Company Registration No. 02179313 (England and Wales)

INVESTEC ASSET FINANCE PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

INVESTEC ASSET FINANCE PLC

COMPANY INFORMATION

Directors	M R Francis	
	I R Wohlman	
	A Hart	
	J S Collins	(Appointed 11 September 2019)
	S P Budd	(Appointed 11 September 2019)
Secretary	C Law	
Company number	02179313	
Registered office	Reading International Business Park Reading Berkshire RG2 6AA	
Auditor	Ernst & Young LLP 25 Churchill Place London E14 5EY	

INVESTEC ASSET FINANCE PLC

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INVESTEC ASSET FINANCE PLC

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2020

The directors present the strategic report and financial statements for the year ended 31 March 2020.

Promoting the success of the company
Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. In doing this, section 172 requires a director to have regard, among other matters, to:

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

The directors give careful consideration to the factors set out above in discharging their duties under section 172. The board recognises that building strong relationships with our stakeholders will help us to deliver our strategy in line with our long-term values, and operate the business in a sustainable way. The board is committed to effective engagement with all of its stakeholders. Depending on the nature of the issue in question, the relevance of each stakeholder group may differ and, as such, as part of its engagement with stakeholders, the board seeks to understand the relative interests and priorities of each group and to have regard to these, as appropriate, in its decision making.

Review of the business
The company is engaged primarily in the leasing of equipment. The company's key financial information during the year was as follows:

	2020	2019	Change
	£'000	£'000	%
Finance lease, lease purchase and loan receivables	955,725	927,420	3
Revenue	93,645	92,819	1
Total operating income	46,960	42,314	11
Profit after tax	15,141	13,688	11

The company faces credit, residual, liquidity, foreign currency and interest rate risk in the course of its normal business. The Board places reliance on the Risk Management function of Investec plc and subsidiaries (the "Group") as further explained in note 23 in mitigation of these risks.

The main area of business has continued to be that of small ticket broker and other intermediary introduced leases, lease purchase agreements and loans. New business volumes were £523m during the year, with the book value of assets let under finance leases and loans increasing from £927m in the year ended 31 March 2019 to £956m in the year ended 31 March 2020, an increase of 3%.

In 2014 the company entered into a securitisation funding arrangement with Temese Funding 2 plc for £280m. The lease receivables used within this transaction have not been derecognised within the financial statements, and the funding is being held as a collateralised loan from Temese Funding 2 plc. In May 2017 funding from Temese Funding 2 plc was increased to £650m.

The company has operated a defined impairment policy during the year based on a forward looking 12 months expected credit losses where there has not been a significant increase in credit risk rating, otherwise allowances are based on lifetime expected credit losses. Further detail can found in accounting policies on page 15.

Profit after tax increased on the previous year by 11% (2019: 31% decrease).

The directors have considered the impact of COVID-19 and the impact of holiday payments provided to customers on liquidity and have included a COVID-19 related provision overlay within the expected credit losses to capture the risks not yet identified in the IFRS 9 models.

Environment
The company is committed to pursuing sound environmental policies in all aspects of its business, and seeks to encourage and promote good environmental practice amongst its employees and within the communities in which it operates.

On behalf of the board

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A Hart
Director
1 October 2020

The directors present their annual report and financial statements for the year ended 31 March 2020.

Principal activities
The principal activity of the company continued to be that of equipment leasing.

Results and dividends
The results for the year are set out on page 8.

During the year dividends of £9.0m were paid (2019: £14.35m). The company has not proposed any final dividend.

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

M R Francis	
C Meyer	(Resigned 29 September 2020)
D M van der Walt	(Resigned 11 September 2019)
I R Wohlman	
A Hart	
J S Collins	(Appointed 11 September 2019)
S P Budd	(Appointed 11 September 2019)

No director holding office at 31 March 2020 had any direct beneficial interest in the shares of the company during the year (2019:nil).

Directors' insurance
The company maintains a Directors' and Officers' Liability Insurance Policy. In accordance with the company's Articles of Association, the board may also indemnify a director from the assets of the company against any costs or liability incurred as a result of their office, to the extent permitted by law. Neither the insurance policy nor any indemnities that may be provided by the company provide cover for fraudulent or dishonest actions by the directors. However, costs may be advanced to directors for their defence in investigations or legal actions.

Future developments
The directors believe the outlook for the company remains positive noting the potential impact of COVID-19 on the wider UK economy. It is still planning to seek growth in the book, primarily through organic growth, geographical and product diversification.

Auditor
The auditor, Ernst & Young LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

INVESTEC ASSET FINANCE PLC

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Going Concern
The directors have considered the impact of COVID-19 on the company including the impact of providing holiday payments to customers and the liquidity impact this could have and have concluded that there is no significant impact on the company.

On behalf of the board

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A Hart
Director
1 October 2020

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF INVESTEC ASSET FINANCE PLC

Opinion

We have audited the financial statements of Investec Asset Finance plc for the year ended 31 March 2020 which comprise the profit and loss account, the balance sheet, the statement of changes in equity and notes 1 to 25 to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- 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 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.

Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matter prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Ernst & Young LLP

James Billingham (Senior Statutory Auditor)
for and behalf of Ernst & Young LLP, Statutory Auditor
London
01 October 2020

INVESTEC ASSET FINANCE PLC

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £'000	2019 £'000
Revenue	**3**	93,645	92,819
Cost of sales		(46,685)	(50,505)
Gross profit		46,960	42,314
Administrative expenses		(31,972)	(27,378)
Other operating income		1,933	2,432
Profit before taxation	**5**	16,921	17,368
Tax on profit	**8**	(1,780)	(3,680)
Profit and total comprehensive income for the financial year		15,141	13,688

The profit and loss account has been prepared on the basis that all operations are continuing operations.

INVESTEC ASSET FINANCE PLC

BALANCE SHEET

AS AT 31 MARCH 2020

	Notes	2020 £'000	2019 £'000
Non current assets			
Intangible assets	9	3,938	3,652
Tangible fixed assets	10	7,854	2,616
Investments	11	6,372	3,747
Financial instruments	22	114,432	110,531
Finance lease receivables due after one year	15	314,662	303,922
Other debtors	16	818,421	798,711
		1,265,679	1,223,179
Current assets			
Finance lease receivables	15	155,195	145,593
Deferred tax asset	19	21,686	17,387
Other debtors	16	234,763	242,318
Cash at bank and in hand		669	15,432
		412,313	420,730
Creditors: amounts falling due within one year			
Loans and overdrafts	17	526,923	508,835
Trade creditors and other payables	18	225,096	213,050
Taxation and social security		12,903	13,672
Deferred income		7,246	8,058
		772,168	743,615
Net current liabilities		(359,855)	(322,885)
Total assets less current liabilities		905,824	900,294
Creditors: amounts falling due after more than one year			
Loans and overdrafts	17	547,356	552,304
Creditors	18	338,543	334,330
		885,899	886,634
Net assets		19,925	13,660

INVESTEC ASSET FINANCE PLC

BALANCE SHEET (CONTINUED)

AS AT 31 MARCH 2020

Capital and reserves			
Called up share capital	**20**	313	313
Share premium account		9,408	9,408
Capital redemption reserve		50	50
Retained earnings		10,154	3,889
Total equity		19,925	13,660

The financial statements were approved by the Board of directors and authorised for issue on 1st October 2020
Signed on its behalf by:

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A Hart
Director

Company Registration No. 02179313

INVESTEC ASSET FINANCE PLC

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2020

	Share capital	Share premium account	Capital redemption reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2018	313	9,408	50	12,374	22,145
Profit for the year	-	-	-	13,688	13,688
IFRS9 opening provision adjustment	-	-	-	(7,823)	(7,823)
Total comprehensive income for the year	-	-	-	13,688	13,688
Dividends	-	-	-	(14,350)	(14,350)
Balance at 31 March 2019	313	9,408	50	3,889	13,660
				-	-
Profit for the year	-	-	-	15,141	15,141
Total comprehensive income for the year	-	-	-	15,141	15,141
Dividends	-	-	-	(9,000)	(9,000)
IFRS9 deferred tax adjustment	-	-	-	(22)	(22)
IFRS9 corporation tax unwind	-	-	-	22	22
IAS19 Reserves Adjustment	-	-	-	124	124
Balance at 31 March 2020	313	9,408	50	10,154	19,925

1 Accounting policies

Company information

Investec Asset Finance plc is a public company limited by shares incorporated in England and Wales. The registered office is Reading International Business Park, Reading, Berkshire, RG2 6AA. The company's principal activities and nature of its operations are disclosed in the directors' report.

1.1 Accounting convention

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The company has taken advantage of the following disclosure exemptions under FRS 101 where applicable to the company.

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment;
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64 (o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations;
- the requirements of paragraph 33 (c) of IFRS 5 Non current Assets Held for Sale and Discontinued Operations;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirements of the second sentence of paragraph 110 and paragraphs 113 (a), 114, 115, 118, 119 (a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: (i) paragraph 79(a) (iv) of IAS 1, (ii) paragraph 73(e) of IAS 16 Property Plant and Equipment (iii) paragraph 118 (e) of IAS 38 Intangibles Assets, (iv) paragraphs 76 and 79(d) of IAS 40 Investment Property and (v) paragraph 50 of IAS 41 Agriculture;
- the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 40A to 40D ,111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member ; and
- the requirements of paragraphs 103 (f) (ii) and 130 (f) (iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

Where required, equivalent disclosures are given in the group accounts of Investec plc. The group accounts of Investec plc are available to the public and can be obtained as set out below.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

Investec Asset Finance plc is a wholly owned subsidiary of Investec Bank plc and the results of Investec Asset Finance plc are included in the consolidated financial statements of Investec Bank plc which are available from 30 Gresham Street, London, EC2V 7QP.

1 Accounting policies **(Continued)**

1.2 Going concern

On the basis of current financial projections the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and accordingly the going concern basis is adopted in the preparation of the financial statements.

The directors have considered the impact of COVID-19 on the company including the impact of providing holiday payments to customers and the liquidity impact this could have and have included a COVID-19 related provision overlay within the expected credit losses to capture the risks not yet identified in the IFRS 9 models.

1.3 Revenue

Revenue is recognised when it can be reliably measured and it is probable that the economic benefits will flow to the entity. Revenue related to provision of services is recognised when related services are performed. Revenue is measured at the fair value of the consideration received or receivable.

Interest income is recognised in the income statement using the effective interest method. Fees charged on lending transactions are included in the effective yield calculation to the extent that they form an integral part of the effective interest rate yield, but exclude those fees earned for a separately identifiable significant act, which are recognised upon completion of the act. Fees and commissions charged in lieu of interest are recognised as income as part of the effective interest rate on the underlying loan.

The effective interest method is based on the estimated life of the underlying instrument and where this estimate is not readily available, the contractual life.

Other income comprising secondary and extension rental and other fees charged is accrued as they fall due. Asset insurance income is spread on a straight line basis over the life of the lease to which it relates.

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold land and buildings	over the life of the lease
Leasehold improvement	over the life of the lease
Fixtures and fittings	4 years
Computers	4 years
Motor vehicles	3 years
Equipment on operating leases	over the life of the lease

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

1.5 Investments

Interests in subsidiary undertakings are stated at cost less any impairment in value. Interests in associate undertakings are held at fair value. Any gain or loss on disposal is recognised in the income statement through other comprehensive income.

1 Accounting policies **(Continued)**

1.6 Impairment of tangible and intangible assets

At each balance sheet date the company reviews the carrying value of non-financial assets for indication of impairment. The recoverable amount, being the higher of fair value less cost of disposal and value in use, is determined for any assets in which an indication of impairment is identified. If the recoverable amount of an asset is less than its carrying value, the carrying value of the asset is reduced to its recoverable value.

Impairment losses are recognised as an expense in the income statement in the period in which they are identified. Reversals of impairment losses are recognised in the income statement in the period in which the reversals are identified, to the extent that the carrying value of the asset does not exceed the amount that would have been calculated without impairment.

1.7 Fair value measurement

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The company is exempt under FRS 101 from the disclosure requirements of IFRS 13. There was no impact on the company from the adoption of IFRS 13.

1.8 Cash at bank and in hand

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.9 Financial instruments

Financial instruments are initially recognised at their fair value. For financial assets or financial liabilities not held at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities are included in the initial measurement.
All other transaction costs are recorded in the income statement immediately.

Financial assets held at amortised cost

Financial assets that are held to collect the contractual cash flows and that contain contractual terms that give rise to cash flows that are solely payments of principal and interest, such as most loans and advances to banks and customers and some debt securities, are measured at amortised cost. In addition, most financial liabilities are measured at amortised cost.

The group may commit to provide a loan which has not yet been drawn. When the loan that arises from the lending commitment is expected to meet the criteria to be measured at amortised cost the undrawn commitment is also considered to be and is included in the impairment calculation below.

The carrying value of these financial assets at initial recognition includes any directly attributable transactions costs. If the initial fair value is lower than the cash amount advanced, such as in the case of some leveraged finance and syndicated lending activities, the difference is deferred and recognised over the life of the loan through the recognition of interest income, unless the loan is credit impaired.

1 Accounting policies **(Continued)**

Business Model Assessment

For financial assets, IFRS 9 requires that a business model assessment is carried out which reflects how the group manages the assets in order to generate cash flows. The assessment is at a portfolio level, being the level at which the portfolio is managed. Factors considered by the group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the assets' performance is evaluated and reported and how risks are assessed and managed.

The standard sets out different types of business model

- Hold to collect: it is intended to hold the asset to maturity to earn interest, collecting repayments of principal and interest from the customer. These assets are accounted for at amortised cost.
- Hold to collect and sell: this model is similar to the hold to collect model, except that the entity may elect to sell some or all of the assets before maturity to achieve the objectives of the business model. These assets are accounted for at FVOCI.
- Hold to sell/managed on a fair value basis: the entity originates or purchases an asset with the intention of disposing of it in the short or medium term to benefit from capital appreciation or the portfolio is managed on a fair value basis. These assets are accounted for at FVPL.

However, the group may make the following irrevocable election/ designation at initial recognition of a financial asset on an asset- by-asset basis:

- elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in OCI; and
- a debt instrument that meets the amortised cost or FVOCI criteria as measured at FVPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

The classification into one of these categories is based on the entity's business model for managing the assets and the contractual cash flow characteristics of the assets.

Financial assets at fair value through other comprehensive income

Financial assets held for a business model that is achieved by both collecting contractual cash flows and selling and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at FVOCI. They are recognised on the trade date when the group enters into contractual arrangements to purchase and are normally derecognised when they are either sold or redeemed.

They are subsequently remeasured at fair value and changes therein (except for those relating to impairment, interest income and foreign currency exchange gains and losses) are recognised in other comprehensive income until the assets are sold. Upon disposal, the cumulative gains or losses in other comprehensive income are recognised in the income statement as 'Gains less losses arising from derecognition of debt instruments measured at fair value through other comprehensive income'.

Financial assets measured at FVOCI are included in the impairment calculations set out below and impairment is recognised in profit or loss.

Solely payment of principal and interest (SPPI)

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the group assesses whether the assets' cash flows represent solely payments of principal and interest (the SPPI test). In making this assessment, the group considers whether the contractual cash flows are consistent with a basic lending arrangement (i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement). Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related asset is classified and measured at FVPL.

1 Accounting policies **(Continued)**

Impairment of financial assets

At each balance sheet date each financial asset or portfolio of advances categorised at amortised cost or at fair value through other comprehensive income, issued financial guarantee and loan commitment is measured for ECL impairment. Loss allowances are forward-looking, based on 12-month expected credit losses where there has not been a significant increase in credit risk rating, otherwise allowances are based on lifetime expected credit losses.

Expected credit losses are a probability-weighted estimate of credit losses. The probability is determined by the risk of default which is applied to the cash flow estimates. On a significant increase in credit risk, credit losses are rebased from 12-month to lifetime expectations. A change in credit risk is typically but not necessarily associated with a change in the expected cash flows.

The costs of loss allowances on assets held at amortised cost and at FVOCI are presented as impairments in the income statement. Allowances in respect of financial guarantees and instruments are classified as held-for-trading when they are held with the intention of short-term disposal, held with the intention of generating short-term profit, or are derivatives which are not designated as part of effective hedges. Financial instruments designated as held at fair value through profit or loss are designated as such on initial recognition of the instrument and remain in this classification until derecognition.

Derecognition of financial assets and liabilities

A financial asset, or a portion thereof, is derecognised when the group's rights to cash flows have expired or when the group has transferred its rights to cash flows relating to the financial assets and either (a) the group has transferred substantially all the risks and rewards associated with the financial assets or (b) the group has neither transferred nor retained substantially all the risks and rewards associated with the financial assets but has transferred control of the assets.

The treatment of a renegotiation or modification of the contractual cash flows of a financial asset depends upon whether the modification is done for commercial reasons, in which case if they are significant the old asset is derecognised and a new asset recognised, or because of financial difficulties of the borrower.

A financial liability is derecognised when it is extinguished, that is when the obligation is discharged, cancelled or expired. When an existing financial liability is replaced or modified with substantially different terms, such a replacement or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

The company recognises financial debt when the company becomes a party to the contractual provisions of the instruments. Financial liabilities are classified as either 'financial liabilities at fair value through profit or loss' or 'other financial liabilities'.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as measured at fair value through profit or loss when the financial liability is held for trading. A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of selling or repurchasing it in the near term, or
- on initial recognition it is part of a portfolio of identified financial instruments that the company manages together and has a recent actual pattern of short-term profit taking, or
- it is a derivative that is not a financial guarantee contract or a designated and effective hedging instrument.

Financial liabilities at fair value through profit or loss are stated at fair value with any gains or losses arising on remeasurement recognised in profit or loss.

1 Accounting policies **(Continued)**

Other financial liabilities

Other financial liabilities, including borrowings, trade payables and other short-term monetary liabilities, are initially measured at fair value net of transaction costs directly attributable to the issuance of the financial liability. They are subsequently measured at amortised cost using the effective interest method. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

1.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

Current tax is provided on the amount expected to be payable on taxable profit at rates that are enacted or substantively enacted and applicable to the relevant period.

Deferred tax

Deferred taxation is provided using the balance sheet method on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base, except where such temporary differences arise from:

- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction has no effect on the income statement or taxable profit.
- In respect of temporary timing differences associated with the investments in subsidiaries or interests in associated undertakings, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets or liabilities are measured using the tax rates that have been enacted or substantively enacted at the balance sheet date.

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

Items recognised directly in other comprehensive income are net of related current and deferred taxation.

1 Accounting policies **(Continued)**

1.11 Leases

On 1 April 2019 the company adopted IFRS 16 Leases which replaced IAS 17 Leases.

At inception, the company assesses whether a contract is, or contains, a lease within the scope of IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where a tangible asset is acquired through a lease, the company recognises a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are included within tangible fixed assets, apart from those that meet the definition of investment property.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs and an estimate of the cost of obligations to dismantle, remove, refurbish or restore the underlying asset and the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of other tangible fixed assets. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee, and the cost of any options that the company is reasonably certain to exercise, such as the exercise price under a purchase option, lease payments in an optional renewal period, or penalties for early termination of a lease.

The company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less, or for leases of low-value assets including IT equipment. The payments associated with these leases are recognised in profit or loss on a straight-line basis over the lease term.

When the company acts as a lessor, leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees, over the major part of the economic life of the asset. All other leases are classified as operating leases. If an arrangement contains lease and non-lease components, the company applies IFRS 15 to allocate the consideration in the contract. When the company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately, classifying the sub-lease with reference to the right-of-use asset arising from the head lease instead of the underlying asset.

1 Accounting policies **(Continued)**

Equipment on leases
Equipment on leases may be financed either by the company or by a financial institution. Where the leases are financed by a financial institution the company arranges and manages the leases of equipment between the financial institutions and lessees. Leases are accounted for as follows:

Residual values
Residual value exposure occurs due to the uncertain nature of the value of an asset at the end of an agreement. Throughout the life of an asset its residual value will fluctuate because of the uncertainty of the future market for that asset as well as general economic conditions.

Residual values are set at the commencement of the lease based upon managements' expectation of the future sale proceeds. During the course of the lease, residual values are monitored so as to identify any impairment required. The monitoring takes account of the company's past history for residual values and the projections of the likely future market for each group of assets. Any impairment in the residual value of each group of assets is immediately charged to the profit and loss account.

Arranged leases
Arranged leases are leases where the company sells the rental stream of the primary lease period to a financial institution. The company retains its interest in the residual benefits of the leased equipment after the end of the primary lease period.

The difference between the proceeds from the sale of the rental stream and the cost of the leased equipment (net of the residual value) is included in turnover.

Finance leases
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.
The difference between the total of the minimum lease payments receivable plus any attributed residual value and the fair value of the equipment on lease at inception represents finance income which is recognised over the period of the lease so as to give a constant rate of return on the investment in the lease.

The investment in finance leases is stated at the total of the minimum lease payments receivable under such leases plus attributed residual values less finance income allocated to future periods, using the actuarial after tax method.

Lease purchase
Lease purchase contracts are leases where the lessee acquires legal title to the equipment at the end of the lease period. These are accounted for in the same way as finance leases.

Operating leases
All other leases are classified as operating leases. Equipment on an operating lease is capitalised as a fixed asset and is stated at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis to write off the cost less any residual value over the primary lease term. Income on operating leases is recognised in the profit and loss account on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the company's net investment outstanding in respect of the leases.

1 Accounting policies **(Continued)**

1.12 Foreign exchange

Foreign currency transactions are translated into the function currency of the entity in which the transaction arises based on the rates of exchange ruling at the date of transaction. At each balance sheet date foreign currency items are translated as follows:

- Monetary items are translated using closing rates, with gains or losses recognised in the income statement.
- Non-monetary items that are measured at historical costs are translated using the exchange rates ruling at the date of the transaction.

Monetary assets and liabilities in foreign currencies are translated into sterling at market rates of exchange ruling at the balance sheet date. All foreign currency transactions are translated into sterling at the exchange rates ruling at the time of the transactions. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

1.13 Securitisation

The company has entered into securitisation funding arrangements utilising certain lease receivables. Under IFRS 9 – Financial Instruments in accordance with the terms of the Lease Receivables Sale Agreement, derecognition of the lease receivables from the financial statements of the company is considered to be inappropriate because the company has retained significant risks and rewards in relation to the leased assets. Where a transfer of a financial asset does not qualify for derecognition, the company holds the amounts due as collateralised non-recourse loans from the securitisation vehicle.

Loans from the securitisation vehicles are classified within Creditors. They are held at amortised cost using the effective interest rate method. The effective interest on the loan from the securitisation vehicle is calculated with reference to the interest earned on the beneficial interest in the respective lease receivables.

2 Key management assumptions

In the preparation of the annual financial statements the company makes estimations and applies judgement that could affect the reported amount of assets and liabilities within the next financial year. Key areas in which judgement is applied include:

- Determination of interest income and interest expense using the effective interest method involves judgement in determining the timing and extent of future cash flows. Assumptions are made around the expected economic life of the asset and therefore the expected cash flows, unexpected market movements resulting in altered consumer behaviour could effect actual outcomes.
- The impact of COVID-19 required management to apply significant judgements and estimates to quantify the impact on the annual financial statements. The assumptions can be specifically viewed on page 37.
- The determination of ECL against assets that are carried at amortised cost involves a high degree of uncertainty as it involves using assumptions that are highly subjective and sensitive to risk factors. The most significant judgements relate to defining what is considered to be a significant increase in credit risk; determining the probability of default (PD), exposure at default (EAD) and loss given default (LGD) and future cash flows; incorporating information about forecast economic conditions and the weightings to be applied to economic scenarios.
- In accordance with IFRS16 Leases,the lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date of the lease. The discount rate is the rate implicit in the lease unless this cannot be readily determined in which case the lessee's incremental borrowing rate is used instead. The incremental borrowing rate applied for the purpose of IFRS16, is the wholesale borrowing rate quoted 1-5 year tenors and in currency as the company has reliable data points available in order to be able to arrive at the final discount rate. This is a key requirement for determining an incremental borrowing rate and therefore, the wholesale funding rate has been determined to be most appropriate for this type of borrowing.
- In accordance with IFRS13 Fair Value Measurement, the group categorises financial instruments carried on the balance sheet at fair value using a three-level hierarchy. Financial instruments categorised as level 1 are valued using quoted market prices and therefore minimal judgement is applied in determining fair value. However, the fair value of financial instruments categorised as level 2 and, in particular, level 3 is determined using valuation techniques including discounted cash flow analysis and valuation models. The valuation techniques for level 3 financial instruments involve management judgement and estimates the extent of which depends on the complexity of the instrument and the availability of market observable information. The key valuation techniques for level 3 financial instruments can include expected cash flows, discount rates, earnings multiples and the underlying assets within a business, adjusted where necessary for factors that specifically apply to the individual investments and recognising market volatility.

3 Revenue

An analysis of the company's revenue is as follows:

	2020	2019
	£'000	£'000
Revenue analysed by class of business		
Rentals receivable under finance leases, HP contracts and other finance arrangements	507,342	431,224
Capital element	(441,244)	(364,663)
Sales of leased equipment	1,502	2,307
Other	26,045	23,951
	93,645	92,819

3 Revenue (Continued)

	2020 £'000	2019 £'000
Revenue analysed by geographical market		
UK	93,645	92,819

Revenue represents amounts, excluding value added tax, receivable for the provision of goods and services. It comprises finance lease interest, lease sales, profits arising from arranged leases, outright sales of equipment, lease rentals receivable from leases and lease extensions and fee income from other services.

4 Directors Emoluments

The directors were employed and remunerated as directors of Investec plc and its subsidiaries (the "group") in respect of their services to the group as a whole and their remuneration has been paid by other group companies. It is estimated that the remuneration for their services to the company in the year totalled £285,853 (2019: £198,000).

There were 3 (2019: 3) directors who are members of a defined contribution pension scheme.

5 Operating profit

	2020 £'000	2019 £'000
Operating profit for the year is stated after charging/(crediting):		
Exchange (gains)/losses	(14)	9
Depreciation of property, plant and equipment	2,016	2,170
Amortisation of intangible assets	647	595

Interest payable on loan finance is included in the profit and loss account within cost of sales since this interest is in respect of funding the lease portfolio. The interest payable on loan finance amounts to £19,952,048 (2019: £19,704,224) and is wholly payable to the parent company.

The company has passed income earned in respect of securitised lease receivables onto Temese Funding 2 plc of £49,136,279 (2019: £48,366,678), while receiving income in accordance with loan notes acquired from this SPV of £28,109,523 (2019: £36,728,072). Both these amounts are included in the profit and loss account within cost of sales since they are in respect of funding the lease portfolio.

6 Auditor's remuneration

	2020 £'000	2019 £'000
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	191	169

6 Auditor's remuneration **(Continued)**

Fees paid to the company's auditor and its associates for services other than the statutory audit of the company are not disclosed in Investec Asset Finance plc's accounts since the consolidated accounts of Investec Asset Finance plc's parent, Investec Bank plc, are required to disclose non-audit fees on a consolidated basis.

7 Employees

The company has no employees (2019: None). Administration of lease receivables is carried out by employees of Investec Bank plc and costs associated are recharged to Investec Asset Finance PLC accordingly.

8 Income tax expense

	Continuing operations	
	2020	**2019**
	£'000	**£'000**
Corporation tax		
Current year	6,315	3,196
Adjustments in respect of prior periods	(215)	(6,941)
Deferred tax		
Origination and reversal of temporary differences	(3,071)	244
Changes in tax rates	(1,249)	636
Adjustment in respect of prior periods	-	6,545
	(4,320)	7,425
Total tax charge	1,780	3,680

The charge for the year can be reconciled to the profit per the profit and loss account as follows:

	2020	**2019**
	£'000	**£'000**
Profit before taxation on continued operations	16,921	17,368
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.00% (2019 - 19.00%)	3,215	3,300
Taxation impact of factors affecting tax charge:		
Adjustment in respect of prior years	(214)	(396)
Effect of change in UK corporation tax rate	(1,249)	636
Other permanent differences	28	140
Total adjustments	(1,435)	380
Tax charge for the year	1,780	3,680

9 Intangible fixed assets

	Software
	£'000
Cost	
At 31 March 2019	8,054
Additions - purchased	933
At 31 March 2020	8,987
Amortisation and impairment	
At 31 March 2019	4,402
Charge for the year	647
At 31 March 2020	5,049
Carrying amount	
At 31 March 2020	3,938
At 31 March 2019	3,652

INVESTEC ASSET FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

10 Tangible fixed assets

	Leasehold land and buildings	Leasehold improvement	Fixtures and fittings	Computers	Motor vehicles	Other	Equipment on operating leases	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost								
At 31 March 2019	-	136	20	305	17	212	10,033	10,723
Additions*	7,443	-	-	5	-	-	184	7,632
Disposals	(717)	-	-	-	-	-	(3,210)	(3,927)
At 31 March 2020	6,726	136	20	310	17	212	7,007	14,428
Accumulated depreciation and impairment								
At 31 March 2019	-	92	18	267	9	177	7,544	8,107
Charge for the year	548	34	1	16	6	20	1,392	2,017
Eliminated on disposal	(492)	-	-	-	-	-	(3,058)	(3,550)
At 31 March 2020	56	126	19	283	15	197	5,878	6,574
Carrying amount								
At 31 March 2020	6,670	10	1	27	2	15	1,129	7,854
At 31 March 2019	-	44	2	38	8	35	2,489	2,616

* The company adopted IFRS 16 from 1 April 2019 and as a result, recognised right of use assets included within additions of £7,443,000. The prior period comparatives have not been restated.

11 Investments

	Non-current 2020 £'000	2019 £'000
Investments in subsidiaries	4,372	3,372
Investments in associates *	2,000	375
	6,372	3,747

* A 25% holding in C.F. Capital Holdings was acquired on 16 January 2020. This investment is held at fair value through profit and loss.

11 Investments (Continued)

Movements in fixed asset investments

	Shares in subsidiaries	Shares in associates	Total
2020	**£'000**	**£'000**	**£'000**
Cost or valuation			
At 1 April 2019	5,265	682	5,947
Additions	1,000	2,000	3,000
Disposals *	-	(682)	(682)
At 31 March 2020	6,265	2,000	8,265
Impairment			
At 1 April 2019	(1,893)	(307)	(2,200)
Disposals	-	307	307
At 31 March 2020	(1,893)	-	(1,893)
Carrying amount			
At 31 March 2020	4,372	2,000	6,372
2019			
Cost or valuation			
At 1 April 2018	5,265	682	5,947
At 31 March 2019	5,265	682	5,947
Impairment			
At 1 April 2018	(1,893)	(307)	(2,200)
At 31 March 2019	(1,893)	(307)	(2,200)
Carrying amount			
At 31 March 2019	3,372	375	3,747

* The minority shareholding in Virtual Lease Services Limited was sold on 30 June 2019.

12 Subsidiaries

Details of the company's subsidiaries at 31 March 2020 are as follows:

	Nature of business	Proportion of ownership interest (%)
MI Vehicle Finance Limited	Leasing	100.00%
Mann Island Finance Limited	Leasing	100.00%
Investec Asset Finance (Channel Islands) Limited	Leasing	100.00%
Investec Asset Finance (No.8) Limited	Non-trading	100.00%

Registered office addresses (all UK unless otherwise indicated):

MI Vehicle Finance Limited
Reading International Business Park
Reading
Berkshire
RG2 6AA

Mann Island Finance Limited
Reading International Business Park
Reading
Berkshire
RG2 6AA

Investec Asset Finance (Channel Islands) Limited
Glategny Court
Glategny Esplanade
St Peter Port
Guernsey
GY1 3LP

Investec Asset Finance (No.8) Limited
Reading International Business Park
Reading
Berkshire
RG2 6AA

The 100% shareholding of Investec Asset Finance (No.8) Limited was acquired on 16 January 2020

13 Associates

Details of the company's associate at 31 March 2020 is as follows:

Name of undertaking	Country of incorporation
C.F. Capital Holdings Limited	UK

A 25% holding in C.F. Capital Holdings was acquired on 16 January 2020. This investment is held at fair value through profit and loss

The registered offices of the Associates are as follows:

C.F Capital Holdings Limited
Capital House, Raynham Road, Bishops Storford, Hertfordshire, United Kingdom, CM23 5TT

The minority shareholding in Virtual Lease Services Limited was sold on 30 June 2019.

14 Residual Values

The company's residual value exposure is detailed as follows:

	Operating leases 2020 £'000	Finance leases 2020 £'000	Operating leases 2019 £'000	Finance leases 2019 £'000
Residual value expected to be recovered:				
Within one year	168	7,670	217	5,002
Between one and two years	237	11,199	342	6,934
Between two and five years	40	32,592	301	25,892
Over five years	-	3,766	-	4,503
Total exposure	445	55,227	860	42,331

Included within the above are total guaranteed residual values of £44,494,926 (2019: £35,723,445)

15 Finance lease receivables

	2020 £'000	2019 £'000
Minimum finance leases, lease purchase and loan receivables	1,062,492	1,032,629
Finance lease, lease purchase and loan income allocated to future periods	(106,769)	(105,209)
Finance lease, lease purchase and loan receivables	955,723	927,420

The amounts receivable under finance lease and lease purchase contracts comprises:

	2020 £'000	2019 £'000
Finance leases	481,472	459,505
Lease purchase contracts and loan receivables	474,251	467,915
	955,723	927,420
Expected credit loss	(19,712)	(14,541)
Net receivables	936,011	912,879

The cost of assets acquired under finance leases (including similar lease purchase contracts but excluding operating leases) was £392,301,000 (2019: £405,826,000).

Aggregate rentals receivable in relation to finance leases (including similar lease purchase contracts but excluding operating leases) for the year was £356,415,000 (2019: £310,687,000).

Analysis of finance leases

Finance lease receivables are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2020 £'000	2019 £'000
Current assets	166,810	155,584
Expected credit loss	(11,615)	(9,991)
Net current assets	155,195	145,593
Non-current assets	314,662	303,922
Finance lease receivables	469,857	449,515

16 Debtors

	Due within one year		Due after one year	
	2020	**2019**	**2020**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
Trade debtors	31,559	20,818	-	-
Lease purchase and loan receivables	200,854	202,316	273,398	265,599
Expected credit loss	(8,097)	(4,551)	-	-
Amounts owed by fellow group undertakings	4,276	7,000	-	-
Amount owed from parent undertaking	-	-	545,023	533,112
Prepayments and accrued income	6,171	16,735	-	-
	234,763	242,318	818,421	798,711

Trade debtors disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

17 Loans and overdrafts

	2020	2019
	£'000	£'000
Unsecured borrowings at amortised cost		
Other loans	-	32
Loans from parent undertaking	1,074,279	1,061,107
	1,074,279	1,061,139

Analysis of loans and overdrafts

Borrowings are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2020	2019
	£'000	£'000
Due within one year liabilities	526,923	508,835
Due after one year liabilities	547,356	552,304
	1,074,279	1,061,139

(Continued)

17 Loans and overdrafts

	2020	2019
	2020	**2019**
	£'000	**£'000**
Loan finance - parent company		
Amounts falling due within one year	526,923	508,802
Amounts falling due between one and two years	277,287	270,686
Amounts falling due between two and five years	268,108	280,044
Amounts falling due over five years	1,961	1,574
	1,074,279	1,061,107

18 Creditors

	Due within one year		Due after one year	
	2020	**2019**	**2020**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
Trade creditors	13,780	13,653	-	-
Accruals	2,097	1,163	-	-
Other creditors	209,219	198,234	338,543	334,330
	225,096	213,050	338,543	334,330

	2020	2019
	£'000	**£'000**
Loan finance - securitisation		
Amounts falling due within one year	208,708	198,234
Amounts falling due between one and two years	154,206	148,379
Amounts falling due between two and five years	176,628	181,133
Amounts falling due over five years	1,544	4,818
	541,086	532,564

Details of the loan finance from the parent company are set out in a Master Loan Facility Agreement and Transaction Drawdown Agreements entered into between Investec Bank plc and Investec Asset Finance plc. Interest is fixed based on internal costs of funding and accrues at an annual rate equivalent to the interest rates specified in the individual Transaction Drawdown Agreements. The final repayment date is due in June 2031.

The securitisation loan finance is due to Temese Funding 2 plc and is serviced by the returns generated from the securitised lease receivables. The outstanding balance of loan notes within Temese Funding 2 plc is £650,000,000 (2019 : £650,000,000).

19 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period.

	Deferred tax £'000
Deferred tax asset at 31 March 2019	17,387
Deferred tax movements in current year	
Current year movement - equity	(102)
Prior year movement - equity	80
Effect of change in tax rate - profit or loss	1,249
Current year movement - profit or loss	3,072
Deferred tax asset at 31 March 2020	21,686

Deferred tax assets and liabilities are offset in the financial statements only where the company has a legally enforceable right to do so.

	2020 £'000	2019 £'000
Deferred tax assets	21,686	17,387

	2020 £'000	2019 £'000
The deferred tax asset can be analysed as follows:		
In respect of advanced capital allowances	20,871	15,865
In respect of IFRS9 transitional adjustments	815	1,522
	21,686	17,387

The Finance Act 2015 reduced the main rate of corporation taxation to 19% with effect from 1 April 2017. In addition, the bank corporation tax surcharge of 8% effective from 1 January 2016 was enacted in November 2015. On 16 March 2016, the Chancellor of the Exchequer announced a further reduction of the corporation tax rate to 17% effective from 1 April 2020 but this reduction was reversed in the Finance Bill 2020 and given statutory effect under the provision of the Provisional Collection of Taxes Act 1968.

20 **Share capital**	**2020**	**2019**
	£'000	**£'000**
Ordinary share capital		
Authorised		
500,000 Ordinary Shares of £1 each	500	500
Issued and fully paid		
313,000 Ordinary Shares of £1 each	313	313

21 Operating leases commitments

Set out below are the future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities:

	Land and buildings	
	2020	**2019**
	£'000	**£'000**
Within one year	-	714
Later than one year and not later than five years	-	165
In over five years	-	-
	-	879

On 1 April 2019 the group adopted IFRS 16 Leases which replaced IAS 17 Leases; this resulted in the group recognising a lease liability and a right of use (ROU) asset instead of operating lease commitments and receivables. The prior year figures have been included for the sake of reference.

22 Financial Instruments

As at 31 March 2020 Financial instruments of £114,431,862 (2019: £110,531,000) are held at amortised cost and are collateralised by lease receivables within Temese 2. The fair value hierarchy used was level 3.

Financial instruments with a fair value of £108,788,780 (2019: £105,050,813) were measured using level 3 valuation techniques.

23 Risk Management

As a wholly-owned subsidiary of Investec Bank plc, the company falls under Investec Bank plc Risk Appetite Framework which is set out in the Investec Bank plc financial statements, Risk Management and Corporate Governance report.

Credit risk
All leases are with external parties of the company. The company is therefore dependent on the credit worthiness of these parties for repayment of the principal and interest under the leases. All clients are subject to rigorous credit procedures to mitigate any risk.

Residual risk
Residual values are established following an assessment of the expected market value of the equipment at the end of the maturity of the lease based on the value of similar leases at the age that the lease matures. Residual values are assessed on a regular basis and where applicable adjusted to reflect current market values.

Liquidity risk
Groups of leases to clients are matched in terms of maturity and cash flows to loans from Investec Bank Plc to eliminate any liquidity risk.

Foreign currency risk
Where a lease may be in a currency other than sterling, the lease is matched to a loan denominated in the respective currency to ensure the company is not exposed to foreign currency risk.

Interest rate risk
All finance contracts written are at fixed rate, and matched to fixed rate loans with Investec Bank Plc thus ensuring the company is not exposed to interest rate risk. The company also has two floating rate loans based on LIBOR in relation to other activities.

24 Events after the reporting date

The significant judgements and estimates applied to prepare the financial statements as at 31 March 2020 reflected the impact of COVID-19 and the resulting lockdown as at the balance sheet date.

These judgements, specifically those relating to the impairment of loans and advances and valuation of fair value instruments, were determined by considering a range of economic scenarios including the adverse impact of the lockdown and by applying the guidance issued by various international regulators and standard-setting bodies.

The action of various governments and central banks, in particular in the United Kingdom, provides an indication of the potential severity of the downturn and that the recovery environment could be significantly different from past crises with a duration which is also difficult to predict.

Subsequent to the balance sheet date, extensions to lockdown periods have been announced and there has been further deterioration in certain macro-economic forecasts. In the UK previously launched schemes have been extended in an attempt to mitigate the economic impact of COVID-19.

Some of the markets in which the group operates, in particular the UK, are showing signs of recovery with lockdown rules beginning to ease and economic activity starting to increase slightly. The Investec group believes that the significant judgements and estimates made at the balance sheet date took account of the impact of COVID-19 and the results of subsequent event procedures performed by management up to 15 June 2020, did not identify additional information that requires these judgements and estimates to be updated. The group has also considered the impact of subsequent events that would be considered non-adjusting, such as changes in the key management assumptions detailed in the accounting policies. Management is satisfied that there were no such items of sufficient significance to warrant additional disclosure. However, should the COVID-19 crisis cause disruption to global economic activity for a longer period than forecasted, this could put additional upward pressure on the group ECLs and downward pressure on other valuations. Management performed a detailed assessment of events after the reporting period and any consequent potential impact on the annual financial statements and concluded that the financial statement disclosure was appropriate. This process included a review of changes in underlying credit risk of loans and advances, evaluating changes in assumptions of fair value calculations, evaluating significant movements on the share price of listed investments and evaluating the level of financial assistance provided to clients compared to the balance sheet date.

Covid-19 has not had, and is not expected to have, any impact on the liquidity of the Investec group which would adversely impact the company.

The company is not aware of any other events after the reporting date as defined by IAS 10 Events after the Reporting Period, that would require the financial statements to be adjusted or that would require additional disclosures.

25 Ultimate Parent Undertaking

The company's ultimate parent and controlling party is Investec plc, a company incorporated in the United Kingdom and registered in England and Wales. The consolidated financial statements of Investec plc are available to the public and may be obtained from Investec plc at 30 Gresham Street, London, EC2V 7QP.