)**
Changes to macroeconomic factors	3	(33)	(50)	**(80)**
Changes to model	-	-	-	-
Other changes	(617)	(436)	-	**(1,053)**
ECL allowance - Closing balance	**4,079**	**5,446**	**14,754**	**24,279**

Company	**Stage 1 – 12 month ECL**	**Stage 2 – Lifetime ECL**	**Stage 3 – Credit impaired**	**Total**
2019	**£000's**	**£000's**	**£000's**	**£000's**
Wholesale model				
ECL allowance - Opening balance	**997**	**3,127**	**50**	**4,174**
Transfer from Stage 1 to Stage 2	(403)	403	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	497	(497)	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
New assets originated in year	121	2,384	-	**2,505**
Write offs	-	-	-	-
Financial assets that have been derecognised	-	-	-	-
Changes to macroeconomic factors	3	(33)	(50)	**(80)**
Changes to model	-	-	-	-
Other changes	(655)	(439)	-	**(1,094)**
ECL allowance - Closing balance	**560**	**4,945**	**-**	**5,505**

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

Group	Stage 1 – 12 mth ECL	Stage 2 – Lifetime ECL	Stage 3 – Credit impaired	Total
2019	£000's	£000's	£000's	£000's
Fleet model				
ECL allowance - Opening balance	**639**	**264**	**272**	**1,175**
Transfer from Stage 1 to Stage 2	(7)	7	-	-
Transfer from Stage 1 to Stage 3	(1)	-	1	-
Transfer from Stage 2 to Stage 3	-	(5)	5	-
Transfer from Stage 2 to Stage 1	14	(14)	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
New assets originated in year	52	149	87	**288**
Write offs	92	(139)	254	**207**
Financial assets that have been derecognised	(12)	(59)	(1)	**(72)**
Changes to macroeconomic factors	-	-	-	-
Changes to model	-	-	-	-
Other changes	(59)	5	(177)	**(231)**
ECL allowance - Closing balance	**718**	**208**	**441**	**1,367**

Company	Stage 1 – 12 mth ECL	Stage 2 – Lifetime ECL	Stage 3 – Credit impaired	Total
2019	£000's	£000's	£000's	£000's
Fleet model				
ECL allowance - Opening balance	**406**	**-**	**325**	**731**
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
New assets originated in year	33	-	80	**113**
Write offs	-	-	-	-
Financial assets that have been derecognised	-	-	-	-
Changes to macroeconomic factors	-	-	-	-
Changes to model	-	-	-	-
Other changes	(51)	-	(180)	**(231)**
ECL allowance - Closing balance	**388**	**-**	**225**	**613**

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

19. Derivative financial instruments

(a) Derivative financial instruments - Assets

	Group		Company	
	2019	2018	2019	2018
Assets - Fair Values	**£000's**	**£000's**	**£000's**	**£000's**
Fair value of interest swaps - assets	1,384	9,514	1,113	9,350
Total derivative financial instruments assets	**1,384**	**9,514**	**1,113**	**9,350**

All derivative financial assets are considered to be current because they are classified as held for trading as required by IFRS 9.

(b) Derivative financial instruments - Liabilities

	Group		Company	
	2019	2018	2019	2018
Liabilities - Fair Values	**£000's**	**£000's**	**£000's**	**£000's**
Fair value of interest swaps - liabilities	5,401	1,152	2,930	-
Total derivative financial instruments liabilities	**5,401**	**1,152**	**2,930**	**-**

All derivative financial liabilities are considered to be current because they are classified as held for trading as required by IFRS 9.

20. Deferred tax assets and liabilities

Deferred tax assets and liabilities are calculated on all temporary differences under the liability method using the relevant tax rates applicable in each jurisdiction in which the group operates. For the company, tax rate of 17% is used (2018: 17%).

Deferred tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(a) The movement in the deferred tax account is as follows:

	Group		Company	
	2019	2018	2019	2018
Deferred tax account	**£000's**	**£000's**	**£000's**	**£000's**
Deferred tax account at 1 April	**13,014**	**15,502**	**22,095**	**24,409**
Income statement (charge) / credit - current year	(907)	(3,430)	803	(3,195)
Income statement credit / (charge) - prior year	738	325	154	(21)
Credited directly to equity	17	370	19	370
Acquisitions/disposals	-	-	-	-
Exchange differences	(115)	247	(282)	532
Deferred tax account at 31 March	**12,747**	**13,014**	**22,789**	**22,095**

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

(b) Deferred tax assets and liabilities:

	Group		Company	
	2019	2018	2019	2018
	£000's	£000's	£000's	£000's
Deferred tax assets	24,983	23,709	22,789	22,095
Deferred tax liabilities	(12,236)	(10,695)	-	-
Net deferred tax account at 31 March	**12,747**	**13,014**	**22,789**	**22,095**

Group						
2019	**Opening Balance**	**Charged / (credited) to income**	**Charged to equity**	**Acquisitions / disposals**	**Exchange differences**	**Closing Balance**
Temporary differences	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Property, plant and equipment	897	(503)	-	-	38	**432**
Debt & derivatives	(1,259)	1,979	-	-	(4)	**716**
Defined benefit pension scheme	2,812	(546)	(930)	-	-	**1,336**
Other timing differences	10,564	(1,099)	947	-	(149)	**10,263**
Deferred tax assets/(liabilities) - total	**13,014**	**(169)**	**17**	**-**	**(115)**	**12,747**

Group					
2018	**Opening Balance**	**Charged / (credited) to income**	**Credited to equity**	**Exchange differences**	**Closing Balance**
Temporary differences	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Property, plant and equipment	1,418	(485)	-	(36)	**897**
Debt & derivatives	151	(1,442)	-	32	**(1,259)**
Defined benefit pension scheme	2,798	30	370	(386)	**2,812**
Other timing differences	11,135	(1,208)	-	637	**10,564**
Deferred tax assets/(liabilities) - total	**15,502**	**(3,105)**	**370**	**247**	**13,014**

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

Company						
2019	**Opening Balance**	**Charged / (credited) to income**	**Charged to equity**	**Acquisitions / disposals**	**Exchange differences**	**Closing Balance**
Temporary differences	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Property, plant and equipment	2,114	(147)	-	-	-	**1,967**
Debt & derivatives	(1,282)	1,908	-	-	-	**626**
Defined benefit pension scheme	2,812	(546)	(929)	-	-	**1,337**
Other timing differences	18,451	(258)	948	-	(282)	**18,859**
Deferred tax assets - total	**22,095**	**957**	**19**	**-**	**(282)**	**22,789**

Company					
2018	**Opening Balance**	**Charged to income**	**Credited to equity**	**Exchange differences**	**Closing Balance**
Temporary differences	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Property, plant and equipment	2,242	(128)	-	-	**2,114**
Debt & derivatives	167	(1,449)	-	-	**(1,282)**
Defined benefit pension scheme	2,798	-	370	(356)	**2,812**
Other timing differences	19,202	(1,639)	-	888	**18,451**
Deferred tax assets - total	**24,409**	**(3,216)**	**370**	**532**	**22,095**

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

21. Property, plant and equipment

(a) Property plant and equipment

Group	Leasehold improvements	Motor vehicles	Office Furniture and Equipment	Computer Hardware	Operating Lease Assets	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Cost						
Cost b/fwd at 1 April 2018	92	2,002	897	4,760	322,612	330,363
Additions	-	1,302	141	228	137,728	139,399
Disposals	-	(1,190)	(131)	(2,368)	(107,909)	(111,598)
Exchange rate adjustments	(3)	(12)	(21)	(53)	(5,205)	(5,294)
Assets classified as held for sale	-	-	-	-	(6,506)	(6,506)
Cost at 31 March 2019	89	2,102	886	2,567	340,720	346,364
Accumulated Depreciation						
Depreciation b/fwd at 1 April 2018	29	432	727	4,175	92,791	98,154
Depreciation charge for the year	3	387	73	284	50,719	51,466
Disposals	-	(479)	(446)	(2,525)	(41,831)	(45,281)
Exchange rate adjustments	(1)	45	295	180	(2,639)	(2,120)
Accumulated depreciation at 31 March 2019	31	385	649	2,114	99,040	102,219
Reconciliation at the beginning and end of the year						
Opening net book amount - at 1 April 2018	63	1,570	170	585	229,821	232,209
Closing net book amount - at 31 March 2019	58	1,717	237	453	241,680	244,145

The depreciation charge for the year is recorded in the income statement within the caption "Depreciation and amortisation".

Group	Leasehold improvements	Motor vehicles	Office Furniture and Equipment	Computer Hardware	Operating Lease Assets	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Cost						
Cost b/fwd at 1 April 2017	85	1,655	768	4,402	275,985	282,895
Additions	1	1,022	52	417	140,132	141,624
Disposals	-	(1,041)	(50)	(152)	(101,159)	(102,402)
Exchange rate adjustments	6	366	127	93	12,682	13,274
Assets classified as held for sale	-	-	-	-	(5,028)	(5,028)
Cost at 31 March 2018	92	2,002	897	4,760	322,612	330,363
Accumulated Depreciation						
Depreciation b/fwd at 1 April 2017	25	402	720	3,833	86,964	91,944
Depreciation charge for the year	3	353	30	415	48,670	49,471
Disposals	-	(295)	(49)	(152)	(39,402)	(39,898)
Exchange rate adjustments	1	(28)	26	79	(3,441)	(3,363)
Accumulated depreciation at 31 March 2018	29	432	727	4,175	92,791	98,154
Reconciliation at the beginning and end of the year						
Opening net book amount - at 1 April 2017	60	1,253	48	569	189,021	190,951
Closing net book amount - at 31 March 2018	63	1,570	170	585	229,821	232,209

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

Company	Motor vehicles	Office Furniture and Equipment	Computer Hardware	Operating Lease Assets	Total
	£000's	£000's	£000's	£000's	£000's
Cost					
Cost b/fwd at 1 April 2018	**822**	**449**	**4,215**	**233,699**	**239,185**
Additions	470	32	144	74,226	**74,872**
Disposals	(1,278)	-	(2,768)	(70,376)	**(74,422)**
Exchange rate adjustments	(14)	(481)	(47)	(335)	**(877)**
Assets classified as held for sale	-	-	-	(6,179)	**(6,179)**
Cost at 31 March 2019	**-**	**-**	**1,544**	**231,035**	**232,579**
Accumulated Depreciation					
Depreciation b/fwd at 1 April 2018	**192**	**436**	**3,732**	**72,570**	**76,930**
Depreciation charge for the year	112	4	213	33,603	**33,932**
Disposals	(299)	(432)	(2,473)	(32,568)	**(35,772)**
Exchange rate adjustments	(5)	(8)	(44)	(335)	**(392)**
Accumulated depreciation at 31 March 2019	**-**	**-**	**1,428**	**73,270**	**74,698**
Reconciliation at the beginning and end of the year					
Opening net book amount - at 1 April 2018	**630**	**13**	**483**	**161,129**	**162,255**
Closing net book amount - at 31 March 2019	**-**	**-**	**116**	**157,765**	**157,881**

Company	Motor vehicles	Office Furniture and Equipment	Computer Hardware	Operating Lease Assets	Total
	£000's	£000's	£000's	£000's	£000's
Cost					
Cost b/fwd at 1 April 2017	**682**	**482**	**3,917**	**216,401**	**221,482**
Additions	448	-	370	97,533	**98,351**
Disposals	(329)	-	(146)	(73,559)	**(74,034)**
Exchange rate adjustments	21	(33)	74	(1,846)	**(1,784)**
Assets classified as held for sale	-	-	-	(4,830)	**(4,830)**
Cost at 31 March 2018	**822**	**449**	**4,215**	**233,699**	**239,185**
Accumulated Depreciation					
Depreciation b/fwd at 1 April 2017	**192**	**467**	**3,470**	**70,870**	**74,999**
Depreciation charge for the year	130	4	340	36,219	**36,693**
Disposals	(136)	(49)	(147)	(32,674)	**(33,006)**
Exchange rate adjustments	6	14	69	(1,845)	**(1,756)**
Accumulated depreciation at 31 March 2018	**192**	**436**	**3,732**	**72,570**	**76,930**
Reconciliation at the beginning and end of the year					
Opening net book amount - at 1 April 2017	**490**	**15**	**447**	**145,531**	**146,483**
Closing net book amount - at 31 March 2018	**630**	**13**	**483**	**161,129**	**162,255**

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

b) Contractual commitments

There are no contractual commitments for the acquisition of property, plant and equipment at 31 March 2019 (2018: none).

c) Future minimum receivables under non-cancellable operating leases

Future minimum rental receivables under non-cancellable operating leases are as follows:

	Group		Company	
	2019	2018	2019	2018
	£000's	£000's	£000's	£000's
Not later than 1 year	55,488	55,443	34,729	35,644
Later than 1 year and not later than 5 years	40,619	42,976	23,891	28,406
Later than 5 years	-	-	-	-
Total of future minimum rental receivables under non-cancellable operating leases	**96,107**	**98,419**	**58,620**	**64,050**

d) Contingent rents recognised as income

	Group		Company	
	2019	2018	2019	2018
	£000's	£000's	£000's	£000's
Contingent rents recognised as income in the year	782	819	756	795

22. Intangible assets

Intangible assets are purchased or internally generated and relate to purchased computer software.

They are amortised to the income statement within "Depreciation and amortisation" over the estimated useful life.

Group	Purchased Computer Software
	£000's
Cost	
Cost b/fwd at 1 April 2018	**24,547**
Additions	1,985
Disposals	(11,354)
Exchange rate adjustments	(431)
Cost at 31 March 2019	**14,747**
Accumulated Amortisation	
Amortisation b/fwd at 1 April 2018	**20,486**
Amortisation charge for the year	1,653
Disposals	(15,509)
Exchange rate adjustments	3,296
Amortisation at 31 March 2019	**9,926**
Reconciliation at the beginning and end of the year	
Opening net book amount - at 1 April 2018	4,061
Closing net book amount - at 31 March 2019	4,821

Company	Purchased Computer Software
	£000's
Cost	
Cost b/fwd at 1 April 2018	**19,840**
Additions	1,123
Disposals	(18,197)
Exchange rate adjustments	(322)
Cost at 31 March 2019	**2,444**
Accumulated Amortisation	
Amortisation b/fwd at 1 April 2018	**17,037**
Amortisation charge for the year	1,106
Disposals	(15,508)
Exchange rate adjustments	(297)
Amortisation at 31 March 2019	**2,338**
Reconciliation at the beginning and end of the year	
Opening net book amount - at 1 April 2018	2,803
Closing net book amount - at 31 March 2019	106

There are no contractual commitments for the acquisition of intangible assets at 31 March 2019 (2018: none).

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

Group	Purchased Computer Software
	£000's
Cost	
Cost b/fwd at 1 April 2017	**22,387**
Additions	1,514
Disposals	(60)
Exchange rate adjustments	706
Cost at 31 March 2018	**24,547**

Company	Purchased Computer Software
	£000's
Cost	
Cost b/fwd at 1 April 2017	**18,429**
Additions	950
Disposals	(60)
Exchange rate adjustments	521
Cost at 31 March 2018	**19,840**

Accumulated Amortisation	
Amortisation b/fwd at 1 April 2017	**18,466**
Amortisation charge for the year	1,498
Disposals	60
Exchange rate adjustments	462
Amortisation at 31 March 2018	**20,486**

Accumulated Amortisation	
Amortisation b/fwd at 1 April 2017	**15,613**
Amortisation charge for the year	1,046
Disposals	60
Exchange rate adjustments	318
Amortisation at 31 March 2018	**17,037**

Reconciliation at the beginning and end of the year	
Opening net book amount - at 1 April 2017	3,921
Closing net book amount - at 31 March 2018	4,061

Reconciliation at the beginning and end of the year	
Opening net book amount - at 1 April 2017	2,816
Closing net book amount - at 31 March 2018	2,803

23. Trade and other payables

	Group		Company	
	2019	**2018**	**2019**	**2018**
		***Restated**		***Restated**
Trade & Other Payables	**£000's**	**£000's**	**£000's**	**£000's**
Trade payables	17,301	9,798	295	6,736
Dealer payables	39,122	52,002	26,376	48,428
Accrued expenses	30,499	26,147	9,783	8,978
Social security and other taxes	663	637	-	572
Other creditors	13,678	16,225	8,003	15,161
Trade and payables - total	**101,263**	**104,809**	**44,457**	**79,875**

* The prior year figures have been restated to split out trade and dealer payables

Trade and other payables are all due within one year, and therefore reported as current liabilities.

Where financial instruments are included within trade and other payables, due to their short term nature, the fair value approximates to the carrying value in the balance sheet. In the normal course of business the majority of these liabilities are settled within 3 months.

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

24. Borrowings

(a) Borrowings – total amount (capital and interest accruals)

	Group		Company	
	2019	2018	2019	2018
	£000's	£000's	£000's	£000's
Total borrowings	6,131,548	5,315,785	3,150,202	4,042,934

(b) Borrowings – total amount (capital and interest accruals) split by maturity

2019	Group			Company		
	< 1 Year	> 1 Year	Total	< 1 Year	> 1 Year	Total
Borrowings	£000's	£000's	£000's	£000's	£000's	£000's
- Bank overdraft	24,635	-	**24,635**	-	-	-
- Bank borrowings	439,886	303,806	**743,692**	70,589	-	**70,589**
- Securitisation loan	281	700,000	**700,281**	281	700,000	**700,281**
- Related party borrowings	1,837,156	2,825,784	**4,662,940**	1,319,332	1,060,000	**2,379,332**
Borrowings - total	**2,301,958**	**3,829,590**	**6,131,548**	**1,390,202**	**1,760,000**	**3,150,202**

2018	Group			Company		
	< 1 Year	> 1 Year	Total	< 1 Year	> 1 Year	Total
Borrowings	£000's	£000's	£000's	£000's	£000's	£000's
- Bank overdraft	15,992	-	**15,992**	5,658	-	**5,658**
- Bank borrowings	446,904	335,623	**782,527**	380,396	217,917	**598,313**
- Securitisation loan	230	700,000	**700,230**	230	700,000	**700,230**
- Related party borrowings	1,718,950	2,098,086	**3,817,036**	1,197,084	1,541,649	**2,738,733**
Borrowings - total	**2,182,076**	**3,133,709**	**5,315,785**	**1,583,368**	**2,459,566**	**4,042,934**

Overdrafts are repayable on demand; the fair value of the liability equates to the value in the balance sheet.

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

25. Other liabilities

Other liabilities are summarised as follows:

	Group		Company	
	2019	2018	2019	2018
	£000's	£000's	£000's	£000's
Other Liabilities				
Operating lease deferred income	12,939	12,147	11,759	11,021
Intercompany liabilities	260,836	14,812	29,751	14,803
Deferred insurance income	16,321	14,416	-	14,416
Other	11,627	36,957	10,993	36,516
Other liabilities - total	**301,723**	**78,332**	**52,503**	**76,756**

Where financial instruments are included within other liabilities, due to the short term nature of the payable, the fair value approximates to the carrying value in the balance sheet. In the normal course of business the majority of these liabilities are settled within 3 months.

26. Current tax assets and liabilities

	Group		Company	
	2019	2018	2019	2018
	£000's	£000's	£000's	£000's
Current tax assets				
Current tax receivable	19,983	16,577	17,721	15,241
Current tax liabilities				
Total income taxes payable	1,129	8,983	-	5,837

Current tax liabilities are all due within one year.

27. Retirement benefit obligations

Retirement benefit schemes

The Group operates a number of pension schemes. There is a defined benefit scheme in the UK, which is the principal pension scheme, with assets held in a separate trustee administered fund. The other schemes are of the defined contribution type.

Defined contribution schemes

The total cost charged to income of £745,000 (2018: £398,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the plans.

Defined benefit scheme

The Scheme is a funded scheme, subject to the Statutory Funding Objective under the Pensions Act 2004. Under the scheme, the employees are entitled to retirement benefits based on length of pensionable service and their final salary. Employees accrue retirement benefits at the rate of 1/80th of their final salary for each year of pensionable service. There are attaching death benefits, but no other post-retirement benefits are provided. The Scheme has been closed to new entrants since 1 January 2009. The most recent actuarial valuation of the Scheme was carried out as at 1 July 2016 by Helen Turner, Fellow of the Institute of Actuaries, of Barnett Waddingham. This valuation was carried out using the projected unit method and assumed an investment growth of 3.5% pa pre-retirement and 3.0% pa post-retirement, earnings growth of 3.95% pa, and long-term retail price inflation of 3.15% pa, all as agreed between the Trustee and the Company. The 2016 valuation showed a market valuation of pension scheme assets of £62,177,000 which covered 83% of liabilities leaving a deficit of £12,430,000. The Company agreed that it would fund the pension plan deficit by making a one-off contribution to the scheme of £12,843,000 (including interest), which was paid in August 2017. The Company and Trustees also agreed a contribution rate of 52.1% of pensionable salaries to fund ongoing accrual from the date of the valuation until 31st March 2018, and £12,000 per month in respect of administrative expenses.

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

Following the July 2016 valuation the Company commissioned a review of the scheme with the objective of reducing the cost and risk whilst keeping the scheme open to continued accrual for existing members. The Company drafted some proposals and presented these to the Members and Trustees through a consultation process. The proposals were designed to reduce the level of benefit to members from future accrual, whilst protecting existing benefits and keeping the scheme open to future accrual of retirement benefits. The proposals were approved by the Company and were implemented with effect from the 1st April 2018. A revised schedule of contributions was agreed between the Company and the Trustees on 14th March 2018, under which contributions of 29.5% of basic salaries are payable to fund the ongoing accrual from 1 April 2018.

Five trustees have been nominated to administer the fund, which comprises two company nominated trustees, two member nominated trustees and an independent trustee. The Trustees have responsibility for obtaining valuations of the fund, administering benefit payments and investing the Scheme's assets. The Trustees delegate some of these functions to their professional advisers where appropriate.

The Scheme exposes the Company to a number of risks:

Investment risk

The Scheme holds investments in asset classes, such as equities, which have volatile market values. While these assets are expected to provide real returns over the long term, the short term volatility can cause additional funding contributions to be required if a deficit emerges.

Interest rate risk

The Scheme's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Scheme holds assets such as equities, the value of the assets and liabilities may not move in the same way. The Scheme has assets invested in a pooled swap fund in order to hedge against interest rate risk.

Inflation risk

A significant proportion of the benefits under the Scheme are linked to inflation. Although the Scheme's assets are expected to provide a good hedge against inflation over the long term, adverse movements over the short term could lead to deficits emerging. The Scheme has assets invested in a pooled swap fund in order to hedge against inflation risk.

Mortality risk

In the event that members live longer than assumed a deficit will emerge in the Scheme.

Concentration of liability

The Scheme has several members with large liabilities. The future funding position of the Scheme will be sensitive to the experience, in particular the mortality experience, of such members.

There were no plan amendments, curtailments or settlements during the year.

a) Amounts recognised in the Balance Sheet were as follows:

	Group & Company	
	2019	**2018**
	£000's	**£000's**
Fair value of scheme assets	93,711	83,852
Present value of funded obligation	(94,184)	(89,297)
Deficit in scheme	(473)	(5,445)
Net defined benefit liability	**(473)**	**(5,445)**

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

(b) Reconciliation of net defined benefit liability was as follows:

	Group & Company	
	2019	**2018**
Movements in present value	**£000's**	**£000's**
At 1 April	**5,445**	**16,420**
Service cost	1,421	3,132
Net interest expense	133	199
Measurements	(5,453)	2,170
Administration costs	279	183
Employer contribution	(1,352)	(16,659)
At 31 March	**473**	**5,445**

(c) Amounts recognised in the income statement over the year were as follows:

	Group & Company	
	2019	**2018**
	£000's	**£000's**
Current service cost	1,421	3,132
Administration cost	279	183
Interest on liabilities	2,384	2,388
Interest on assets	(2,251)	(2,189)
Expense recognised in the income statement	**1,833**	**3,514**

(d) Measurements over the year recognised in the Statement of Other Comprehensive Income were as follows:

	Group & Company	
	Valuation at:	
	2019	**2018**
	£000's	**£000's**
(Gain) / Loss on scheme assets in excess of interest	(8,559)	1,856
Experience loss on liabilities	306	792
Gain from changes to demographic assumptions	(1,844)	(487)
Loss from changes to financial assumptions	4,644	9
Total	**(5,453)**	**2,170**

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

(e) Changes in the assets over the year were as follows:

	Group & Company	
	Valuation at:	
	2019	2018
	£000's	£000's
Fair value of assets at the beginning of the year	**83,852**	**70,639**
Interest on assets	2,251	2,189
Company contributions	1,352	16,659
Contributions by Scheme participants	159	-
Benefits paid	(2,183)	(3,596)
Administration costs	(279)	(183)
Return on plan assets less interest	8,559	(1,856)
Fair value of assets at the end of the year	**93,711**	**83,852**

(f) Changes in the defined benefit obligation over the year were as follows:

	Group & Company	
	Valuation at:	
	2019	2018
	£000's	£000's
Defined benefit obligation at the beginning of the year	**89,297**	**87,059**
Current service cost	1,421	3,132
Contributions by Scheme participants	159	-
Interest cost	2,384	2,388
Benefits paid	(2,183)	(3,596)
Experience gain on defined benefit obligation	306	792
Changes to demographic assumption	(1,844)	(487)
Changes to financial assumption	4,644	9
Defined benefit obligation at the end of the year	**94,184**	**89,297**

(g) The analysis of the scheme assets at the balance sheet date were as follows:

	Group & Company	
	2019	2018
	£000's	£000's
UK equities	21,708	21,053
Overseas equities	38,872	36,085
Trustees bank account	116	692
Other	33,015	26,022
Total	**93,711**	**83,852**

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

(h) The present value of the defined benefit obligation and the related current service cost were measured using the projected unit credit method were as follows:

	Group & Company	
	2019	**2018**
Principal actuarial value		
Discount rate	2.50%	2.70%
RPI inflation	3.50%	3.50%
CRPI inflation	2.50%	2.50%
Pension increases – RPI capped at 5% p.a.	3.30%	3.30%
Salary increases	4.10%	4.10%
Post retirement mortality assumptions	95% of S2NA tables with CMI 2018 projections using a long-term improvement rate of 1.25% p.a.	PNA000 with CMI 2017 projections and a 1.25% p.a. long-term improvement rate
Allowance for commutation	85% of members assumed to take 25% of their pension as tax-free cash	85% of members assumed to take 25% of their pension as tax-free cash

Mortality rates

The average life expectancy in years of a pensioner retiring at age 60 on the balance sheet date is as follows:

	Group & Company	
	2019	**2018**
	Years	**Years**
Male	26.8	27.2
Female	28.9	29.4

The average life expectancy in years of a pensioner retiring at age 60, 20 years after the balance sheet date is as follows:

	Group & Company	
	2019	**2018**
	Years	**Years**
Male	28.3	28.8
Female	30.5	31.0

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

(i) Sensitivity of the value placed on liabilities

	Group & Company
	2019
	£000's
Adjustments to assumptions	**Approximate increase/ (decrease) in liabilities**
Discount rate	
Plus 0.5% p.a.	(10,753)
Minus 0.5% p.a.	12,655
Inflation, salary increases and pension increases	
Plus 0.5% p.a.	10,941
Minus 0.5% p.a.	(9,753)
Life expectancy	
Members assumed to be 1 year younger	2,811
Members assumed to be 1 year older	(2,817)

(j) Effect of the scheme on the company's future cash flows

An actuarial valuation of the Scheme must be carried out at least once every three years. Following each such valuation, the Company is required to agree a Schedule of Contributions with the Trustees of the Scheme. The next valuation of the Scheme is due as at 1 July 2019. In the event that this valuation reveals a larger deficit than expected, the Company may be required to increase contributions above those set out in the existing Schedule of Contributions dated 14 March 2018. Conversely, if the position is better than expected contributions may be reduced.

In respect of the Final Salary Section of the Scheme, the Company expects to pay contributions of £1,816,000 in the year to 31 March 2020.

The weighted average duration of the Defined Benefit Obligation is approximately 26 years.

28. Share capital

Company & Group	**2019**	**2018**
	£000's	**£000's**
Authorised:		
200 million (2018: 200 million) ordinary shares of £1 each	200,000	200,000
Issued, allotted, called up and fully paid:		
119.8 million (2018: 114.5 million) ordinary shares of £1 each	119,800	114,500

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

29. Dividends

	2019	2018
	£000's	£000's
Dividend paid	13,364	9,111

The dividends paid in 2019 and 2018 were £13,364k and £9,111k respectively. A dividend in respect of the year ended 31 March 2019 of £11,318k was proposed at the Annual General Meeting on 29 July 2019. These financial statements do not reflect this dividend payable.

The dividend equates to £0.12 per share in 2019 and £0.09 per share in 2018.

30. Commitments and contingent liabilities & assets

(a) Commitments - undrawn credit

The Company and Group extend commercial credit primarily to certain dealers selling Toyota and Lexus brand vehicles in the form of approved lines of credit to purchase inventories of new and used vehicles, for capital improvements and current account funding.

The table below details the undrawn portion of commitments to lend:

	Group		Company	
	2019	2018	2019	2018
	£000's	£000's	£000's	£000's
External - less than 1 year maturity	623,805	580,206	506,437	379,903
External - greater than 1 year maturity	37,371	26,192	37,371	26,192
Total undrawn commitments	**661,176**	**606,398**	**543,808**	**406,095**

The amounts reported above represent the undrawn portion of the commitment at each year end which is also the maximum principal amount of such facilities.

(b) Operating lease commitments

The Group is committed to make the following annual payments in respect of operating leases primarily relating to land and buildings, the majority of which are in the UK and Italy. In the UK, the lease is for a fixed term and there are no renewal options. In Italy, the initial term is for a fixed period but there is an option to extend the lease for a further six years.

	Group		Company	
	2019	2018	2019	2018
	£000's	£000's	£000's	£000's
Not later than 1 year	1,732	1,487	1,382	1,297
Later than 1 year and not later than 5 years	1,921	3,134	1,498	2,702
Later than 5 years	318	431	-	-
Total of future minimum lease payments under non-cancellable operating leases	**3,971**	**5,052**	**2,880**	**3,999**

	Group		Company	
	2019	2018	2019	2018
	£000's	£000's	£000's	£000's
Contingent rents recognised as expense in the year	-	-	-	-

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

31. Vehicle residual values

The following residual values, disclosed by year in which they will be recovered, are included in loans and receivables and Property, Plant and Equipment in the Balance Sheet.

Operating lease residual values are in PPE (Note 21) and the residual values for all other categories are in loans and receivables (Note 17).

Group	2019				
Year in which residual value will be recovered	Finance lease	Hire purchase	Retail loans	Operating lease	Total
	£000's	£000's	£000's	£000's	£000's
Within 1 year	9,205	229,584	-	82,662	321,451
Between 1-2 years	13,268	408,084	-	62,481	483,833
Between 2-5 years	25,808	759,331	-	69,363	854,502
More than 5 years	129	-	-	-	129
Total exposure	48,410	1,396,999	-	214,506	1,659,915

Group	2018				
Year in which residual value will be recovered	Finance lease	Hire purchase	Retail loans	Operating lease	Total
	£000's	£000's	£000's	£000's	£000's
Within 1 year	6,739	236,294	192	75,859	319,084
Between 1-2 years	9,492	354,571	-	44,682	408,745
Between 2-5 years	22,732	633,354	-	44,833	700,919
More than 5 years	133	11,440	-	-	11,573
Total exposure	39,096	1,235,659	192	165,374	1,440,321

Company	2019			
Year in which residual value will be recovered	Finance lease	Hire purchase	Operating lease	Total
	£000's	£000's	£000's	£000's
Within 1 year	-	229,556	53,486	283,042
Between 1-2 years	-	399,124	39,878	439,002
Between 2-5 years	-	736,707	34,577	771,284
Total exposure	-	1,365,387	127,941	1,493,328

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

Company	2018			
Year in which residual value will be recovered	**Finance lease**	**Hire purchase**	**Operating lease**	**Total**
	£000's	**£000's**	**£000's**	**£000's**
Within 1 year	-	236,294	54,523	**290,817**
Between 1-2 years	-	354,571	38,569	**393,140**
Between 2-5 years	-	633,338	38,252	**671,590**
Total exposure	-	**1,224,203**	**131,344**	**1,355,547**

The principal risk arising out of the Group's leasing operations is that the asset does not achieve the expected residual value at the end of the primary lease term. The residual value risk on hire purchase agreements only occurs if the vehicle is returned, however for certain contracts there is an option to return the vehicle at the end of the agreement.

Changes in residual values relating to operating leases are reflected in the depreciation charge within Other expenses.

32. Related party transactions

During the year, Toyota Financial Services Corporation provided credit support to Toyota Financial Services (UK) PLC in respect of debt issuance in the capital markets and related party guarantees. The fees charged represent £10,722 of guarantee commission (2018: £8,510), with £4,884 outstanding at year-end (2018: £5,019).

The outstanding amount bears no interest and there are no fixed repayments terms.

During the year, Toyota Financial Services (UK) PLC entered into transactions with the following Group companies:

- Toyota (GB) PLC

- TFSC subsidiaries: Toyota Motor Finance (Netherlands) B.V., Toyota Kreditbank GmbH (and its subsidiaries)

- TFSUK subsidiaries and associates

The loans and advances to associated companies are unsecured, carry variable interest rates and repayable on demand.

Interest supplements and other support payments ('deferred income') from related parties are provided on origination of eligible contracts. Payments are deferred on the Statement of financial position and recognised in 'interest and similar income' using the effective interest method. During the year, Toyota (GB) PLC provided support amounting to £114.6m (2018: £90.2m).

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

(a) Loans and receivables to related parties

Group

	Parent		Associates		Other related parties		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Loans and receivables								
Outstanding at 1 April	-	-	19	-	76,689	75,696	76,708	75,696
Issued during the year	18	-	26	19	14,373	5,659	14,417	5,678
Repayments during the year	-	-	-	-	(7,112)	(4,680)	(7,112)	(4,680)
Exchange differences	-	-	-	-	(82)	14	(82)	14
Outstanding at 31 March	18	-	45	19	83,868	76,689	83,931	76,708

Company

	Parent		Subsidiaries		Associates		Other related parties		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Loans and receivables										
Outstanding at 1st April	-	-	474	18	19	-	74,266	75,345	74,759	75,363
Issued during the year	18	-	-	456	26	19	8,925	334	8,969	809
Repayments during the year	-	-	(306)	-	-	-	(240)	(1,413)	(546)	(1,413)
Exchange differences	-	-	-	-	-	-	-	-	-	-
Outstanding at 31 March	18	-	168	474	45	19	82,951	74,266	83,182	74,759

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

b) Deferred income from related parties

Group

	Parent		Associates		Other related parties		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Deferred income								
Outstanding at 1 April	-	-	-	-	**126,557**	**118,792**	**126,557**	**118,792**
Issued during the year	-	-	-	-	115,533	91,125	115,533	91,125
Taken to income statement during year	-	-	-	-	(96,101)	(83,437)	(96,101)	(83,437)
Exchange differences	-	-	-	-	(31)	77	(31)	77
Outstanding at 31 March	-	-	-	-	**145,958**	**126,557**	**145,958**	**126,557**

Company

	Parent		Subsidiaries		Associates		Other related parties		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Deferred Income										
Outstanding at 1 April	-	-	-	-	-	-	**124,014**	**117,804**	**124,014**	**117,804**
Issued during the year	-	-	-	-	-	-	114,371	88,602	114,371	88,602
Taken to income statement during year	-	-	-	-	-	-	(94,213)	(82,428)	(94,213)	(82,428)
Exchange differences	-	-	-	-	-	-	(10)	36	(10)	36
Outstanding at 31 March	-	-	-	-	-	-	**144,162**	**124,014**	**144,162**	**124,014**

(c) Trade and payables from related parties

Group

	Parent		Associates		Other related parties		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Trade and payables								
Trade and payables at 1 April	**45**	**45**	-	-	**34,792**	**32,256**	**34,837**	**32,301**
Trade and payables incurred during the year	15	24	-	-	440,012	190,748	440,027	190,772
Trade and payables paid during the year	(14)	(24)	-	-	(196,524)	(188,358)	(196,538)	(188,382)
Exchange differences	-	-	-	-	(97)	146	(97)	146
Trade and payables at 31 March	**46**	**45**	-	-	**278,183**	**34,792**	**278,229**	**34,837**

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

Company

	Parent		Subsidiaries		Associates		Other related parties		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Trade and payables										
Trade and payables at 1 April	**43**	**43**	**-**	**16**	**-**	**-**	**31,867**	**31,356**	**31,910**	**31,415**
Trade and payables incurred during the year	8	15	10	-	-	-	8,360	12,392	8,378	12,407
Trade and payables paid during the year	(8)	(15)	-	(16)	-	-	812	(11,892)	804	(11,923)
Exchange differences	-	-	-	-	-	-	15	11	15	11
Trade and payables at 31 March	**43**	**43**	**10**	**-**	**-**	**-**	**41,054**	**31,867**	**41,107**	**31,910**

(d) Borrowings from related parties

Group

	Parent		Associates		Other related parties		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Borrowings								
Borrowings at 1 April	-	-	-	-	3,817,036	**3,269,406**	3,817,036	**3,269,406**
Borrowings made during the year	-	-	-	-	5,698,787	3,328,187	5,698,787	3,328,187
Borrowings repaid during the year	-	-	-	-	(4,831,047)	(2,807,886)	(4,831,047)	(2,807,886)
Exchange differences	-	-	-	-	(21,836)	27,329	(21,836)	27,329
Borrowings at 31 March	**-**	**-**	**-**	**-**	**4,662,940**	**3,817,036**	**4,662,940**	**3,817,036**

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

Company

	Parent		Subsidiaries		Associates		Other related parties		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Borrowings										
Borrowings at 1 April	-	-	-	-	-	-	**2,738,733**	**2,417,503**	2,738,733	**2,417,503**
Borrowings made during the year	-	-	-	-	-	-	3,246,207	2,160,710	3,246,207	2,160,710
Borrowings repaid during the year	-	-	-	-	-	-	(3,605,608)	(1,839,480)	(3,605,608)	(1,839,480)
Exchange differences	-	-	-	-	-	-	-	-	-	-
Borrowings at 31 March	-	-	-	-	-	-	**2,379,332**	**2,738,733**	**2,379,332**	**2,738,733**

The above borrowings are unsecured, carry variable interest rates and are repayable on demand.

(e) Other transactions with related parties

Group

	Parent		Associates		Other related parties		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Other Transactions								
Fee and commission income	-	-	-	-	406	339	406	339
Deferred Income	-	-	-	-	96,101	83,437	96,101	83,437
Interest income	-	-	-	-	25,548	27,627	25,548	27,627
Other operating income	62	45	109	77	3,185	2,505	3,356	2,627
Dividend	13,364	9,111	-	3,937	-	-	13,364	13,048
Interest expense and similar charges	-	-	-	-	30,028	19,320	30,028	19,320
Fee and commission expense	4	4	-	-	186	97	190	101
Rent of premises	-	-	-	-	1,900	1,641	1,900	1,641
Other expenses	119	125	-	-	40,787	37,327	40,906	37,452

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

Company

	Parent		Subsidiaries		Associates		Other related Parties		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Other Transactions										
Deferred Income	-	-	-	-	-	-	94,213	82,428	94,213	82,428
Interest income	-	-	-	-	-	-	25,548	27,624	25,548	27,624
Other operating income	62	45	702	1,994	109	77	2,873	2,326	3,746	4,442
Dividend	13,364	9,111	2,711	9,427	-	3,937	-	-	16,075	22,475
Interest expense and similar charges	-	-	-	-	-	-	29,642	18,766	29,642	18,766
Rent of premises	-	-	-	-	-	-	1,786	1,531	1,786	1,531
Other expenses	118	124	118	58	-	-	40,155	36,774	40,391	36,956

(f) Subordinated debt to related parties

As a part of the asset backed securitisation transaction, there is a subordinated loan from the Company to the SPE of £226.4m (2018: £231.5m).

(g) Key management compensation

	Group & Company	
	2019	2018
	£000's	£000's
Salaries and other short-term benefits	556	511
Post-employment benefits	13	37
Key management compensation - total	**569**	**548**

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

33. Asset backed securitisation

Securitised receivables

The table below summarises balances that have been securitised:

	Group		Company	
	2019	2018	2019	2018
Loans & finance lease receivables subject to asset backed securitisation	**£000's**	**£000's**	**£000's**	**£000's**
– Finance leases	-	-	-	-
– Hire purchase	926,354	931,548	926,354	931,548
– Retail loans	-	-	-	-
– Wholesale loans	-	-	-	-
Loans & finance lease receivables subject to asset backed securitisation - total	**926,354**	**931,548**	**926,354**	**931,548**
Related debt	**700,000**	**700,000**	**700,000**	**700,000**

Funding and transaction structure

Asset backed securitisation ("ABS") plays a significant part in the funding mix of Toyota Financial Services (UK) PLC. Funding raised from ABS was £700m in 2019 (2018: £700m).

The company retains a junior interest in the securitised receivables, the balance at year-end was £226.4m (2018: £231.5m).

Company's responsibilities

The company retains the credit risk of the securitised receivables. This is in the form of the junior interest it retains. This provides credit enhancement to the deal in the form of over collateralisation.

The company holds the rights to any surplus cash generated from the deal. This cash surplus is transferred as per pre-enforcement priority of payments.

The company does not guarantee any securitised receivables and has no obligation to provide liquidity to the SPE. For credit losses on the securitised assets, the securitisation investors have no recourse to the Company's other assets. The Company also has no obligation to repurchase assets that subsequently become delinquent.

The Company provides support to the ABS transaction, this includes repurchasing contracts that do not meet eligibility criteria or have been materially modified since sold.

Transaction structure

The funding raised is on a revolving basis and is matched by the sold receivables. During the revolving period a constant funding level is maintained, achieved by new assets being sold into the transaction. The run out profile of the debt is similar to that of the sold receivables.

Revolving structure capacity:

	Revolving structure capacity
	£000's
Balance as at 1 April 2018	**700,000**
– New committed capacity in the year	-
– Matured capacity in the year	-
Balance as at 31 March 2019	**700,000**

The transaction contains features that could result in the transaction going into amortisation. These include delinquency and loss ratios dropping to a significant level as stipulated in the transactions legal documentation. It also includes a failure to service the deal and insolvency of the seller or servicer.

Notes to the Financial Statements for the year ended 31 March 2019 (cont'd)

34. Other provisions

	Group		Company	
	2019	2018	2019	2018
	£000's	£000's	£000's	£000's
Other provisions	37,987	-	37,987	-

Other provisions includes an amount in relation to a fine issued in January 2019 by the Italian Competition Authority against the Company's Italian branch for alleged infringement of competition law. The Company has appealed against the decision and the appeal is expected to take place in February 2020. The Company has made a provision for its best estimate of the expected outcome although the case is complex and the eventual outcome could be materially different.

35. Events after the balance sheet date

On 30th April 2019 the Company invested £3.2m in Faxi Ltd, purchasing 72.25% of the shares including 71.07% of the voting shares. Faxi Ltd provides a smartphone app and online platform which enables people in communities to identify each other and easily arrange to share car journeys.

36. Ultimate and immediate parent undertaking

The ultimate holding company and controlling party and the largest undertaking into which the company's results are consolidated is Toyota Motor Corporation, which is incorporated in Japan.

The smallest undertaking into which the company's results are consolidated is Toyota Financial Services Corporation, which is incorporated in Japan.

The Financial Statements of the Toyota Motor Corporation can be obtained from 1 Toyota-Cho, Toyota City, Aichi 471-8571, Japan.

The Financial Statements of the Toyota Financial Services Corporation can be obtained from Nagoya Lucent Tower 15F, 6-1 Ushijima-Chou, Nishi-Ku, Nagoya, 451-6015, Japan.