Toyota Financial Services (UK) PLC

Directors' Report and Financial Statements

For the Year Ended 31 March 2020

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 2020

Contents

Directors' report for the year ended 31 March 2020

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 2020. 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 2020 are set out on page 12. The directors recommend the payment of a dividend as detailed in Note 30. The profit on ordinary activities after taxation has been transferred to retained earnings.

Business structure changes

On 29th April 2019 the Group purchased a 71% share of Faxi Ltd which primarily provides car pooling technology services to businesses.

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 (A+ S&P / A1 Moody's), 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 2020 (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	(resigned 31 December 2019)
Mr F Kenny	(appointed 1 January 2020)
Mr T Matsushita	(appointed 23 April 2020)
Mr P Van der Burgh	
Mr R Wentworth-Jessop*	

*Company Secretary

Dividend

The directors recommend the payment of a £12.3m (2019: £11.3m) dividend to its immediate parent Toyota Financial Services Corporation.

Directors' report for the year ended 31 March 2020 (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
2 September 2020

Strategic report for the year ended 31 March 2020

The directors present their strategic report on the Group for the year ended 31 March 2020.

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.

Statement by the directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006.

The Board of Directors of Toyota Financial Services (UK) PLC consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act) in the decisions taken during the year ended 31 March 2020.

The Group has a mature and established planning cycle, aligned with its parent and ultimate parent company, and produces an annual strategic plan over a 3-4 year cycle. The strategic plan is communicated to all senior management, and a 'line of sight' created from individual staff objectives through to key company objectives.

Decisions are taken within the reference of the strategic plan, with the well-being of all stakeholders factored in, including our employees, the centre network, our sister companies, and of course the customer. The Group's subsidiaries and associate operate in highly regulated markets which provide a governance framework over the actions of Directors and Senior Managers. For example in the UK the Company is regulated by the Financial Conduct Authority and operates within the Senior Managers and Certification Regime, which ensures individual accountability for the conduct of the company towards its customers and the market it operates in.

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 2020 (cont'd)

Key Performance Indicators (KPIs)

Fiscal Year To Date		2020	2019	Increase / (decrease)
Management KPIs (Unconsolidated Basis)				
Distributor Vehicle Sales	Units	408,751	417,574	(8,823)
New Vehicle Contracts Written in the Year	Units	167,195	165,423	1,772
Finance Penetration *	%	40.9	39.6	1.3
Used Vehicle Contracts Written in the Year	Units	88,652	80,285	8,367
Total Live Contracts	Units	767,898	728,861	39,037
Delinquency Ratio **	%	1.94	2.03	(0.09)
Return on Managed Assets	%	1.93	1.92	0.01
OPEX***	%	1.22	1.25	(0.03)
Loans and receivables	£000's	7,511,561	6,676,171	835,390
Profit Before Tax	£000's	154,847	92,654	62,193

* '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 COVID-19 pandemic has had a global impact, and has impacted on all of the markets that the Group operates in. At the end of the third quarter of the current fiscal year (April 2019 to December 2019), the Group was ahead of all of its KPI's. The first quarter of CY2020 saw the pandemic take hold, and by the balance sheet date all dealerships were closed, manufacturing had ceased and all of the markets that the Group operates in were in various stages of lockdown. This impacted negatively on the majority of the KPI's, although overall the Group still delivered a very strong full year performance.

Our priorities during the COVID19 pandemic have been to protect the safety of our staff, their families, the staff and families of our dealer network and our customers. The Group has taken quick actions in response to the pandemic, which include:

- moving out of our offices and converting to a remote-working operation. This has been seamless due to the skill and application of our IT teams
- supporting our customers through the provision of payment holidays where required and justified following an individual assessment
- working closely with the sales and distribution companies within our markets to manage varying issues from communication to pipeline business
- working closely with the sales and distribution companies and our dealer network to develop strong customer propositions for when business re-commences
- continuing to provide secure funding throughout the period against a backdrop of challenging money markets

The strong principles and philosophies of Toyota have guided our successful response to the pandemic, including going to the root of the problem, continuous improvement, putting the customer first, and a dedication to challenging ourselves to achieve the 'impossible'.

The Group and our partners will be fully open for business by the end of June 2020. The trading conditions will remain very challenging as we ensure that we sell and finance vehicles to customers in a safe way, and as the global economy restarts.

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. Up until December 2019 the economy of the European Union performed relatively well: GDP continued to grow, albeit slowly: + 1.3% (change over same quarter previous year), inflation was under control at 1.6%, and unemployment continued to fall: 6.7% March 2019 to 6.5% December 2019. As a result of the pandemic and associated lockdowns the position at March 2020 reflects an economic downturn, GDP has fallen to -3.3%, unemployment has started to rise, 6.6%. Inflation has fallen to 1.2%.

Strategic report for the year ended 31 March 2020 (cont'd)

The United Kingdom ("UK") left the European Union ("EU") on 31st January 2020. For comparative purposes the numbers below include the UK within the EU numbers as at 31st March 2020. In the calendar year from December 18 to December 19 the automotive market showed modest growth of 1% from 15.2m units to 15.3m. Global economic concerns weighed on consumer confidence, but this was balanced by exciting new vehicles in the market with improved environmental credentials. Due to the COVID-19 pandemic the industry experienced a severe slowdown in the first quarter of calendar year 2020. As a result passenger car registrations fell by 6.0% during the year from March 2019 to March 2020, from 15.0m units to 14.1m units. In many of the markets in which the Group operates sales declined: UK -8.5%, Italy -8.3%, Denmark -11.7%.

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. Distributors in the markets in which the Group operates continued to grow market share, with sales declining by less than overall registrations: -2.2% to 409k (418k prior year).. Financial Services market share / finance penetration also grew compared to the prior year: 40.9% compared to 39.6% last year. Overall the Group provided finance to 167,195 new vehicle finance customers, an increase on the prior year (165,423). 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 89k, up from 80k prior year.

During the year under review the Group's portfolio of live customer contracts grew to an all-time high of 767,898, +39,037 compared to the prior year of 728,861, growth of 5.4%. Loans and receivables grew to £7.5bn, an increase of £835m driven by the strong levels of new business and customers taking advantage of balloon products which make Toyota and Lexus products accessible and affordable.

On 9 January 2019 several banks, captive finance providers and car manufacturers were fined by the Italian Competition Authority (Authorità 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 during the previous financial year and has appealed the decision. The initial hearing of the appeal occurred in February 2020, the next appeal hearing has been deferred until the last quarter of calendar year 2020. This fine significantly reduced the Group's profit in the prior year 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. Delinquency rates reduced during the year to 1.94% from the 2.03% 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 the global economy in downturn, and the UK without a trade deal with the EU. 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 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 1.22% compared to 1.25% for the previous year.

The underlying profitability of the Group increased during the year, the return on managed assets rising from 1.92% to 1.93%. The Directors report a profit before tax for the Group of £154.8m, an increase of £62.1m on the previous year and a profit before tax for the Company of £94.3m, an increase of £29.8m.

Strategic report for the year ended 31 March 2020 (cont'd)

Streamlined energy and carbon reporting

From 1 April 2019 the Streamlined Energy and Carbon Reporting framework (SECR) was implemented in the UK. The Company falls into the category of companies that need to comply with the legislation and requires it to disclose its energy and carbon emissions. The reporting framework is intended to encourage the implementation of energy efficiency measures, with both economic and environmental benefits, supporting companies in cutting costs and improving productivity at the same time as reducing carbon emissions.

The Company leases office space in the UK from the distributor, Toyota (GB) PLC, who is responsible for providing all data with regard to SECR reporting. The figures below relate to the Company's portion:

FY2020	**Energy Used**	**kWh**	**tCO_2e**
Scope 1	Gas	584,364	107
	Transport	294,913	69
Scope 2	Electricity	541,046	138
Total Scope 1 & 2		**1,420,323**	**314**

Revenue	£m	235,334
Intensity Metric	tCO2e / Revenue	0.001

Data Methodology:

- Gas & Electricity data from Toyota (GB) PLC Head Office (Burgh Heath, Epsom)
- Gas & electricity at Burgh Heath calculated from on-site kWh metering and converted using Government kgCO2e 2019 Conversion Factors
- Toyota (GB) PLC are landlords to Toyota Financial Services (UK) PLC at Burgh Heath – Toyota Financial Services (UK) PLC's consumption is based on floor space rented
- Transport data: vehicle mileage (vehicle business travel) x gCO2 per vehicle used and kgCh4 & kgN2O calculated from Government 2019 Conversion Factors to provide kgCO2e for transport. Converted to kWh using factor rates of 0.23373 & 0.24462 (for petrol and diesel) kgCO2 per kWh

Investment & Actions Commentary:

- As part of Toyota (GB) PLCs annual planning & budgeting process, resources are routinely committed to energy efficiency measures in support of our organisational environmental objectives, which contribute to the Toyota global goals of the Toyota Environmental Challenge 2050

- Investments & actions undertaken in FY20:

  - Renewal of Central Air Conditioning Chillers (3 Carrier machines) to 2 New Daikin 500TZ-SR Chillers along with a Dry Air Cooler – Dry Air Cooler replaced one chiller, using ambient air to cool instead of using a 500kw chiller, saving approx. 250kw of energy. Total energy saving of 186,755 kgCO2 estimated.
  - New Chiller and Heating Pumps with Variable speed drive installed, which reduces energy consumption dependant on load required
  - Ongoing LED Lamp upgrades to various fittings throughout the building. 2019 actions include Walkway lighting, Restaurant and Café Bar lighting. Approximately 35% of lighting now LED.

By Order of the Board

Rupert Wentworth Jessop
Secretary
2 September 2020

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 2020 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 2020; the consolidated income statement, the group and company statements of comprehensive income, the group and company statements of cash flows, and the group and 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

We have nothing to report in respect of the following matters in relation to which 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 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.

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.

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 2020 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' responsibilities 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 subsidiaries 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.

H Anderson

Hamish Anderson (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London, UK

2 September 2020

Consolidated Income Statement for the year ended 31 March 2020

	Note	Group 2020 £000's	Group 2019 £000's
Interest and similar income	6	292,694	240,346
Fee and commission income	6	39,832	40,220
Other operating income	6	79,721	82,816
Total revenue		**412,247**	**363,382**
Interest expense and similar charges	7	(67,162)	(52,957)
Fee and commission expense	8	(4,950)	(4,535)
Gross profit		**340,135**	**305,890**
Other expenses			
- Administrative expenses		(92,452)	(81,360)
- Other operating income / (expenses)		799	(3,190)
- Depreciation and amortisation		(52,422)	(53,119)
- Impairment of goodwill		(1,907)	-
- Impairment losses		(36,805)	(36,414)
- Other provisions		-	(37,987)
Total other expenses	9	**(182,787)**	**(212,070)**
Operating profit before other losses		**157,348**	**93,820**
Other losses	10	(9,768)	(12,229)
Operating profit		**147,580**	**81,591**
Share of profits of associates	11	7,267	11,063
Profit before income tax		**154,847**	**92,654**
Income tax expense	12	(30,160)	(29,848)
Profit for the year		**124,687**	**62,806**
Attributable to:			
Owners of the parent		122,851	61,279
Minority interest	13	1,836	1,527

The profit after tax of the Company was £85,252k (2019: £38,590k). As permitted by Section 408 of the Companies Act 2006, the Company's income statement has not been presented.

The notes on pages 19 to 87 form part of these financial statements.

Statements of Comprehensive Income for the year ended 31 March 2020

	Note	Group 2020 £000's	Group 2019 £000's	Company 2020 £000's	Company 2019 £000's
Profit for the year		**124,687**	**62,806**	**85,252**	**38,590**
Other Comprehensive (expense) / Income					
Items that will not be reclassified to profit or loss					
- Exchange differences on translation of foreign operations		(6,939)	(14,227)	-	(2,134)
- Actuarial gains on defined benefit pension schemes	28	3,020	5,453	3,020	5,453
- Actuarial losses on other pension schemes		(27)	(90)	-	-
- Tax on items taken directly to equity	12	(480)	17	(488)	19
- Contribution for loan portfolio		-	(1,651)	-	-
Total items that will not be reclassified to profit or loss		**(4,426)**	**(10,498)**	**2,532**	**3,338**
Total comprehensive income for the year		**120,261**	**52,308**	**87,784**	**41,928**
Attributable to:					
Owners of the parent		117,878	51,160	87,784	41,928
Minority interest		2,383	1,148	-	-

The notes on pages 19 to 87 form part of these financial statements.

Statements of Financial Position as at 31 March 2020

	Note	Group 2020 £000's	Group 2019 £000's	Company 2020 £000's	Company 2019 £000's
Assets					
Cash and bank balances	14	702,271	99,909	524,758	2,259
Other assets	15	93,019	72,010	44,809	29,461
Vehicles held for sale	16	9,493	9,568	8,174	9,060
Loans and receivables	17	7,511,561	6,676,171	3,741,019	3,371,405
Derivative financial instruments	19	324	1,384	313	1,113
Property, plant and equipment	21	283,995	244,145	174,426	157,881
Intangible assets	22	6,273	4,821	35	106
Current tax assets	27	41,857	19,983	39,582	17,721
Deferred tax assets	20	23,459	24,983	20,481	22,789
Investments in subsidiaries	11	-	-	174,893	157,534
Investments in associates	11	59,417	66,347	16,937	16,937
Retirement benefit obligations	28	2,069	-	2,069	-
Total Assets		**8,733,738**	**7,219,321**	**4,747,496**	**3,786,266**
Equity and liabilities					
Liabilities					
Trade and other payables	23	79,666	101,263	36,200	44,457
Other provisions	35	37,987	37,987	37,987	37,987
Borrowings	24	7,664,335	6,131,548	4,022,173	3,150,202
Derivative financial instruments	19	15,949	5,401	12,646	2,930
Other liabilities	25	147,725	301,723	46,258	52,503
Lease liabilities	26	4,104	-	502	-
Current tax liabilities	27	18,686	1,129	-	-
Deferred tax liabilities	20	13,690	12,236	-	-
Retirement benefit obligations	28	-	473	-	473
Total Liabilities		**7,982,142**	**6,591,760**	**4,155,766**	**3,288,552**
Capital and reserves attributable to owners of the parent					
Share capital	29	137,350	119,800	137,350	119,800
Translation reserve		(6,877)	609	14,273	14,273
Retained earnings		602,810	488,764	440,107	363,641
Equity attributable to owners of the parent		**733,283**	**609,173**	**591,730**	**497,714**
Minority interest in equity	13	18,313	18,388	-	-
Total Equity		**751,596**	**627,561**	**591,730**	**497,714**
Total Equity and Liabilities		**8,733,738**	**7,219,321**	**4,747,496**	**3,786,266**

The notes on pages 19 to 87 form part of these financial statements.

The financial statements on pages 12 to 87 were approved by the Board of Directors on 27 July 2020 and signed on its behalf by:

D Gillies
Director

Statements of Changes in Equity for the year ended 31 March 2020

	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 1 April 2019	**119,800**	**609**	**-**	**488,764**	**609,173**	**18,388**	**627,561**
Profit for the year	-	-	-	122,851	122,851	1,836	124,687
Exchange differences on translation of overseas operations	-	(7,486)	-	-	(7,486)	547	(6,939)
Pension scheme net actuarial gains	-	-	-	2,513	2,513	-	2,513
Total comprehensive income for the year ended 31 March 2020	**-**	**(7,486)**	**-**	**125,364**	**117,878**	**2,383**	**120,261**
New shares issued	17,550	-	-	-	17,550	-	17,550
Increase in minority shareholding	-	-	-	-	-	532	532
Dividends to shareholders	-	-	-	(11,318)	(11,318)	(2,990)	(14,308)
At 31 March 2020	**137,350**	**(6,877)**	**-**	**602,810**	**733,283**	**18,313**	**751,596**

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**

Statements of Changes in Equity for the year ended 31 March 2020 (cont'd)

	Share capital	Translation reserve	Other reserves	Retained earnings	Total equity
Company	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
At 1 April 2019	**119,800**	**14,273**	**-**	**363,641**	**497,714**
Profit for the year	-	-	-	85,252	85,252
Pension scheme net actuarial losses	-	-	-	2,532	2,532
Total comprehensive income for the year ended 31 March 2020	**-**	**-**	**-**	**87,784**	**87,784**
New shares issued	17,550	-	-	-	17,550
Dividends to shareholders	-	-	-	(11,318)	(11,318)
At 31 March 2020	**137,350**	**14,273**	**-**	**440,107**	**591,730**

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**

Statements of Cash Flows for the year ended 31 March 2020

	Note	Group 2020 £000's	Group 2019 £000's	Company 2020 £000's	Company 2019 £000's
Cash flows from operating activities					
Profit before taxation		**154,847**	**92,654**	**94,262**	**64,496**
Adjustments for:					
Depreciation and amortisation	9	52,422	53,119	29,731	35,038
(Gain) / loss on sale of property, plant and equipment	9	(6,277)	(144)	(5,122)	522
Share of profits of associates	11	(7,267)	(11,063)	-	-
Foreign currency translation gains	10	(294)	(254)	(87)	(116)
Net impairment on financial assets	9	36,805	36,414	15,671	31,502
Impairment of intangible assets		1,907	-	-	-
Interest expense	7	67,162	52,957	44,434	45,661
Interest income	6	(292,694)	(240,346)	(161,851)	(203,601)
Fair value losses on derivatives		11,600	12,426	10,517	11,167
Net (decrease) / increase in other assets		(20,187)	(3,654)	(15,349)	22,199
Net decrease / (increase) in non-current assets held for sale		97	(1,858)	886	(1,912)
Net (increase) / decrease in loans and receivables		(809,120)	(399,859)	(385,286)	1,549,850
Net decrease in trade and other payables		(23,002)	(2,880)	(8,257)	(35,918)
Net increase in other provisions		-	37,987	-	37,987
Net (decrease) / increase in other liabilities		(159,496)	229,556	(6,732)	(24,337)
Net increase in lease liabilities		4,071	-	501	-
Net increase / (decrease) in retirement benefit obligations		478	(84)	478	481
Cash (used in) / generated from operations		**(988,948)**	**(145,029)**	**(386,204)**	**1,533,019**
Interest paid		(66,856)	(52,391)	(43,962)	(45,569)
Interest received		292,694	240,346	161,851	203,601
Income taxes paid		(31,986)	(41,139)	(28,564)	(34,825)
Net cash (used in) / generated from operating activities		**(795,096)**	**1,787**	**(296,879)**	**1,656,226**

Statements of Cash Flows for the year ended 31 March 2020 (cont'd)

	Note	Group 2020 £000's	Group 2019 £000's	Company 2020 £000's	Company 2019 £000's
Cash flows from investing activities					
Purchase of property, plant and equipment		(158,262)	(148,959)	(88,325)	(74,888)
Proceeds from sale of property, plant and equipment		75,242	82,887	47,269	44,814
Purchase of intangible assets		(3,273)	(9,050)	(26)	(1,151)
Proceeds from sale of intangible assets		-	2,756	-	2,756
Investment in subsidiaries		(1,286)	(6,888)	(17,359)	(6,888)
Dividends paid to minority shareholders	13	(2,990)	-	-	-
Dividends received from associates		4,316	-	-	-
Net cash generated from / (used in) investing activities		**(86,253)**	**(79,254)**	**(58,441)**	**(35,357)**
Cash flows from financing activities					
Proceeds from borrowings		9,909,325	7,330,132	7,620,900	4,415,343
Repayment of borrowings		(8,408,552)	(7,170,740)	(6,749,400)	(6,024,388)
Dividends paid		(11,318)	(13,364)	(11,318)	(13,364)
Capital contribution from parent undertaking		17,550	5,300	17,550	5,300
Net cash generated from / (used in) financing activities		**1,507,005**	**151,328**	**877,732**	**(1,617,109)**
Effects of exchange rate changes on cash and cash equivalents		(2,725)	1,983	87	166
Net increase in cash and cash equivalents		**622,931**	**75,844**	**522,499**	**3,926**
Cash and cash equivalents at the beginning of the year		75,274	(570)	2,259	(1,667)
Cash and cash equivalents at the end of the year		**698,205**	**75,274**	**524,758**	**2,259**

	Note	Group 2020 £000's	Group 2019 £000's	Company 2020 £000's	Company 2019 £000's
Cash & Bank Balances	14	702,271	99,909	524,758	2,259
Bank Overdrafts	24	(4,066)	(24,635)	-	-
Cash and cash equivalents		**698,205**	**75,274**	**524,758**	**2,259**

The notes on pages 19 to 87 form part of these financial statements.

Notes to the Financial Statements for the year ended 31 March 2020

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 2020 have been prepared on a going concern basis and have been approved for issue by the Board of Directors on 27 July 2020.

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 16 Leases

The Group has applied IFRS 16 'Leases' as issued by the IASB with a date of transition of 1 April 2019. In accordance with the transition requirements and use of modified retrospective approach, comparatives are not restated.

The Group as the lessee

The Group leases offices and motor vehicles under lease agreements. Leases are recognised as a right of use asset and a corresponding lease liability created for the period in which the asset is available for use. Right of use assets are included in the Note 21 Property, Plant and Equipment and the lease liability is reported separately in the Statement of Financial Position.

The right of use asset is measured at cost and is depreciated on a straight line basis over the period of the lease. The lease liability is calculated as the present value of future lease payments. As the rate implicit in the lease is not determinable, the discount rate used is the incremental borrowing rate.

Notes to the Financial Statements for the year ended 31 March 2020 (cont'd)

The Group as the lessor

The Group classifies each of its leases as either an operating lease or a finance lease. If all the risks and rewards of ownership of the underlying asset are substantially transferred it is a finance lease. Any lease which does not transfer substantially all the risks and rewards of ownership of the underlying asset is classified as an operating lease.

(a) Finance 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

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.

IAS 17 Leases (as applied in the comparatives)

The Group as 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.

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 2019, but were not relevant to the Company's operations:

Amendments to IFRS 9 - 'Financial instruments' on prepayment features with negative compensation and modification of financial liabilities
Annual improvements 2015-2017 – IFRS 3 'Business combinations', IFRS 11 'Joint arrangements', IAS 12 'Income taxes', IAS 23 'Borrowing costs'
Amendments to IAS 28 'Investments in Associates and Joint Venture'
Amendments to IAS 19 - 'Employee benefits' on plan amendment, curtailment or settlement.
IFRIC 23 – 'Uncertainty over income taxes treatments'

The following standards, amendments and interpretations to existing standards have been issued but are not effective for accounting periods beginning on 1 January 2019, and the Company has not early adopted them:

Amendments to IFRS 3 – definition of a business
Amendments to IAS 1 and IAS 8 on the definition of material
Amendments to IFRS 9, IAS 39 and IFRS 7 – interest rate benchmark reform
IFRS 17 - 'Insurance contracts' (effective date on or after 1 January 2022 – not yet EU endorsed)

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.

Notes to the Financial Statements for the year ended 31 March 2020 (cont'd)

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 2020.

(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.

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.

Notes to the Financial Statements for the year ended 31 March 2020 (cont'd)

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.

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.

Notes to the Financial Statements for the year ended 31 March 2020 (cont'd)

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 and more regularly for vehicles subject to operating leases.

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.

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'.

Notes to the Financial Statements for the year ended 31 March 2020 (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 2020 (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

Financial assets

(a) Classification and measurement

IFRS 9 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.

Notes to the Financial Statements for the year ended 31 March 2020 (cont'd)

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).

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.

Notes to the Financial Statements for the year ended 31 March 2020 (cont'd)

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.

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.

Notes to the Financial Statements for the year ended 31 March 2020 (cont'd)

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.

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.

Notes to the Financial Statements for the year ended 31 March 2020 (cont'd)

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.

(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.

Notes to the Financial Statements for the year ended 31 March 2020 (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 31(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.

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 31(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 2020 (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	2020				2019			
	Stage 1 – 12 month ECL	Stage 2 – Lifetime ECL	Stage 3 – Credit impaired	Total	Stage 1 – 12 month ECL	Stage 2 – Lifetime ECL	Stage 3 – Credit impaired	Tota
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Finance Lease	258,258	228,126	3,962	490,346	255,680	184,876	3,914	444,47
Hire purchase	3,986,666	1,391,594	34,088	5,412,348	3,630,273	1,169,339	32,169	4,831,781
Retail loans	618,771	16,019	4,454	639,244	587,048	10,561	4,139	601,74
Wholesale loans	1,004,819	140,053	24,051	1,168,923	860,569	203,806	22,482	1,086,85
Gross loans and receivables	**5,868,514**	**1,775,792**	**66,555**	**7,710,861**	**5,333,570**	**1,568,582**	**62,704**	**6,964,85**
ECL allowance	(34,401)	(84,127)	(40,596)	(159,124)	(29,891)	(73,871)	(35,431)	(139,193
Loans and receivables less impairment	**5,834,113**	**1,691,665**	**25,959**	**7,551,737**	**5,303,679**	**1,494,711**	**27,273**	**6,825,66**

Company	2020				2019			
	Stage 1 – 12 month ECL	Stage 2 – Lifetime ECL	Stage 3 – Credit impaired	Total	Stage 1 – 12 month ECL	Stage 2 – Lifetime ECL	Stage 3 – Credit impaired	Tota
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Finance Lease	99,021	-	40	99,061	106,001	-	55	106,05
Hire purchase	2,992,440	53,856	20,087	3,066,383	2,752,468	53,614	17,349	2,823,431
Retail loans	492	-	8	500	1,009	-	8	1,01
Wholesale loans	536,168	119,841	-	656,009	416,683	188,590	-	605,27
Gross loans and receivables	**3,628,121**	**173,697**	**20,135**	**3,821,953**	**3,276,161**	**242,204**	**17,412**	**3,535,77**
ECL allowance	(13,320)	(10,059)	(8,597)	(31,976)	(10,794)	(6,136)	(6,598)	(23,528
Loans and receivables less impairment	**3,614,801**	**163,638**	**11,538**	**3,789,977**	**3,265,367**	**236,068**	**10,814**	**3,512,24**

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 2020 (cont'd)

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

Group	2020			
	Fixed rate	Floating rate	Non interest bearing	Total
	£000's	£000's	£000's	£000's
Cash and bank balances				
- Cash and bank balances	9,090	218,292	-	227,382
- Deposits	474,754	130	-	474,884
- Cash associated with securitisation transaction	-	5	-	5
Total cash and bank balances	**483,844**	**218,427**	**-**	**702,271**
Loans and receivables				
- Finance lease	380,242	91,057	-	471,299
- Hire purchase	5,216,854	49,378	-	5,266,232
- Retail loans	339,381	312,165	-	651,546
- Wholesale loans	363,952	756,352	-	1,120,304
- Operating Lease	50	-	2,130	2,180
Total loans and receivables	**6,300,479**	**1,208,952**	**2,130**	**7,511,561**
Borrowings	(2,487,260)	(5,173,068)	(4,007)	(7,664,335)
Pre-derivative position (a)	**4,297,063**	**(3,745,689)**	**(1,877)**	**549,497**
Derivative effect (b)	(2,934,077)	2,934,077	-	-
Net position (a) + (b)	**1,362,986**	**(811,612)**	**(1,877)**	**549,497**

Group	2019			
	Fixed rate	Floating rate	Non interest bearing	Total
	£000's	£000's	£000's	£000's
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**

Notes to the Financial Statements for the year ended 31 March 2020 (cont'd)

Company	**2020**			
	Fixed rate	**Floating rate**	**Non interest bearing**	**Total**
	£000's	**£000's**	**£000's**	**£000's**
Cash and bank balances				
- Cash and bank balances	-	69,758	-	69,758
- Deposits	455,000	-	-	455,000
Total cash and bank balances	**455,000**	**69,758**	**-**	**524,758**
Loans and receivables				
- Finance lease	107,342	-	-	107,342
- Hire purchase	2,988,463	7,229	-	2,995,692
- Retail loans	248	-	-	248
- Wholesale loans	-	635,607	-	635,607
- Operating Lease	-	-	2,130	2,130
Total loans and receivables	**3,096,053**	**642,836**	**2,130**	**3,741,019**
Borrowings	(168)	(4,018,000)	(4,005)	(4,022,173)
Pre-derivative position (a)	**3,550,885**	**(3,305,406)**	**(1,875)**	**243,604**
Derivative effect (b)	(2,475,000)	2,475,000	-	-
Net position (a) + (b)	**1,075,885**	**(830,406)**	**(1,875)**	**243,604**

Company	**2019**			
	Fixed rate	**Floating rate**	**Non interest bearing**	**Total**
	£000's	**£000's**	**£000's**	**£000's**
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**

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 2020 (cont'd)

3.2.2 Market risk - Currency risk

The Group operates internationally via its operating subsidiaries. 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 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	
	2020	2019
	£000's	£000's
Euro	206,439	163,983
Other	73,958	72,705
Total	**280,397**	**236,688**

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	
	2020	2019
	£000's	£000's
Loss from Sterling strengthening by 5%	(13,352)	(11,271)
Gain from Sterling weakening by 5%	14,758	12,457

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 2020, a 1% increase in interest rates would have resulted in an increase in interest expense of £22,425k (2019: £17,149k).

For the year ended 31 March 2020, a 10% decrease in used car market values would have resulted in an increase of residual value exposure of £17,560k (2019: £18,762k).

For the year ended 31 March 2020, a 1% increase in credit arrears would have resulted in a loss of £89k (2019: £112k).

Notes to the Financial Statements for the year ended 31 March 2020 (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	2020			
	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	458,313	328,287	1,142,345	4,782
Related party borrowings	1,619,371	1,472,992	2,516,567	-
Total debt cash flows	**2,077,684**	**1,801,279**	**3,658,912**	**4,782**
Interest derivatives	2,586	19,067	27,031	-
Total derivative cash flows	**2,586**	**19,067**	**27,031**	-
Total net cash flows	**2,080,270**	**1,820,346**	**3,685,943**	**4,782**

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 2020 (cont'd)

Company	2020			
	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	250,000	-	700,000	-
Related party borrowings	1,163,000	685,111	1,220,000	-
Total debt cash flows	**1,413,000**	**685,111**	**1,920,000**	**-**
Interest derivatives	2,441	18,848	27,141	-
Total derivative cash flows	**2,441**	**18,848**	**27,141**	**-**
Total net cash flows	**1,415,441**	**703,959**	**1,947,141**	**-**

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**	**-**

There are other possible contractual cash flows in respect of wholesale credit lines shown in Note 31.

Notes to the Financial Statements for the year ended 31 March 2020 (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	2020			2019		
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	-	324	-	-	1,384	-
Financial liabilities						
Derivative financial instruments	-	15,949	-	-	5,401	-

Company	2020			2019		
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	-	313	-	-	1,113	-
Financial liabilities						
Derivative financial instruments	-	12,646	-	-	2,930	-

Notes to the Financial Statements for the year ended 31 March 2020 (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	2020				2019			
	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	-	-	505,157	471,299	-	-	445,092	422,986
- Hire purchase	-	-	5,542,323	5,266,232	-	-	4,658,564	4,606,786
- Retail loans	-	-	654,893	651,546	-	-	600,465	596,063
- Wholesale loans	-	-	1,161,404	1,120,304	-	-	1,073,539	1,049,009
Total financial assets	-	-	**7,863,777**	**7,509,381**	-	-	**6,777,660**	**6,674,844**
Financial liabilities								
Borrowings								
- Bank overdraft	-	4,066	-	4,066	-	24,281	-	24,635
- Bank borrowings	-	1,143,567	-	1,144,236	-	693,003	-	743,692
- Securitised loan	-	703,743	-	700,168	-	707,227	-	700,281
- Related party borrowings	-	5,821,014	-	5,815,865	-	4,752,546	-	4,662,940
Total financial liabilities	-	**7,672,390**	-	**7,664,335**	-	**6,177,057**	-	**6,131,548**

Notes to the Financial Statements for the year ended 31 March 2020 (cont'd)

Company	2020				2019			
	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	-	-	103,026	107,342	-	-	105,694	115,413
- Hire purchase	-	-	3,066,411	2,995,692	-	-	2,571,663	2,667,752
- Retail loans	-	-	494	248	-	-	971	774
- Wholesale loans	-	-	676,708	635,607	-	-	610,728	586,198
Total financial assets	**-**	**-**	**3,846,639**	**3,738,889**	**-**	**-**	**3,289,056**	**3,370,137**
Financial liabilities								
Borrowings								
- Bank overdraft	-	-	-	-	-	-	-	-
- Bank borrowings	-	250,312	-	250,111	-	70,592	-	70,589
- Securitised loan	-	703,743	-	700,168	-	707,227	-	700,281
- Related party borrowings	-	3,091,538	-	3,071,894	-	2,391,313	-	2,379,332
Total financial liabilities	**-**	**4,045,593**	**-**	**4,022,173**	**-**	**3,169,132**	**-**	**3,150,202**

3.5 Capital management

The Group's managed capital consists of shareholders' equity, as disclosed in Note 29.

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 2020 (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 2020 the Group's capital management strategy remained unchanged from 2019 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	
	2020	**2019**	**2020**	**2019**
	£000's	**£000's**	**£000's**	**£000's**
Total Borrowings	7,664,335	6,131,548	4,022,173	3,150,202
Total Equity	751,596	627,561	591,730	497,714
Borrowings : Equity ratio	**10.2:1.0**	**9.8:1.0**	**6.8:1.0**	**6.3:1.0**

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.

(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 32.

Notes to the Financial Statements for the year ended 31 March 2020 (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_2019 mortality tables with core parameters and a long term improvement rate of 1.25%
- a commutation rate of 80% 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 28 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 2020 (cont'd)

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

2020	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	161,853	-	76,651	7,044	47,146	-	**292,694**
Fee and commission income	3,677	-	17,451	12,729	5,975	-	**39,832**
Other operating income	53,382	-	1,198	12,552	12,589	-	**79,721**
Inter-segment revenue	1,217	-	-	-	-	(1,217)	-
Reportable segment revenue	**220,129**	**-**	**95,300**	**32,325**	**65,710**	**(1,217)**	**412,247**
Interest expense and similar charges	(44,449)	-	(5,958)	436	(17,191)	-	**(67,162)**
Fee and commission expense	40	-	(4,465)	-	(525)	-	**(4,950)**
Depreciation and amortisation	(29,733)	-	(1,678)	(9,817)	(11,194)	-	**(52,422)**
Other expenses	(60,911)	-	(34,226)	(11,219)	(24,009)	-	**(130,365)**
Other (losses) / gains	(8,914)	-	25	-	(879)	-	**(9,768)**
Inter-segment expense	(1,208)	-	-	-	(9)	1,217	-
Reportable segment expense	**(145,175)**	**-**	**(46,302)**	**(20,600)**	**(53,807)**	**1,217**	**(264,667)**
Share of profit of associates	129	7,138	-	-	-	-	**7,267**
Reportable segment profit before tax	**75,083**	**7,138**	**48,998**	**11,725**	**11,903**	**-**	**154,847**
Income tax expense	(8,935)	-	(16,204)	(2,525)	(2,496)	-	**(30,160)**
Segment profit after tax	**66,148**	**7,138**	**32,794**	**9,200**	**9,407**	**-**	**124,687**
Balance sheet disclosures							
Reportable segment assets	4,557,329	59,053	2,129,241	725,259	1,262,856	-	**8,733,738**
Impairment of assets	(23,607)	-	(9,729)	(37)	(3,664)	-	**(37,037)**
Non-current segment assets	174,499	-	7,060	51,349	57,360	-	**290,268**
Expenditures on new non-current segment assets	87,435	-	4,792	37,639	9,307	-	**139,173**
Reportable segment liabilities	4,156,144	-	1,988,761	671,187	1,166,050	-	**7,982,142**

Notes to the Financial Statements for the year ended 31 March 2020 (cont'd)

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 2020 (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	2020	2019
	£000's	£000's
Finance lease	23,482	24,111
Hire purchase	244,009	203,969
Retail loans	20,641	20,412
Wholesale loans	30,509	20,102
Operating lease	76,354	73,050
Other	17,252	21,738
Revenue - total	**412,247**	**363,382**

6. Revenue

(a) Interest and similar income

	Group	
	2020	2019
Interest and similar income	£000's	£000's
Interest on loans and receivables	291,548	239,655
Interest received on bank and similar deposits	1,146	691
Total interest and similar income	**292,694**	**240,346**

Note 33 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	
	2020	2019
	£000's	£000's
Interest on impaired financial assets	103	100

Notes to the Financial Statements for the year ended 31 March 2020 (cont'd)

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

	Group	
	2020	2019
	£000's	£000's
Cash at bank	3	-
Deposits	967	470
Money market funds	-	-
Other	176	221
Interest received on bank and similar deposits	**1,146**	**691**

(b) Fee and commission income

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

	Group	
	2020	2019
	£000's	£000's
Loans and receivables fee income	27,093	28,939
Other	12,739	11,281
Fee and commission income - total	**39,832**	**40,220**

(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	
	2020	2019
	£000's	£000's
Operating lease income	76,354	73,050
Service charge income	869	2,128
Other	2,498	7,638
Other operating income - total	**79,721**	**82,816**

7. Interest expense and similar charges

	Group	
	2020	2019
	£000's	£000's
Interest on financial liabilities at amortised cost	61,873	50,006
Interest expense - Funding Swaps	5,218	2,812
Interest expense – Lease liability	47	-
Other	24	139
Interest expense and similar charges - total	**67,162**	**52,957**

Notes to the Financial Statements for the year ended 31 March 2020 (cont'd)

Interest on financial liabilities at amortised cost by class:

	Group	
	2020	**2019**
	£000's	**£000's**
Interest expense - Overdraft	44	20
Interest expense - Bank loans	17,098	11,902
Interest expense - Toyota Motor Finance Netherlands B.V. loans	36,332	30,028
Interest expense - Commercial paper	71	56
Interest expense - Securitised loans	8,328	8,000
Interest on financial liabilities at amortised cost - total	**61,873**	**50,006**

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	
	2020	**2019**
	£000's	**£000's**
Loans and receivables fee expense	4,950	4,535

9. Other expenses

Total other expenses include the following items:

	Group	
	2020	**2019**
	£000's	**£000's**
Staff costs	36,455	33,601
Research and development	168	119
Operating lease rentals	1,713	2,480
Auditors' remuneration	829	786
Other administrative expenses	53,287	44,374
Operating expenses	5,478	3,334
Profit on sale of property, plant and equipment and intangible assets	(6,277)	(144)
Depreciation of property, plant and equipment	50,466	51,466
Amortisation of intangible assets	1,956	1,653
Credit impairment losses	36,805	36,414
Other provisions	-	37,987
Impairment of goodwill	1,907	-
Total other expenses	**182,787**	**212,070**

Notes to the Financial Statements for the year ended 31 March 2020 (cont'd)

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

	Group	
	2020	**2019**
	£000's	**£000's**
1) Audit	719	719
2) Audit related assurance services	35	45
3) Taxation compliance services	35	5
4) Taxation advisory services not covered in 3)	40	2
5) Internal audit services	-	-
6) All assurance services not covered in 1) to 5)	-	-
7) Services for corporate finance transactions	-	-
8) All non audit services	16	15
Total auditors' remuneration	**829**	**786**

(a) Staff costs

	Group	
	2020	**2019**
Staff costs	**£000's**	**£000's**
Wages and salaries	29,613	27,339
Social security costs	4,137	3,857
Other pension costs	2,705	2,405
Total Staff costs	**36,455**	**33,601**

	Group	
	2020	**2019**
Pension costs	**£000's**	**£000's**
Defined contribution plans	880	745
Defined benefit plans	1,825	1,660
Reversal of pension accrual on bonus and effect of accruals posted	-	-
Total Pension costs	**2,705**	**2,405**

	Group	
	2020	**2019**
Average number of staff	**Number**	**Number**
Direct employees	436	401
Staff seconded to the company	15	19
Average number of staff – total	**451**	**420**

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

Notes to the Financial Statements for the year ended 31 March 2020 (cont'd)

	Group	
	2020	**2019**
Directors emoluments	**£000's**	**£000's**
Salaries and other short term benefits	625	556
Pension contributions	49	13
Total directors' emoluments	**674**	**569**

	Group	
	2020	**2019**
Highest paid director	**£000's**	**£000's**
Total emoluments	358	324

Retirement benefits are accruing to one director (2019: one) under the defined benefit scheme.

(b) Net impairment on financial assets

	Group	
	2020	**2019**
	£000's	**£000's**
- Finance lease	7,608	3,384
- Hire purchase	18,863	28,964
- Retail loans	2,362	1,451
- Wholesale loans	7,972	2,615
Net impairment on financial assets - total	**36,805**	**36,414**

Notes to the Financial Statements for the year ended 31 March 2020 (cont'd)

10. Other losses

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

	Group	
	2020	**2019**
	£000's	**£000's**
Financial assets or liabilities at fair value through profit or loss – net losses – Derivative financial instruments	(10,062)	(12,483)
Financial assets and liabilities measured at amortised cost – net gains	294	254
Financial assets or liabilities – net losses	**(9,768)**	**(12,229)**

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

	Group	
	2020	**2019**
	£000's	**£000's**
Loans and receivables – net gains	32	134
Other financial liabilities measured at amortised cost – net gains	262	120
Financial assets or liabilities measured at amortised cost - total	**294**	**254**

Notes to the Financial Statements for the year ended 31 March 2020 (cont'd)

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%
Faxi Ltd	Car pooling technology	UK	31 March	Ordinary Shares	71%
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 2020 (cont'd)

Disclosures of Investments in Associates

2020	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	1,965,447	15,465
Aggregated amount of liabilities	1,788,287	14,009
Aggregated amount of revenues	294,694	10,387
Aggregated amount of profit	21,414	516

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

2020	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	7,138	129	**7,267**
Carrying amount of investments	59,053	364	**59,417**

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

Notes to the Financial Statements for the year ended 31 March 2020 (cont'd)

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

	Group		Company	
	2020	2019	2020	2019
	£000's	£000's	£000's	£000's
Shares in subsidiary undertakings				
At 1 April	-	-	**157,534**	**46,679**
Additions in the year	-	-	17,359	110,855
Write offs in the year	-	-	-	-
At 31 March	-	-	**174,893**	**157,534**
Shares in associated undertakings				
At 1 April	**66,347**	**68,294**	**16,937**	**16,937**
Dividends paid in the year	(4,316)	-	-	-
Share of retained profits	7,267	11,063	-	-
Foreign currency translation adjustments	(9,881)	(8,748)	-	-
Share of IFRS 9 transition adjustment	-	(4,262)	-	-
At 31 March	**59,417**	**66,347**	**16,937**	**16,937**

12. Income tax expense

(a) Income tax recognised in the income statement

	Group	
	2020	2019
	£000's	£000's
Current UK taxation ("local")	14,471	14,331
Current taxation for all other jurisdictions ("overseas")	20,944	15,329
Adjustments in respect of prior years to current taxation	(7,357)	19
Deferred tax expense relating to the origination and reversal of temporary differences	170	907
Adjustments in respect of prior years to deferred tax	1,932	(738)
Income tax expense - total	**30,160**	**29,848**

Notes to the Financial Statements for the year ended 31 March 2020 (cont'd)

(b) Reconciliation of effective tax rate

	Group	
	2020	2019
	£000's	£000's
Profit before income tax	154,847	92,654
Income tax calculated at UK current tax rate of 19% (2019: 19%)	29,421	17,604
Effects of:		
Tax effect of associates results reported net of tax	(1,356)	(2,110)
Revenue that is exempt from taxation	(17)	-
Expenses that are not deductible in determining taxable profit	2,432	9,717
Adjustments in respect of prior years	(5,425)	(719)
Adjustments in respect of foreign tax rates and rate changes	4,615	3,459
Other	490	1,897
Total income tax expense in income statement	**30,160**	**29,848**

(c) Income tax recognised directly in equity

	Group	
	2020	2019
	£000's	£000's
Income tax recognised directly in equity		
Actuarial movements on defined benefit pension plans @ 19% (2019: 19%)	480	(17)

13. Minority interest

	Group	
	2020	2019
	£000's	£000's
Minority interests - Opening balance	**18,388**	**17,514**
Translation adjustments	547	(379)
Increase in minority shareholding	532	-
Dividends paid	(2,990)	-
Share of profit for the year	1,836	1,527
Share of IFRS 9 transition adjustment	-	(274)
Minority interests - Closing balance	**18,313**	**18,388**

Notes to the Financial Statements for the year ended 31 March 2020 (cont'd)

14. Cash and bank balances

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

	Group		Company	
	2020	2019	2020	2019
	£000's	£000's	£000's	£000's
Cash at bank and in hand	227,382	95,698	69,758	2,259
Deposits with an original term of less than 3 months	474,884	4,207	455,000	-
Cash associated with securitisation transactions	5	4	-	-
Total cash and bank balances	**702,271**	**99,909**	**524,758**	**2,259**

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	
	2020	2019	2020	2019
Other Assets	£000's	£000's	£000's	£000's
Trade receivables	9,220	6,636	6,303	4,451
Withholding tax receivable	1,460	891	-	-
Other taxes	27,688	16,627	7,965	-
Other debtors & prepayments	54,651	47,856	30,541	25,010
Other Assets - total	**93,019**	**72,010**	**44,809**	**29,461**
Not more than 12 months	93,019	72,010	44,809	29,461
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	
	2020	2019	2020	2019
Vehicles Held For Sale	£000's	£000's	£000's	£000's
Assets related to completed / terminated operating leases	5,892	6,354	5,689	6,179
Assets related to terminated finance leases	-	-	-	-
Assets related to terminated hire purchases	3,441	3,079	2,485	2,881
Assets related to defaulted loans	160	135	-	-
Vehicles classified as held for sale - total	**9,493**	**9,568**	**8,174**	**9,060**

Notes to the Financial Statements for the year ended 31 March 2020 (cont'd)

17. Loans and receivables

	Group		Company	
	2020	2019	2020	2019
Loans and Receivables	**£000's**	**£000's**	**£000's**	**£000's**
Operating lease receivable	2,180	1,327	2,130	1,268
Finance leases	471,299	422,986	107,342	115,413
Hire purchase	5,266,232	4,606,786	2,995,692	2,667,752
Retail loans	651,546	596,063	248	774
Wholesale loans	1,120,304	1,049,009	635,607	586,198
Loans and receivables - total	**7,511,561**	**6,676,171**	**3,741,019**	**3,371,405**
Loans and finance lease receivable – not securitised	**6,581,635**	**5,749,817**	**2,811,093**	**2,445,051**
Loans and finance lease receivable - securitised	**929,926**	**926,354**	**929,926**	**926,354**

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

Group	**2020**				
	Finance Lease	**Hire Purchase**	**Retail Loan**	**Wholesale Loan**	**Total**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**
IFRS 9	(27,995)	(92,443)	(6,711)	(31,975)	(159,124)
Residual value	(9,767)	(21,819)	-	-	(31,586)
Others	-	(5,451)	-	-	(5,451)
Total provisions to loans and receivables	**(37,762)**	**(119,713)**	**(6,711)**	**(31,975)**	**(196,161)**

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)**

Notes to the Financial Statements for the year ended 31 March 2020 (cont'd)

Company	**2020**				
	Finance Lease	**Hire Purchase**	**Retail Loan**	**Wholesale Loan**	**Total**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**
IFRS 9	(199)	(21,067)	(6)	(10,704)	(31,976)
Residual value	-	(18,157)	-	-	(18,157)
Others	-	(5,451)	-	-	(5,451)
Total provisions to loans and receivables	**(199)**	**(44,675)**	**(6)**	**(10,704)**	**(55,584)**

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)**

(b) Performance of loans and receivables

Group	**2020**				
	Finance Lease	**Hire Purchase**	**Retail Loan**	**Wholesale Loan**	**Total**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**
Performing	495,253	5,250,968	649,377	1,029,201	7,424,799
Past due but not specifically impaired	11,605	106,929	7,994	123,078	249,606
Credit impaired	2,202	28,051	884	-	31,137
Loans and receivables pre impairment	**509,060**	**5,385,948**	**658,255**	**1,152,279**	**7,705,542**

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**

Notes to the Financial Statements for the year ended 31 March 2020 (cont'd)

Company	**2020**				
	Finance Lease	**Hire Purchase**	**Retail Loan**	**Wholesale Loan**	**Total**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**
Performing	107,501	2,966,424	246	526,470	3,600,641
Past due but not specifically impaired	-	53,856	-	119,841	173,697
Specifically impaired	40	20,087	8	-	20,135
Loans and receivables pre impairment	**107,541**	**3,040,367**	**254**	**646,311**	**3,794,473**

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**

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**	
	2020	**2019**	**2020**	**2019**
	£000's	**£000's**	**£000's**	**£000's**
Good quality	3,630,654	3,197,059	2,268,804	2,037,945
Satisfactory quality	2,484,619	2,182,471	640,333	559,946
Lower quality	280,325	256,007	165,034	155,239
Retail performing receivables	**6,395,598**	**5,635,537**	**3,074,171**	**2,753,130**

Notes to the Financial Statements for the year ended 31 March 2020 (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	
	2020	2019	2020	2019
	£000's	£000's	£000's	£000's
Good quality	663,583	550,337	526,470	403,111
Satisfactory quality	350,987	324,738	-	-
Lower quality	14,631	7,946	-	-
Wholesale performing receivables	**1,029,201**	**883,021**	**526,470**	**403,111**

(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	**2020**				
	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	5,468	86,653	2,793	122,540	217,454
Past due 31 - 90 days	3,093	9,873	2,276	201	15,443
Past due over 90 days	3,044	10,403	2,925	337	16,709
Loans and receivables past due - Total	**11,605**	**106,929**	**7,994**	**123,078**	**249,606**

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**

Notes to the Financial Statements for the year ended 31 March 2020 (cont'd)

Company	2020				
	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	-	53,856	-	119,841	173,697
Past due 31 - 90 days	-	-	-	-	-
Past due over 90 days	-	-	-	-	-
Loans and receivables past due - Total	**-**	**53,856**	**-**	**119,841**	**173,697**

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**

(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 £41,119 at 31 March 2020 (2019: £120,219).

(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	**2020**	724	2,437	226	-	**3,387**
Repossessed assets for the year	**2019**	491	2,460	253	-	**3,204**

Notes to the Financial Statements for the year ended 31 March 2020 (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	**2020**	38	1,564	-	-	**1,602**
Repossessed assets for the year	**2019**	88	1,675	-	-	**1,763**

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	
	2020	2019	2020	2019
Gross investment in finance lease receivables	£000's	£000's	£000's	£000's
– Not later than 1 year	170,800	145,512	43,235	41,390
– Later than 1 year and not later than 5 years	317,935	294,996	67,171	78,740
– Later than 5 years	2,192	1,596	577	-
Gross investment in finance lease receivables	**490,927**	**442,104**	**110,983**	**120,130**
Unearned future finance income on finance leases	(19,628)	(19,118)	(3,641)	(4,717)
Net investment in finance lease receivables	**471,299**	**422,986**	**107,342**	**115,413**

	Group		Company	
	2020	2019	2020	2019
Net investment in finance lease receivables	£000's	£000's	£000's	£000's
– Not later than 1 year	164,098	138,971	41,801	39,752
– Later than 1 year and not later than 5 years	305,558	282,889	64,973	75,661
– Later than 5 years	1,643	1,126	568	-
Net investment in finance lease receivables	**471,299**	**422,986**	**107,342**	**115,413**

Notes to the Financial Statements for the year ended 31 March 2020 (cont'd)

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

	Group		Company	
	2020	2019	2020	2019
Gross investment in hire purchase receivables	**£000's**	**£000's**	**£000's**	**£000's**
– Not later than 1 year	1,685,413	1,531,474	968,944	881,096
– Later than 1 year and not later than 5 years	3,965,282	3,430,761	2,191,674	1,951,543
– Later than 5 years	9,748	10,118	55	-
Gross investment in hire purchase receivables	**5,660,443**	**4,972,353**	**3,160,673**	**2,832,639**
Unearned future finance income on hire purchase arrangements	(394,211)	(365,567)	(164,981)	(164,887)
Net investment in hire purchase receivables	**5,266,232**	**4,606,786**	**2,995,692**	**2,667,752**

	Group		Company	
	2020	2019	2020	2019
Net investment in hire purchase receivables	**£000's**	**£000's**	**£000's**	**£000's**
– Not later than 1 year	1,561,874	1,416,606	917,118	830,506
– Later than 1 year and not later than 5 years	3,695,355	3,180,748	2,078,525	1,837,246
– Later than 5 years	9,003	9,432	49	-
Net investment in hire purchase receivables	**5,266,232**	**4,606,786**	**2,995,692**	**2,667,752**

(j) Loans and receivables include Retail Loan receivables as follows:

	Group		Company	
	2020	2019	2020	2019
Gross investment in retail loan receivables	**£000's**	**£000's**	**£000's**	**£000's**
– Not later than 1 year	167,022	143,573	138	351
– Later than 1 year and not later than 5 years	410,514	380,792	148	519
– Later than 5 years	82,068	78,279	-	-
Gross investment in retail loan receivables	**659,604**	**602,644**	**286**	**870**
Unearned future finance income on hire purchase arrangements	(8,058)	(6,581)	(38)	(96)
Net investment in retail loan receivables	**651,546**	**596,063**	**248**	**774**

	Group		Company	
	2020	2019	2020	2019
Net investment in retail loan receivables	**£000's**	**£000's**	**£000's**	**£000's**
– Not later than 1 year	162,862	140,232	120	312
– Later than 1 year and not later than 5 years	406,616	378,328	128	462
– Later than 5 years	82,068	77,503	-	-
Net investment in retail loan receivables	**651,546**	**596,063**	**248**	**774**

Notes to the Financial Statements for the year ended 31 March 2020 (cont'd)

(k) Loans and receivables include Wholesale receivables as follows:

	Group		Company	
	2020	2019	2020	2019
Gross investment in wholesale receivables	**£000's**	**£000's**	**£000's**	**£000's**
– Not later than 1 year	976,107	917,741	499,208	463,600
– Later than 1 year and not later than 5 years	53,405	48,695	49,884	44,837
– Later than 5 years	90,792	82,573	86,515	77,761
Gross investment in wholesale receivables	**1,120,304**	**1,049,009**	**635,607**	**586,198**

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 the models are outlined below:

Group	2020				2019			
Retail model	**Stage 1 – 12 month ECL**	**Stage 2 – Lifetime ECL**	**Stage 3 – Credit impaired**	**Total**	**Stage 1 – 12 month ECL**	**Stage 2 – Lifetime ECL**	**Stage 3 – Credit impaired**	**Total**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
ECL allowance - Opening balance	**25,815**	**68,423**	**20,676**	**114,914**	**23,085**	**59,395**	**18,902**	**101,382**
Transfer from Stage 1 to Stage 2	(4,763)	4,763	-	-	(985)	985	-	
Transfer from Stage 1 to Stage 3	(1,841)	-	1,841	-	(477)	-	477	
Transfer from Stage 2 to Stage 3	-	(5,083)	5,083	-	-	(1,462)	1,462	
Transfer from Stage 2 to Stage 1	428	(428)	-	-	315	(315)	-	
Transfer from Stage 3 to Stage 2	-	302	(302)	-	-	378	(378)	
Transfer from Stage 3 to Stage 1	76	-	(76)	-	159	-	(159)	
New assets originated in year	10,564	4,465	2,193	**17,222**	15,059	26,598	5,676	**47,333**
Write offs	(2)	(496)	(8,205)	**(8,703)**	(1,824)	(3,958)	(3,219)	**(9,001)**
Financial assets that have been derecognised	(2,335)	(556)	(1,723)	**(4,614)**	(363)	(2,609)	(870)	**(3,842)**
Changes to macroeconomic factors	2,667	289	4,460	**7,416**	3,722	690	(1,113)	**3,299**
Changes to model	234	16	33	**283**	(4,350)	-	3,165	**(1,185)**
Other changes	(2,231)	603	(361)	**(1,989)**	(8,526)	(11,279)	(3,267)	**(23,072)**
Exchange differences	424	1,881	315	**2,620**	-	-	-	
ECL allowance - Closing balance	**29,036**	**74,179**	**23,934**	**127,149**	**25,815**	**68,423**	**20,676**	**114,914**

Notes to the Financial Statements for the year ended 31 March 2020 (cont'd)

Company	**2020**				**2019**			
Retail model	**Stage 1 – 12 month ECL**	**Stage 2 – Lifetime ECL**	**Stage 3 – Credit impaired**	**Total**	**Stage 1 – 12 month ECL**	**Stage 2 – Lifetime ECL**	**Stage 3 – Credit impaired**	**Total**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
ECL allowance - Opening balance	**10,233**	**1,192**	**6,598**	**18,023**	**19,173**	**58,334**	**12,910**	**90,417**
Transfer from Stage 1 to Stage 2	(404)	404	-	-	(640)	640	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	(65)	-	65	-
Transfer from Stage 2 to Stage 3	-	(325)	325	-	-	(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	5,195	229	660	**6,084**	13,668	26,327	5,501	**45,496**
Write offs	-	-	(1,534)	**(1,534)**	(1,823)	(3,939)	(1,653)	**(7,415)**
Financial assets that have been derecognised	(1,959)	(331)	(1,154)	**(3,444)**	(125)	(2,435)	(4)	**(2,564)**
Changes to macroeconomic factors	2,647	223	4,434	**7,304**	3,718	689	(1,118)	**3,289**
Changes to model	-	-	-	-	(4,350)	-	3,165	**(1,185)**
Other changes	(3,503)	(133)	(1,525)	**(5,161)**	(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	**12,209**	**1,259**	**7,804**	**21,272**	**10,233**	**1,192**	**6,598**	**18,023**

Group	**2020**				**2019**			
Wholesale model	**Stage 1 – 12 month ECL**	**Stage 2 – Lifetime ECL**	**Stage 3 – Credit impaired**	**Total**	**Stage 1 – 12 month ECL**	**Stage 2 – Lifetime ECL**	**Stage 3 – Credit impaired**	**Total**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
ECL allowance - Opening balance	**4,079**	**5,446**	**14,754**	**24,279**	**2,494**	**3,472**	**82**	**6,048**
Transfer from Stage 1 to Stage 2	(100)	100	-	-	(406)	406	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-	-	-	-
Transfer from Stage 2 to Stage 1	1,301	(1,301)	-	-	521	(521)	-	-
Transfer from Stage 3 to Stage 2	-	9	(9)	-	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-	-	-	-	-
New assets originated in year	1,903	7,166	1,414	**10,483**	2,411	2,558	14,722	**19,691**
Write offs	-	(33)	(708)	**(741)**	-	-	-	-
Financial assets that have been derecognised	(932)	(52)	-	**(984)**	(327)	-	-	**(327)**
Changes to macroeconomic factors	(8)	335	793	**1,120**	3	(33)	(50)	**(80)**
Changes to model	-	1	-	**1**	-	-	-	-
Other changes	(825)	(1,732)	-	**(2,557)**	(617)	(436)	-	**(1,053)**
Exchange differences	(49)	7	416	**374**	-	-	-	-
ECL allowance - Closing balance	**5,369**	**9,946**	**16,660**	**31,975**	**4,079**	**5,446**	**14,754**	**24,279**

Notes to the Financial Statements for the year ended 31 March 2020 (cont'd)

Company	2020				2019			
Wholesale model	**Stage 1 – 12 month ECL**	**Stage 2 – Lifetime ECL**	**Stage 3 – Credit impaired**	**Total**	**Stage 1 – 12 month ECL**	**Stage 2 – Lifetime ECL**	**Stage 3 – Credit impaired**	**Total**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
ECL allowance - Opening balance	**560**	**4,945**	**-**	**5,505**	**997**	**3,127**	**50**	**4,174**
Transfer from Stage 1 to Stage 2	(30)	30	-	-	(403)	403	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-	-	-	-
Transfer from Stage 2 to Stage 1	1,289	(1,289)	-	-	497	(497)	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-	-	-	-	-
New assets originated in year	183	6,511	-	**6,694**	121	2,384	-	**2,505**
Write offs	-	-	-	-	-	-	-	-
Financial assets that have been derecognised	-	-	-	-	-	-	-	-
Changes to macroeconomic factors	(8)	335	793	**1,120**	3	(33)	(50)	**(80)**
Changes to model	-	-	-	-	-	-	-	-
Other changes	(883)	(1,732)	-	**(2,615)**	(655)	(439)	-	**(1,094)**
ECL allowance - Closing balance	**1,111**	**8,800**	**793**	**10,704**	**560**	**4,945**	**-**	**5,505**

Group	2020				2019			
Fleet model	**Stage 1 – 12 mth ECL**	**Stage 2 – Lifetime ECL**	**Stage 3 – Credit impaired**	**Total**	**Stage 1 – 12 mth ECL**	**Stage 2 – Lifetime ECL**	**Stage 3 – Credit impaired**	**Tota**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000'**
ECL allowance - Opening balance	**718**	**208**	**441**	**1,367**	**639**	**264**	**272**	**1,17**
Transfer from Stage 1 to Stage 2	(11)	11	-	-	(7)	7	-	
Transfer from Stage 1 to Stage 3	(104)	-	104	-	(1)	-	1	
Transfer from Stage 2 to Stage 3	-	(47)	47	-	-	(5)	5	
Transfer from Stage 2 to Stage 1	28	(28)	-	-	14	(14)	-	
Transfer from Stage 3 to Stage 2	-	-	-	-	-	-	-	
Transfer from Stage 3 to Stage 1	-	-	-	-	-	-	-	
New assets originated in year	770	86	36	**892**	52	149	87	**28**
Write offs	-	-	11	**11**	92	(139)	254	**207**
Financial assets that have been derecognised	(11)	(101)	(6)	**(118)**	(12)	(59)	(1)	**(72**
Changes to macroeconomic factors	-	17	-	**17**	-	-	-	
Changes to model	(5)	(40)	-	**(45)**	-	-	-	
Other changes	15	11	(138)	**(112)**	(59)	5	(177)	**(231**
Exchange differences	77	6	(75)	**8**	-	-	-	
ECL allowance - Closing balance	**1,477**	**123**	**420**	**2,020**	**718**	**208**	**441**	**1,367**

Notes to the Financial Statements for the year ended 31 March 2020 (cont'd)

Company	2020				2019			
Fleet model	**Stage 1 – 12 mth ECL**	**Stage 2 – Lifetime ECL**	**Stage 3 – Credit impaired**	**Total**	**Stage 1 – 12 mth ECL**	**Stage 2 – Lifetime ECL**	**Stage 3 – Credit impaired**	**Tota**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
ECL allowance - Opening balance	**388**	**-**	**225**	**613**	**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	755	-	32	**787**	33	-	80	**113**
Write offs	-	-	-	-	-	-	-	-
Financial assets that have been derecognised	-	-	-	-	-	-	-	-
Changes to macroeconomic factors	-	-	-	-	-	-	-	-
Changes to model	-	-	-	-	-	-	-	-
Other changes	(28)	-	(25)	**(53)**	(51)	-	(180)	**(231**
ECL allowance - Closing balance	**1,115**	**-**	**232**	**1,347**	**388**	**-**	**225**	**613**

19. Derivative financial instruments

(a) Derivative financial instruments - Assets

	Group		Company	
	2020	**2019**	**2020**	**2019**
Assets - Fair Values	**£000's**	**£000's**	**£000's**	**£000's**
Fair value of interest swaps - assets	324	1,384	313	1,113
Total derivative financial instruments assets	**324**	**1,384**	**313**	**1,113**

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	
	2020	**2019**	**2020**	**2019**
Assets - Fair Values	**£000's**	**£000's**	**£000's**	**£000's**
Fair value of interest swaps - assets	15,949	5,401	12,646	2,930
Total derivative financial instruments assets	**15,949**	**5,401**	**12,646**	**2,930**

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

Notes to the Financial Statements for the year ended 31 March 2020 (cont'd)

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 19% is used (2019: 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	
	2020	2019	2020	2019
Deferred tax account	**£000's**	**£000's**	**£000's**	**£000's**
Deferred tax account at 1 April	**12,747**	**13,014**	**22,789**	**22,095**
Income statement (charge) / credit - current year	(170)	(907)	750	803
Income statement (charge) / credit - prior year	(1,932)	738	(2,570)	154
(Charged) / credited directly to equity	(480)	17	(488)	19
Acquisitions/disposals	-	-	-	-
Exchange differences	(396)	(115)	-	(282)
Deferred tax account at 31 March	**9,769**	**12,747**	**20,481**	**22,789**

(b) Deferred tax assets and liabilities:

	Group		Company	
	2020	2019	2020	2019
	£000's	£000's	£000's	£000's
Deferred tax assets	23,459	24,983	20,481	22,789
Deferred tax liabilities	(13,690)	(12,236)	-	-
Net deferred tax account at 31 March	**9,769**	**12,747**	**20,481**	**22,789**

Group	**2020**				
	Opening Balance	**(Charged) / credited to income**	**Charged to equity**	**Exchange differences**	**Closing Balance**
Temporary differences	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Property, plant and equipment	432	(1,090)	-	2	**(656)**
Debt & derivatives	716	1,869	-	(14)	**2,571**
Defined benefit pension scheme	1,336	(646)	(374)	-	**316**
Other timing differences	10,263	(2,235)	(106)	(384)	**7,538**
Deferred tax assets / (liabilities) - total	**12,747**	**(2,102)**	**(480)**	**(396)**	**9,769**

Group	**2019**				
	Opening Balance	**(Charged) / credited to income**	**Charged to equity**	**Exchange differences**	**Closing Balance**
Temporary differences	**£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**

Notes to the Financial Statements for the year ended 31 March 2020 (cont'd)

Company	2020				
	Opening Balance	(Charged) / credited to income	Charged to equity	Exchange differences	Closing Balance
Temporary differences	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Property, plant and equipment	1,967	(762)	-	-	**1,205**
Debt & derivatives	626	1,782	-	-	**2,408**
Defined benefit pension scheme	1,337	(646)	(382)	-	**309**
Other timing differences	18,859	(2,194)	(106)	-	**16,559**
Deferred tax assets / (liabilities) - total	**22,789**	**(1,820)**	**(488)**	**-**	**20,481**

Company	2019				
	Opening Balance	(Charged) / credited to income	(Charged) / credited to equity	Exchange differences	Closing Balance
Temporary differences	**£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 / (liabilities) - total	**22,095**	**957**	**19**	**(282)**	**22,789**

21. Property, plant and equipment

(a) Property plant and equipment

Group	2020						
	Right of use	Leasehold improvements	Motor vehicles	Office furniture & equipment	Computer hardware	Operating lease assets	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Cost							
Cost b/fwd at 1 April 2019	-	89	2,102	886	2,567	340,720	346,364
Additions	5,091	-	1,089	232	329	123,368	**130,109**
Disposals	-	-	(1,073)	(211)	(37)	(99,852)	**(101,173)**
Exchange rate adjustments	7	(3)	(9)	18	47	19,467	**19,527**
Assets classified as held for sale	-	-	-	-	-	(5,868)	**(5,868)**
Cost at 31 March 2020	5,098	86	2,109	925	2,906	377,835	**388,959**
Accumulated Depreciation							
Depreciation b/fwd at 1 April 2019	-	31	385	649	2,114	99,040	102,219
Depreciation charge for the year	1,044	3	417	66	253	48,683	**50,466**
Disposals	-	-	(297)	(4)	(48)	(45,658)	**(46,007)**
Exchange rate adjustments	9	(2)	(81)	11	-	(1,651)	**(1,714)**
Accumulated depreciation at 31 March 2020	1,053	32	424	722	2,319	100,414	**104,964**
Reconciliation at the beginning and end of the year							
Opening net book amount at 1 April 2019	-	58	1,717	237	453	241,680	244,145
Closing net book amount at 31 March 2020	**4,045**	**54**	**1,685**	**203**	**587**	**277,421**	**283,995**

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

The right of use assets are for leasehold buildings and motor vehicles

Notes to the Financial Statements for the year ended 31 March 2020 (cont'd)

Group	**2019**					
	Leasehold improvements	**Motor vehicles**	**Office furniture & 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**

Company	**2020**			
	Right of use	**Computer hardware**	**Operating lease assets**	**Total**
	£000's	**£000's**	**£000's**	**£000's**
Cost				
Cost b/fwd at 1 April 2019	-	1,544	231,035	**232,579**
Additions	953	5	87,367	**88,325**
Disposals	-	(35)	(68,681)	**(68,716)**
Assets classified as held for sale	-	-	(5,688)	**(5,688)**
Cost at 31 March 2020	953	1,514	244,033	**246,500**
Accumulated Depreciation				
Depreciation b/fwd at 1 April 2019	-	1,428	73,270	**74,698**
Depreciation charge for the year	458	88	29,088	**29,634**
Disposals	-	(35)	(32,223)	**(32,258)**
Accumulated depreciation at 31 March 2020	458	1,481	70,135	72,074
Reconciliation at the beginning and end of the year				
Opening net book amount at 1 April 2019	-	116	157,765	**157,881**
Closing net book amount at 31 March 2020	**495**	**33**	**173,898**	**174,426**

The right of use assets are for leasehold buildings.

Notes to the Financial Statements for the year ended 31 March 2020 (cont'd)

Company	**2019**				
	Motor vehicles	**Office furniture & 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**

b) Contractual commitments

There are no contractual commitments for the acquisition of property, plant and equipment at 31 March 2020 (2019: none).

c) Future minimum receivables under non-cancellable operating leases

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

	Group		**Company**	
	2020	**2019**	**2020**	**2019**
	£000's	**£000's**	**£000's**	**£000's**
Not later than 1 year	55,607	55,488	34,169	34,729
Later than 1 year and not later than 5 years	46,957	40,619	28,167	23,891
Later than 5 years	-	-	-	-
Total of future minimum rental receivables under non-cancellable operating leases	**102,564**	**96,107**	**62,336**	**58,620**

d) Contingent rents recognised as income

	Group		**Company**	
	2020	**2019**	**2020**	**2019**
	£000's	**£000's**	**£000's**	**£000's**
Contingent rents recognised as income in the year	729	782	680	756

Notes to the Financial Statements for the year ended 31 March 2020 (cont'd)

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		Company	
	2020	2019	2020	2019
	Purchased computer software	Purchased computer software	Purchased computer software	Purchased computer software
	£000's	£000's	£000's	£000's
Cost				
Cost b/fwd at 1 April	14,747	24,547	2,444	19,840
Additions	3,282	1,985	26	1,123
Disposals	(110)	(11,354)	(109)	(18,197)
Exchange rate adjustments	277	(431)	-	(322)
Cost at 31 March	**18,196**	**14,747**	**2,361**	**2,444**
Accumulated Amortisation				
Amortisation b/fwd at 1 April	9,926	20,486	2,338	17,037
Amortisation charge for the year	1,956	1,653	97	1,106
Disposals	(110)	(15,509)	(109)	(15,508)
Exchange rate adjustments	151	3,296	-	(297)
Accumulated depreciation at 31 March	**11,923**	**9,926**	**2,326**	**2,338**
Reconciliation at the beginning and end of the year				
Opening net book amount at 1 April	4,821	4,061	106	2,803
Closing net book amount at 31 March	**6,273**	**4,821**	**35**	**106**

There are no contractual commitments for the acquisition of intangible assets at 31 March 2020 (2019: none).

23. Trade and other payables

	Group		Company	
	2020	2019	2020	2019
Trade & Other Payables	£000's	£000's	£000's	£000's
Trade payables	13,692	17,301	(86)	295
Dealer payables	7,340	39,122	8,539	26,376
Accrued expenses	34,843	30,499	11,420	9,783
Social security and other taxes	1,011	663	-	-
Other creditors	22,780	13,678	16,327	8,003
Trade and payables - total	**79,666**	**101,263**	**36,200**	**44,457**

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 2020 (cont'd)

24. Borrowings

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

	Group		Company	
	2020	2019	2020	2019
	£000's	£000's	£000's	£000's
Total borrowings	7,664,335	6,131,548	4,022,173	3,150,202

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

	Group			Company		
	2020			2020		
	< 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	4,066	-	**4,066**	-	-	-
- Bank borrowings	620,023	524,213	**1,144,236**	250,111	-	**250,111**
- Securitisation loan	306,094	394,074	**700,168**	306,094	394,074	**700,168**
- Related party borrowings	2,544,837	3,271,028	**5,815,865**	1,776,894	1,295,000	**3,071,894**
Borrowings - total	**3,475,020**	**4,189,315**	**7,664,335**	**2,333,099**	**1,689,074**	**4,022,173**

	Group			Company		
	2019			2019		
	< 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**

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

25. Other liabilities

Other liabilities are summarised as follows:

	Group		Company	
	2020	2019	2020	2019
	£000's	£000's	£000's	£000's
Other Liabilities				
Operating lease deferred income	14,676	12,939	13,485	11,759
Intercompany liabilities	112,350	260,836	30,741	29,751
Deferred insurance income	17,770	16,321	-	-
Other	2,929	11,627	2,032	10,993
Other liabilities - total	**147,725**	**301,723**	**46,258**	**52,503**

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.

Notes to the Financial Statements for the year ended 31 March 2020 (cont'd)

26. Lease Liabilities

The Group leases offices and motor vehicles under operating lease commitments. Some leases are for a period between one and ten years and others are for an indefinite period with a notice period of six months. Details of right of use assets can be found in Note 21 Property, Plant and Equipment.

	Group	Company
	2020	2020
	£000's	£000's
Maturity analysis of lease liabilities		
Not later than 1 year	1,156	462
Later than 1 year and not later than 5 years	2,353	40
Later than 5 years	595	-
Total lease liabilities	**4,104**	**502**

	Group	Company
	2020	2020
Interest expense charged to the income statement	£000's	£000's
Interest expense on lease liability	47	15

	Group	Company
	2020	2020
	£000's	£000's
Lease payments which were not included in the measurement of the lease liabilities		
Variable lease payments	74	-

27. Current tax assets and liabilities

	Group		Company	
	2020	2019	2020	2019
	£000's	£000's	£000's	£000's
Current tax assets				
Current tax receivable	41,857	19,983	39,582	17,721
Current tax liabilities				
Total income taxes payable	18,686	1,129	-	-

Current tax liabilities are all due within one year.

Notes to the Financial Statements for the year ended 31 March 2020 (cont'd)

28. 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 £880,000 (2019: £745,000) 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 2019 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 3.15% pa pre-retirement and 2.65% pa post-retirement, earnings growth of 4.30% pa, and long-term retail price inflation of 3.50% pa, all as agreed between the Trustee and the Company. The 2019 valuation showed a market valuation of pension scheme assets of £97,309,000 which covered 104% of liabilities providing a surplus of £4,147,000. The Company and Trustees also agreed a contribution rate of 33.6% plus an employee contribution of 4.0% of pensionable salaries to fund ongoing accrual from the date of the valuation, and £16,000 per month in respect of administrative expenses.

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.

Notes to the Financial Statements for the year ended 31 March 2020 (cont'd)

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

	Group & Company	
	2020	**2019**
	£000's	**£000's**
Fair value of scheme assets	86,883	93,711
Present value of funded obligation	(84,814)	(94,184)
Deficit in scheme	2,069	(473)
Net defined benefit asset / (liability)	**2,069**	**(473)**

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

	Group & Company	
	2020	**2019**
Movements in present value	**£000's**	**£000's**
At 1 April	**473**	**5,445**
Service cost	1,401	1,421
Net interest expense	-	133
Measurements	(3,020)	(5,453)
Administration costs	424	279
Employer contribution	(1,347)	(1,352)
At 31 March	**(2,069)**	**473**

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

	Group & Company	
	2020	**2019**
	£000's	**£000's**
Current service cost	1,401	1,421
Administration cost	424	279
Interest on liabilities	2,331	2,384
Interest on assets	(2,331)	(2,251)
Expense recognised in the income statement	**1,825**	**1,833**

Notes to the Financial Statements for the year ended 31 March 2020 (cont'd)

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

	Group & Company	
	Valuation at:	
	2020	2019
	£000's	£000's
Loss / (gain) on scheme assets in excess of interest	8,174	(8,559)
Experience (loss) / gain on liabilities	(2,233)	306
Gain / (loss) from changes to demographic assumptions	4,517	(1,844)
(Loss) / gain from changes to financial assumptions	(13,478)	4,644
Total	**(3,020)**	**(5,453)**

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

	Group & Company	
	Valuation at:	
	2020	2019
	£000's	£000's
Fair value of assets at the beginning of the year	**93,711**	**83,852**
Interest on assets	2,331	2,251
Company contributions	1,347	1,352
Contributions by Scheme participants	161	159
Benefits paid	(2,069)	(2,183)
Administration costs	(424)	(279)
Return on plan assets less interest	(8,174)	8,559
Fair value of assets at the end of the year	**86,883**	**93,711**

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

	Group & Company	
	Valuation at:	
	2020	2019
	£000's	£000's
Defined benefit obligation at the beginning of the year	**94,184**	**89,297**
Current service cost	1,401	1,421
Contributions by Scheme participants	161	159
Interest cost	2,331	2,384
Benefits paid	(2,069)	(2,183)
Experience gain on defined benefit obligation	(2,233)	306
Changes to demographic assumption	4,517	(1,844)
Changes to financial assumption	(13,478)	4,644
Defined benefit obligation at the end of the year	**84,814**	**94,184**

Notes to the Financial Statements for the year ended 31 March 2020 (cont'd)

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

	Group & Company	
	2020	**2019**
	£000's	**£000's**
UK equities	14,824	21,708
Overseas equities	28,818	38,872
Trustees bank account	343	116
Other	42,898	33,015
Total	**86,883**	**93,711**

(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	
	2020	**2019**
Principal actuarial value		
Discount rate	2.60%	2.50%
RPI inflation	2.75%	3.50%
CRPI inflation	1.95%	2.50%
Pension increases – RPI capped at 5% p.a.	2.65%	3.30%
Salary increases	3.75%	4.10%
Post retirement mortality assumptions	97% of S3NA tables with CMI 2019 projections using a long-term improvement rate of 1.25% p.a and an initial addition parameter of 0.25%.	95% of S2NA tables with CMI 2018 projections using a long-term improvement rate of 1.25% p.a.
Allowance for commutation	80% 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	
	2020	**2019**
	Years	**Years**
Male	27.4	26.8
Female	30.0	28.9

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	
	2020	**2019**
	Years	**Years**
Male	28.8	28.3
Female	31.4	30.5

Notes to the Financial Statements for the year ended 31 March 2020 (cont'd)

(i) Sensitivity of the value placed on liabilities

	Group & Company	Group & Company
	2020	2019
	£000's	£000's
Adjustments to assumptions	**Approximate increase/ (decrease) in liabilities**	**Approximate increase/ (decrease) in liabilities**
Discount rate		
Plus 0.5% p.a.	(8,805)	(10,753)
Minus 0.5% p.a.	10,268	12,655
Inflation, salary increases and pension increases		
Plus 0.5% p.a.	9,533	10,941
Minus 0.5% p.a.	(8,375)	(9,753)
Life expectancy		
Members assumed to be 1 year younger	2,200	2,811
Members assumed to be 1 year older	(2,235)	(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 2022. 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 20 January 2020. 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 £1,743,000 in the year to 31 March 2021.

The weighted average duration of the Defined Benefit Obligation is approximately 23 years.

Notes to the Financial Statements for the year ended 31 March 2020 (cont'd)

29. Share capital

Company & Group	2020	2019
	£000's	£000's
Authorised:		
200 million (2019: 200 million) ordinary shares of £1 each	200,000	200,000
Issued, allotted, called up and fully paid:		
137.350 million (2019: 119.8 million) ordinary shares of £1 each	137,350	119,800

The increase in share capital was due to the Parent company indirectly investing in the investments of Hungary, Kazakhstan and the purchase of Faxi Ltd.

30. Dividends

Company & Group	2020	2019
	£000's	£000's
Dividend paid	11,318	13,364

The dividends paid in 2020 and 2019 were £11,318k and £13,364k respectively. A dividend in respect of the year ended 31 March 2020 of £12,305k was proposed at the Annual General Meeting on 27 July 2020. These financial statements do not reflect this dividend payable.

The dividend equates to £0.09 per share in 2020 and £0.12 per share in 2019.

31. Commitments and contingent liabilities

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	
	2020	2019	2020	2018
	£000's	£000's	£000's	£000's
External - less than 1 year maturity	617,825	623,805	479,181	506,437
External - greater than 1 year maturity	63,302	37,371	63,302	37,371
Total undrawn commitments	**681,127**	**661,176**	**542,483**	**543,808**

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) Contingent liabilities

The Company and Group have no contingent liabilities (2019: none).

Notes to the Financial Statements for the year ended 31 March 2020 (cont'd)

32. 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 Property, Plant and Equipment (Note 21) and the residual values for all other categories are in loans and receivables (Note 17).

Group	**2020**				
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	4,456	278,109	-	80,417	**362,982**
Between 1-2 years	3,182	518,946	-	45,130	**567,258**
Between 2-5 years	1,942	895,476	-	50,242	**947,660**
More than 5 years	8	163	-	-	**171**
Total exposure	**9,588**	**1,692,694**	**-**	**175,789**	**1,878,071**

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**

Notes to the Financial Statements for the year ended 31 March 2020 (cont'd)

Company	2020			
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	-	260,016	55,611	**315,627**
Between 1-2 years	-	476,056	37,160	**513,216**
Between 2-5 years	-	851,739	42,255	**893,994**
Total exposure	-	**1,587,811**	**135,026**	**1,722,837**

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**

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. Residual values are established with reference to sources of independent valuations and the company's own experience. Determining the provision for residual values relating to such contracts therefore involves estimation uncertainty in relation to the volume of vehicles that will be returned as well as the level of the associated losses.

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

33. 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 £12,780 of guarantee commission (2019: £10,722), with £7,136 outstanding at year-end (2019: £4,884).

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 £110.2m (2019: £114.6m).

Notes to the Financial Statements for the year ended 31 March 2020 (cont'd)

(a) Loans and receivables to related parties

Group	Parent		Associates		Other related parties		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Loans and receivables								
Outstanding at 1 April	**18**	**-**	**45**	**19**	**83,868**	**76,689**	**83,931**	**76,708**
Issued during the year	105	18	-	26	100,224	14,373	100,329	14,417
Repayments during the year	(18)	-	(44)	-	(2,418)	(7,112)	(2,480)	(7,112)
Exchange differences	-	-	-	-	(66)	(82)	(66)	(82)
Outstanding at 31 March	**105**	**18**	**1**	**45**	**181,608**	**83,868**	**181,714**	**83,931**

Company	Parent		Subsidiaries		Associates		Other related parties		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	£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	**18**	**-**	**168**	**474**	**45**	**19**	**82,951**	**74,266**	**83,182**	**74,759**
Issued during the year	-	18	29	-	-	26	97,854	8,925	97,883	8,969
Repayments during the year	(18)	-	-	(306)	(44)	-	(118)	(240)	(180)	(546)
Exchange differences	-	-	-	-	-	-	-	-	-	-
Outstanding at 31 March	**-**	**18**	**197**	**168**	**1**	**45**	**180,687**	**82,951**	**180,885**	**83,182**

Notes to the Financial Statements for the year ended 31 March 2020 (cont'd)

b) Deferred income from related parties

Group	Parent		Associates		Other related parties		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Deferred income								
Outstanding at 1 April	-	-	-	-	**145,958**	**126,557**	**145,958**	**126,557**
Issued during the year	-	-	-	-	111,352	115,533	111,352	115,533
Taken to income statement during year	-	-	-	-	(108,596)	(96,101)	(108,596)	(96,101)
Exchange differences	-	-	-	-	101	(31)	101	(31)
Outstanding at 31 March	-	-	-	-	**148,815**	**145,958**	**148,815**	**145,958**

Company	Parent		Subsidiaries		Associates		Other related parties		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	£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	-	-	-	-	-	-	**144,162**	**124,014**	**144,162**	**124,014**
Issued during the year	-	-	-	-	-	-	110,157	114,371	110,157	114,371
Taken to income statement during year	-	-	-	-	-	-	(107,087)	(94,213)	(107,087)	(94,213)
Exchange differences	-	-	-	-	-	-	-	(10)	-	(10)
Outstanding at 31 March	-	-	-	-	-	-	**147,232**	**144,162**	**147,232**	**144,162**

(c) Trade and payables from related parties

Group	Parent		Associates		Other related parties		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	£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	**46**	**45**	-	-	**278,183**	**34,792**	**278,229**	**34,837**
Trade and payables incurred during the year	105	15	-	-	1,185,565	440,012	1,185,670	440,027
Trade and payables paid during the year	(8)	(14)	-	-	(1,353,514)	(196,524)	(1,353,522)	(196,538)
Exchange differences	-	-	-	-	6,495	(97)	6,495	(97)
Trade and payables at 31 March	**143**	**46**	-	-	**116,729**	**278,183**	**116,872**	**278,229**

Notes to the Financial Statements for the year ended 31 March 2020 (cont'd)

Company	Parent		Subsidiaries		Associates		Other related parties		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	£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**	**10**	**-**	**-**	**-**	**41,054**	**31,867**	**41,107**	**31,910**
Trade and payables incurred during the year	42	8	-	10	-	-	-	8,360	42	8,378
Trade and payables paid during the year	-	(8)	(10)	-	-	-	(7,330)	812	(7,340)	804
Exchange differences	-	-	-	-	-	-	-	15	-	15
Trade and payables at 31 March	**85**	**43**	**-**	**10**	**-**	**-**	**33,724**	**41,054**	**33,809**	**41,107**

(d) Borrowings from related parties

Group	Parent		Associates		Other related parties		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Borrowings								
Borrowings at 1 April	-	-	-	-	4,662,940	3,817,036	4,662,940	3,817,036
Borrowings made during the year	-	-	-	-	5,872,965	5,698,787	5,872,965	5,698,787
Borrowings repaid during the year	-	-	-	-	(4,778,894)	(4,831,047)	(4,778,894)	(4,831,047)
Exchange differences	-	-	-	-	58,854	(21,836)	58,854	(21,836)
Borrowings at 31 March	**-**	**-**	**-**	**-**	**5,815,865**	**4,662,940**	**5,815,865**	**4,662,940**

Notes to the Financial Statements for the year ended 31 March 2020 (cont'd)

Company	Parent		Subsidiaries		Associates		Other related parties		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	£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	-	-	-	-	-	-	**2,379,332**	**2,738,733**	**2,379,332**	**2,738,733**
Borrowings made during the year	-	-	-	-	-	-	4,388,562	3,246,207	4,388,562	3,246,207
Borrowings repaid during the year	-	-	-	-	-	-	(3,696,000)	(3,605,608)	(3,696,000)	(3,605,608)
Exchange differences	-	-	-	-	-	-	-	-	-	-
Borrowings at 31 March	-	-	-	-	-	-	**3,071,894**	**2,379,332**	**3,071,894**	**2,379,332**

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	
	2020	2019	2020	2019	2020	2019	2020	2019
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Other Transactions								
Fee and commission income	-	-	-	-	538	406	538	406
Deferred Income	-	-	-	-	108,596	96,101	108,596	96,101
Interest income	-	-	-	-	21,504	25,548	21,504	25,548
Other operating income	111	62	9	109	2,237	3,185	2,357	3,356
Dividend	11,318	13,364	4,316	-	-	-	15,634	13,364
Interest expense and similar charges	-	-	-	-	36,332	30,028	36,332	30,028
Fee and commission expense	5	4	-	-	588	186	593	190
Rent of premises	-	-	-	-	1,479	1,900	1,479	1,900
Other expenses	182	119	-	-	40,810	40,787	40,992	40,906

Notes to the Financial Statements for the year ended 31 March 2020 (cont'd)

Company	Parent		Subsidiaries		Associates		Other related Parties		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Other Transactions										
Deferred Income	-	-	-	-	-	-	107,086	94,213	107,086	94,213
Interest income	-	-	-	-	-	-	21,504	25,548	21,504	25,548
Other operating income	7	62	373	702	9	109	1,716	2,873	2,105	3,746
Dividend	11,318	13,364	12,538	2,711	4,316	-	-	-	28,172	16,075
Interest expense and similar charges	-	-	-	-	-	-	31,315	29,642	31,315	29,642
Rent of premises	-	-	-	-	-	-	1,191	1,786	1,191	1,786
Other expenses	180	118	-	118	-	-	36,225	40,155	36,405	40,391

(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 £226.7m (2019: £226.4m).

(g) Key management compensation

	Group & Company	
	2020	2019
	£000's	£000's
Salaries and other short-term benefits	625	556
Post-employment benefits	49	13
Key management compensation - total	**674**	**569**

Notes to the Financial Statements for the year ended 31 March 2020 (cont'd)

34. Asset backed securitisation

Securitised receivables

The table below summarises balances that have been securitised:

	Group		Company	
	2020	2019	2020	2019
Loans & finance lease receivables subject to asset backed securitisation	**£000's**	**£000's**	**£000's**	**£000's**
– Finance leases	-	-	-	-
– Hire purchase	929,926	926,354	929,926	926,354
– Retail loans	-	-	-	-
– Wholesale loans	-	-	-	-
Loans & finance lease receivables subject to asset backed securitisation - total	**929,926**	**926,354**	**929,926**	**926,354**
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 2020 (2019: £700m).

The company retains a junior interest in the securitised receivables, the balance at year-end was £229.7m (2019: £226.4m).

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 2019	**700,000**
– New committed capacity in the year	-
– Matured capacity in the year	-
Balance as at 31 March 2020	**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 2020 (cont'd)

35. Other provisions

	Group		Company	
	2020	2019	2020	2019
	£000's	£000's	£000's	£000's
Other provisions	37,987	37,987	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. The initial hearing of the appeal took place in February 2020, further hearings are required which have been deferred until the final quarter of calendar year 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.

36. Events after the balance sheet date

None.

37. 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.