

# Toyota Motor Manufacturing (UK) Limited

## Annual report and financial statements for the year ended 31 March 2020

Registered number: 02352348



# **Toyota Motor Manufacturing (UK) Limited**

## **Annual report and financial statements for the year ended 31 March 2020**

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# Toyota Motor Manufacturing (UK) Limited

## Strategic report for the year ended 31 March 2020

The directors present the Strategic report of the company for the financial year ended 31 March 2020. The company's principal risks and uncertainties, financial risk management and environmental matters are outlined in the Directors' report.

### Principal activities of the company

The principal activities of the company are the manufacture of motor vehicles, engines and engine components. The company assembles the Corolla vehicle model at Burnaston, East Midlands (including hybrid versions) and engines for the use in the vehicle assembly plant and for export at its engine plant in Deeside, North Wales.

### Results

The profit for the financial year amounted to €25,623,000 (2019: loss of €23,528,000 including exceptional net warranty income €3,382,000). Turnover for the year amounted to €2,966,936,000 (2019: €2,327,569,000). An actuarial gain of €43,648,000 (2019: gain of €11,882,000) was made on the pension scheme in the financial year. The carrying value of tangible assets was €287,936,000 at 31 March 2020 (31 March 2019: €322,562,000) and net liabilities (including the pension scheme surplus) were €719,763,000 at 31 March 2020 (31 March 2019: €789,034,000). Details of the items above are included in the notes to the financial statements.

### Key performance indicators (KPIs)

Volumes for the current year and prior year are set out in the table below:

| Model                | 2020    | 2019    |
|----------------------|---------|---------|
| Avensis              | -       | 6,495   |
| Auris/Corolla        | 12,782  | 23,868  |
| Auris/Corolla hybrid | 135,799 | 96,061  |
| Burnaston total      | 148,581 | 126,424 |
| Deeside engines      | 296,261 | 309,643 |

Vehicle volumes increased during the year due to the introduction of the new Corolla to replace the Auris. Avensis production ceased during the previous year.

# **Toyota Motor Manufacturing (UK) Limited**

## **Strategic report for the year ended 31 March 2020 (continued)**

### **Review of the business**

Vehicle sales volume in the year was higher than the previous year due to the introduction of the new Corolla at the beginning of 2019 but were affected by the Covid-19 outbreak from mid-March. Engine volumes remain strong compared to the previous year due to demand for the C-HR model, which is made in Turkey. The small fall in overall engine volume was due to the Covid-19 outbreak.

The prior financial year included exceptional income of €3,382,000 for one off warranty costs relating to airbags fitted to vehicles produced. There continued to be a strong focus on cost reduction, to which members throughout the business contributed. The result was in line with the directors' expectations given the current operating conditions. An actuarial gain was recognised on the pension scheme, see note 17 for further details.

### **Member focus**

The Toyota group worldwide refers to employees as 'members'.

The company seeks to recruit, train and retain members who can then enjoy a long and fulfilling career with the company. A key part of this strategy is the provision of comprehensive health, wellbeing, medical support and care initiatives. A strong focus on member safety as the foundation for efficient, high quality manufacturing remains the key to the company's continued success.

Training of young people to take up responsible and skilled positions in manufacturing operations is a key commitment. The Apprentice Training Centre at Burnaston, run in partnership with Burton and South Derbyshire College, trains young people from local companies alongside the company's apprentices.

There are now 22 (2019: 30) external companies engaged in the scheme and more than 150 (2019: 150) apprentices taking part. The company provides advanced four year apprenticeships and has introduced a pathway to allow further development opportunities. In 2019, a production apprenticeship for twelve young people was launched. Approximately 260 apprentices have started since the launch of the training centre. A small number of members are undertaking Degree Apprenticeships and Level 3 - Level 6 continuous improvement apprenticeships are offered. Our Apprenticeships support the growth and capability of both automotive and non-automotive partners.

All members are graded within an occupational classification which determines the salary, irrespective of gender. 94.3% (2019: 94.4%) of members are male and 5.7% (2019: 5.6%) of members are female; ethnic minorities represent 7.5% (2019: 8.1%). The company absenteeism rate was 2.7% (2019: 2.4%).

The company supports member development through a range of activities including on and off the job training. The average number of training days per member was 8 days (2019: 5 days).

The company promotes awareness and encourages the involvement of all members in relation to the financial and economic factors that affect the performance of the company and encourages member involvement in the company's performance through the collective bonus scheme.

# **Toyota Motor Manufacturing (UK) Limited**

## **Strategic report for the year ended 31 March 2020 (continued)**

### **Charitable focus and social matters**

The company seeks to support good causes in the areas local to its manufacturing locations and has a Charitable Trust (the Trust) that supports groups and organisations that are active in the areas of road safety, social inclusion and deprivation and health. The company and its members raised €407,000 (2019: €176,000) that the Trust distributed to representatives of its nominated charities at events at Burnaston and Deeside. More detail on donations made during the year can be found on page 14 of the Directors' report. Since the start of production in 1992, Toyota and the Trust have contributed altogether over €7,800,000 towards local communities surrounding its plants.

The company made in-kind donations, including member time towards administration of charitable programmes, room rental, donation of cars and parts and volunteering hour's equivalent to €858,000 (2019: €630,000).

The company's nominated charity was Prostate cancer UK. This charity received €69,000, which was used for funding research for the year. During the year, community grants were made to 24 organisations across the three focus areas mentioned above - covering causes such as hospices, food banks and cancer charities.

All members are eligible to apply for match funding of up to €1,172 towards charities and organisations of their choice, 27 members received such funding, totalling €14,000. Additionally, the company saw the third year of the member grant scheme, whereby members with a recognised role in a charity outside of work are able to apply for grants of up to €5,860, and this enabled support for a further 27 organisations which together received €49,000.

### **Corporate compliance**

The company is committed to conducting business in an open and fair manner, with integrity and honesty, it is committed to complying with laws, regulations and working standards. The company has a wide ranging code of conduct, which sets out the behaviours required and expected of all employees, irrespective of their level, whilst enhancing business performance to provide employment and to maintain fair and stable working conditions for our members.

This Code of Conduct is applicable to all of the company's members, temporary employees, suppliers, contractors and consultants working onsite. It is briefed to all members on induction, and all members are reminded of the key principles through the supervisory chain twice yearly.

The topics covered by the Code of Conduct are on page 20 of the Directors' report.

# **Toyota Motor Manufacturing (UK) Limited**

## **Strategic report for the year ended 31 March 2020 (continued)**

### **Section 172 – Duty to promote the success of the company**

Under the Companies Act 2006, the directors have a duty to promote the success of the company while having regard to employees, customers, suppliers and the environment.

The directors behave and carry out their activities to promote long-term success for the benefit of the company's shareholders, employees, clients and stakeholders. They focus on the company passing on a stronger, better and more sustainable business to those who follow while maintaining intergenerational fairness.

They engage with shareholders, employees, clients and stakeholders to reflect their insights and views when making decisions on strategy, delivering operational effectiveness, making plans, driving initiatives and committing to deliver outcomes that enhance social value.

The culture and values promoted by the directors creates a focus across the Group on observing and maintaining the highest standards of business conduct in promoting the long-term success of the company.

The narratives in the corporate governance report and directors' report highlight how the directors have observed these principles and engaged with shareholders, employees, clients and stakeholders in decision-making and in promoting the long-term success of the company.

The directors believe that they have acted in a way to promote the success of the company as set out in section 172(1)(a) to (f) when performing their duty under section 172.

#### *Section 172 (a) - The likely consequences of any decision in the long term*

The directors understand the business and the evolving environment in which the company operates. All decisions are taken with the aim of improving the success of the company in the long term.

The key decisions taken in the year relate to:

- Covid-19
- Post production operations expansion
- Brexit readiness

Details of how these decisions were taken is on pages 6 to 8 of the Strategic report.

#### *Section 172 (b) - Interests of company members*

The directors recognise the importance of keeping members informed and information is provided to members on a regular basis. See member involvement, page 15 of the Directors' report.

The decision making relating to Covid-19 had members at the core. See pages 6 and 7 of the Strategic report.

# **Toyota Motor Manufacturing (UK) Limited**

## **Strategic report for the year ended 31 March 2020 (continued)**

### **Section 172 – Duty to promote the success of the company (continued)**

#### *Section 172 (c) - Business relationships*

The board believes in developing mutually beneficial long-term relationships based on mutual trust with all suppliers. All of the company's customers are intra-group. To foster that trust, we pursue close and wide-ranging communication to share our knowledge to enhance our business relationship. The board requires our suppliers and contractors to operate in accordance with Toyota's Code of Conduct and be compliant with all applicable laws and regulations in the countries in which they operate. These are part of the company's operating principles and can be found on the company's website.

Business relationships are considered in decisions related to Covid-19 and Brexit planning on pages 6 to 8 of the Strategic report.

#### *Section 172 (d) - Community and environment*

The board recognises that the company's position in the community and its effect on the local environment is an important factor in decision making. The company has a department whose sole focus is on the environment. Through implementation of new technology and monitoring of emissions, the company aims to be a leader in manufacturing environmental performance. See charitable focus and social matters, page 3 of the Strategic report, charitable donations, page 14 of the Directors' report and Toyota environmental management, page 29 of the Directors' report.

The effect on the environment was a significant part of the decision related to PPO expansion as explained on page 8 of the Strategic report.

#### *Section 172 (e) - Business conduct*

The board's decisions take into account the company's code of conduct, which can be found on the company website, details how the company maintains a reputation for high standards of business conduct. The areas covered can be seen on page 20 of the Directors' report.

Business conduct is considered within all decisions explained in pages 6 to 8 of the Strategic report.

#### *Section 172 (f) - Need to act fairly between members of the company*

All courses of action are taken with all stakeholders in mind. Decisions that directly affect the members of the company are discussed with the Toyota Members' Advisory Board (TMAB). See page 15 of the Directors' report.

The decision making relating to Covid-19 had members at the core. See pages 6 and 7 of the Strategic report.

# **Toyota Motor Manufacturing (UK) Limited**

## **Strategic report for the year ended 31 March 2020 (continued)**

### **Section 172 – Duty to promote the success of the company (continued)**

The following are three examples of how significant risks were identified and how the directors strategically managed and mitigated the impact to the business:

#### *Example 1 – Covid-19 Plant Stop*

The company acknowledges that 2020 has been a difficult year having experienced interruption due to Covid-19. The company worked together as the new Covid-19 environment started to unfold. Daily monitoring was undertaken to fully understand the new and ever-changing situation, and results were reported in an efficient manner to the company's directors. A strategy room was developed in early March 2020 with Human Resources and Health and Safety, Production Control and Corporate Planning updating the reporting topics. This UK strategy room fed into the Toyota Motor Europe NV/SA (TME) strategy room, which was monitoring Covid-19 on both an European and Global level. The directors and senior management team met daily with their European counterparts.

The European sales situation, supplier condition and manufacturing flexibility were monitored and discussed daily. As the situation in Europe worsened, all European Manufacturing Companies took input from TME to stop production. In the UK, production members were furloughed upon the stop of production. The decision to have a controlled stop in production was based upon the pipeline customer demand and risk of short shipment of parts and material from suppliers as the Covid-19 situation rapidly worsened globally.

The orderly stop of production was a decision taken in order to safeguard customers, supplier and the health and safety of members and workers. The decision to furlough was taken by the directors in order to ensure ongoing financial security and job security for the company.

The furloughing of members and workers resulted in a minimal number of members being retained on-site to ensure health and safety provisions were in place, that the company had the technology to be able to work remotely, that environmental requirements were adhered to in line with regulations, and the security of the company's sites were maintained. The stop in production was the longest in the company's history and therefore attention was given to safeguard equipment, parts, materials and vehicles.

Before the company commenced its controlled stop, the situation was shared with Toyota Member Advisory Board (TMAB), members, contractors, and communicated to both local and national stakeholders.

The company's production stop took place in advance of the national UK lockdown. The decision to re-start only came when customer demand was sufficient, the supply chain was ready and the plant was confirmed as Covid-19 secure.



# **Toyota Motor Manufacturing (UK) Limited**

## **Strategic report for the year ended 31 March 2020 (continued)**

### **Section 172 – Duty to promote the success of the company (continued)**

#### *Example 1 – Covid-19 Plant Stop (continued)*

The directors took the decision to ask members and workers to be brought back from furlough before the actual production restart at both manufacturing plants in order to provide a Covid-19 re-familiarisation period. Deeside returned earlier than Burnaston in order to sell engines to Turkey, in order to enable their production to be able to re-start. There was a substantial cost associated with returning members to work from furlough early, however the company felt it was a critical decision in order to allow for the Covid re-familiarisation sessions to take place in a time staggered manner to ensure social distancing rules were adhered to. The re-familiarisation sessions were created and delivered to ensure members felt the working environment which had been created for them, was Covid-19 secure, to learn new hygiene standards (mandatory face mask wearing, one-way systems, social distancing, additional cleaning of equipment and working environment) and enable members to re-learn their production processes after a substantial period of time away from the working environment.

The company's activities changed to adhere to Covid-19 restrictions, no longer allowing visitors on-site, substantially reduced business travel, supporting members to be able to work from home, the on-site Occupational Health Centre were able to provide detailed health guidance which adhered to UK national guidelines. The company's financial year end was completed by Finance and Purchasing Division who were all working from home. Purchasing prioritised suppliers to be paid in order to enable company cash flows to continue. The re-introduction of on-site facilities only took place following health, safety and environmental review with all company division support input. During the initial period of preparing to have members to return on-site, directors and senior management met daily via video conferencing to discuss how to draft new standards, policies, procedures and training documents (Health and Safety Guide Cards) in order to provide a safe return for all. This was important not only for the company, but also the local communities in which the manufacturing plants operate from.

From a corporate social responsibility (CSR) perspective, financial donations were made to the local community, e.g. food banks. A small number of company maintenance members were supporting local hospitals to ensure new Covid-19 wards were created in time for the NHS and medical equipment was maintained, for example hospital beds, wheelchairs and trolleys. The company started facial visor manufacturing for local hospitals, healthcare centres and care homes. A Toyota Proace vehicle was loaned to the local food bank to enable deliveries to those living in poverty and / or shielding. A Toyota Avensis vehicle was loaned on a long-term basis to the local hospice to provide roaming nursing support services. Additionally, Covid-19 testing sites were created for members of the public at both manufacturing plant sites.

Covid-19 Plant Stop and associated actions detailed above, demonstrate that the company's board promoted the long-term sustainable success of the company by identifying opportunities to create and preserve value and establish oversight for the identification and mitigation of risks. Thus demonstrating the board's commitment and practical responsibilities to both the company and TME during Covid-19. Additionally, the board acted with reasonable care, skill and diligence, demonstrating their accountability to the company.

# **Toyota Motor Manufacturing (UK) Limited**

## **Strategic report for the year ended 31 March 2020 (continued)**

### **Section 172 – Duty to promote the success of the company (continued)**

#### *Example 2 – Post Production Operation (PPO) Expansion*

The current climate within the UK motor industry means that it has been crucial to find additional revenue opportunities. The revenue-up committee exists to explore possible new business streams. The working group meets bi-weekly in order to prepare to report on a monthly basis to senior management and directors. Typically, the working group will review possible activities and prepare a business case comprising of financial costings, return on investment, legal considerations, risk management, the long-term strategic nature of the proposed activity and make a recommendation to the directors as to whether to pursue the new revenue stream or not. The directors following thorough understanding of the business case and discussion amongst themselves, will then collectively make a decision as to whether the activity can proceed from concept to fruition.

An example of this is the introduction of Line-X, which is applied to Hilux vehicles and the activity was brought in-house within the European Toyota for the first time. This required investment in labour, training and equipment. Safety and environmental impact was fully assessed prior to the introduction of Line-X. Investment was authorised by directors following a substantial business case review. Equipment was successfully installed and project was completed on time and continues to provide enhanced revenue for the company.

#### *Example 3 – Brexit Readiness*

Following the vote by the UK to leave the European Union on 23 June 2016, the company has continued its focus on building quality cars, safely and efficiently, at the lowest cost to delight our customers.

Toyota remains committed to its members and its investment in the company and going forward the company will continue to closely monitor and analyse the impact of Brexit on its business operations in the UK and how it can maintain competitiveness and secure sustainable growth together with the UK automotive sector and other stakeholders. The company has consistently maintained that free and frictionless trade with our main partners in Europe is essential to enabling competitive manufacture of cars and engines.

The company in the UK and Europe have consistently made these views clear to UK and European sides involved, as well as through industry associations in order to argue for the best Free Trade Agreement.

In order to minimise the disruption from the supply of parts, the company set-up strategy rooms with working groups at European and local levels with participation from top management and directors. They considered all aspects from worst-case scenario (Hard Brexit) – including impact of the EU Exit on the business, flow of goods, customs and the movement of people.

Through these working groups the company prepared several countermeasures to include preparation of a new invoice system, customs procedures and systems used for Japan imports, extended to include EU business, the planning and preparation for impact to the flow of goods, impact of possible border stops, review of additional logistic vehicles for routes, the pull-forward of stock and the purchase of additional packaging. The company continues to monitor the situation closely.

# **Toyota Motor Manufacturing (UK) Limited**

## **Strategic report for the year ended 31 March 2020 (continued)**

### **Respect for human rights**

The relationship between the company and its members is broadly governed by TMAB. The company has a Single Union Agreement (the Agreement) with Unite. The Agreement includes all terms and conditions as well as the principles to which both the company and members should adhere. TMAB includes elected member and company representatives. TMAB meets regularly throughout the year to discuss and resolve issues affecting members and the company. The Agreement can only be changed by agreement at TMAB.

The company has actively taken action to prevent modern slavery in its supply chain since 2016. This has been developed in participation with an external working group including academics and the police. A bespoke training brief was created and rolled out within the business and to stakeholders. The company has continued to keep updated with best practice within the UK and where possible to share learning with stakeholders and suppliers. This covers guidelines as to what modern slavery and human trafficking looks like, due diligence checks, and how to respond to concerns. Modern Slavery Act provisions have also been built in to commercial agreements and purchasing terms and conditions.

Approximately 3,000 members have been briefed in what modern slavery and human trafficking is and the signs to look for. Additionally 200 members have received additional training with how to respond to concerns at work, at suppliers and outside of work. Training has been shared with key suppliers and contractors during briefing sessions. The company's modern slavery lead has attended external training in order to support the company's strategy. The company's purchasing department attended externally recognised training during Autumn 2019.

The company for the second consecutive year recognised the UK's Anti-Slavery Day on 18 October 2019.

A dedicated email mailbox has been set up for the company's compliance officer in addition to an established phone line to enable 24 hour reporting, seven days per week. The company continues to undertake audits and conduct relevant checks.

### **Anti-corruption and anti-bribery matters**

The company has a zero tolerance policy towards corruption and bribery in any form irrespective of the context. The company prohibits the offering, the giving, the solicitation or the acceptance of any bribe, whether cash or other contribution, favour, advantage, to or from any person or company, public or private, by any of its members or associates for whatever reason, in order to gain any commercial, contractual or regulatory advantage in any way which is unethical or in order to gain personal advantage, financial or otherwise, for the individual in question or any other person connected with the individual.

All the company's sales are within the Toyota group and therefore risks of bribery or corrupt practices would be more likely associated with supplier selection and purchasing.

The company judges that the risk of corrupt practices is low, as the company largely deals with safe countries (Belgium and Japan) and due to the robust authorisation processes requiring completion of standard documents and senior management sign off for high value projects.

# **Toyota Motor Manufacturing (UK) Limited**

## **Strategic report for the year ended 31 March 2020 (continued)**

### **Anti-corruption and anti-bribery matters (continued)**

Nevertheless, the company places importance on demonstrating compliance with anti-bribery legislation. The company's approach to anti-corruption and anti-bribery matters is set out in the Code of Conduct, and outlines that our relationship with suppliers, contractors, business partners and contacts should be established and conducted on a clear and fair basis and that initial supplier selection and subsequent decision making regarding sourcing, price, service levels, etc. is based on fair, transparent, objective analysis and authorisation.

All company directors are briefed in detail on anti-corruption and anti-bribery practices during their induction to the company's board and formally declare any interests on an annual basis.

Members are expected to report to the company genuine facts, concerns or suspicions they have become aware of regarding corruption or bribery at the earliest possible stage. Any facts or suspicions regarding serious wrongdoings are reported through the supervisory chain, or directly to the company's compliance officer, with the option to remain anonymous. Any reported facts of suspicions will always be taken seriously, investigated thoroughly and dealt with appropriately.

### **Research and development**

It is a company policy that management and engineering actively pursue technical and product innovations and development, not only to implement manufacturing process innovation, but also to meet customers' changing requirements and develop new market opportunities.

Throughout the year, we have continued to develop our processes with the aim of ensuring the highest possible quality and productivity while responding to customer demand.

### **Future developments**

Following a £240m investment in TMUK to upgrade to TNGA (Toyota New Global Architecture) platform, the company successfully launched new generation Corolla in January 2019 and ramped up production. The car was well received in the market, and the company launched two new variants of the Corolla in 2019 – "Trek" and "GR-Sport". The company also continued preparation for the supply of vehicles to Suzuki as part of the global alliance announced in April 2019.

The company has increased its involvement in fitting of post-production parts to Toyota vehicles imported for sale in the UK and will continue to expand this part of the business, increasing both car types and activity.

### **Impact of Coronavirus (Covid-19) and post balance sheet events**

#### *Covid-19*

Along with all Toyota manufacturing plants across Europe, the company suspended production at both its production sites in Burnaston and Deeside as from 18 March 2020. This decision was taken in response to an uncertain short-term European sales outlook and parts supply difficulties due to the global nature of our business and allowed production to be suspended in a controlled and organised manner. Senior management, as well as certain key functions, remained on site to monitor certain systems and ensure a smooth and safe restart, which took place on 11 May 2020 at Deeside engine plant and 25 May 2020 at Burnaston vehicle plant. During the period of plant stop, the vast majority of members were furloughed on full pay and the company availed itself of the Government's Job Retention Scheme. Additionally the company took the opportunity to defer the VAT payments due between 20 March and 30 June 2020 to March 2021.

# **Toyota Motor Manufacturing (UK) Limited**

## **Strategic report for the year ended 31 March 2020 (continued)**

### **Impact of Coronavirus (Covid-19) and post balance sheet events (continued)**

#### *Covid-19 (continued)*

During the closure, members were kept up to date through regular contact with line management and through use of the company app, which is available to all members, which, in addition to company news updates also contained articles on mental health and wellbeing and keeping children entertained.

The Covid-19 virus and plant closure has led to a period of uncertainty, which is being constantly reviewed to understand its impact on future operations and customer demand. In terms of the effect on the balance sheet, debtors are much reduced and there has been no impairment of property, plant and equipment.

Production restart proceeded smoothly and safely, with operations safety protocols put in place to ensure a safe and Covid-19 secure working environment. This has not affected either plant's monthly production capacity. The company continues to monitor the economic situation and will adjust volume to meet customer demand as required.

#### *Brexit*

Following the vote by the UK to leave the European Union in June 2016, transitional rules came into effect and operate until 31 December 2020.

Toyota remains committed to its members and its investment in the company and the company will continue to closely monitor and analyse the impact of Brexit on its business operations in the UK, in order to do what it can to maintain competitiveness and to help secure sustainable growth together with the UK automotive sector and other stakeholders. A free trade agreement, which would allow for free trade, while minimising friction at borders, as far as possible will support competitive trade with our main partners in Europe and is viewed by the company to be essential to enabling longer term competitive manufacture of cars and engines.

The company has completed extensive planning focusing on maintaining the supply chain. These include, considering the holding of additional stock, movement of people, movement of goods (including preparing for processing higher volumes of customs declarations) and the movement of data.

The company has considered the impact of the end of the transitional period and is satisfied with its current state of readiness.

The company continues to review the potential consequences of leaving the European Union in light of the ongoing uncertainty regarding the trading arrangements and the potential regulations that impact our business and operations. Future developments will be reviewed as they are announced.

Approved by the Board and signed on its behalf by



J Crosbie  
Managing Director  
16 November 2020

# **Toyota Motor Manufacturing (UK) Limited**

## **Directors' report for the year ended 31 March 2020**

The directors present their annual report and audited financial statements of the company for the financial year ended 31 March 2020. The company's future developments and details on the company's research and development activities are set out in the Strategic report.

### **Going concern**

The financial statements have been prepared on the going concern basis given the continued support of the company's owners. This assumes the company will be able to meet its future obligations as they fall due and will settle all payments within the agreed terms.

The directors have received written confirmation from its immediate parent, Toyota Motor Europe NV/SA, to provide sufficient funds to enable it to continue to operate and meet its liabilities as they fall due and at least for a period of twelve months from the date of signing these financial statements. The directors are satisfied that Toyota Motor Europe NV/SA has the ability to provide the support to the company following the wider support provided by Toyota Motor Corporation, the company's ultimate parent.

The company's operations are funded by amounts due to Toyota Motor Europe NV/SA. Toyota Motor Europe NV/SA is both the main supplier and customer of the company and acts as an internal bank for the European subsidiaries, providing general funding and day-to-day working capital under cash pooling arrangements. Accordingly, there is no material cash held by the company - all balances are 'swept' to a minimal balance at the end of month. Further information on the company's financing position is given in note 13 - Creditors: amounts falling due within one year.

The company's forecasts and projections, taking account of reasonably possible changes in trading performance due to Covid-19 and Brexit, show that the company is able to operate within its confirmed facilities, including under a number of cash flow scenarios and stress tests. The reasonably possible changes in trading performance include two modelled severe, but plausible, downside scenarios: (i) a repeated second wave ('W') scenario mirroring the impact of the nine week shut down from March to June and assuming a similar level of government support, and (ii) a shorter three week shut down where no government support is assumed, being a proxy for a localised shut down around the plant or a 'short circuit breaker' lockdown.

After making enquiries, the directors have a reasonable expectation that the company has access to adequate financial and other resources to continue in operational existence for the foreseeable future. Accordingly the directors believe that it is appropriate that these financial statements are prepared on a going concern basis.

### **Dividends**

The directors do not propose the payment of a dividend (2019: €nil).

### **Principal risks and uncertainties**

The company sells its vehicle production to Toyota Motor Europe NV/SA, who market and sell the vehicles. Volume, price and exchange risk are borne by the company in the normal course of the business. Part of the engine output from the engine plant is exported to Toyota group companies around the world. Purchases are primarily from other group companies at pre-agreed rates. The company bears the volume, price and exchange risks related to these transactions. Where possible, local suppliers are used to minimise risk in the supply chain, steel for example is sourced within Europe.

# **Toyota Motor Manufacturing (UK) Limited**

## **Directors' report for the year ended 31 March 2020 (continued)**

### **Principal risks and uncertainties (continued)**

#### *Volume risk management*

The company's business is substantially dependent upon the sales of its vehicles in the UK and Europe. The European market has been affected by Brexit and the move from diesel. The company needs to respond to this by increasing flexibility if it is to accurately match supply with customer demand. Failure to do this will lead to a reduced market share, which would impact the financial result.

#### *Risk of warranty claim*

The company purchases certain components from third parties and other group companies, as well as completing manufacturing and assembly in house. If a product were to need recall, this could lead to significant remedial work and costs.

### **Financial risk management**

The company's operations expose it to a number of financial risks, principally the effects of changes in exchange rates and interest rate risk. The company seeks to limit the adverse effects on the financial performance of the company by minimising its net currency exposure and actively monitoring interest rate movements. The company does not use derivative financial instruments to manage interest rate costs and no hedge accounting is applied.

Given the size of the company, the directors have delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The policies are implemented by the company's finance department.

#### *Credit risk*

All borrowings are intercompany, cash and trade debtors are immaterial and therefore the company has no material external credit risk.

#### *Price risk*

The company is exposed to commodity price risk as a result of its operations, in particular to movements in the price of steel and aluminium, which are purchased locally within the UK and the purchase of hybrid technology from the company's ultimate parent, Toyota Motor Corporation (TMC), in Japan. However, given the size of the company's operations, the costs of further managing exposure to commodity price risk exceed their potential benefits. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature. The company's only exposure to equity securities price risk is within its pension scheme. This risk has been managed by increasing the proportion of other assets used to fund the scheme and by diversifying the spread of equities so that over reliance is not placed on any single market.

#### *Liquidity risk*

The company actively maintains a mixture of long-term and short-term debt finance that is designed to ensure the company has sufficient available funds for operations and planned expansions.

#### *Exchange rate fluctuation*

The impact of exchange rate movements on the company is managed by balancing the expected inflows and outflows in currencies other than Euros. The company limits its exposure to currency transaction costs by receiving a net payment in Euros after all currency transactions have been effected, a system known as Toyota Global Netting.

# **Toyota Motor Manufacturing (UK) Limited**

## **Directors' report for the year ended 31 March 2020 (continued)**

### **Financial risk management (continued)**

#### *Interest rate cash flow risk*

The company's exposure to interest rate risk is minimised due to interest bearing assets and liabilities within the group being on fixed margins. Other cash balances or borrowings outside the group are minimised due to the company's participation in the Toyota Global Netting system.

### **Business relationships**

See Section 172 (c) - Business relationships on page 5 of the Directors' report.

### **Creditor payment policy and practice**

The company agrees terms and conditions under which business transactions with suppliers are conducted. It is company policy to ensure that suppliers know the terms on which payment will take place when business is agreed. It is company policy that provided a supplier is complying with the relevant terms and conditions, including satisfactory supply of goods and services and the prompt and complete submission of all specified documentation, payment will be made according to the agreed terms and conditions.

### **Health and safety**

The company continues to place safety at the centre of all activities and drives for continuous improvement in health and safety year on year. As such, annual improvement activities and challenging targets are fully integrated into the company's annual planning process.

### **Charitable and political donations**

During the year to 31 March 2020, the company made charitable donations amounting to a total of €1,446,000 (2019: €1,053,000). These donations comprised €4,000 (2019: €9,000) donated to charities involved in conserving the environment and promoting environmental preservation and awareness, €243,000 (2019: €60,000) donated to charities involved in medical, health and human service research and €1,199,000 (2019: €984,000) donated to local charities involved in a range of activities within the local communities surrounding Burnaston and Deeside. Further details of money raised during the year are provided on page 3 of the Strategic report, charitable focus and social matters.

No payments were made to political parties (2019: €nil).

### **People with disabilities**

Applications for employment from people with disabilities are always fully considered, bearing in mind the respective aptitudes of the applicant concerned. In the event of members developing disabilities every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that their training, career development and the promotion should, as far as possible, be identical to that of a member who does not suffer from a disability.



# **Toyota Motor Manufacturing (UK) Limited**

## **Directors' report for the year ended 31 March 2020 (continued)**

### **Employee engagement (Member involvement)**

Members are critical to the company's success. The company is committed to regular communication with members (employees of the company) to provide them with information relating to their work and the company's planned performance and business environment. This is achieved through a variety of means, ranging from daily meetings between members and their supervisors, the company newsletter and through TMAB.

During the year, the company launched an application, which members download on to their phones. This allows company news and briefings to be shared to all members on a timely basis.

The directors actively engage through the annual hoshin speech and regular company briefings directly with members. These provide an opportunity for all members to ask questions directly to the directors.

The effect of employee engagement on the principal decisions made by the company can be found in the section 172 statement commencing on page 4 of the Strategic report.

TMAB is the forum in which members' representatives regularly meet with nominated company senior executives to discuss matters of common interest, advise the company on aspects of its operations and review changes in salaries and terms and conditions of employment. TMAB plays a critical role in creating an environment of mutual trust and respect between the company and its members.

Engagement with the members through TMAB highlighted the importance to members of a salary increase to recognise member contribution during the year. As a result of these discussions, a salary increase was agreed.

Another example is that members emphasised through TMAB, the importance of spending bank holidays with their family. As a result of this engagement, the company agreed to remove the ability to move bank holidays.

### **Other Stakeholder engagement**

Stakeholder engagement is important to the company and the company has a diverse group of stakeholders. Exchanges of information happen on a regular basis as the actions of stakeholders can have an effect on the company.

The Board are made aware of the needs and requirements of these stakeholders through regular discussions with the departments who have the contact with the stakeholders. Any concerns are raised and the Board acts to ensure that feedback is built into future decision making.

Some examples of stakeholders are below.

#### *Customers*

The needs of the customer, whether it is our immediate customer TME or the ultimate customer who buys the vehicle are important to the company. The flexibility that the company provides in terms of fulfilling customer orders to TME is a key contributor to this.

# **Toyota Motor Manufacturing (UK) Limited**

## **Directors' report for the year ended 31 March 2020 (continued)**

### **Other Stakeholder engagement (continued)**

#### *Suppliers*

The supplier network that supports the company is essential to our success. The company develops mutually beneficial long-term relationships based on mutual trust. This is achieved through close and wide-ranging communication to share knowledge to enhance the relationship. It is required that all suppliers operate in accordance with the company's code of conduct.

#### *Government and trade bodies*

The company engages in regular exchanges with HM Government and its various departments along with trade bodies such as the Society of Motor Manufacturers and Traders (SMMT).

The company is involved in SMMT working groups affecting the automotive industry such as Brexit and Customs and Tariffs.

#### *Community and charity*

The company recognises the importance of its position in the local community. Details of its charitable work can be found on pages 3 and 14.

The company recognises that its actions have an effect on its local community. During the year, there was construction activity taking place to expand the vehicle yard capacity. As a result of this activity, a number of complaints from local residents were received relating to noise levels. The company then acted to resolve the issue to the satisfaction of all parties. The Board was made aware of the situation and this is now a consideration in all discussions regarding construction work.

The principal decisions made during the year, which affected the other stakeholders, are detailed on pages 6 to 8 of the Strategic report.

### **Corporate Governance**

The company has not formerly adopted a UK specific corporate governance code. However, the company's board of directors have considered The Wates Principles and in this statement, the company has set out how the company has aligned itself to these governance principles during the financial year.

The company's corporate governance framework exists of three key strands:

- 1) Governance
- 2) Compliance and legal monitoring
- 3) Risk management

# Toyota Motor Manufacturing (UK) Limited

## Directors' report for the year ended 31 March 2020 (continued)

### Corporate Governance (continued)

#### *Principle One – Purpose*

An effective Board promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose.

#### *Purpose*

The company is a separate Toyota entity. The company is based at Burnaston in Derbyshire and Deeside in North Wales. The vehicle manufacturing plant at Burnaston in Derbyshire builds the Corolla and Hybrid Corolla for the UK and European markets. The engine manufacturing plant at Deeside in North Wales and builds the ZR engines for the UK, South Africa and Turkey. The company is wholly owned by its parent company Toyota Motor Europe (TME), which operates from Brussels in Belgium. TME is wholly owned by its parent company, Toyota Motor Corporation (TMC) headquartered in Japan.

The company is one of nine Toyota European Manufacturing Companies operating from seven European countries.

#### *The Board of Directors*

The Board consists of UK and Belgium based directors. The UK directors meet on a weekly and daily basis as necessary, whilst the full Board comes together for a Business Update Review Meeting (BURM) on a monthly basis. The directors have a wide variety of skills, expertise and company experience, which they bring to the Board. They are collectively responsible for ensuring the company's values, systems, procedures, Toyota Guiding Principles (page 18 values and culture), Code of Conduct (page 19 values and culture), The Toyota Way (page 20 values and culture), and company strategy are adhered to. All directors have an equal decision making status and accountability to deliver both the company's and parent company's strategies, achieve an acceptable operating performance and execute the Board's duties.

Each new director in post has an induction programme to ensure there is consistency in approach. The directors core duties consist of:

- To act within their legal powers.
- To promote the success of the company.
- To act with independent judgement, reasonable care, skill and diligence.
- To avoid conflicts of interest and declare their interests.
- To not accept (or allow others) benefits from third parties.
- To act in a manner which encourages peers and members throughout the company to take an interest in production, capital, finance, investment, the organisation and people management, legal compliance and risk management.
- To uphold the company's policies including, authorisation policy, escalation policy, expenses and travel policy, Code of Conduct and interested parties.

# Toyota Motor Manufacturing (UK) Limited

## Directors' report for the year ended 31 March 2020 (continued)

### Corporate Governance (continued)

#### *Principle One – Purpose (continued)*

##### *Leadership*

The company has a comprehensive organisational chart. In addition, at director level, the directors have clearly defined duties and responsibilities with the intention to promote the long-term success of the company.

The directors' responsibilities are described on page 34.

##### *Training*

Training is present throughout the company. A number of the training programmes originate from TMC in Japan and follow The Toyota Way and Toyota Principles.

Clearly defined values underpin the company's culture and how the directors lead the company. The Toyota Guiding Principles and Code of Conduct is incorporated into all levels of training within the company, temporary workers and contractors.

##### *Values and Culture*

The company has a global set of Guiding Principles, which it follows. Since TMC was founded in 1937, TMC and its subsidiaries have continuously strived to contribute to the sustainable development of society and the earth through the provision of high quality and innovative products and services.

Through such continuous efforts, the company has established its own management philosophy, values and methods that have been passed down from generation to generation throughout the company. This management philosophy has been summarised into what is known as the 'Guiding Principles at Toyota'. Updated in 1997 and still valid today, the Toyota Guiding Principles are a cornerstone of the company's corporate management philosophy and help it to steer a clear path toward achieving sustainable development in Europe.

- Honour the language and spirit of the law of every nation and undertake open and fair corporate activities to be a good corporate citizen of the world.
- Respect the culture and customs of every nation and contribute to economic and social development through corporate activities in the communities.
- Dedicate ourselves to providing clean and safe products and to enhancing the quality of life everywhere through all our activities.
- Create and develop advanced technologies and provide outstanding products and services that fulfil the needs of customers worldwide.
- Foster a corporate culture that enhances individual creativity and teamwork value, while honouring mutual trust and respect between labour and management.
- Pursue growth in harmony with the global community through innovative management.
- Work with business partners in research and creation to achieve stable, long-term growth and mutual benefits, while keeping ourselves open to new partnerships.

# **Toyota Motor Manufacturing (UK) Limited**

## **Directors' report for the year ended 31 March 2020 (continued)**

### **Corporate Governance (continued)**

#### ***Principle One – Purpose (continued)***

#### ***Values and Culture (continued)***

Additionally, the company has its own seven UK-based Principles it adheres to. These are:

- To create a safe, healthy, harmonious and dynamic working environment. To respect human rights and not to discriminate. To comply with all relevant laws and regulations.
- To strive for discussions based on mutual trust and respect, and aim for long term prosperity. To provide social protection and remuneration in line with the local regulations and well-balanced practices.
- To respect human rights and therefore provide a workplace free from harassment and intimidation. Our members are not forced to work against their will and they work without threat of punishment. The company does not endorse child labour practices, everyone working at the company is doing so voluntarily and free from threat of penalty or coercion.
- To strive for a healthy work-life balance for its members.
- To require its suppliers and contractors to operate in accordance with the company's Code of Conduct and be compliant with all applicable laws and regulations in the countries in which they operate.
- To develop mutually beneficial long-term relationships based on mutual trust with all suppliers. To foster that trust, the company pursues close and wide-ranging communication to share knowledge to enhance the business relationship.
- To encourage members, suppliers and the public to 'speak up'. Facts or suspicions regarding serious wrongdoings should be reported through the supervisory chain (preferred route) or directly to the company compliance officer on a dedicated telephone number (with anonymous option) or via a dedicated email address.

The company Code of Conduct is based on the TMC and TME Codes of Conduct.

The Code of Conduct ensures that the company's business practices are conducted in an open and fair manner with integrity and honesty, therefore confirming our commitment to complying with laws, regulations and working standards. The Code of Conduct explains the type of behaviours required and expected by all employees, irrespective of their level whilst enhancing business performance to provide employment and to maintain fair and stable working conditions for our employees. In addition, the Code of Conduct gives guidance to our employees to support them in their daily decision making activity.

The Code of Conduct is applicable to all of the company's members, temporary employees, suppliers, contractors and consultants working onsite. It is briefed to all members on induction and each member signs to confirm the briefing. All members are reminded of the key principles through the supervisory chain twice yearly.

# **Toyota Motor Manufacturing (UK) Limited**

## **Directors' report for the year ended 31 March 2020 (continued)**

### **Corporate Governance (continued)**

#### ***Principle One – Purpose (continued)***

##### *Values and Culture (continued)*

The Code of Conduct covers a range of topics:

- Respect for human rights
- Health and Safety
- Compliance with the law
- The management and use of confidential information
- Environmental preservation
- Honest and fair transactions
- Our relationships with suppliers and shareholders
- Philanthropy and community relations

The company's culture is further embedded through the Toyota Way. A series of five principles that are the foundation of everything the company does.

- Challenge
- Kaizen (continuous improvement)
- Genchi Genbutsu (go and see)
- Respect
- Teamwork

#### *History*

The first car, a Carina E, drove off the Burnaston production line on 16 December 1992. This was subsequently replaced by the Avensis in 1997 which saw three generations throughout its history.

In 1998, the Corolla was introduced, which paved the way for the launch of the new generation Corolla in 2001. Then, in 2007, production of Auris, the new hatchback, replaced Corolla. Production of Auris Hybrid, the first full mass-produced hybrid in Europe followed in 2010 and Auris Touring Sport in 2013.

In July 2018, the final Avensis came off our production line. The company is proud to have been the home to the Avensis for over 20 years.

In 2019, Toyota introduced a new generation of car. Toyota is the leading company for hybrid vehicle development, and the new Corolla with its Touring Sports variant is the future of the company – the first model to introduce Toyota's dual hybrid strategy and replaced Auris when it started to roll off our production lines.

# **Toyota Motor Manufacturing (UK) Limited**

## **Directors' report for the year ended 31 March 2020 (continued)**

### **Corporate Governance (continued)**

#### ***Principle One – Purpose (continued)***

##### *The Background to Hybrid Technology in the UK*

Toyota was the first global company to introduce the hybrid drivetrain in the form of the Toyota Prius. Toyota hybrids continue to be highly effective with a popular range of vehicles and a reducing environmental and CO<sub>2</sub> impact. The company was the first European manufacturing plant in 2010 to introduce hybrid vehicle production for C-segment vehicles and during the year 91% of vehicles built were hybrid. This continues to be an upward trend.

##### *Strategy and Policy*

The Board's purpose is to assist and uphold the global Toyota approach, the continuity of its implementation and the alignment of policies to support it. Two such examples are the company's approach to Health and Safety and Legal Compliance and Risk Management.

The key strategic decisions that have been made during the year are detailed on pages 6 to 8 of the strategic report.

##### *Health and Safety*

There is a TME Health and Safety Policy, which is an umbrella policy for the company's Health and Safety Policy.

The policy and procedure hierarchical structure for Health and Safety at the company is as follows:

- Site Health and Safety Policy.
- Health and Safety Procedures (health, fire and emergency, training information and reporting, workplace management, machinery and equipment and electrical safety).
- Member Guide Cards. The guide cards are training documents used in order to emphasise simple key messages and as the starting point for any member who wishes to learn more.
- Departmental health and safety arrangements (risk assessments, training requirements, access and control of contractors and visitors on site, emergency response rules, licensed work and the hierarchy of control).

The company has an internal health and safety website, which publishes all of the information, procedures, guide cards, safety data sheets, and monthly reports. All our members and principal contractors have access.

The aim of the Site Health and Safety policy is to provide and maintain an injury free and healthy workplace and working environment for all members, visitors and contractors. The company fosters a health and safety culture based on our members recognising that they do not just owe a duty to take care of their own health and safety, but also to consider their peers' health and safety: "your safety is my safety".

The Site Health and Safety Policy applies not just to members, but also to contractors and visitors to site. The policy is provided to contractors, displayed around site and freely available to anyone.

# **Toyota Motor Manufacturing (UK) Limited**

## **Directors' report for the year ended 31 March 2020 (continued)**

### **Corporate Governance (continued)**

#### ***Principle One – Purpose (continued)***

##### ***Health and Safety (continued)***

The Site Health and Safety Policy is reviewed every five years, although a review takes place if there is a change in regulation, after an accident if improvements can be made, and at any improvement point. Minor changes, such as an amendment to an appendix, are reviewed in the Health and Safety Team and approved by the HR General Manager. Major changes usually take place after the issue has been considered by a small working group. The changes are then reviewed by all General Managers who are impacted by the changes, the Production Director, and the Deputy Managing Director. Changes to the Site Health and Safety Policy are approved by the Managing Director.

Anyone at the company can access a full copy of the Site Health and Safety Policy at any time via the Health and Safety Website.

##### ***Legal Compliance and Risk Management***

The purpose of legal compliance is to monitor and assess new legislation changes on the horizon and current legislation to ensure systems, procedures and practices are in place within the company, in order to operate in a legally compliant manner.

The company assigns legal monitoring to experts within each division. The experts are long-serving members, knowledgeable about legislation and are therefore well equipped and placed to exercise reasonable care and have the ability to 'Stop, Call and Wait', i.e. know when to escalate a concern. The members are responsible as a working group to maintain good corporate governance and legal compliance at the company. The members will review the company's current activities and legislation in order to accurately assess its potential impact on business operations. The division of Corporate Planning and External Affairs audit the company's legal monitoring activities on a quarterly basis and reports the operating condition directly to the directors and TME.

The purpose of risk management is to monitor and assess the risk management systems, procedures and practices in place within the company, and to ensure alignment on both a European and Global basis.

The areas within risk management are managed individually, with a separate structure and reporting to top management. The risk management committee meet twice per year, this is at General Manager level meeting. Following this meeting the risk register is presented at the directors meeting.

Examples of recent discussion by the risk management committee have been Covid-19 pandemic, Brexit and vehicle start of production (SOP) readiness.



# **Toyota Motor Manufacturing (UK) Limited**

## **Directors' report for the year ended 31 March 2020 (continued)**

### **Corporate Governance (continued)**

#### ***Principle Two – Board Composition***

Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company.

#### ***Balance and Diversity***

The Board has four listed directors with a variety of skills, expertise and experience (both within the company and outside) which complements the skill set they provide to the company. In summary:

The Chairman, Shigeru Teramoto, has worked for TMC for 38 years and during his extensive career he has worked in many areas of the business including Press, Body, Assembly and Vehicle Quality. He has worked in Japan, France and the UK.

The Managing Director, Jim Crosbie has worked for the company for 19 years and has held a number of senior management posts within vehicle and engine manufacturing as well as Human Resources. He has over 30 years' experience in the motor industry. He also spent two and a half years on secondment as Production Vice President at Toyota, Peugeot, Citroen Automobile in the Czech Republic. He was previously Director of Production Operations, then Deputy Managing Director with responsibility for Human Resources, Finance and Purchasing, Corporate Planning and External Affairs, Production Control and the Engine Plant. He was promoted to Managing Director 1st January 2020.

Akito Takami is a company Board Director and TME Chief Financial Officer (CFO) responsible for Accounting, Finance and Legal, has 29 years of Toyota experience. He is located in Head Office in Belgium and reports directly to Dr. Johan van Zyl, TME's President and CEO.

The Senior Executive Advisor, Hiroyuki Hatakeyama, has worked for TMC for 34 years following graduation in Mechanical Engineering. His extensive career has included Engine Casting and Powertrain Production Engineering. With roles as Project Manager, Production Engineering Planning and Engine Casting Manufacturing.

Marvin Cooke resigned from the company's Board 31st December 2019. However he remains an advisor to the company via his new role from the 1st January 2020 in TME as Senior Vice President of Manufacturing. He joined the company as a Manufacturing Engineer in 1991 and has held a number of management and director roles throughout the business. Secondments have been undertaken in Brussels, the Czech Republic and France.

Dr. Johan van Zyl resigned from the company's Board 31st December 2019. However remains an advisor to the company in his role as TME's President and CEO. He earned a doctorate in Business Economics from the University of Potchefstroom, where he subsequently worked as a professor at the Post-Graduate Business Management School. He joined Toyota South Africa in 1993 as Director, Vehicle Sales and Dealer Network. He had a number of directorships in Toyota South Africa before joining TMC in 2009 as Managing Officer responsible for Africa. In 2011, he was appointed to Deputy Chief Officer of Middle East, Africa and Latin America Operations Group and in 2017 promoted to Senior Managing Officer in TMC. He joined TME in 2015 as President and CEO. He brings a wealth of expertise and knowledge to the company's board.

# **Toyota Motor Manufacturing (UK) Limited**

## **Directors' report for the year ended 31 March 2020 (continued)**

### **Corporate Governance (continued)**

#### ***Principle Two – Board Composition (continued)***

##### ***Balance and Diversity (continued)***

The Deputy Managing Director, Tim Freeman has worked predominantly within the automotive industry, having experience in the supply, transmissions and vehicle manufacturing areas. He has worked for the company for 17 years, holding a number of senior management posts within Press and Body, Human Resources, Director of Production Operations with responsibility for Vehicle Manufacturing, Quality Assurance, Facilities and Environment, and Vehicle Projects. He also spent two and a half years on secondment as Production Vice President at Toyota, Peugeot, Citroen Automobile in the Czech Republic. As Deputy Managing Director from 1st January 2020, he has responsibility for Human Resources, Finance and Purchasing, Corporate Planning and External Affairs, Production Control and the Engine Plant. He does not hold a board position but he is an important advisor to the board.

Board appointments are determined by the company's parent company TME. Board members are typically 'home grown' and have typically gained multifunctional experience through rotation including international experience, for example UK, Japan, Belgium, South Africa or another country.

##### ***Size and Structure***

The size and structure of the Board is determined by the company's Articles of Association and the company's parent company, TME.

The current size of the board is considered appropriate. It has the required experience and is able to rely on additional support as described on page 23, Balance and Diversity.

All board external filing with Companies House is completed by the company's Company Secretary, following Written Resolutions from TME.

The board is appointed by TME based upon skills, experience and expertise. The company Board is independent from TME and able to make its own decisions based upon information available.

The board meetings are attended by all Companies House registered directors and other senior members of the company, as described on page 23, Balance and Diversity, who offer their expertise and up-to-date information from their reporting areas of the business to support the Board with their decision making.

# **Toyota Motor Manufacturing (UK) Limited**

## **Directors' report for the year ended 31 March 2020 (continued)**

### **Corporate Governance (continued)**

#### ***Principle Two – Board Composition (continued)***

##### *Effectiveness*

The board's effectiveness is periodically reviewed by TME, as part of succession planning. All directors participate in the company's appraisal system, which is operated by Human Resources. Appraisals are conducted on a twice per year basis between the director and their reporting line manager. The appraisal system reviews individual member objectives, key performance indicators (KPIs) and performance against the five key Toyota Way competency areas (Principle One). At a director level, assessment is in line with their peers on a global and pan-European level. Director salary reviews are based upon their demonstrated competencies and their bonus determined by their performance against individual annual objectives which include Health and Safety, Quality, Cost and Productivity.

During the director induction, the role of the Company Secretary is explained and if there are any concerns regarding the effectiveness, working relationships or governance of the board, the directors are to report it to the Company Secretary.

On a monthly basis the full board meet via a Business Update Review Meeting, whereby the President and CEO of Toyota Motor Europe, Dr. Johan van Zyl attends. The purpose of the meeting is to review the financial status of the company, operating performance, emerging risks and key developments in all business areas. Presentations are given by the line directors and they take questions and respond to any immediate concerns escalated. Information presented is cascaded to TME and TMC.

##### *Diversity*

The board has a reasonably diverse team in terms of skills, expertise, culture, race, automotive industry knowledge and experience. The automotive industry is changing and a more diverse talent pool is being recruited in terms of age, gender and race. With this change, career progression of a more diverse workforce is taking place. The board is committed to the company's direction and progression towards a diverse workforce for the future.

#### ***Principle Three – Director Responsibilities***

A board should have a clear understanding of its accountability and terms of reference. Its policies and procedures should support effective decision-making and independent challenge.

##### *Accountability*

The Chairman is responsible for leading the board. The Managing Director is responsible for ensuring the board discharges its duties efficiently and that it delivers the company's strategy by directing and controlling operations, managing the day-to-day business and ensuring it is aligned to the agreed strategy. The Deputy Managing Director and directors make independent decisions and significant decisions are generally made by reaching a consensus of the board. Some decisions require the approval of the company's parent company, TME. Guidance as to what should be referred to TME is detailed in the Authorisation Governance Chart.

# **Toyota Motor Manufacturing (UK) Limited**

## **Directors' report for the year ended 31 March 2020 (continued)**

### **Corporate Governance (continued)**

#### ***Principle Three – Director Responsibilities (continued)***

##### *Integrity of Information*

The Board is provided with information in a timely manner on matters that are to be considered at Weekly Director Meetings, topic specific Director Meetings and the monthly Business Update Review Meeting. The Board receives information and data from various in-house technical specialists regarding health, safety and environment, financial reporting, human resources, legal and risk management, governance, internal control processes, and manufacturing practices. The Board receives specialist information from TME, TMC and other European Manufacturing Companies and National Marketing and Sales Companies, as well as from external automotive industry experts and bodies. The stakeholder engagement list, termed the Interested Parties List, is reviewed and updated on an annual basis across the company.

##### *Committees*

The company is a lean company with a flat structure, and does not appoint large numbers of standing committees. The company has a Risk Management Committee as defined in Principle One, comprising of senior management members, which informs board decisions. For other business functions, the directors appoint specialists to different areas of responsibility and regularly review status and current situation. Detail has been included within Principle One, Strategy and Policy. Examples of decisions made are described on pages 6 to 8.

#### ***Principle Four – Opportunity and Risk***

A board should promote the long-term success of the company by identifying opportunities to create and preserve value and establishing oversight for the identification and mitigation of risks. The company's approach to managing risk is outlined within Principle One on page 22, Legal Compliance and Risk Management. The principal risks and uncertainties are discussed on pages 12 and 13 of the Directors' Report. The key decisions taken relating to opportunities and risks can be found on pages 6 to 8 of the Strategic report.

The risks of the company are considered at group (TME) level through the Business Update Review Meeting, as described on page 25, and the TME risk committee. The TME risk committee oversees the local company based committees that report in to it. This allows TME to be aware of risks at company level and to take appropriate actions, on a timely basis, as required.

#### ***Principle Five – Remuneration***

A board should promote executive remuneration structures aligned to the sustainable long-term success of a company, taking into account pay and conditions elsewhere in the company.

##### *Setting Remuneration and Policies*

Board remuneration including salary, bonus and benefits are reviewed and approved by TME. The effectiveness of the board and their appraisal process is detailed in Principle Two.

# **Toyota Motor Manufacturing (UK) Limited**

## **Directors' report for the year ended 31 March 2020 (continued)**

### **Corporate Governance (continued)**

#### ***Principle Six – Stakeholder Relationships and Engagement***

A board has a responsibility to oversee meaningful engagement with material stakeholders, including the workforce, and regard to that discussion when taking decisions. The board has a responsibility to foster good stakeholder relationships based on the company's purpose.

#### ***Key Stakeholder Engagement***

The company's key stakeholders are TMC and TME. The company's members are key stakeholders within the business, their involvement is detailed below in the Workforce Engagement section. The above Corporate Governance Principles identify how the company engages regularly with the key stakeholders in everyday business.

#### ***Stakeholder Engagement - Workforce***

The company established 'The Company Agreement' in 1991 with Unite the Union. The Agreement outlines the fundamental principles of the company's culture and the key Terms and Conditions. The purpose has always been to maintain stable employee relations and ensure effective employee representation is available to members on an individual and collective basis through TMAB. The Agreement is applied to all members (up to and including Section Manager – middle management level) regardless of whether the member is a union member or not.

TMAB's representational structure is based upon:

- Consensus
- Seeking to find a balance
- Based upon mutual trust and respect
- Problem solving

With the support of the existing Agreement and representational structure, TMAB has had stable employee relations since 1991.

TMAB's objectives include:

- To provide an opportunity for all members to be kept informed about company plans and performance.
- To offer advice and ideas which will assist the company to become more effective and successful.
- To provide a forum for member's views to be taken into account by the company in reaching its business decisions.
- To consider and, if appropriate, advise on matters of general interest to members such as safety, hygiene, timekeeping, attendance, the working environment, catering and social amenities.
- To review salaries and other Terms and Conditions of Employment with the company in a constructive and well-informed manner.
- To consider and advise on solutions to difficulties which might otherwise lead to conflict

Collaborative meeting topics discussed include, health and safety, the production plan, salary review, terms and conditions of employment, working calendar, and learning opportunities for members.

# **Toyota Motor Manufacturing (UK) Limited**

## **Directors' report for the year ended 31 March 2020 (continued)**

### **Corporate Governance (continued)**

#### ***Principle Six – Stakeholder Relationships and Engagement (continued)***

##### ***Stakeholder Engagement – Workforce (continued)***

The board ensures that its members are aware of the current position and prospects of the company through the methods detailed on page 15, Employee engagement.

An example of workforce engagement and how the directors have incorporated and responded within the business context recently, is detailed on pages 6 and 7.

##### ***Community Stakeholder Engagement – Toyota's Community Liaison Community***

Before the company started to develop the manufacturing plant at Burnaston, Derbyshire, the company engaged with the local communities and villages surrounding the site.

The Community Liaison Committee (CLC) was created and still continues to meet. The committee is made up of representatives from the parish councils, local authorities and agencies. The committee was formed to provide a voice for local neighbours. Today, meetings continue to be held annually to keep the local community informed of relevant activities and the issues that affect the company and the local community. Throughout the year, the CLC acts as the first point of contact for the company to communicate with its neighbours, and for those neighbours to raise any concerns and resolve them in a timely manner.

##### ***Community Stakeholder Engagement – Charitable Activity***

The company's charitable activities are detailed on page 3 of the Strategic Report and page 14 of the Director's report.

##### ***Environmental Stakeholder Engagement – Environmental aims***

The board is committed to reducing the company's effect on the local environment. The Boards' role is to ensure compliance with all environmental regulations. This is carried out with support from the environment department within the facilities division. See Toyota environmental management on page 29.

The board also oversees the company's progress towards the global Environmental Challenge 2050 as detailed on page 33.

##### ***Environmental Stakeholder Engagement - Derbyshire Wildlife Trust (DWT)***

Details of the company's engagement with the DWT is on page 33.

If any matters arise through stakeholder engagement that require escalation to TME, these would be discussed at the BURM which is used to share information share amongst the directors who work at both TMUK and TME. If this is not the appropriate opportunity then discussion takes place through TME and TMUK peer discussion.

# **Toyota Motor Manufacturing (UK) Limited**

## **Directors' report for the year ended 31 March 2020 (continued)**

### **Toyota environmental management**

The company aims to be a leader in manufacturing environmental performance through minimising environmental impacts from our operations. Our Toyota Environmental Management System aims to achieve this by:

- Complying with environmental regulations,
- Minimise the environmental risk from our operations,
- Continually improve our environmental performance.

Top Management responsibility for the System is designated to an Environmental Management Representative (Director level) supported by an Environment Function managed by a General Manager.

The Toyota Environmental Management System was independently audited and verified by UTAC Ceram on 11th March 2020 to the following standards:

- ISO14001 : 2015            Environmental Management Systems (certified to 14 May 2021)
- ISO50001 : 2011            Energy Management Systems (certified to 10 May 2021)

An independent audit and verification of our carbon monitoring and reporting required by our Greenhouse Gas Emissions Permit was conducted by Lucideon, and our reported emissions were verified as Satisfactory on 10 March 2020.

This year's statement includes energy and carbon reporting in accordance with The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

# Toyota Motor Manufacturing (UK) Limited

## Directors' report for the year ended 31 March 2020 (continued)

### Energy and carbon reporting

#### Energy consumption and Green House Gas emissions

| Scope                         | Type                    | Item                         | Year ended<br>31 March 2020 |                                      | Year ended<br>31 March 2019 |                                      |
|-------------------------------|-------------------------|------------------------------|-----------------------------|--------------------------------------|-----------------------------|--------------------------------------|
|                               |                         |                              | Energy Use<br>(MWh)         | CO <sub>2</sub> e<br>Emission<br>(t) | Energy Use<br>(MWh)         | CO <sub>2</sub> e<br>Emission<br>(t) |
| Scope 1                       | Stationary              | Natural Gas                  | 110,323                     | 20,283                               | 114,489                     | 21,061                               |
|                               |                         | Acetylene (Welding)          |                             | -                                    |                             | 1                                    |
|                               |                         | Coating VOC                  |                             | 439                                  |                             | 426                                  |
|                               |                         | Gas Oil                      |                             | 46                                   |                             | 50                                   |
|                               | Mobile                  | Diesel                       |                             | -                                    |                             | 1                                    |
|                               |                         | Petrol                       |                             | 54                                   |                             | 72                                   |
|                               |                         | Propane                      |                             | -                                    |                             | 43                                   |
| Scope 2                       | Electricity             | Grid                         | 98,647                      | 25,214                               | 105,335                     | 29,817                               |
|                               |                         | Solar                        | 6,872                       | 1,756                                | 7,206                       | 2,040                                |
| Scope 3                       | Indirect                | Company Car Fuel             |                             | 171                                  |                             | 251                                  |
|                               |                         | Production Vehicle Fuel Fill |                             | 2,304                                |                             | 1,786                                |
|                               |                         | Logistics Fuel               |                             | 103                                  |                             | 123                                  |
| <b>Total Carbon Emissions</b> | <b>Location Factors</b> | <b>Total CO<sub>2</sub>e</b> |                             | <b>50,370</b>                        |                             | <b>55,671</b>                        |

*To be read in conjunction with the detailed methodology.*



# Toyota Motor Manufacturing (UK) Limited

## Directors' report for the year ended 31 March 2020 (continued)

### Energy and carbon reporting (continued)

#### CO<sub>2</sub> intensity ratio

|  |                           | Year ended:<br>31 March 2020 | Year ended:<br>31 March 2019 |
|--|---------------------------|------------------------------|------------------------------|
| kg CO <sub>2</sub> e / €(000) turnover | Based on Location Factors | 17.12                        | 24.04                        |

#### Methodology used

This report is undertaken in accordance with HM Government Guidance on Environmental Reporting Guidelines: Including streamlined energy and carbon reporting (March 2019).

The methodology used to prepare our energy and Greenhouse Gas (GHG) emission inventory is detailed in the World Resources Institute:

- Greenhouse Gas Emission Protocol: A Corporate Accounting and Reporting Standard (Revised Edition).
- Greenhouse Gas Protocol Scope 2 Guidance.

These standards are adopted in our own internal GHG reporting standard to create an energy and emission inventory for our Scope 1 (direct GHG emissions), Scope 2 (indirect GHG emissions) and Scope 3 (other indirect emissions). For scope 2 emissions a location based reporting method is used unless otherwise stated.

The methodology used to establish the energy consumption scope is detailed in the Energy Savings Opportunity Scheme and adopted into our Toyota Environmental Management System procedures. Energy consumption figures included in this report excludes energy consumption that is not purchased by the company or is re-billed to on-site tenants.

For purchased green energy the carbon emissions use a market based allocation method and are not included in the energy and carbon reporting and are provided as additional information in the narrative on energy efficiency actions.

The intensity ratio of tonnes kg CO<sub>2</sub>e / million Euro turnover follows automotive guidance due to the wide scope of the automotive operations across a vehicle life cycle.

# Toyota Motor Manufacturing (UK) Limited

## Directors' report for the year ended 31 March 2020 (continued)

### *Narrative on energy efficiency action taken incl. actual savings*

In the period covered by this report the Environment Function continued to plan and co-ordinate energy efficiency improvements and CO<sub>2</sub> emission reductions led by a dedicated energy group. To support this the company ring fenced a portion of its FY20 capital investment for CO<sub>2</sub> reduction.

Capital investment and improvements (kaizen) made by our members focused on the introduction of new technology, improving process control and reducing non-production energy through for example improving process equipment switch off. Example of some key achievements are tabulated below.

### *Capital Investment energy actions*

| Item  | Annual Saving |            |
|---|---------------|------------|
|   | Electric      | Gas        |
| Upgrade of painting booth fans to direct drive type             | 371,514kWh    | N/a        |
| Introduction of two-step temperature control to painting booths | -             | 911,307kWh |
| Site wide LED lighting upgrades                                 | 760,781kWh    | N/A        |

### *Member energy kaizen*

| Item                                   | Annual Saving |           |
|--|---------------|-----------|
|  | Electric      | Gas       |
| Equipment non-production energy saving | 41,338kWh     | 49,577kWh |
| Reduction of DI water in coating       | 10,897kWh     | N/a       |
| Yosedomi of production equipment       | 1,547,356kWh  | N/a       |

Our energy consumption is monitored real time at a production shop level and in some areas we monitor individual process equipment. We successfully trailed and purchased 140 current transformer meters that are a cost effective method to allow us to monitor all our key significant equipment energy consumption and other parameters in real time. This will support identifying processes for further energy efficiency improvement going forward.

In the period covered by the report the company has purchased a green electricity tariff backed by Renewable Energy Guarantees of Origin (REGOs) with an equivalent CO<sub>2</sub> emission reduction for its supplied grid electricity.

# **Toyota Motor Manufacturing (UK) Limited**

## **Directors' report for the year ended 31 March 2020 (continued)**

### **Other Environmental actions**

From January 2019, we started production of new Corolla bumpers and rear doors on a new Global Paint Line. The line introduced more efficient robot spray technology that reduced Volatile Organic Compound emissions from our plastics manufacturing shop by 35% in the current year compared to the prior year.

We continue to monitor the Derby site biodiversity, supported by volunteer recorders, and input data into the UK National Recording Schemes for butterflies and bees from two monitoring transects. A total of 1,187 butterflies were recorded representing a significant increase on previous years and the number of different species increased from 16 to 19 including the Essex skipper and Brown Argus butterflies. Bees continue to increase with 462 recorded with seven different species. We have been developing our biodiversity further with expert support from the Derbyshire Wildlife Trust and Royal Botanical Gardens (Kew) on meadow and woodland management standards.

### **Climate change**

As part of our global Environmental Challenge 2050 TMUK continues to implement plans towards achieving zero CO<sub>2</sub> emissions by 2050 along with a net positive impact through material resource efficiency improvements and biodiversity enhancement.

### **Directors**

The following directors held office during the year and up to the date of signing the financial statements (all resident in the UK unless stated):

Mr S Teramoto

Mr J Crosbie

Mr H Hatakeyama

Mr A Takami (resident in Belgium)

Mr M Cooke (resigned 1 January 2020)

Dr J van Zyl (resigned 1 January 2020) (resident in Belgium)

### **Company registered number**

Registered number: 02352348

# Toyota Motor Manufacturing (UK) Limited

## Directors' report for the year ended 31 March 2020 (continued)

### Directors' responsibilities statement

The directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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

### Directors' confirmations

In the case of each director in office at the date the Directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Approved by the Board and signed on its behalf by



J Crosbie  
Managing Director  
16 November 2020

# **Independent auditors' report to the members of Toyota Motor Manufacturing (UK) Limited**

## **Report on the audit of the financial statements**

### **Opinion**

In our opinion, Toyota Motor Manufacturing (UK) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Balance sheet as at 31 March 2020; the Profit and loss account, the Statement of comprehensive income, the Statement 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 company 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 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 company's ability to continue as a going concern.

# **Independent auditors' report to the members of Toyota Motor Manufacturing (UK) Limited (continued)**

## **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.

### *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 company and its 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 Directors' responsibilities statement set out on page 34 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 company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

# **Independent auditors' report to the members of Toyota Motor Manufacturing (UK) Limited (continued)**

## *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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

## *Use of this report*

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

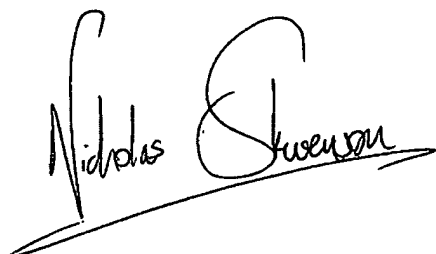
## **Other required reporting**

### **Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.

A handwritten signature in black ink, reading 'Nicholas Stevenson', with a long horizontal flourish underneath.

Nicholas Stevenson (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
East Midlands  
16 November 2020

# Toyota Motor Manufacturing (UK) Limited

## Profit and loss account for the year ended 31 March 2020

|   |      | 2020               | 2019        |
|---|------|--------------------|-------------|
|   | Note | €'000              | €'000       |
| <b>Turnover</b>                             | 4    | <b>2,966,936</b>   | 2,327,569   |
| Cost of sales                               |      | <b>(2,941,538)</b> | (2,345,909) |
| <b>Gross profit/(loss)</b>                  |      | <b>25,398</b>      | (18,340)    |
| Exceptional administrative income           | 5    | -                  | 3,382       |
| Other administrative expenses               |      | <b>(20,060)</b>    | (27,603)    |
| Administrative expenses                     |      | <b>(20,060)</b>    | (24,221)    |
| Other operating income                      | 5    | <b>3,821</b>       | -           |
| <b>Operating profit/(loss)</b>              | 5    | <b>9,159</b>       | (42,561)    |
| Finance income                              | 8    | <b>359</b>         | 344         |
| Finance costs                               | 8    | <b>(1,502)</b>     | (1,248)     |
| Finance costs - net                         | 8    | <b>(1,143)</b>     | (904)       |
| <b>Profit/(loss) before taxation</b>        |      | <b>8,016</b>       | (43,465)    |
| Tax on profit/(loss)                        | 9    | <b>17,607</b>      | 19,937      |
| <b>Profit/(loss) for the financial year</b> |      | <b>25,623</b>      | (23,528)    |

All the operations in the financial year and the comparative financial year were continuing and there were no acquisitions in either year.

The notes on pages 42 to 85 are an integral part of these financial statements.



# Toyota Motor Manufacturing (UK) Limited

## Statement of comprehensive income for the year ended 31 March 2020

|   |      | 2020          | 2019            |
|---|------|---------------|-----------------|
|   | Note | €'000         | €'000           |
| <b>Profit/(loss) for the financial year</b>   |      | <b>25,623</b> | <b>(23,528)</b> |
| <i>Other comprehensive income: items that will not be reclassified to profit or loss:</i> |      |               |                 |
| Remeasurement of pension scheme   | 17   | 43,648        | 11,882          |
| <b>Other comprehensive income for the financial year</b>                                  |      | <b>43,648</b> | <b>11,882</b>   |
| <b>Total comprehensive income/(expense) for the financial year</b>                        |      | <b>69,271</b> | <b>(11,646)</b> |

The notes on pages 42 to 85 are an integral part of these financial statements.

# Toyota Motor Manufacturing (UK) Limited

## Balance sheet as at 31 March 2020

|   |      | 2020             | 2019        |
|---|------|------------------|-------------|
|   | Note | €'000            | €'000       |
| <b>Fixed assets</b>                                     |      |                  |             |
| Tangible assets   | 10   | 287,936          | 322,562     |
| Right of use assets                                     |      | 2,589            | -           |
|   |      | <b>290,525</b>   | 322,562     |
| <b>Pension schemes assets</b>                           | 17   | <b>23,990</b>    | -           |
| <b>Current assets</b>                                   |      |                  |             |
| Stocks  | 11   | 172,782          | 176,488     |
| Debtors   | 12   | 100,064          | 148,143     |
| Cash at bank and in hand                                |      | 236              | 999         |
|   |      | <b>273,082</b>   | 325,630     |
| Creditors: amounts falling due within one year          | 13   | (1,140,877)      | (1,172,262) |
| <b>Net current liabilities</b>                          |      | <b>(867,795)</b> | (846,632)   |
| <b>Total assets less current liabilities</b>            |      | <b>(553,280)</b> | (524,070)   |
| Creditors: amounts falling due after more than one year | 14   | (4,754)          | (3,558)     |
| Provisions for liabilities                              | 15   | (161,729)        | (240,200)   |
| Pension schemes liabilities                             | 17   | -                | (21,206)    |
| <b>Net liabilities</b>                                  |      | <b>(719,763)</b> | (789,034)   |
| <b>Capital and reserves</b>                             |      |                  |             |
| Called up share capital                                 | 16   | 362,231          | 362,231     |
| Profit and loss account                                 |      | (1,081,994)      | (1,151,265) |
| <b>Total shareholders' deficit</b>                      |      | <b>(719,763)</b> | (789,034)   |

The notes on pages 42 to 85 are an integral part of these financial statements. The financial statements on pages 38 to 85 were approved by the board of directors on 16 November 2020 and were signed on its behalf by:



J Crosbie  
Managing Director  
16 November 2020

# Toyota Motor Manufacturing (UK) Limited

## Statement of changes in equity for the year ended 31 March 2020

|   |      | Called up<br>share<br>capital | Profit and<br>loss<br>account | Total share-<br>holders'<br>deficit |
|---|------|-------------------------------|-------------------------------|-------------------------------------|
|   | Note | €'000                         | €'000                         | €'000                               |
| <b>At 1 April 2018</b>                                    |      | <b>362,231</b>                | <b>(1,139,619)</b>            | <b>(777,388)</b>                    |
| Loss for the financial year                               |      | -                             | (23,528)                      | (23,528)                            |
| Other comprehensive income for the financial year:        |      |                               |                               |                                     |
| Remeasurement of pension scheme                           | 17   | -                             | 11,882                        | 11,882                              |
| <b>Total comprehensive expense for the financial year</b> |      | <b>-</b>                      | <b>(11,646)</b>               | <b>(11,646)</b>                     |
| <b>At 31 March 2019 and 1 April 2019</b>                  |      | <b>362,231</b>                | <b>(1,151,265)</b>            | <b>(789,034)</b>                    |
| Profit for the financial year                             |      | -                             | 25,623                        | 25,623                              |
| Other comprehensive income for the financial year:        |      |                               |                               |                                     |
| Remeasurement of pension scheme                           | 17   | -                             | 43,648                        | 43,648                              |
| <b>Total comprehensive income for the financial year</b>  |      | <b>-</b>                      | <b>69,271</b>                 | <b>69,271</b>                       |
| <b>At 31 March 2020</b>                                   |      | <b>362,231</b>                | <b>(1,081,994)</b>            | <b>(719,763)</b>                    |

The profit and loss account represents accumulated comprehensive income and expenses for the financial year and prior years.

The notes on pages 42 to 85 are an integral part of these financial statements.

As the company has elected to measure the right of use asset at an amount equal to the lease liability under the modified retrospective approach in accordance with paragraph C8(b)(2) of IFRS 16 'Leases', no adjustment is made to opening reserves at 1 April 2019.

# **Toyota Motor Manufacturing (UK) Limited**

## **Notes to the financial statements for the year ended 31 March 2020**

### **1 General information**

The company manufactures and sells motor vehicles, engines and engine component parts. All sales are to fellow Toyota companies. The products are manufactured predominately for the European market, although some sales are destined for markets in South America, Asia, Africa and the rest of the world.

The company is a private company, limited by shares and is incorporated and domiciled in the UK. The company is registered in the East Midlands, England with manufacturing plants at Burnaston, Derbyshire and at Deeside, Wales. The address of its registered office is:

Toyota Motor Manufacturing (UK) Limited  
Burnaston  
Derby  
DE1 9TA

The company's registered number is 02352348.

### **2 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### **a) Basis of preparation**

The financial statements of Toyota Motor Manufacturing (UK) Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 as applicable to companies using FRS 101.

The financial statements of the company do not comply with the requirements of EU-adopted IFRS and shall not therefore contain the unreserved statement of compliance required by paragraph 16 of IAS 1 'Presentation of financial statements'.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7, 'Financial Instruments: Disclosures'.
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 119(a) to (c), 123, 125 and 126 of IFRS 15 'Revenue from Contracts with Customers'.

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2020 (continued)

### 2 Summary of significant accounting policies (continued)

#### a) Basis of preparation (continued)

- The requirements of paragraphs 52 of IFRS 16 'Leases' to disclose information about its leases in a single note.
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
  - (i) paragraph 79(a)(iv) of IAS 1;
  - (ii) paragraph 73(e) of IAS 16 Property, plant and equipment
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d) (statement of cash flows);
  - 10(f) (a balance sheet as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
  - 16 (statement of compliance with all IFRS);
  - 38A (requirement for minimum of two primary statements, including cash flow statements);
  - 38B-D (additional comparative information);
  - 40A-D (requirements for a third balance sheet);
  - 111 (cash flow statement information); and
  - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'.
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more wholly owned members of a group.
- The requirements of paragraphs 134(d) to 134(f) of IAS 36 'Impairment of Assets'.

#### b) Going concern

The financial statements have been prepared on the going concern basis given the continued support of the company's owners. This assumes the company will be able to meet its future obligations as they fall due and will settle all payments within the agreed terms.

The directors have received written confirmation from its immediate parent, Toyota Motor Europe NV/SA, to provide sufficient funds to enable it to continue to operate and meet its liabilities as they fall due and at least for a period of twelve months from the date of signing these financial statements. The directors are satisfied that Toyota Motor Europe NV/SA has the ability to provide the support to the company following the wider support provided by Toyota Motor Corporation, the company's ultimate parent.

# **Toyota Motor Manufacturing (UK) Limited**

## **Notes to the financial statements for the year ended 31 March 2020 (continued)**

### **2 Summary of significant accounting policies (continued)**

#### **b) Going concern (continued)**

The company's operations are funded by amounts due to Toyota Motor Europe NV/SA. Toyota Motor Europe NV/SA is both the main supplier and customer of the company and acts as an internal bank for the European subsidiaries, providing general funding and day-to-day working capital under cash pooling arrangements. Accordingly, there is no material cash held by the company - all balances are 'swept' to a minimal balance at the end of month. Further information on the company's financing position is given in note 13 - Creditors: amounts falling due within one year.

The company's forecasts and projections, taking account of reasonably possible changes in trading performance due to Covid-19 and Brexit, show that the company is able to operate within its confirmed facilities, including under a number of cash flow scenarios and stress tests. The reasonably possible changes in trading performance include two modelled severe, but plausible, downside scenarios: (i) a repeated second wave ('W') scenario mirroring the impact of the nine week shut down from March to June and assuming a similar level of government support, and (ii) a shorter three week shut down where no government support is assumed, being a proxy for a localised shut down around the plant or a 'short circuit breaker' lockdown.

After making enquiries, the directors have a reasonable expectation that the company has access to adequate financial and other resources to continue in operational existence for the foreseeable future. Accordingly the directors believe that it is appropriate that these financial statements are prepared on a going concern basis.

#### **c) Format of the profit and loss account**

The profit and loss account is presented in accordance with Format 2 of Schedule 1, Part 1, of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, classifying expenses by type, as this format best reflects the company's results.

#### **d) Foreign currency translation**

- Functional and presentational currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The financial statements are presented in Euros (€), which is also the company's functional currency.

- Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured at an average exchange rate between Euros and Sterling of 1.1468 (average for the year ended 31 March 2019: 1.1320) and a closing exchange rate of 1.1721 (31 March 2019: 1.1650). Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in cost of sales in the profit and loss account.

# **Toyota Motor Manufacturing (UK) Limited**

## **Notes to the financial statements for the year ended 31 March 2020 (continued)**

### **2 Summary of significant accounting policies (continued)**

#### **e) Turnover**

Turnover is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied in the normal course of business, stated net of Value Added Tax and other sales taxes or duty. All of the company's business relates to the manufacture of motor vehicles, motor vehicle engines and parts. All turnover is to fellow Toyota companies.

The company recognises turnover when its performance obligation has been satisfied and, for the company, this is when the goods have transferred to the customer and the customer has control of these. Turnover related to vehicle production is recognised at the point in time when the completed vehicle is accepted by the group sales and marketing company at the end of the production line. Turnover on engine and engine component parts sales is recognised at a point in time, depending on the terms and conditions of the supply contract, either on despatch or when accepted by the receiving group entity.

Receivables are settled twice monthly. Refer to 2q) for details of warranty obligations.

#### **f) Tangible fixed assets**

Tangible fixed assets are stated at original cost less accumulated depreciation. Cost includes the original purchase price of the asset and costs attributable to bringing the asset to its working condition for its intended use. All additions are initially treated as 'Manufacturing plant under construction'; once the asset is put into economic operation, it is re-classified into the appropriate asset class.

#### **g) Depreciation**

Provision for depreciation is made on all tangible and lease financed fixed assets, other than freehold land which is not depreciated. The assets are depreciated on a straight line basis at rates calculated to write off the cost evenly over their expected useful economic lives, commencing when the assets were first brought into use.

The depreciation method used reflects as fairly as possible the pattern in which the assets' economic benefits are consumed, as follows:

- Freehold buildings      20 years
- Plant and machinery    5-15 years
- Fixtures and fittings    5-15 years
- Motor vehicles          3 years

# **Toyota Motor Manufacturing (UK) Limited**

## **Notes to the financial statements for the year ended 31 March 2020 (continued)**

### **2 Summary of significant accounting policies (continued)**

#### **g) Depreciation (continued)**

Assets held within 'Manufacturing plant under construction' are not depreciated until they are brought into use.

The annual depreciation charge for tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. Any change is accounted for prospectively over the remaining useful economic life of the relevant asset. See note 10 for the carrying amount of the property plant and equipment.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in administrative expenses in the profit and loss account.

#### **h) Impairment of non-financial assets**

Non-financial assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets are reviewed for possible reversal at each reporting date.

#### **i) Leases**

*Year ended 31 March 2020*

The company has elected to apply IFRS 16, 'Leases' using the modified retrospective approach, with any cumulative effect of initially applying the new standard recognised on 1 April 2019. Comparatives for the 2019 financial year have not been restated. See note 2x) below for further details on the impact of the change in accounting policy.



# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2020 (continued)

### 2 Summary of significant accounting policies (continued)

#### i) Leases (continued)

*Year ended 31 March 2020 (continued)*

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payment that are based on an index or a rate
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the company's incremental borrowing rate.

Right of use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs
- Restoration costs

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

*Year ended 31 March 2019*

Leases in which substantially all of the risks and rewards of ownership were retained by the lessor were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to the profit and loss account on a straight-line basis over the period of the lease.

The company leases certain property, plant and equipment. Leases of property, plant and equipment where the company has substantially all the risks and rewards of ownership were classified as finance leases.

The company held no finance leases.

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2020 (continued)

### 2 Summary of significant accounting policies (continued)

#### j) Research and development

Research and development expenditure is written off as incurred, except that development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised in line with the expected future sales from the related project.

#### k) Financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when the company becomes a party to the contractual provisions of the instrument. The company does not apply hedge accounting.

##### Financial assets

The classification depends on the purpose for which the financial assets were acquired. It depends on the company's business model for managing the financial assets and the contractual terms of the cash flows. Management determines the classification of its financial assets at initial recognition. The company classifies its financial assets in the following categories:

##### a) Financial assets at amortised cost

The company classifies its financial assets as at amortised cost only if both of the following criteria are met:

- The asset is held within a business model whose objective is to collect the contractual cash flows, and
- The contractual terms give rise to cash flows that are Solely Payments of Principal and Interest (SPPI).

##### b) Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income (FVOCI) comprise:

- Equity securities which are not held for trading, and which the company has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the company considers this classification to be more relevant.
- Debt securities where the contractual cash flows are Solely Payments of Principal and Interest (SPPI) and the objective of the company's business model is achieved both by collecting contractual cash flows and selling financial assets.

##### c) Financial assets at fair value through profit or loss

The following financial assets are classified at fair value through profit or loss (FVPL):

- Debt investments that do not qualify for measurement at either amortised cost (see notes (a) and (b) above)
- Equity investments that are held for trading, and
- Equity investments for which the company has not elected to recognise fair value gains and losses through Other Comprehensive Income (OCI).

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2020 (continued)

### 2 Summary of significant accounting policies (continued)

#### k) Financial instruments (continued)

The company's financial assets include cash at bank and in hand, amounts owed by group undertakings, trade debtors and other receivables. The company classifies all its financial assets at amortised cost as those assets are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest. The company does not factor debt.

##### *Initial recognition and measurement*

Purchases and sales of financial assets are recognised on trade date (that is, the date on which the company commits to purchase or sell the asset). All financial assets are recognised initially at fair value.

##### *Subsequent measurement*

Subsequent measurement of debt instruments depends on the company's business model for managing the asset and the cash flow characteristics of the asset. However, as the company classifies all its financial assets at amortised cost, they are all measured at amortised cost. Interest income from these financial assets is included in Finance income using the effective interest method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in cost of sales together with foreign exchange gains and losses. Impairment losses would be presented as a separate line item in the profit and loss account if material.

##### *Derecognition of financial assets*

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

##### *Trade debtors, amounts owed by group undertakings and other receivables*

Trade debtors and amounts owed by group undertakings are amounts due from customers and fellow group undertakings for goods sold performed in the ordinary course of business. Other receivables represent amounts due from members under the Managers' Car Scheme or Members' Car Plan whereby members are given the opportunity to purchase a car with payment deferred, see note 12. If collection is expected in one year or less (or in the normal operating cycle of the business, if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade debtors, amounts owed by group undertakings and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. The company applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade debtors.

##### *Cash and cash equivalents*

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

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2020 (continued)

### 2 Summary of significant accounting policies (continued)

#### k) Financial instruments (continued)

##### Financial liabilities

The company's financial liabilities include trade payables, amounts owed to group undertakings (loans and other), other creditors, lease liabilities and accruals.

##### *Initial recognition and measurement*

The company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value, and in the case of loans and borrowings, plus directly attributable transaction costs.

##### *Subsequent measurement*

Financial liabilities are measured at amortised cost, unless a standard requires them to be measured at fair value through profit or loss, or the company has opted to measure a liability at fair value through profit or loss.

##### *Derecognition of financial liabilities*

A liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

##### *Trade payables, amounts owed to group undertakings - other*

Trade payables and amounts owed to group undertakings – other are obligations to pay for goods that have been acquired in the ordinary course of business from suppliers, customers and fellow group undertakings. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

##### *Amounts owed to group undertakings - loans*

Loans are recognised initially at fair value, net of any transaction costs incurred. Loans are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

##### *Other creditors*

Other payables largely relates to amounts owed to members' payroll. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. They are paid monthly in arrears.

# **Toyota Motor Manufacturing (UK) Limited**

## **Notes to the financial statements for the year ended 31 March 2020 (continued)**

### **2 Summary of significant accounting policies (continued)**

#### **l) Impairment of financial assets**

The company assesses, at the end of each reporting period, whether there is objective evidence that a financial asset or group of financial assets is impaired.

The company applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade debtors, amounts owed by group undertakings and other receivables have been grouped based on shared credit risk characteristics and the days past due.

#### **m) Stocks**

Stocks are stated at the lower of cost and net realisable value. Cost is determined on a first in, first out basis or average method of valuation, including, where appropriate, factory overheads, transport and duty costs based on normal levels of activity. Net realisable value is based on estimated selling price in the normal course of business after allowing for the costs of realisation. Provisions are made where necessary for obsolete and slow moving stock.

#### **n) Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### **o) Borrowings**

Borrowings are initially recognised at fair value, adjusted for any transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

#### **p) Borrowing costs**

Where interest is directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use, in which case they are capitalised as part of the cost of that asset. Capitalisation of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and the activities to prepare the asset for its intended use are in progress. Borrowing costs are capitalised up to the date when the project is completed and ready for its intended use.

To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined at the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings.

# **Toyota Motor Manufacturing (UK) Limited**

## **Notes to the financial statements for the year ended 31 March 2020 (continued)**

### **2 Summary of significant accounting policies (continued)**

#### **p) Borrowing costs (continued)**

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the company that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. Other borrowing costs are recognised as expenses when incurred.

#### **q) Warranty**

The company offers warranty cover in respect of manufacturing defects which become apparent following purchase. A provision is recognised for expected warranty claims based on past experience of the level of actual warranty claims received and model life cycle evolution. Further amounts are provided for any product recalls where specific items are identified.

#### **r) End of life vehicles (ELV)**

Provision is made for estimated liabilities to be incurred by the company on vehicles reaching the end of their lives discounted to the expected current cost. The amount of the estimated liability may change depending on future legislation to be enacted and subject to other circumstances. Although the company does not expect its compliance with the directive to result in significant cash expenditures, it is continuing to assess the impact of this future legislation on its financial position, results of operations and cash flows. At year end, the amount of the provision is reviewed given the latest information available and if necessary, the provision is adjusted.

#### **s) Government grants**

Government grants are assistance by the Government in the form of transfers of resources to the Company in return for past or future compliance with certain conditions relating to the operating activities of the entity. Government assistance is action by the Government designed to provide an economic benefit specific to the Company or range of entities qualifying under certain criteria.

Government grants are recognised once there is reasonable assurance both that the entity will comply with any conditions and that the grant will be received. Grants from the Government and other bodies relating to costs are deferred and recognised in profit or loss within other operating income over the period necessary to match them with the costs that they are intended to compensate. Grants relating to the purchase of property, plant and equipment are included in liabilities as deferred income, and they are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

At the balance sheet date there are no unfulfilled conditions or contingencies attaching to Government grants that have been recognised.

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2020 (continued)

### 2 Summary of significant accounting policies (continued)

#### s) Government Grants (continued)

##### *Coronavirus Job Retention Scheme (CJRS)*

In March 2020, the UK government launched CJRS, a government scheme that enables employers to obtain a grant to cover the costs of members who have been designated as "furloughed". Specifically, the grant covered:

- The lower of 80% of the furloughed members' "reference salary" or £2,500 per member per month;
- The employer's National Insurance Contributions ("NIC") associated with that subsidised wage; and
- The minimum amount of employer pension contributions under the pension auto enrolment regime associated with that subsidised wage.

As this scheme involves a transfer of resources from government to the entity, it meets the definition of a government grant. Accordingly, amounts received have been recognised in profit and loss over the same period as the costs to which they relate. Refer to note 5 for further details.

##### *VAT payments deferral scheme*

The company took the opportunity to defer the VAT payments due between 20 March and 30 June 2020 to March 2021 under the VAT payments deferral scheme. At the balance sheet date the March payment was deferred which amounted to €8,992,000.

#### t) Current and deferred income tax

The tax expense for the year comprises current and deferred tax.

Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company operates and generates taxable income. Management establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively 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 only 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 assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2020 (continued)

### 2 Summary of significant accounting policies (continued)

#### u) Employee benefits – Pension schemes

The company operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

- *Defined benefit plan*

Defined benefit plans typically define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The asset / liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets.

The defined benefit surplus / obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to shareholders' funds in other comprehensive income in the period in which they arise.

The amount charged or credited to finance costs is a net interest amount calculated by applying the liability discount rate to the net defined benefit liability or asset.

Past-service costs are recognised immediately in the profit and loss account.

Any pension scheme surplus, to the extent recoverable through either refunds or reduced contributions, or deficit, is recognised in full.

- *Defined contribution plan*

A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. For defined contribution plans, the company pays contributions to privately administered pension insurance plans. The company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

#### v) Offsetting

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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.



# **Toyota Motor Manufacturing (UK) Limited**

## **Notes to the financial statements for the year ended 31 March 2020 (continued)**

### **2 Summary of significant accounting policies (continued)**

#### **w) Exceptional items**

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the company. They are items that are material either because of their size or their nature, or because they are nonrecurring and are considered to be exceptional items. They are presented within the line items to which they best relate.

#### **x) Changes in accounting policies**

##### **IFRS 16 'Leases'**

IFRS 16, 'Leases', addresses the definition of a lease, recognition and measurement of leases, and it establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces IAS 17, 'Leases', and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2019.

The company had to change its accounting policies as a result of adopting IFRS 16. As indicated in note 2i) above, the company has adopted IFRS 16 retrospectively from 1 April 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard (the 'modified retrospective' approach). Accordingly, the reclassifications and adjustments arising from the new leasing rules are recognised in the opening balance sheet at 1 April 2019.

On adoption of IFRS 16, additional land and buildings, forklift trucks and other handling equipment which had previously been classified as 'operating leases' under the principles of IAS 17 have been recognised as right of use assets on the balance sheet, together with an additional lease liability.

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2020 (continued)

### 2 Summary of significant accounting policies (continued)

#### x) Changes in accounting policies (continued)

##### IFRS 16 'Leases' (continued)

These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 3.0%. The assets and liabilities are not material and largely offset at the net assets level. The company did not hold any finance liabilities under IAS 17.

For the year ending 31 March 2020, the operating lease charge is replaced by a depreciation charge that, whilst lower over the life of the lease than the current operating lease charge, is not expected to be materially different.

|  | 2019  |
|--|-------|
|  | €'000 |
| Operating lease commitment disclosed at 31 March 2019                    | 3,354 |
| Discounted using the company's incremental borrowing rate of 3.0%        | 2,960 |
| (Less): short term leases recognised on a straight-line basis as expense | (85)  |
| (Less): low value leases recognised on a straight-line basis as expense  | (30)  |
| Lease liability recognised as at 1 April 2019                            | 2,845 |

Right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 March 2019. Property, plant and equipment increased by €2,845,000 on 1 April 2019. There was no net impact on retained earnings on 1 April 2019.

In applying IFRS 16 for the first time, the company has used the following practical expedients permitted by the standard:

- Not applied the new guidance to short-term leases (lease contracts less than one year) and leases of which the underlying asset is of low value
- Applied the new guidance only to contracts entered into (or that have been changed) after the date of the initial application and applied this consistently to all contracts
- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2020 (continued)

### 2 Summary of significant accounting policies (continued)

#### x) Changes in accounting policies (continued)

##### IFRS 16 'Leases' (continued)

- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease

The company has also elected not to apply IFRS 16 to contracts that were not identified as containing a lease under IAS 17 and IFRIC 4, *'Determining whether an Arrangement contains a Lease'*.

##### Other

There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 March 2020 have had a material impact on the company.

### 3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

#### a) *Estimate - Defined benefit pension scheme*

The company has an obligation to pay pension benefits to members who are part of the scheme. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 17 for the disclosures of the defined benefit pension scheme.

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2020 (continued)

### 3 Critical accounting estimates and judgements (continued)

#### *b) Estimate - Warranty*

The company provides a warranty for the vehicles for manufacturing defects. Provision for warranty is provided for specific periods of time and the amount will vary depending on type of vehicle. The company includes the standard provision as a component of cost of sales at the time the sale is recognised. Product recalls are charged to administrative expenses where they relate to prior year production.

The accrued standard warranty costs represents management's best estimate of the total cost the company will incur to repair or replace parts that fail while still under warranty. The amount of the accrued warranty cost is based on historical experience of part failures as well as current information on repair costs. The amount of warranty cost accrued also contains an estimate of warranty claim recoveries to be received from suppliers.

The amount of accrued warranty also includes product recalls. These consider the cost (labour and materials) to remediate the specific fault and the number of vehicles expected to be remediated.

#### *Product recalls relating to airbags fitted to vehicles produced*

In the year ended 31 March 2018, exceptional administrative expenses were booked as a result of the above product recall. This has been updated in the current year. Key assumptions include:

- 1) An assessment of which vehicles are impacted
- 2) Expected costs per vehicle
- 3) Likelihood that recalled vehicles will be returned by owners

This is based on field studies and historical experience by country. As the provision requires material estimates and extends for several years, actual warranty costs may differ from the estimated amounts and could require a material adjustment to the warranty provision.

The sensitivity of the provision to changes in the principal assumptions are as follows:

- 1) 10% more/(fewer) vehicles impacted would increase/(decrease) the provision by €25,208,000
- 2) 10% higher/(lower) cost per vehicle increase/(decrease) the provision by €8,298,000
- 3) 10% higher/(lower) vehicles remediated would increase/(decrease) the provision by €33,691,000

The above sensitivity analysis assumes all other variables are held constant. In practice, there would likely be some correlation, but this is expected to be immaterial.

If these factors require a significant increase in estimated warranty provision, it would negatively affect future operating results of the company as has taken place in previous financial years.

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2020 (continued)

### 3 Critical accounting estimates and judgements (continued)

#### *b) Estimate - Warranty (continued)*

##### *Product recalls relating to ECUs fitted to vehicles produced*

In the year ended 31 March 2019, exceptional administrative expenses have been booked as a result of the above product recall. This has been updated in the current year.

Key assumptions include:

- 1) An assessment of which vehicles are impacted
- 2) Expected costs per vehicle
- 3) Likelihood that recalled vehicles will be returned by owners
- 4) Contribution from suppliers

This is based on field studies and historical experience by country. As the provision requires material estimates and extends for several years, actual warranty costs may differ from the estimated amounts and could require a material adjustment to the warranty provision.

The sensitivity of the provision to changes in the principal assumptions are as follows:

- 1) 10% more/(fewer) vehicles impacted would increase/(decrease) the provision by €3,929,000
- 2) 10% higher/(lower) cost per vehicle increase /(decrease) the provision by €3,202,000
- 3) 10% higher/(lower) vehicles remediated would increase/(decrease) the provision by €5,881,000
- 4) 10% higher/(lower) contribution would increase/(decrease) the provision by €3,929,000

The above sensitivity analysis assumes all other variables are held constant. In practice, there would likely be some correlation, but this is expected to be immaterial.

If these factors require a significant increase in estimated warranty provision, it would negatively affect future operating results of the company as has taken place in previous financial years, see note 15 for further details.

#### *c) Estimate - Deferred tax assets*

The factors used to assess the likelihood of realisation of the deferred tax assets are the future reversal of existing deductible temporary differences, the payment by group undertakings for surrendered losses, the future taxable income and available tax planning strategies that are prudent and feasible. All available evidence, both positive and negative, is considered to determine whether, based on the weight of that evidence, a valuation is needed for deferred tax assets where it is more probable than not that they will be realised. Unanticipated events or changes could result in re-evaluating the recognition of deferred tax assets. See note 9 for further details.

# **Toyota Motor Manufacturing (UK) Limited**

## **Notes to the financial statements for the year ended 31 March 2020 (continued)**

### **3 Critical accounting estimates and judgements (continued)**

#### *d) Judgement - Exceptional items*

The company exercises its judgement in the classification of certain items as exceptional and outside of the company's underlying results. The determination of whether an item should be separately disclosed as an exceptional item requires judgement on its materiality, nature and incidence, as well as whether it provides clarity on the company's underlying trading performance. In exercising this judgement, the company takes appropriate regard of IAS 1 'Presentation of financial statements' as well as guidance issued by the Financial Reporting Council on the reporting of exceptional items and alternative performance measures. The overall goal of the company's financial statements is to present the company's underlying performance without distortion from one-off or non-trading events regardless of whether they are favourable or unfavourable to the underlying result. Further details of the individual exceptional items, and the reasons for their disclosure treatment, are set out in note 5.

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2020 (continued)

### 4 Turnover

Analysis of turnover by category:

|                                       | 2020      | 2019      |
|---------------------------------------|-----------|-----------|
|                                       | €'000     | €'000     |
| Sales of vehicles                     | 2,633,956 | 1,984,406 |
| Sales of engines and other components | 332,980   | 343,163   |
|                                       | 2,966,936 | 2,327,569 |

All turnover is to fellow Toyota companies. All turnover originates from UK manufacturing operations and materially all turnover arises in the UK. The ultimate destination of the vehicles, engines and other components sold is:

|             | 2020      | 2019<br>Restated |
|-------------|-----------|------------------|
|             | €'000     | €'000            |
| UK          | 369,246   | 228,267          |
| Germany     | 369,162   | 242,521          |
| France      | 312,008   | 235,939          |
| Spain       | 303,940   | 231,846          |
| Italy       | 210,837   | 113,539          |
| Turkey      | 208,276   | 213,366          |
| Poland      | 153,633   | 212,742          |
| Netherlands | 107,889   | 62,455           |
| Sweden      | 102,758   | 59,462           |
| Finland     | 102,123   | 88,156           |
| Other       | 727,064   | 639,276          |
|             | 2,966,936 | 2,327,569        |

Sweden and Finland have been separately disclosed from within other reflecting their increased size in the current year. There is no change to total prior year turnover.

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2020 (continued)

### 5 Operating profit/(loss)

Operating profit/(loss) is stated after charging/(crediting)

|   | 2020      | 2019      |
|---|-----------|-----------|
|   | €'000     | €'000     |
| Depreciation of owned tangible fixed assets                     | 48,644    | 41,868    |
| Depreciation of right of use assets                             |           |           |
| Plant and machinery   | 685       | -         |
| Loss on sale of fixed assets                                    | 45        | 385       |
| Operating lease charges:  |           |           |
| Plant and machinery   | -         | 1,364     |
| Other   | -         | 229       |
| Inventory recognised as an expense                              | 2,389,506 | 1,920,830 |
| Reversal of impairment of inventory (included in cost of sales) | (6,728)   | -         |
| Increase of impairment of inventory (included in cost of sales) | -         | 6,236     |
| Exceptional net administrative income                           | -         | 3,382     |
| Auditors' remuneration:   |           |           |
| Audit fees for the company                                      | 140       | 119       |
| Audit fees for the company's pension scheme                     | 21        | 16        |
| Non-audit services - tax compliance services                    | 19        | 68        |
| - other tax advice  | 153       | 140       |
| Net amount of foreign exchange gains                            | (3,363)   | (173)     |

The total cash outflow for leases in the financial year was €720,000. Expenses relating to short term leases and low value assets are not material.

The reversal and increase of impairment of inventory reflect changes in the estimate based on the expected usage of spares stock.



# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2020 (continued)

### 5 Operating profit/(loss) (continued)

Exceptional administrative expenses/(income)

|  | 2020  | 2019     |
|--|-------|----------|
|  | €'000 | €'000    |
| Product recalls related to airbags           | -     | (42,671) |
| Product recalls related to ECUs              | -     | 39,289   |
| Exceptional administrative expenses/(income) | -     | (3,382)  |

Exceptional administrative income of €42,671,000 in the prior year was credited in respect of product recalls relating to airbags fitted to vehicles produced following a re-evaluation of the level of provision based on unit cost. The company expects to settle these over the next four (2019: five) years and has settled €169,094,000 as at the balance sheet date.

Exceptional administrative expenses of €39,289,000 in the prior year was charged in respect of product recalls relating to ECUs fitted to vehicles produced. The company expects to settle these over the next four (2019: five) years and has settled €17,869,000 as at the balance sheet date.

#### Other operating income

Other income of €3,821,000 (2019: €nil) represents reimbursed wages of certain members who have been asked to stop working ('furloughed') but who are being kept on the payroll. At the balance sheet date, this amount is held as part of other receivables within note 12.

#### Coronavirus Job Retention Scheme

Under this scheme, HMRC reimbursed 80% of the wages of certain employees who were 'furloughed' as compensation for staff costs from 18 March 2020. As this scheme involves a transfer of resources from government to the entity, it meets the definition of a government grant. Accordingly, amounts received have been recognised in profit and loss over the same period as the costs to which they relate.

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2020 (continued)

### 6 Member costs

|  | 2020    | 2019    |
|--|---------|---------|
|  | €'000   | €'000   |
| Wages and salaries   | 112,249 | 123,860 |
| Social security costs                                      | 14,852  | 12,849  |
| Other pension costs (note 17)                              |         |         |
| Defined benefit plan, excluding impact of foreign exchange | 22,883  | 28,212  |
| Defined contribution plan                                  | 2,909   | 2,167   |
|  | 152,893 | 167,088 |

The average monthly numbers of members (including executive directors) employed by the company during the year was:

|                | 2020   | 2019   |
|----------------|--------|--------|
| By activity:   | Number | Number |
| Production     | 2,234  | 2,258  |
| Administration | 423    | 429    |
|                | 2,657  | 2,687  |

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2020 (continued)

### 7 Directors

|  |              |       |
|--|--------------|-------|
| The directors' emoluments were as follows: | <b>2020</b>  | 2019  |
|  | <b>€'000</b> | €'000 |

|   |              |       |
|---|--------------|-------|
| Aggregate emoluments of the directors (excluding pension contributions) | <b>1,471</b> | 1,381 |
|---|--------------|-------|

|   |   |   |
|---|---|---|
| Contributions to money purchase schemes | - | - |
|---|---|---|

Retirement benefits are accruing to 4 (2019: 4) directors under a defined benefit pension scheme. No (2019: no) directors accrued benefits under the defined contribution scheme.

|  |              |       |
|--|--------------|-------|
|  | <b>2020</b>  | 2019  |
|  | <b>€'000</b> | €'000 |

|                                   |            |     |
|-----------------------------------|------------|-----|
| Pensions paid to former directors | <b>118</b> | 115 |
|-----------------------------------|------------|-----|

The aggregate accrued pension of the directors at the end of the year was €289,000 per annum (2019: €258,000 per annum).

#### Highest paid director

|   |              |       |
|---|--------------|-------|
| The highest paid director's emoluments were as follows: | <b>2020</b>  | 2019  |
|   | <b>€'000</b> | €'000 |

|   |            |     |
|---|------------|-----|
| Aggregate emoluments of the highest paid director (excluding pension contributions) | <b>458</b> | 418 |
|---|------------|-----|

|   |   |   |
|---|---|---|
| Contributions to money purchase schemes | - | - |
|---|---|---|

Retirement benefits are accruing to the highest paid director under a defined benefit pension scheme and are paid by a group undertaking and not recharged. The accrued pension for the highest paid director at the end of the year was €156,000 per annum (2019: €133,000 per annum).

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2020 (continued)

### 8 Finance income and costs

|  | Note | 2020           | 2019           |
|--|------|----------------|----------------|
| Finance income   |      | €'000          | €'000          |
| Interest in respect of loans to group undertakings           |      | 359            | 344            |
| <b>Finance costs</b>   |      |                |                |
| Interest expense in respect of loans from group undertakings |      | (888)          | (791)          |
| Interest expense in respect of lease liabilities             |      | (117)          | -              |
| Net expense on pension scheme                                | 17   | (497)          | (457)          |
| <b>Total finance costs</b>                                   |      | <b>(1,502)</b> | <b>(1,248)</b> |
| <b>Net finance costs</b>                                     |      | <b>(1,143)</b> | <b>(904)</b>   |

No material amount of borrowing costs have been capitalised in the current or prior financial year.

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2020 (continued)

### 9 Tax on profit/(loss)

#### Analysis of credit for the financial year

| <i>Tax credit income included in the profit and loss account</i> | <b>2020</b>     | 2019     |
|--|-----------------|----------|
|  | <b>€'000</b>    | €'000    |
| Corporation tax at 19% (2019: 19%):                              |                 |          |
| Current year   | <b>(17,473)</b> | (19,261) |
| Prior year adjustment in respect of group relief claimed         | <b>(134)</b>    | (676)    |
| Current tax credit for the financial year                        | <b>(17,607)</b> | (19,937) |
| Deferred tax   | -               | -        |
| <b>Total tax on profit/loss</b>                                  | <b>(17,607)</b> | (19,937) |

| <i>Tax expense included in other comprehensive income</i>       | <b>2020</b>  | 2019  |
|---|--------------|-------|
|   | <b>€'000</b> | €'000 |
| Current tax   | -            | -     |
| Deferred tax  | -            | -     |
| <b>Total tax expense included in other comprehensive income</b> | -            | -     |

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2020 (continued)

### 9 Tax on profit/(loss) (continued)

#### Factors affecting the total tax credit for the financial year

The tax credit assessed for the financial year is higher (2019: higher) than the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

|  | 2020     | 2019     |
|--|----------|----------|
|  | €'000    | €'000    |
| Profit/(loss) before taxation  | 8,016    | (43,465) |
| Profit/(loss) before taxation multiplied by standard rate in the UK of 19% (2019: 19%)             | 1,523    | (8,258)  |
| Effects of:  |          |          |
| Unrecognised tax losses  | -        | -        |
| Expenses not deductible for tax purposes   | 11       | 10       |
| Prior year adjustment in respect of group relief claimed   | (134)    | (676)    |
| Capital allowances in excess of depreciation for which no deferred income tax asset was recognised | (17,156) | (11,735) |
| Other timing differences for which no deferred income tax was recognised                           | (1,851)  | 722      |
| Total tax credit for the financial year  | (17,607) | (19,937) |

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2020 (continued)

### 9 Tax on profit/(loss) (continued)

#### Deferred tax

The deferred tax assets and liabilities provided and unprovided, calculated on the liability method at a rate of 19% (2019: 17%) are as follows:

|                                | 2020       |               | 2019       |               |
|--------------------------------|------------|---------------|------------|---------------|
|                                | Recognised | Un-recognised | Recognised | Un-recognised |
|                                | €'000      | €'000         | €'000      | €'000         |
| Accelerated capital allowances | -          | 74,751        | -          | 88,761        |
| Losses                         | -          | 192,437       | -          | 172,630       |
| Pension deficit                | -          | -             | -          | 3,605         |
| Deferred tax asset             | -          | 267,188       | -          | 264,996       |

Tax losses have been approved for future utilisation. No deferred tax asset is currently recognised on these losses. The recognition of the unrecognised deferred tax asset is dependent on the company being able to forecast probable future taxable profits.

#### Factors affecting future tax liabilities

The tax rate for the current year is the same as the prior year at 19%.

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had been substantively enacted at the balance sheet date, its effects are included in these financial statements.

Future profits will be taxed at the main rate of corporation tax.

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2020 (continued)

### 10 Tangible assets

|                                     | Freehold<br>land and<br>buildings | Manufact-<br>uring<br>plant under<br>construction | Plant and<br>machinery | Fixtures<br>and<br>fittings | Motor<br>vehicles | Total            |
|-------------------------------------|-----------------------------------|---|------------------------|-----------------------------|-------------------|------------------|
|                                     | €'000                             | €'000   | €'000                  | €'000                       | €'000             | €'000            |
| <b>Cost</b>                         |                                   |   |                        |                             |                   |                  |
| At 1 April 2019                     | 281,096                           | 9,404   | 1,413,590              | 9,517                       | 588               | 1,714,195        |
| Additions                           | -                                 | 14,190  | -                      | -                           | -                 | 14,190           |
| Transfers                           | 663                               | (15,282)  | 13,190                 | 516                         | 913               | -                |
| Disposals                           | -                                 | -   | (36,009)               | (148)                       | (172)             | (36,329)         |
| <b>At 31 March 2020</b>             | <b>281,759</b>                    | <b>8,312</b>                                      | <b>1,390,771</b>       | <b>9,885</b>                | <b>1,329</b>      | <b>1,692,056</b> |
| <b>Accumulated<br/>depreciation</b> |                                   |   |                        |                             |                   |                  |
| At 1 April 2019                     | 236,293                           | -   | 1,145,594              | 9,288                       | 458               | 1,391,633        |
| Provided in the<br>year             | 1,711                             | -   | 46,273                 | 276                         | 384               | 48,644           |
| Disposals                           | -                                 | -   | (35,980)               | (148)                       | (29)              | (36,157)         |
| <b>At 31 March 2020</b>             | <b>238,004</b>                    | <b>-</b>  | <b>1,155,887</b>       | <b>9,416</b>                | <b>813</b>        | <b>1,404,120</b> |
| <b>Net book amount</b>              |                                   |   |                        |                             |                   |                  |
| <b>At 31 March 2020</b>             | <b>43,755</b>                     | <b>8,312</b>                                      | <b>234,884</b>         | <b>469</b>                  | <b>516</b>        | <b>287,936</b>   |
| At 31 March 2019                    | 44,803                            | 9,404   | 267,996                | 229                         | 130               | 322,562          |

At each balance sheet date, included in freehold land and buildings, is land valued at €32,602,000 (2019: €32,602,000) which is not subject to depreciation. €1,218,975,000 (2019: €1,209,880,000) of fully depreciated assets are still in use. €55,016,000 (2019: €55,812,000) of assets have been retired from active use and not classified as held for sale in accordance with IFRS 5 'Non-current assets held for sale and discontinued operations'.

No tangible fixed assets are held under finance leases at each balance sheet date. No external valuation has been performed on freehold land and buildings. The directors estimate that the fair value of tangible fixed assets, including land and buildings, materially equates to their carrying value.

No material amount of borrowing costs have been capitalised in the current or prior financial year.



## Toyota Motor Manufacturing (UK) Limited

### Notes to the financial statements for the year ended 31 March 2020 (continued)

#### 11 Stocks

|                                     | 2020    | 2019    |
|-------------------------------------|---------|---------|
|                                     | €'000   | €'000   |
| Raw materials and consumables       | 152,832 | 152,819 |
| Work in progress                    | 6,314   | 5,258   |
| Finished goods and goods for resale | 13,636  | 18,411  |
|                                     | 172,782 | 176,488 |

There is no material difference between the replacement cost of stock and the amounts stated above.

Stock is stated after provisions for impairment of €15,936,000 (2019: €22,664,000).

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2020 (continued)

### 12 Debtors

|                                    | 2020    | 2019    |
|------------------------------------|---------|---------|
|                                    | €'000   | €'000   |
| Trade debtors                      | 2,458   | 3,732   |
| Amounts owed by group undertakings | 39,590  | 117,114 |
| Other receivables                  | 32,378  | 20,700  |
| Prepayments and accrued income     | 25,638  | 6,597   |
|                                    | 100,064 | 148,143 |

Other receivables includes €3,827,000 (2019: €6,197,000) which is due after more than one year. All other amounts shown under debtors fall due for payment within one year. No (2019: no) provisions are held for impairment.

All amounts owed by group undertakings are payable on demand, unsecured and incur no interest except for vehicle sales. Interest on vehicle sales is calculated using Euribor / LIBOR 1 month interest rates.

In 1994 the company started a car loan scheme whereby members are given the opportunity to purchase a car with payment being largely deferred for up to twelve months (Managers' Car Scheme). The purchase price left outstanding is on an interest free basis and is included within 'Other receivables'.

The company also operates a self-administered member car scheme (Members' Car Plan). Members have the opportunity to purchase vehicles on extended credit terms whereby the payment is deferred for either twelve months or thirty months. The amount owed by the members to the company is included in 'Other receivables'.

The reduction in amounts owed by group undertakings reflects production being suspended from 18 March 2020.

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2020 (continued)

### 13 Creditors: amounts falling due within one year

|                                     | 2020             | 2019             |
|-------------------------------------|------------------|------------------|
|                                     | €'000            | €'000            |
| Trade payables                      | 16,628           | 18,620           |
| Amounts owed to group undertakings: |                  |                  |
| Loans                               | 775,552          | 774,258          |
| Other                               | 309,406          | 322,071          |
| Taxation and social security        | 5,209            | 15,067           |
| Other creditors                     | 13,040           | 15,140           |
| Lease liability                     | 732              | -                |
| Accruals and deferred income        | 20,310           | 27,106           |
|                                     | <b>1,140,877</b> | <b>1,172,262</b> |

All amounts owed to group undertakings are payable on demand, unsecured and incur no interest except for loans separately disclosed above and other amounts owed for the Member Car Loan scheme. Loans are repayable to the parent company, Toyota Motor Europe NV/SA, within one year. An ongoing facility of €1,337m (2019: €1,583m) is available to the company. All loans are materially denominated in Euros. They are unsecured and interest is charged based on current LIBOR 1 month rates. The Member Car Loan scheme is funded through a specific loan denominated in Sterling and interest is calculated using the prevailing market rate. The loan for the Member Car Loans are held within amounts owed to group undertakings: other.

At 31 March 2020, the company had undrawn amounts on its loans from group undertakings of €805,000,000 (2019: €340,000,000). A new open-ended facility from 1 April 2020 of €1,337m has been made available by the parent company, Toyota Motor Europe NV/SA.

| Contractual maturities - Lease liability | 2020  |
|--|-------|
|  | €'000 |
| Less than 6 months                       | 370   |
| 6-12 months                              | 369   |
| Total contractual cash flows             | 739   |
| (Less): Interest accruing                | (7)   |
| Carrying amount                          | 732   |

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2020 (continued)

### 14 Creditors: amounts falling due after more than one year

|   | 2020  | 2019  |
|---|-------|-------|
|   | €'000 | €'000 |
| Amounts owed to group undertakings: loans | 2,815 | 3,558 |
| Lease liability                           | 1,939 | -     |
|   | 4,754 | 3,558 |

#### Contractual maturities – Amounts owed to group undertakings: loans

The repayment dates of loans owed to group undertakings at 31 March 2020 are as follows: 30 April 2021: €152,000; 29 May 2021: €44,000; 30 June 2021: €24,000; 31 July 2021: €72,000; 30 November 2021: €193,000; 18 December 2021: €347,000; 31 January 2022: €370,000; 26 February 2022: €474,000; 30 April 2022: €535,000; 31 May 2022: €288,000; 30 June 2022: €78,000; 31 July 2022: €78,000; 31 August 2022: 160,000. All of the loans are denominated in Sterling, unsecured and incur interest at the prevailing market rate. All the above amounts are payable within five years.

| Contractual maturities - Lease liability | 2020  |
|--|-------|
|  | €'000 |
| Between 1 and 2 years                    | 625   |
| Between 2 and 5 years                    | 1,560 |
| More than 5 years                        | 24    |
| Total contractual cash flows             | 2,209 |
| (Less): Interest accruing                | (270) |
| Carrying amount                          | 1,939 |

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2020 (continued)

### 15 Provisions for liabilities

|  | ELV          | Warranty       | Total          |
|--|--------------|----------------|----------------|
|  | €'000        | €'000          | €'000          |
| At 1 April 2019                            | 1,263        | 238,937        | 240,200        |
| Additions to profit and loss               | -            | 13,099         | 13,099         |
| Unused amounts reversed to profit and loss | -            | (11,089)       | (11,089)       |
| Amounts utilised                           | -            | (80,481)       | (80,481)       |
| <b>At 31 March 2020</b>                    | <b>1,263</b> | <b>160,466</b> | <b>161,729</b> |

#### End of life vehicles (ELV)

In September 2000 the European Parliament passed Directive 2000/53/EC on End of Life Vehicles. Member states have since that time implemented this directive into national law.

Based on the legislation, the company has made an estimate of the liability related to the covered vehicles in existence as of 31 March 2020. A provision of €1,263,000 (2019: €1,263,000) has been recognised. It is not possible at this stage to give a reliable indication as to the period over which these costs will be paid by the company.

#### Warranty

The company offers warranty cover in respect of manufacturing defects which become apparent following purchase. A provision of €160,466,000 (2019: €238,937,000) has been recognised for expected warranty claims. Included in the above is €83,560,000 (2019: €137,337,000) in respect of product recalls relating to airbags fitted to vehicles produced and €20,842,000 (2019: €39,289,000) relating to ECUs fitted to vehicles produced. Refer also to notes 3 and 5.

Normal warranty claims are expected to be settled within the next three years based on past experience of the level of actual warranty claims received and model evolution. Warranty claims in respect of the product recalls are expected to be settled over four (2019: five) years.

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2020 (continued)

### 16 Called up share capital

|  | 2020    | 2019    |
|--|---------|---------|
|  | €'000   | €'000   |
| Allotted and fully paid                                    |         |         |
| 300,000,000 (2019: 300,000,000) ordinary shares of £1 each | 362,231 | 362,231 |

There were no transactions affecting share capital in the current or prior year. Share capital was translated at the historical rate of 1.2074 and is not subject to revaluation.

### 17 Pension schemes assets and liabilities

The company operates a number of pension schemes for its members.

#### i) Defined benefit scheme

The company operates a defined benefit pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company in a trustee-administered fund. On 1 April 2013 the defined benefit scheme was closed to new members joining the company.

The scheme is operated for the company and the members (employees) of the UK branch of its immediate parent, Toyota Motor Europe NV/SA ("TME"). As such, the schemes share the risk between entities under common control. The split of the benefit payments and expenses is based on the proportion of the Plan's funded liabilities at the prior year end allocated to each employer of approximately 96% the company and 4% TME. The split of the benefits accrued over the year to 31 March 2020 is based on the proportion of post October 2002 section employer contributions paid by each employer over the year to 31 March 2020 of approximately 93% the company and 7% TME. The split of actuarial gains/losses is based on the proportion of assets/liabilities attributed to each employer before allowance for the gain/loss. The liabilities in relation to the unfunded pension arrangements in respect of three former employees are allocated entirely to TMUK. This approach is consistent to that used in previous years. At 31 March 2020, the liabilities were split 95.79% to the company and 4.21% to TME whilst the assets were allocated 94.36% to the company and 5.64% to TME as an approximation to the overall demographic profiles and actual membership of the two sections.

The scheme pensions are updated in line with the Retail Price Index for current members and the Consumer Price Index for deferred members.

Plan assets held in the fund are governed by local regulations and practice in the UK. Responsibility for the governance of the plan, including investment decisions and contribution schedules, lies with the Trustees of the scheme.

The company ensures that the investment positions are managed within an asset-liability matching ("ALM") framework that has been developed to achieve long-term investments that are in line with the obligations under the pension scheme. Within this framework, the company's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency (Sterling).

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2020 (continued)

### 17 Pension schemes assets and liabilities (continued)

#### i) Defined benefit scheme (continued)

The company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The company has not changed the processes used to manage its risks from previous periods. The company does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.

A large portion of assets in 2020 consists of equities and bonds, although the company also invests in property, bonds and cash. The company believes that equities offer the best returns over the long term with an acceptable level of risk.

Valuations are carried out every three years using appropriate valuation methods, and an independent actuary determines the rate of contributions required. The actuarial valuation of the company's pension plan used was that carried out at 5 April 2018.

A qualified independent actuary updated the results of the most recent actuarial valuation to 31 March 2020. Liabilities have been calculated using a consistent projected unit valuation method and compared to the plan's assets at the 31 March 2020 market value.

The risks of the scheme are as follows:

#### a) *Asset volatility*

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields: if plan assets underperform this yield, this will create a deficit. The plan holds a significant proportion of equities, which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short term.

As the plans mature, the company intends to reduce the level of investment risk by investing more in assets that better match the liabilities.

#### b) *Changes in bond yields*

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plan's bond holdings.

#### c) *Life expectancy*

The majority of the plan's obligations are to provide benefits for the life of the member, so increases in the life expectancy will result in an increase in the plan's liabilities.

#### d) *Foreign exchange risk*

The scheme assets are held and liabilities arise in Sterling. As the pension scheme is in a net deficit position, a strengthening of the Sterling against the Euro would lead to a loss on foreign exchange.

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2020 (continued)

### 17 Pension schemes assets and liabilities (continued)

#### i) Defined benefit scheme (continued)

##### e) *Inflation risk*

The pension obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plan's assets are either unaffected by (in the case of fixed interest bonds) or loosely correlated with (in the case of equities) inflation, meaning that an increase in inflation will also increase the deficit.

#### Principal actuarial assumptions

Based on actuarial advice, the financial assumptions used to calculate the scheme are:

|   | 31 March<br>2020 | 31 March<br>2019 |
|---|------------------|------------------|
| Inflation – Retail Price Index (RPI)  | 2.55%            | 3.20%            |
| – Consumer Price Index (CPI)  | 1.75%            | 2.20%            |
| Discount rate   | 2.25%            | 2.50%            |
| Assumed rate of increase of salaries including inflation at 1.75% (2019: 2.20%) | 2.25%            | 2.70%            |
| Assumed rate of increase of pensions in payment                                 | 2.55%            | 3.00%            |

The principal financial assumption is the 'real discount rate', being the excess of the discount rate over the rate of inflation. The discount rate is based on the market yields on high quality corporate bonds of appropriate currency and term to the deferred benefit obligations (approximately 25 years) (2019: 27 years).



# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2020 (continued)

### 17 Pension schemes assets and liabilities (continued)

#### i) Defined benefit scheme (continued)

The mortality assumptions used were as follows:

|   | 31 March<br>2020<br>Years | 31 March<br>2019<br>Years |
|---|---------------------------|---------------------------|
| Longevity at age 65 for current pensioners: |                           |                           |
| Male  | 22.1                      | 22.1                      |
| Female                                      | 24.1                      | 24.0                      |
| Longevity at age 65 for future pensioners:  |                           |                           |
| Male  | 23.7                      | 23.6                      |
| Female                                      | 26.1                      | 26.0                      |

The valuation assumes that mortality will be in line with standard tables adjusted to reflect the expected experience of the scheme membership based on analysis carried out for the 5 April 2018 funding valuation. A specific allowance for anticipated future improvements in life expectancy is also incorporated.

|   | Assets         | Liabilities      | Total         |
|---|----------------|------------------|---------------|
| Reconciliation of scheme assets and liabilities | €'000          | €'000            | €'000         |
| At 1 April 2019                                 | 964,055        | (985,261)        | (21,206)      |
| Benefits paid                                   | (23,920)       | 23,920           | -             |
| Employer contributions                          | 25,021         | -                | 25,021        |
| Current service cost                            | -              | (20,928)         | (20,928)      |
| Administrative expenses                         | (1,955)        | -                | (1,955)       |
| Death in service                                | (499)          | 499              | -             |
| Interest income/(expense)                       | 23,708         | (24,205)         | (497)         |
| Foreign exchange gains/(losses)                 | 6,298          | (6,391)          | (93)          |
| Remeasurement (losses)/gains                    | (3,255)        | 46,903           | 43,648        |
| <b>At 31 March 2020</b>                         | <b>989,453</b> | <b>(965,463)</b> | <b>23,990</b> |

The equity investments and bonds which are held in plan assets are valued at their current bid prices.

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2020 (continued)

### 17 Pension schemes assets and liabilities (continued)

#### i) Defined benefit scheme (continued)

Sensitivity of defined benefit scheme to changes in principal assumptions

The sensitivity of the defined benefit scheme to changes in the weighted principal assumption is:

#### Impact on defined benefit obligation

|                     | Change in<br>assumption | Increase in<br>assumption<br>€'000 | Decrease in<br>assumption<br>€'000 |
|---------------------|-------------------------|------------------------------------|------------------------------------|
| Discount rate       | +/- 0.1%                | (25,230)                           | 25,230                             |
| Salary growth rate  | +/- 0.1%                | 8,028                              | (8,028)                            |
| Pension growth rate | +/- 0.1%                | 24,083                             | (24,083)                           |
| Life expectancy     | +/- 1 year              | (29,817)                           | 29,817                             |

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised on the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

#### Profit and loss account charge by nature of expense

| Total cost recognised as an expense: | 2020<br>€'000 | 2019<br>€'000 |
|--------------------------------------|---------------|---------------|
| Current service cost                 | 20,928        | 20,718        |
| Past service cost                    | -             | 5,694         |
| Administrative expenses              | 1,955         | 1,800         |
|                                      | 22,883        | 28,212        |
| Net interest expense                 | 497           | 457           |
| Net foreign exchange losses          | 93            | 963           |
|                                      | 23,473        | 29,632        |

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2020 (continued)

### 17 Pension schemes assets and liabilities (continued)

#### i) Defined benefit scheme (continued)

| Remeasurement (losses)/gains                           | 2020    | 2019     |
|--|---------|----------|
|  | €'000   | €'000    |
| (Losses)/gains from changes in demographic assumptions | (147)   | 45,899   |
| Gains/(losses) from changes in financial assumptions   | 47,050  | (51,042) |
| Experience losses on liabilities                       | -       | (11,021) |
| Experience (losses)/gains on assets                    | (3,255) | 28,046   |
|  | 43,648  | 11,882   |

| Summary of fair value of the plan assets | 2020            | 2020              | 2020           |
|--|-----------------|-------------------|----------------|
|  | Quoted<br>€'000 | Unquoted<br>€'000 | Total<br>€'000 |
| Equity instruments                       | 467,594         | -                 | 467,594        |
| Debt instruments                         | 427,592         | -                 | 427,592        |
| Property                                 | -               | 91,303            | 91,303         |
| Cash                                     | -               | 2,964             | 2,964          |
|  | 895,186         | 94,267            | 989,453        |

|                    | 2019            | 2019              | 2019           |
|--------------------|-----------------|-------------------|----------------|
|                    | Quoted<br>€'000 | Unquoted<br>€'000 | Total<br>€'000 |
| Equity instruments | 559,992         | -                 | 559,992        |
| Debt instruments   | 306,227         | -                 | 306,227        |
| Property           | -               | 93,193            | 93,193         |
| Cash               | -               | 4,643             | 4,643          |
|                    | 866,219         | 97,836            | 964,055        |

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2020 (continued)

### 17 Pension schemes assets and liabilities (continued)

#### i) Defined benefit scheme (continued)

The assets do not include any of the company's own financial instruments or property connected with the company.

#### Return on the scheme assets

|                                | 2020    | 2019   |
|--------------------------------|---------|--------|
|                                | €'000   | €'000  |
| Interest income on plan assets | 23,708  | 23,362 |
| Remeasurements                 | (3,255) | 28,046 |
| Total return on plan assets    | 20,453  | 51,408 |

At the last funding valuation the company has agreed with the trustees that the contributions for the next eleven years will be increased by €298,000 (2019: €297,000) per calendar month. The total contributions expected to be made to the scheme by the company in the year to 31 March 2020 is €24,819,000 (2019: €26,771,000).

On 26 October 2018, the High Court ruled on an issue that affects members of defined benefit pension schemes who were opted-out of the State Earnings Related Pension Scheme (SERPS) in the 1990s (known as being 'contracted-out'). Following this, the Company recognised the additional liability from Guaranteed Minimum Pensions (GMP) equalisation through past service costs within the profit and loss account in the year to 31 March 2019. This follows the Company not having recognised an allowance for GMP equalisation within the valuation of its liabilities in prior periods.

#### ii) Defined contribution scheme

From 1 October 2002 the company introduced a defined contribution pension scheme for new members joining the company. The pension cost charge for the year was €2,909,000 (2019: €2,167,000) and there are no outstanding or prepaid contributions as at 31 March 2020 (2019: €nil).

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2020 (continued)

### 18 Lease commitments

The minimum future lease payments under non-cancellable operating leases for the year ended 31 March 2019 were:

|                            |       |
|----------------------------|-------|
| <b>Land and buildings:</b> | 2019  |
|                            | €'000 |

Expiring:

|                 |   |
|-----------------|---|
| Within one year | - |
|-----------------|---|

|               |       |
|---------------|-------|
| <b>Other:</b> | 2019  |
|               | €'000 |

Expiring:

|                               |       |
|-------------------------------|-------|
| Within one year               | 230   |
| Within one year to five years | 1,053 |
| More than five years          | 2,071 |
|                               | 3,354 |

Other lease commitments related to the lease of forklift trucks and other handling equipment.

As explained in note 2x) above, the company has changed its accounting policy for leases. On adoption of IFRS 16, the company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. Accordingly, no figures are presented as lease commitments at 31 March 2020. The old and new accounting policies are described in note 2i) and the impact of the change is disclosed in note 2x).

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2020 (continued)

### 19 Contingencies

The company has no contingent liabilities at the year end (2019: €nil). The company has given a guarantee to HM Revenue and Customs for €40,000,000 (2019: €40,000,000) in respect of the deferment payment of customs duty and value added tax.

### 20 Capital commitments

|  | 2020  | 2019   |
|--|-------|--------|
|  | €'000 | €'000  |
| Capital expenditure on fixed assets authorised by the directors and contracts placed at the year end, but not provided for in the financial statements | 6,321 | 13,945 |

### 21 Parent undertakings and related party transactions

The company's immediate parent company is Toyota Motor Europe NV/SA, a company incorporated in Belgium. The company's ultimate parent undertaking and controlling party is Toyota Motor Corporation, a company incorporated in Japan.

The largest and only group into which the results of the company are consolidated is that headed by Toyota Motor Corporation.

As the company is wholly owned by Toyota Motor Corporation, whose consolidated financial statements are publicly available, the company has taken advantage of the relief available under FRS 101 paragraph 8(k) not requiring subsidiary undertakings to disclose transactions with entities that are wholly owned fellow group companies or investees of the group qualifying as related parties. See note 7 for disclosure of directors' remuneration.

Copies of the consolidated financial statements of Toyota Motor Corporation can be obtained from:

Toyota Motor Corporation  
1 Toyota-cho  
Toyota City  
Aichi  
Prefecture 471  
Japan

# **Toyota Motor Manufacturing (UK) Limited**

## **Notes to the financial statements for the year ended 31 March 2020 (continued)**

### **22 Impact of Coronavirus (Covid-19) and post balance sheet events**

Along with all Toyota manufacturing plants across Europe, the company suspended production at both its production sites in Burnaston and Deeside as from 18 March 2020. This decision was taken in response to an uncertain short-term European sales outlook and parts supply difficulties due to the global nature of our business and allowed production to be suspended in a controlled and organised manner. Senior management, as well as certain key functions, remained on site to monitor certain systems and ensure a smooth and safe restart, which took place on 11 May 2020 at Deeside engine plant and 25 May 2020 at Burnaston vehicle plant. During the period of plant stop, the vast majority of members were furloughed on full pay and the company availed itself of the Government's Job Retention Scheme. Additionally the company took the opportunity to defer the VAT payments due between 20 March and 30 June 2020 to March 2021.

During the closure, members were kept up to date through regular contact with line management and through use of the company app, which is available to all members, which, in addition to company news updates also contained articles on mental health and wellbeing and keeping children entertained.

The Covid-19 virus and plant closure has led to a period of uncertainty, which is being constantly reviewed to understand its impact on future operations and customer demand. In terms of the effect on the balance sheet, debtors are much reduced and there has been no impairment of property, plant and equipment.

Production restart proceeded smoothly and safely, with operations safety protocols put in place to ensure a safe and Covid-19 secure working environment. This has not affected either plant's monthly production capacity. The company continues to monitor the economic situation and will adjust volume to meet customer demand as required.