Registration number: 1630491

Mitsubishi HC Capital UK PLC

Annual Report and Consolidated Financial Statements

for the Year Ended 31 March 2025

Mitsubishi HC Capital UK PLC

Contents

Group Strategic Report	1 to 51
Overview	1
Chairman's Statement	4
Chief Executive Officer's Review	6
Non-financial and Sustainability Information Statement	12
Environmental, Social and Governance Review	15
Section 172(1) Statement	29
Risk Review	35
Directors' Report and Corporate Governance Statement	52 to 69
Directors' Report	52
Corporate Governance Statement	62
Independent Auditor's Report	70 to 85
Consolidated Income Statement	86
Consolidated Statement of Comprehensive Income	87
Consolidated Statement of Financial Position	88 to 89
Company Statement of Financial Position	90 to 91
Consolidated Statement of Changes in Equity	92
Statement of Changes in Equity	93
Consolidated Statement of Cash Flows	94 to 95
Company Statement of Cash Flows	96 to 97
Notes to the Financial Statements	98 to 221
Company Information	222 to 224

Mitsubishi HC Capital UK PLC

Group Strategic Report

Overview

The Directors present their strategic report for Mitsubishi HC Capital UK PLC (the "Company"), its subsidiaries and affiliates (the "Group") for the year ended 31 March 2025. The Group financial statements, starting on page 86, comprise the consolidated financial statements of the Company, including its subsidiaries as defined by international accounting standards adopted by the United Kingdom.

Who we are
Mitsubishi HC Capital UK PLC is a UK based non-bank financial services company, authorised and regulated by the Financial Conduct Authority ("FCA"). We have over 2,300 employees, £9.4bn of total assets and over 1.3 million customers across six business units; Consumer Finance, Vehicle Solutions, Business Finance, Business Cash Flow, European Vendor Finance and MHC Mobility Europe, providing innovative finance solutions to enable consumers and businesses to grow and prosper.

We are a subsidiary of Mitsubishi HC Capital Inc., one of the world's largest and most diversified financial businesses. We work with consumers and small to medium enterprises ("SME"s) as well as corporate multinationals in the UK and mainland Europe.

Mitsubishi HC Capital UK PLC has a well-recognised trading style in the market, 'Novuna', which is the primary brand used across the UK business. However, European Vendor Finance trades under the brands of 'Mitsubishi HC Capital UK' in the UK and 'Mitsubishi HC Capital Europe' in the wider European market, in which our European vehicle leasing division operates under the brand name 'MHC Mobility'.

Our vision and values
Our vision is to be one of the most trusted financial services brands in the UK and Europe, embodied in our brand promise: to unlock the potential of individuals, businesses and society by delivering innovative solutions and providing outstanding customer experiences. Our values "Harmony", "Sincerity" and "Pioneering Spirit" reflect our culture and the way we do business. Working in partnership with our customers and each other, we constantly look to add value, improve what we do and deliver on our promises.

Results
Despite significant headwinds faced by the Company over the past 12 months, impacting our customers and the markets we operate in, we delivered a strong performance during the year. Mitsubishi HC Capital UK PLC achieved profit before tax ("PBT") on continuing operations of £120.6m (2024: £133.4m). During the year, the Group recognised £11.5m of pre-tax losses in relation to discontinued operations in Czech Republic, Slovakia, and Hungary (note 12). The results include a £5.0m provision for historical motor commission claims following the Court of Appeal judgement of October 2024 and the ongoing FCA review (note 2.4(f) and note 10). The PBT for continuing operations adjusted for the motor commission provision was £125.6m (2024: £133.4m), 5.8% below prior year primarily due to lower profits on disposal of operating leased assets. Despite uncertain economic conditions, new business volumes increased 6.3% year on year to £4.65bn.

Details of each of the Group's six main business units are set out below.

Novuna Consumer Finance
Novuna Consumer Finance is a UK provider of retail point of sale finance and personal loans with over 40 years operating in the unsecured lending market.

Novuna Consumer Finance provides a national coverage of consumer finance products through well-known high street retail outlets and via an online application process. Novuna Consumer Finance offers a variety of financing options including interest free credit, interest bearing credit and buy now pay later. Novuna Consumer Finance works with over 3,500 online and high street retailers across several retail sectors including home improvements, furniture, electricals, leisure and healthcare. Contracts with our large retailers are typically for 2 to 3 years with agreements for retail point of sale customers having a 3 to 5 year typical life.

Novuna Consumer Finance also offers flexible personal loans of between £1,000 and £35,000, which have a typical life of 2 to 5 years.

Novuna Consumer Finance is careful in its selection of both its retail partners and consumers to maintain a consistent, balanced portfolio and constantly monitors sector concentrations and consumer demographics and performance. Novuna Consumer Finance is focused on delivering excellent levels of customer experience and, through leveraging digital enhancements, making the customer journey frictionless.

Novuna Vehicle Solutions
Novuna Vehicle Solutions has been delivering vehicle leasing and fleet management services for over 30 years: it provides solutions for small, large or complex fleets and operates over 113,000 assets, from cars, vans and heavy goods vehicles to plant and machinery. The division works with companies in a broad range of industries including utilities, construction, food transportation, waste and recycling, public sector and bulk liquids.

Novuna Vehicle Solutions offers a variety of products, including long-term contract hire with maintenance and breakdown to corporate customers, fleet management, personal contract hire, salary sacrifice and sale and leaseback. Contract duration for cars are typically 3 to 5 years and up to 7 years for specialist vehicles. Novuna Vehicle Solutions also provides flexible, short term vehicle rental through a specialist partner.

Novuna Vehicle Solutions offers end-to-end decarbonisation solutions to help businesses of all sizes transition to new, lower carbon technologies. This includes the transition to electric vehicles and hydrogen commercial vehicles, along with developing and delivering charging infrastructure, energy storage, data analysis and reporting solutions.

Novuna Business Finance
Novuna Business Finance provides finance to SMEs and larger corporations across the UK. This includes asset finance, stocking, block discounting and sustainable project finance provided through brokers (including those serving the commercial and farming markets), vendor organisations, manufacturers and direct to the business community.

Novuna Business Finance offers a variety of products including hire purchase, finance lease solutions, business loans, stocking finance and block discounting. Working across multiple sectors, Novuna Business Finance funds a variety of assets including equipment, green assets and technology. Agreement length is typically 4 to 5 years, with block discounting typically 3 years and stock finance less than 6 months.

Novuna Business Finance also provides end-to-end finance solutions to support the development and construction of sustainable energy and transport projects (including onshore wind, solar photovoltaic systems, battery energy storage systems, green hydrogen, air and ground source heat pumps, and solar-thermal) and (sustainable transport technologies (such as Electric Vehicle, ("EV"), charging infrastructure), supporting the decarbonisation of the UK’s infrastructure.

Novuna Business Cash Flow
Novuna Business Cash Flow provides invoice factoring, invoice discounting, debt factoring and payroll finance solutions to SMEs and larger corporate customers across a wide range of sectors in the UK.

The division also provides innovative underwriting solutions and incorporates digital processes throughout the agreement journey to provide clients with fast on-boarding and flexible contracts.

European Vendor Finance
European Vendor Finance provides bespoke, end-to-end finance solutions for specialist assets throughout the whole product lifecycle. Working with our parent company in Japan, European Vendor Finance supports the sales and distribution channels for Mitsubishi and Hitachi Group companies, as well as key Group and global accounts.

European Vendor Finance provides financial solutions for funding stock, demonstration equipment, end user and second-hand equipment across a broad range of industries and asset types, including construction and heavy plant machinery, manufacturing/industrial equipment, healthcare technology, materials handling, sustainable and green solutions and heating/cooling systems. Agreement length for vendor business is typically 4 to 5 years.

European Vendor Finance operates in 24 countries, having a direct presence in London, Amsterdam, Dublin, Helsinki and transactional capability in Belgium.

MHC Mobility
In 2022, the Group incorporated a 100% owned subsidiary, MHC Mobility Europe B.V., which acquired the MHC Mobility subsidiaries from the Group's parent company, Mitsubishi HC Capital Inc.

Operating a fleet of approximately 45,000 vehicles in the Netherlands, Belgium, Germany, Austria, Poland and Hungary, MHC Mobility offers fully integrated leasing and mobility solutions, with a focus on providing end-to-end decarbonisation solutions to help its customers transition from internal combustion engine vehicles to electric vehicles.

Chairman's Statement

Financial results
Despite the volatile economic environment and challenging trading conditions, the Group's new business volumes increased by 6.3% from prior year. Profit after tax in the year to 31 March 2025 was £78.8m, a decrease of 14.9% on the prior year. Profit before tax on continuing operations was £120.6m (2024: £133.4m). Underlying profit before tax of £125.6m (profit before tax less exceptional items, as explained below) decreased by 5.8% on the prior year. The Group saw a strong portfolio growth during the year, however underlying profit before tax reduced primarily due to lower profits on disposal of operating leased assets.

The exceptional item was a provision for redress of motor commissions paid to brokers prior to March 2020 following the recent ruling given by the Court of Appeal and the ongoing review by the Financial Conduct Authority ("FCA"). A provision of £5.0m (2024: £nil) pre-tax was made based upon a weighted average of multiple scenarios of estimated outcomes and an accrual for costs. The scenarios covered a broad spectrum of potential redress outcomes given the uncertainty around the ruling and the appeal that has been heard but is not yet adjudicated by the UK Supreme Court. It is expected that the UK Supreme Court will publish its judgement in July 2025 and then the FCA will complete its review of any remediation in the 2025/26 financial year. Management will revisit the provision estimate based on the outcome of these events.

A loss after tax of £10.3m was recorded on discontinued operations (2024: loss of £8.4m). The discontinued operations were the branch operations of the Polish mobility subsidiary in the Czech Republic, Slovakia, and Hungary. We assessed that they were no longer core operations, and business opportunities that met our risk appetite were not sufficient to support profitable growth.

Dividend
The Directors recommend a final dividend of £32.5m (2024: £37.2m), being 41.3% of after-tax earnings. This aligns with, and supports, our parent company's dividend policy. Profit retained will support business growth and maintain a level of gearing consistent with our parent company. The level of equity retained is adequate to meet the expectations of our funders and regulators.

Performance trends
90% of our assets are in the UK, so our performance is influenced by growth in the UK economy and the local market. The UK economy has suffered from a widely accepted estimate of a permanent drop of 4% in GDP from Brexit. UK GDP has recovered slower than other developed economies since Covid with annual growth of 1.3%, compared to 1.6% for G7 countries, over the last financial year. UK inflation has continued to ease, and interest rates have trended slowly downwards, but are still high compared to the previous decade. This gives the large banks a competitive advantage from their low-cost retail deposits.

We continue to raise the profile of the Group with public debt issues being successfully completed in Euros, Sterling, and US Dollar. Diversifying the providers of our funding helps reduce risks and keep costs down.

The financial services market remains competitive, and margins for good-quality credit transactions have fallen. Despite this slow economic record, Group revenue on continuing operations grew by 12.7% and total assets by 6.9%. We were pleased by this reaffirmation of the quality of our distribution capabilities, despite our cost of funds disadvantage compared to the large banks.

The regulatory landscape continues to become more complex and less certain. The UK government wants to address this; if not addressed, it may reduce the attractiveness of offering financial services.

Outlook
Our business is diversified, serving commercial firms and consumers, regulated and non-regulated business types. Diversity reduces the risk of volatility in our overall results. We avoid concentration of risk in any one customer or sector, except for our geographical emphasis on the UK. We are giving careful attention to European operations for the medium term. The relationships with Mitsubishi companies in Europe are strengthening. We expect the European Mobility companies to make a greater contribution in the coming year.

Growth in renewables and decarbonisation has slowed as financial returns have been challenged by rising costs and fewer financial subsidies. We have continued with our climate action initiatives in the transport sector, where we provide fleet managers with means of reaching 'net zero'. Losses from the fall in resale values of electric vehicles have been mitigated by greater income from other transportation assets.

We plan our services to continue to benefit customers through this period of uncertainty. We believe that affordable fixed-rate finance combined with valuable asset management services will continue to serve customers well and make their investments in growth possible, at a time of much need for this.

Governance and people
We welcomed Osamu Muramoto to the Group Board in October 2024 as non-executive shareholder director. He succeeds Masaki Mizutani, who resigned upon his return to Japan in March 2025. We are grateful to Masaki for his contribution to MHCUK. We also welcomed David Corbitt, Chief Financial Officer, to the Group Board as executive director in April 2025. We heartily welcome Osamu and David.

The Board has enjoyed working with the executive team, who demonstrate traditional leadership, management, and determination for continuing to develop a common culture that drives good outcomes for customers and sustainable financial performance for the Group.

The Group adheres to the Wates Corporate Governance Principles and follows the provisions of the UK Corporate Governance Code to the extent that the Board considers them to be relevant. The Group adopts a prudent risk appetite and has a clear focus on market conduct to provide good outcomes for all its customers.

Thank you
Our people navigated another eventful year for the Group well. We exited underperforming businesses after thorough review, and we continued to grow underlying profit and net assets in an environment which was not encouraging for consumer expenditure, business confidence, and investment. I would like to thank our people, our supportive parent, and my fellow Board members for their contributions throughout the year.



Alan Hughes
Chairman of the Board
10 June 2025

Chief Executive Officer's Review

The UK economy has been remarkably resilient over the last year as recession has been avoided. Flat growth, relatively low Consumer Price Index ("CPI") inflation at 3.4% and stable unemployment at 4.5% are not inspiring, but the decline in consumer confidence and business confidence, as well as the rise of protectionist policy and global conflict, have prolonged a high level of uncertainty. The number of corporate insolvencies in England and Wales remained broadly level with the 30 year high reached in 2023. We have some relief in the form of interest rates gradually declining; however, there is still a high degree of volatility and fluctuation in credit margins almost on a weekly bad news basis which is a direct contrast with the previous decade of almost certainty and stability.

The demand for affordable finance and leasing services has been consistently strong over the last year as companies and individuals needed to finance the purchase of essential business assets and consumer items but spread the cost over the medium term in affordable fixed instalments. We are not a bank and do not have access to a low-interest rate stable deposit base, but we have enjoyed success in raising funds through bank facilities and issuing commercial paper and medium-term notes in global markets, both privately and in public issues. Declining interest rates, and our frequency to market with public issues, is gradually reducing our cost of funds and, over the medium term, is slowly re-building credit margins. Each year the number of competitors slowly decline, but we still operate in a highly competitive environment where seamless digital customer journeys are demanded but highly engaged attentive customer service is also expected in a regulatory environment which is unattractive.

Our business is well diversified across commercial and consumer financing facilities, with no concentration upon any one customer or sector, which reduces the volatility of our results. Similarly, we have continued to diversify our funding, with benchmark public issues in Asia, the UK and Europe, now enjoying a consistent investment following and attracting new funders to the Group. We plan to continue the frequency of public issues over the medium term.

Despite the flat trading conditions, we were able to generate profit before tax on continuing operations of £120.6m, down by £12.8m on prior year, which is largely due to the motor commission provision and lower profits on disposal of operating leased assets due to more normalised used vehicle market conditions. We continued to deliver strong performance by taking the following actions:

- Maintained our new business volumes at a level consistent with the prior year of £4.6bn, resulting in an increase in total assets of 6.9% and net earning assets of 5.2% (see page 9).
- Increased our operating leasing portfolio by 8.5% to £2.9bn.
- Generated gains on disposal of leased assets of £23.9m. This was a reduction in profit of 53.7% over the previous year at £51.6m, however it was a good result in a year which saw a rapid decline in the price of second-hand vehicles.
- Maintained the Group bad debt charge as a percentage of Average Principal Employed ("APE") (page 9) at 0.36%, which was comparable with the previous year of 0.33%.
- Controlled administration costs to a 2.2% increase for the year, through continued cost review programmes, and retaining staffing levels consistent with the prior year.

An exceptional provision of £5.0m was made for the FCA review of discretionary commission arrangements. The Court of Appeal cases in October 2024 added another dimension of fiduciary duty and duty of impartiality in respect of all non-disclosed, and partially disclosed, commissions. The judgement of the Supreme Court hearing in April 2025 of the Johnson, Wrench and Hopcraft cases is not expected until mid-July 2025. A reasonable estimate of liability was made based upon a weighted average of eleven possible scenarios, but there is a significant risk of a material increase or decrease to the carrying amount of the provision within the next financial year. The regulated motor finance personal loan business was discontinued by the Company in February 2020 after writing unsecured personal loans for nearly ten years with an average commission of £758 as we were unable to reach a critical mass and generate an adequate return. We have received over 10,000 complaints and continue to closely monitor developments and legal proceedings.

As a result of an extensive review of the European Mobility operation, it was apparent that the Polish Branch operations in the Czech Republic, Slovakia and Hungary were loss making and forecasted to continue generating losses over the medium term. Our analysis of the operation and potential in the market revealed that the investment required in terms of time and capital would generate greater returns in other markets, hence a decision was taken to discontinue the branch operations and place the portfolios in run off. In the last quarter of the financial year, the majority of the portfolios were sold and the total discontinued operating loss after tax for the year was £10.3m.

Employee engagement and retention

The return to the office since Covid-19, has continued to be hybrid working with team members spending 60% of their week in the office environment. Screen meetings have been beneficial in maintaining good communication with our 21 offices over Europe as well as regular efficient communication with our parent company. The greatest benefit has been with decentralised call centres as we manage peak workflow planning and, more critically, the retention of skilled staff who require flexible working patterns. We will continue to work with the team to adapt and modify our working practices. It has not been an easy process and it takes additional management, resources and compromise from all parties to keep the hybrid approach efficient. However, the benefits in terms of staff engagement and customer satisfaction indicate that our inclusive approach is appreciated. Employee turnover from voluntary leavers has fallen slightly to 7.1% (2024: 10.2%).

To provide outstanding customer experiences, it is essential to have an engaged team. Our hybrid working approach, consistent pay reviews and strong financial performance triggering bonus awards has been appreciated. We continued with the mix of online communication and in person meetings, both formal and informal, which has reinforced the culture and team spirit. Regular pulse surveys and our annual engagement survey, again, revealed improvements across all measurable scores over the prior year.

Investing in our people to help them fulfil their potential is a crucial element of our vision to be the trusted brand of financial services in the UK and Europe, with our mission of exceptional people providing outstanding customer experiences. As part of our commitment to developing the talent of the future, we continued to expand our mentoring and apprenticeship programmes throughout the past year.

Customer satisfaction

An engaged team generally provides higher quality customer experiences, which is reflected in our customer surveys across the business as well as in industry awards and maintaining a strong market position. The tangible benefit is reflected in maintaining the high volume of new business of £4.65bn, which is consistent with the prior year.

Liquidity

The Group has a central Treasury function which manages the Group’s borrowings in accordance with agreed policies and procedures. The Group did not utilise standby facilities or borrowings from our parent company. Debt was raised considering each Business Unit’s funding requirements and portfolio maturity profile. We raised multi-currency fixed and floating rate debt in the major global markets, with three successful benchmark public issues completed in the year. Derivatives were utilised to manage currency and interest rate risks. Analysis of borrowings and derivative financial instruments are summarised in notes 18 and 19 to the financial statements. After reflecting the effect of currency risk hedging, gearing (defined on page 10) has slightly risen to 6.9 times equity (2024: 6.3 times) and is well within the limit of 25 times equity set out in the Company’s Articles of Association.

The maturity profile of our debt is matched to the cashflow maturity of our assets. As we focussed upon longer term facilities, such as operating leasing, the maturity of our debt has increased to 66.5% non-current compared to 54.3% at March 2024. We continue to track liquidity risk and match the repayment profile of debt to the cashflow maturity of the portfolio. The level of support we have received during the year from our traditional investors and interest from investors in new markets has, again, been significant, and we appreciate their support. With a strong equity base and access to global lines of credit, we believe we have sufficient capital to trade should there be a severe downturn in the economy for the remainder of 2025 and the following year.

During the year, the Group continued to sell tranches of instalment finance receivables to special purpose entities. These transactions resulted in full de-recognition of the financial assets concerned from the Group's Consolidated Statement of Financial Position. Further details are contained in note 33 of the financial statements.

Maintaining portfolio quality

The Group's charge for bad debt impairment was £29.8m (2024: £26.1m) which is still very low at 0.32% of total assets (2024: 0.30%) but is slowly rising with the increase in corporate failures and another year recovering from the cost-of-living crisis. The Group bad debt provision decreased to £54.4m (2024: £56.6m). As at 31 March 2024, the Group did not recognise a post model adjustment (2024: £2.3m) as the risk of recession, as in prior years, has been narrowly avoided. The UK economy appears to be very resilient. We note the Bank of England countercyclical capital buffer has been maintained at 2%, reflecting the stable but low growth outlook in 2025. Overall, the quality of the portfolio has remained very consistent with the prior year, as detailed in note 35. We continued to review and update credit underwriting and systems to improve the quality and breadth of data for credit decisioning, continuing to restrict the higher risk categories of business. The relatively low charge for bad debts for the last few years reflects the stability in the credit quality of our portfolios and performance in a period of low growth.

Society's expectations - regulation and reputation

We continue to maintain our oversight and assurance functions, to ensure we have the appropriate level of governance and control arrangements in place to ensure we deliver good outcomes to our customers. Good outcomes for all customers are central to our mission, and we recognise that this is a theme of continuous improvement. The financial reporting implications of the FCA review into motor commissions claims is set out in note 2.4(f) and note 24.

The provision for Section 75 of the Consumer Credit Act of 1974 was utilised to resolve complaints for our customers on a timely basis. The provision decreased by £1.9m during the year as claims were paid out or not upheld. (2024: decrease of £6.4m).

We have achieved strong growth in electric vehicles on our company car fleet with EVs now representing 89%. (2024: 83%) of all company cars. Our company car fleet policy remains at 100% Ultra Low Emission Vehicles.

New business levels for our alternative energy division grew by 29%. We do not fund large scale infrastructure projects; but we continue to target smaller projects amounting to a total of £53.2m (2024: £41.4m).

Key performance indicators from continuing operations:

	2025	Re-presented 2024
Statutory metrics		
Revenue	£1,779.7m	£1,578.6m
Gross profit	£400.3m	£400.1m
Profit before tax	£120.6m	£133.4m
Bad debt charge (i)	£29.8m	£26.1m
Net assets	£1,078.2m	£1,072.4m
Total assets	£9,432.7m	£8,825.1m
Number of employees	2,313	2,286
PBT growth	(9.60%)	(21.64%)
Pre-tax return on total assets	1.28%	1.51%
Bad debt charge as a percentage of total assets	0.32%	0.30%
Cost / gross profit ratio (ii)	60.85%	59.56%
Effective tax rate	26.12%	24.29%
Post-tax return on equity	8.26%	9.42%
Alternative performance measures ("APMs")		
Gross profit excluding disposal result (vii)	£376.4m	£348.5m
New business volume (iii)	£4,650.1m	£4,374.2m
Net Earning Assets (iv)	£8,577.7m	£8,153,3m
Average Principal Employed (v)	£8,324.8m	£7,801.7m
Pre-tax return on APE	1.45%	1.71%
Gearing (vi)	6.89	6.33
Non-financial measures		
Percentage of battery powered electric vehicles on fleet	23.1%	20.5%
Employee Satisfaction "Glassdoor" Score (score out of 5)	4.50	4.13

The figures above represent continuing operations. The prior year comparatives have been re-presented to exclude discontinued operations. The loss after tax on discontinued operations was £10.3m (2024: £8.4m).

(i) Bad debt charge is the same as 'Impairment losses on credit exposures' per the Consolidated Income Statement.

(ii) Cost / gross profit ratio is calculated by taking administrative expenses as a percentage of gross profit as per the Consolidated Income Statement.

(iii) New business volumes reflect gross loans advanced during the year.

(iv) NEA is the most significant measure being reported to the chief operating decision maker and is used in the measurement of key ratios. NEA represent the loans, receivables, finance, and operating lease contracts with customers net of initial direct costs. A reconciliation of total assets to NEA can be found in note 3.

(v) APE represents the average NEA during the year.

(vi) Gearing is calculated as interest bearing borrowings and bank overdrafts divided by total equity.

(vii) Reconciliation of statutory gross profit to gross profit excluding disposal results.

Reconciliation of statutory gross profit to gross profit excluding disposal results

	2025	2024
	£m	£m
Gross profit	400.3	400.1
Sale of operating leased assets	(400.6)	(378.9)
Disposal of operating leased assets	376.7	327.3
Gross profit excluding disposals	**376.4**	**348.5**

Sale of operating leased assets represent the proceeds received on sale of assets under operating leases. Disposal of operating leased assets is the net book value of the associated operating leased assets sold.

Performance summary
The results for the year reflect our continued dedication to providing good outcomes for our customers as our new business levels were strong, credit quality was high, administration costs were well controlled, and profits were realised on asset disposals despite market values declining in the first six months of the year.

No interim dividend was paid during the year (2024: £nil). The Directors have recommended a final dividend of £32.5m, 7p per share (2024: £37.2m, 8p per share) which represents 41.3% of the Group's profit after tax.

The effective tax rate on continuing operations has increased to 26.1% (2024: 24.3%) primarily due to prior year adjustments in the Company.

Business continuity
We performed reverse stress-testing on our loan portfolio to understand the impact of the deterioration of the UK economy on the Group's impairment charge. We projected that UK unemployment would need to rise to 12.0% (2024: 11.6%) and GDP fall by 6.1% (2024: 5.8%) before the Group's impairment charge would result in zero profit in the 2025/26 financial year. We also concluded the Group would continue to have adequate financial resources under a range of other stress scenarios.

Outlook
Our performance since 31 March 2025 has been remarkably strong, with new business volumes in April 2025 being 12.6% over the same period last year. Interest rates continue to slowly decline, but they are still volatile to any bad news in the market. For that reason, we generally issue funding throughout the year with rapid execution. We are expecting low growth in the UK and the EU in 2025 and with uncertainty with US tariffs there is a potential to create further volatility in markets, therefore, maintaining and even improving our service levels is crucial to winning market share and gradually recovering our margins.

Conclusion
Our strategy of offering value added financial products and excellent customer service in our chosen markets is continuing to deliver success, enabling us to grow and, more importantly, remain consistently profitable in a very flat trading environment. We are optimistic that trading conditions are slowly improving, and the demand for leasing products and finance is resilient. We will continue to build upon our solid platform that achieves good outcomes for our customers, delivered by an engaged team.

On behalf of myself and the Board, I would like to thank employees across the Group for their ability to adapt to an ever-changing environment in the 2020s. We have yet to experience a period of sustained strong economic growth without a significant external global risk or disruption. Despite the events of the past year and undetectable growth in the wider economy, we have generated significant new business opportunities, producing yet again a strong profit result.

By order of the Board.



R. Gordon
Chief Executive Officer
10 June 2025

Non-financial and Sustainability Information Statement

This section of the strategic report constitutes the Company's Non-Financial Information Statement, produced to comply with sections 414CA and 414CB of the Companies Act. The information listed is incorporated by cross-reference.

Climate-related disclosures can be found within the Environmental, Social and Governance ("ESG") review on pages 16-27.

Environmental matters

Policies that govern our approach*	Due diligence processes
Business Strategy Policy - The policy is designed to devise and implement a business strategy based upon our vision, brand promise and values that achieves our corporate objectives and is aligned to the Mitsubishi HC Capital Group medium-term strategy	• Ensuring we take account of climate change risks, and potential opportunities, in developing our business model and strategy; • Subjecting our strategic plans to rigorous Board, Group and Executive review, challenge and risk assessment; • Adopting Policy Standards that support adherence to the principles of the policy: - ESG Policy Standard - Strategic Planning Policy Standard

Where to find further information necessary to understand our business and its impacts, including outcomes of our activities:
- Streamlined Energy and Carbon Report, starting on page 26.
- Section 172(1) Statement (The impact of the Company's operations on the community and environment), on page 33.
- ESG review (Environmental, Carbon reduction, Charity and volunteering), starting on page 15.
- the Mitsubishi HC Capital Group Environmental Policy:
https://www.mitsubishihccapital.co.uk/media/imoalwzh/the-mhc-group-environmental-policy.pdf

Employees

Policies that govern our approach*	Due diligence processes
People Policy - The policy is designed to support the long-term vision of the Company, to be 'one of the most trusted financial services brands in the UK and Europe', with a brand promise to unlock the potential of individuals, businesses and society, by delivering innovative solutions and outstanding customer experiences.	• Ensuring that this policy is implemented effectively across the Company through our HR leadership team, engagement with business stakeholders via our Business Partnering model, and oversight by the relevant governance Committees. • Adopting Policy Standards that support adherence to the principles of the policy:- - Health and Safety Policy Standard - Performance Management Policy Standard - Recruitment and Selection Policy Standard - Remuneration Policy Standard - Training and Competence Policy Standard

Where to find further information necessary to understand our business and its impacts, including outcomes of our activities:
- Section 172(1) Statement (The interests of the Company's employees), on page 31.
- Directors' Report (Employees engagement and involvement), starting on pages 52 and 56.
- Corporate Governance Statement (Diversity and inclusion), on page 69.

Social matters

Policies that govern our approach*	Due diligence processes
Business Strategy Policy - The policy is designed to devise and implement a business strategy based upon our vision, brand promise and values that achieves our corporate objectives and is aligned to the Mitsubishi HC Capital Group medium-term strategy.	• Strategically and diligently pursue only those activities that support our culture and core values of Harmony, Sincerity and Pioneering Spirit and to avoid generating non-sustainable profits and the risk of failing to treat our customers fairly or inconsistently with our core values; • Take account of climate change risks, and potential opportunities, in developing our business model and strategy; • Adopting Policy Standards that support adherence to the principles of the policy: - ESG Policy Standard

Where to find further information necessary to understand our business and its impacts, including outcomes of our activities:
- Directors' Report (Stakeholder engagement) , on page 54.
- Section 172(1) Statement (The need to foster the Company's business relationships with suppliers, customers and others; the impact of the Company's operations on the community and environment) , on pages 32 and 33.
- ESG review (Progress on our social and human commitments), on page 28.

Respect for human rights

Policies that govern our approach*	Due diligence processes
Business Strategy Policy - The policy is designed to devise and implement a business strategy based upon our vision, brand promise and values that achieves our corporate objectives and is aligned to the Mitsubishi HC Capital Group medium-term strategy.	• Promote, oversee and support business activities to ensure that the risk of modern slavery and human trafficking in our business and supply chains is eliminated to the maximum possible extent; • Adopting Policy Standards that support adherence to the principles of the policy: - Anti-Slavery and Human Trafficking Policy Standard; - ESG Policy Standard

Where to find further information necessary to understand our business and its impacts, including outcomes of our activities:
- Section 172(1) Statement (The desirability of the Company maintaining a reputation for high standards of business conduct), on page 34.
- Directors' Report (Employees engagement and involvement), starting on pages 52 and 56.
- Corporate Governance Statement (Diversity and inclusion), on page 69.
- Inclusion and diversity performance
https://www.novuna.co.uk/who-we-are/inclusion-and-diversity/
- ESG review (Progress on our social and human commitments), on page 28..
- Anti-Slavery and Human Trafficking Statement 2024:
https://www.mitsubishihccapital.co.uk/media/lrceeyp3/2024-mhcuk-anti-slavery-statement-final-25-09-24.pdf - the Mitsubishi HC Capital Group Human Rights Policy:
https://www.mitsubishihccapital.co.uk/media/0uup42bp/the-mhc-group-human-rights-policy.pdf

Anti-corruption and anti-bribery matters

Policies that govern our approach*	Due diligence processes
Financial Crime Policy - The Company's policy is to deter and detect all forms of financial crime through robust systems and controls by means of: • detailed Policy Standards, processes and procedures covering the key stages of financial crime identification and prevention • handbooks and guidance notes that are made available to the staff implementing these procedures and processes, and • a programme of mandatory financial crime training made available to all relevant staff.	• Periodic assessment of the operational effectiveness of our financial crime controls • Adopting Policy Standards that support adherence to the principles of the policy: - Anti-Bribery and Anti-Corruption Policy Standard

* Certain Group Policies, internal standards and guidelines are not published externally.

Where to find further information necessary to understand our business and its impacts, including outcomes of our activities:
- Section 172(1) Statement (The desirability of the Company maintaining a reputation for high standards of business conduct (e.g. prevention of financial crime), on page 34.
- the Mitsubishi HC Capital Group Code of Ethics and Code of Conduct:
https://www.mitsubishihccapital.co.uk/media/uoscmx25/ethics.pdf

Where **principal risks** in relation to any of the matters listed in the table above have been identified as arising in connection with the Group's operations, these can be found on pages 39 to 47 , including (to the extent relevant) a description of the business relationships, products and services which are likely to cause adverse impacts in those areas of risk and a description of how the principal risks are managed.

Non-financial key performance indicators:
Non-financial key performance indicators can be found on page 9 of the CEO's Review.

Business model and strategy:
Through the use of global funding facilities, we endeavour to keep our cost of borrowing at the lowest possible level as well as maintaining a high-quality portfolio with low bad debts and arrears.

The business model in each of our chosen markets directs us towards writing good quality business with customers who require a high level of service. The customer experience is thus vital for us to be able to generate revenue. Providing good outcomes for customers must be real for the business to ensure we maintain our reputation, transact repeat business and attract new customers. Our reputation is integral to the business model. Factors by which the development, non-financial performance or position of the Company's business, or the impact of the Company's activity, can be measured effectively are described on the following pages of the Group Strategic Report or in the documents referred to below:
- Key performance indicators, on page 9.
- Group Strategic Report starting on page 1.
- ESG review, starting on page 15.
- Inclusion and Diversity at Novuna
https://www.novuna.co.uk/who-we-are/inclusion-and-diversity/

Environmental, Social and Governance Review

Key Achievements as at March 2025

Environmental
• 89.2% Company car fleet Battery Electric Vehicle ("BEV") (2024: 83.0%)
• 64.4% business car fleet electrified (2024: 53.14%)
• £901m on funding Green Assets equating to 11.6% of total NEA (2024:£756m, 10.2% of total NEA)
• Funding £120m for clean energy projects (2024: £103m).

Social
• 32.7% of leadership roles filled by women vs a target of 35.0% by March 2026 (2024: 33.0%)
• Placed 15th in the Inclusive Top 50 Employers index
• 90.0% of colleagues are proud of working for the Company (2024: 91.9%)
• £281k donated to 72 charities and 2,060 hours of volunteering delivered (2024: £218k)

Governance
• 100% of suppliers managed by Group Procurement signed up to MHCUK's Supplier Code of Conduct (2024: 100%)
• Accredited member of the Living Wage Foundation meeting the target of 100% of all directly employed and contractor colleagues paid real living wage (2024: 100%)

Sustainability approach
The Company's approach to sustainability embraces our 'Customer First' culture whilst aligning to the United Nation's Sustainable Development Goals ("UN SDG"s). The Company is focused on areas where its expertise, skills and experience will have a material impact. To achieve its sustainability ambitions, business decarbonisation targets have been set for UK operations to reduce greenhouse gas ("GHG") emissions in alignment with the Paris Agreement. To monitor progress towards wider sustainability commitments, additional KPI's have been identified.

Our aspiration
To direct the flow of finance towards sectors of the economy that have a positive, environmental impact while delivering sustainable, profitable business.

Our commitments

• **Customer first organisation:** Focus on providing high levels of customer experience and maintaining a customer-first culture.

• **Environmental:** To focus our climate action on the transportation sector and provide finance for sustainable projects to support customer's decarbonisation ambitions.

• **Social and human:** Ensure we are a good member of society by investing in colleagues, providing good outcomes to customers, and engaging with the wider community.

• **Governance:** To meet our obligations regarding human rights whilst maintaining compliance with all relevant laws and regulations in alignment with stakeholders' interests.

Climate-related disclosures
This section of the ESG review provides the disclosures required by the Climate-related Financial Disclosure Regulations 2022 as well as sections 414CA and 414CB of the UK Companies Act 2006. Climate-related achievements and strategy are explained as a part of 'Key Achievements and Sustainability Approach' on page 15.

Disclosures	Starting page
Board oversight of climate-related risks and opportunities	Page 17
Management's role in assessing and managing climate-related risks and opportunities	Page 18
Processes for identifying, assessing, and managing climate-related risks	Page 18
(i) Principal climate-related risks and opportunities and (ii) the time periods	Page 18
Impacts of the principal climate-related risks and opportunities	Page 18
Resilience of business model and strategy in different climate-related scenarios	Page 22
Targets used to manage climate-related risks and opportunities	Page 23
Key performance indicators used to assess progress against targets	Page 23

Climate timescales
For risks and opportunities as well as scenario analysis, timescales remain consistent with prior years, considering key factors such as financial planning and business funding cycles, climate reduction timescales and external factors such as competitors.

Timescale	Justification
Short - up to 3 years	Reflective of the average term of funded contracts
Medium - 3-10 years	Reflective of the timeframe opportunities in new markets, or technologies, may need to have a material impact
Long - 10+ years	Reflective of more external factors including planning to reach net zero as a society, technological barriers, customer preferences and physical impacts of climate change.

Material climate-related opportunities
Over the past 10 years, the Company has had climate action as a key focus area. The material opportunities identified and listed are all in progress with aligned timescales relating to when a significant impact can be made.

Climate-related opportunities and risks listed are inclusive of UK operating business divisions only. The extent of MHC Mobility's climate-related matters will be explored in future reports.

Opportunity type **Products and services**	**Opportunity type** **Resource efficiency and energy source**
Decarbonisation of customer fleet: • Providing lower carbon vehicles and related products such as charging infrastructure Project finance: • Increasing funding for Solar Photovoltaic ("PV"), battery storage and EV charging, partnering with like-minded organisations Sustainable funding: • Supporting customers to finance their transition to lower carbon products	Decarbonisation of own fleet: • Continue with BEV only Company car policy • EV chargers at all sites to aid in promotion and use Reduction in own company emissions • All electricity at the sites where power is directly procured is on renewable tariffs, with a view to moving to green energy when supply is more consistent • Efficient and flexible working practices such as Hybrid Working and utilising video conferencing
Timescale:	**Timescale:**
Short, Medium and Long Term	Short, Medium and Long Term
Impact: Climate	**Impact: Climate**
• Reduction in Scope 3 financed emissions, immediate and long term as customers move to greener assets • Contributing to reduced transport industry emissions	• Reduction in Scope 1,2 and upstream Scope 3 emissions • Reduced exposure to fossil fuel price increases
Impact: Financial	**Impact: Financial**
• Reputational benefit from funding greener assets and supporting customers' decarbonisation aspirations resulting in increased revenue • Continue diversification of green assets portfolio, expanding the customer base with a widened product range resulting in increased revenue	• Positive reputation supporting new business wins and leading to increased revenue • Reduction in operating costs through energy efficiency • Reduced business travel, resulting in lower costs

Risk governance and risk management
The Company's Board continued to oversee the sustainability (ESG) agenda, including climate-related matters. The Group Risk Committee ("RC") monitors material climate-related risks as well as reviewing our climate-related risk appetite. The Group Audit Committee's ("AC") responsibilities include review and sign-off of the climate-related financial disclosures. The Board and subsequent Board Committees meet quarterly.

The Executive Committee ("ExCo"), which meets monthly, is the main body that holds responsibility for the review and oversight of risks and opportunities associated with the Company's climate-related strategy. Climate-related opportunities are identified by business divisions during the annual strategy review process and then reviewed by ExCo.

There are two ExCo sub-committees to review and monitor climate-related matters. The first, the Executive Risk Committee ("ERC"), focusses on climate-related risks, in line with the Enterprise Risk Management Framework ("ERMF"). The second, the ESG Environmental Committee, focusses on environmental and climate-related strategies, opportunities, and targets. The two ExCo sub-committees meet quarterly.

Climate risk has been incorporated into the Group's ERMF and its review annual cycle.

An additional ExCo sub-committee, the ESG Social and Human Committee, is in place to ensure appropriate focus is given to Social, Human, and Governance commitments.

Material climate-related risks
The Company has assessed the climate-related risks in the following table to be material.

An additional climate risk identified as one of the 'Principal Risks' of the Company is detailed further in the Risk Review section of this report.

Risk Identification and Timescale	**Key impacts: Climate and financial** **Key mitigations: In place or planned**
Regulatory and legislation: Sustainability related regulatory, or legislative changes adversely impact MHCUK Group or the markets in which it operates **Identification:** -Annual strategic review -Enterprise Risk Management Framework -Scenario analysis **Timescale:** Short, Medium and Long term	**Impact** - Transition: Policy & legal, reputation, market: - Reputational risk if regulatory requirements not met lead to loss of customers - Lack of clarity or sharp change in market legislation, adversely impact on the company meeting strategic goals. - Connected lender liability under the Consumer Credit Act presents a high risk in financing "green home" technology **Potential financial impact:** Decrease in revenue, PBT and net earning assets. **Mitigations:** - Continue working closely with industrial bodies such as the BVRLA/FLA to contribute to industry-wide thought leadership. - We have a diversified sales channels and asset portfolio in place - Monthly horizon scanning reports will continue to be compiled

Risk Identification and Timescale	Key impacts: Climate and financial Key mitigations: In place or planned
Markets and technology: Fluctuating customer demand for greener products, technological change lag enabling MHCUK to build up diversification of green asset types, and the risk of stranded assets. **Identification:** -Annual strategic review -Enterprise Risk Framework -Scenario analysis **Timescale:** Short, medium and long term	**Impact** - Transition: Technology, reputation, market: - Financial impact of being an early investor in new technology; lower returns with higher risk in early years. - New greener technology adoption delay until proven and widely available, with potential financial impacts such as residual values and stranded assets. - Disruption to global supply chains which impacts asset availability, impacting on our key supply chains. **Potential financial impact:** Decreases in revenue, PBT in the short term but increases in the medium to long term as green technology and markets mature. Growth in net earning assets expected throughout. **Mitigations:** - Continue partnering with companies and organisations with aligned aspirations e.g. alternative fuel trials, pilot green asset finance scheme with British Business Bank. - Continue to build on the initial success of solar PV, battery storage and EV charging within proven technology sectors. - Sustainability focussed governance and dedicated teams across the Group will continue researching technological developments and new green assets

Risk Identification and Timescale	Key impacts: Climate and financial Key mitigations: In place or planned
Resale values risk: Climate-change adversely impacts the residual value of assets, and of financing 'greener' assets where the secondary market is unknown or fluctuating so asset residual values cannot be realised. **Identification**: -Annual strategic review -Enterprise Risk Management Framework -Scenario analysis **Timescale:** Short and medium term	**Impact** - Transition: Technology, market: - Disconnect between ZEV Mandate and Government ban of ICE vehicles which continues to impact values of used BEVs, causing decrease in disposal incomes. - Financial impact of "stranded assets" which do not assist de-carbonisation and for which there is little second-hand value and demand, impact on collateral values. **Potential financial impact:** Decrease in revenue, PBT and net earning assets. **Mitigations:** - Continue with resale value risk assessment on all vehicles. - Continue to maximise range of remarketing routes available to the Company. - Continue to enhance asset and asset management knowledge including new, greener assets and associated industries.
Funding risk: Disruption to financial markets due to climate events creating instability to the Company's sources of funding. **Identification:** - Enterprise Risk Management Framework **Timescale:** Long term	**Impact** - Transition: Policy & legal, market: - Delay to becoming a low carbon economy followed by sudden legislative and market changes could impact financial markets leading to instability. - Financial impact on MHCUK of higher cost of funds due to the physical and transition effects of climate risk on the global economy. **Potential financial impact:** Decrease in margin income. **Mitigations:** - Continue with diversified funding sources

Risk Identification and Timescale	Key impacts: Climate and financial Key mitigations: In place or planned
Credit risk: Customers are financially disadvantaged by climate change from transitional or physical impacts and are therefore unable to repay any finance we have provided. **Identification:** - Enterprise Risk Management Framework - Scenario analysis **Timescale:** Medium and long term	**Impact** - Transition: Policy & legal, technology, reputation, market: - Financial impact on MHCUK of bad debts from the transition and physical climate risks affecting customers who are not prepared. **Potential financial impact:** Decrease in revenue, PBT and net earning assets, increase in bad debt charges. **Mitigations:** - Continue to include climate risk considerations in the underwriting process for larger customers. - Credit teams will continue working with the business to develop credit risk parameters for new and existing sustainable markets.
Reputation risk: Ensuring MHCUK does not overpromise the extent to which we are delivering in the sustainability agenda, ensure 'green' products and services are accurately described, and actively avoid 'greenwashing'. **Identification:** - Enterprise Risk Management Framework **Timescale:** Short, medium and long term	**Impact** - Transition: Policy & legal, technology, reputation, market: - Financial impact of lost business from detriment to reputation or penalties. - The Group's ability to recruit and retain talent in future. - Customer detriment from a lack of fair, clear and transparent communication. **Potential financial impact:** Decrease in revenue, PBT and net earning assets. **Mitigations:** - Continue to review anti-Greenwashing guidance and regulation as it evolves and action as appropriate. - Continue to review and research green assets credentials, accurately define green assets on our book

Scenario analysis
Phase 2 scenario analysis began with a qualitative review of four in-scope commercial business divisions - Novuna Consumer Finance, Novuna Vehicle Solutions, Novuna Business Finance and European Vendor Finance. The review was conducted following the Bank of England's Climate Biennial Exploratory Scenarios ("CBES") methodology. The CBES methodology was selected because data and commentary provided for CBES aligns with the key areas of our business and strategy such as EV, renewable energy, retail and construction.

Phase 3 will begin in the near future, enabling us to conduct quantitative analysis.

Outcome
The scenario analysis is currently in an exploratory phase and is still being refined. Risks identified by each business division are in line with the Enterprise Risk Management Framework. Opportunities identified through strategic planning focus on areas where the Company have experience and expertise.

Further details can be found in the Material Climate-Related Risks and Opportunities sections of this ESG Review.

Scenario	Resilience analysis outcome and potential key risks identified
Early action	The least impactful scenario on the Company. An overarching theme, which could adversely impact business, was identified; 'uncertainty regarding rapidly changing government policy, regulations, legislation and taxation.' The risk of entering new green technology markets is the uncertainty of secondary asset markets for stranded assets and residual values, potentially leading to credit losses. However, the risk of falling behind competitors in green offerings could result in losing market share and customers.
Late action	An increase in government policy and regulations could mean products and services do not remain compliant, resulting in stranded assets. SME's and smaller suppliers could struggle to keep up with the fast-changing environment which could impact on the Company's ability to meet its strategic objectives. Additionally, it could potentially impact borrowing margins.
No additional action	Identified as the most impactful scenario on the Company. Although no material risks have been identified in the short term, the increasing severity and frequency of climate events poses potential material long term risks to the business, which could negatively impact on its ability to meet strategic goals.

The outcome of the scenario analysis, along with the mitigating actions outlined in the climate-related risk table above, is that the Company considers the residual risk to be low and it is resilient to climate change risks.

Refining decarbonisation targets

In 2025, the Company began reviewing its decarbonisation targets to ensure alignment with evolving business priorities, regulations, and customer expectations. The Company recognises that stakeholder engagement and government policy is essential to meeting decarbonisation targets. All targets are linked to the material risks identified in Risk Governance and Risk Management section.

Business decarbonisation targets ("BDTs")
BDTs were refreshed but still encompass electrification of the Company's own car fleet and the business fleets. An additional, specific target has been set for larger vans and HGV's reflecting the Company's active projects to pioneer hydrogen as an alternative, sustainable fuel. These targets are all set with the ZEV Mandate and Climate Change Committee ("CCC") Balanced Pathway scenario 2035 in mind.

Group decarbonisation target
The Company recognise that the aim to have 20% of assets directly connected to climate action and affordable clean energy by March 2025 was ambitious. Due to changes in the business environment and focusing on customers' requirements we were not able to achieve this. However, we remain committed to addressing climate action and will define a meaningful Group target in the next financial year. The 31 March 2025 Green Assets total has been calculated to highlight the progress made year on year for transparency.

Company emission reduction targets
These targets remain unchanged, using 31 March 2020 as the baseline, and reflect the Company's ongoing commitment to emission reduction.

Business decarbonisation targets and metrics

Target/aspiration
MHCUK aspires to electrify* 100% of its own company car fleet by March 2028.

KPI/metric	31 March 2025	31 March 2024
% own company car fleet BEV*	89.2%	82.8%

* Electrify is BEV only

Target/aspiration
MHCUK aspires to electrify 100% of its business** car fleet by March 2030.

KPI/metric	31 March 2025	31 March 2024
% VS electric business car fleet	64.4%	53.1%

**Includes direct business only (excludes business conducted via brokers)

Target/aspiration
MHCUK aspires to electrify 70% of its new, light commercial vehicle*** business fleet by March 2030.

KPI/metric	31 March 2025	31 March 2024
% VS new additions small van fleet BEV	7.5%	-

***Light commercial vehicle is 2.8 tonne and under

Target/aspiration
MHCUK will actively support customers transition larger vans and heavy goods vehicles to alternative fuels, reducing CO2 emissions by 50%, no later than March 2040.

KPI/metric	31 March 2025	31 March 2024
% of new additions larger vans & HGVs electric / alternatively fuelled	7.9%	-

Group decarbonisation target and metrics

Target/ aspiration
Have 20% of our assets directly connected to climate action and affordable clean energy by March 2025.

KPI/metric	31 March 2025	31 March 2024
NEA green assets (£m)	£901m	£756m
Green assets percentage (%)	11.6%	10.2%

****Prior year figures (originally reported as £718m, 9.7%) have been restated to reflect a change in methodology applied for March 2025 (the inclusion of sustainable project finance asset along with the removal of recycling and electric construction equipment). All information regarding methodologies can be found on the MHCUK website.

Company emission reduction targets

Target/aspiration
MHCUK commits to reduce absolute Scope 1 and 2 GHG emissions by 50% by March 2030 from financial year ending March 2020 (base year) and, commits to continue to source 100% renewable electricity annually by year end March 2030.

Target/aspiration	31 March 2025 (from base year)	31 March 2024 (from base year)
50% reduction in Scope 1 and 2 emissions (tCO2e) by March 2030	41%	44%
Source 100% renewable electricity annually by year end March 2030.	100%	100%

KPI/metric	31 March 2025	31 March 2024	31 March 2020 (Base Year)
Emissions intensity*****: Scope 1 and 2 per FTE	0.33	0.32	0.73
Operational emissions: electricity consumption (tC02e)	410	376	546
Operational emissions: Gas consumption (tC02e)	9	9	16

****Emissions Intensity KPI excludes any Scope 3 emissions and therefore differs to that reported in the Streamlined Energy and Carbon Report

Target/aspiration	Future plans
Reduce absolute Scope 3 emissions from business travel, employee commuting, and waste by 30% by 2030 Reduce absolute Scope 3 GHG emissions from downstream leased assets by 30% by 2030	Scope 3 upstream and downstream emissions are being monitored internally as we enhance our data quality. This will enable us to set meaningful KPIs/metrics in the next financial year.

Analysis of decarbonisation targets

The increase to 89.2% fully-electric own company car fleet is due to the BEV-only company car policy. The remaining 11% is mostly hybrid and targeted for full electrification by 2028. Financial year 2025 is the base year for the two new BDTs set in March. Analysis of progress will be reported in March 2026.

Although the aspirational group target related to green assets was not met, good progress was made. Green assets grew by £145 million (19%) year-on-year, now representing 11.6% of total NEAs, driven largely by the Company providing more EV's to customers. Of total green assets, 97% are in lower emission vehicles (BEV 77%, hybrid, and plug-in hybrid 20%) reflecting our Sustainability Strategy to focus on areas where we have expertise and experience. The remainder includes renewable energy projects such as battery storage, wind and solar.

The Company has met its target of using 100% renewable electricity at sites where we procure our own. Additionally, we are on track to achieve scope 1 and 2 emissions target (defined as Company Emission Reduction target) by year end March 2030. Further detail regarding scope 1,2 and 3 and associated analysis can be found in the Streamlined Energy Carbon Report (SECR) section.

Streamlined Energy and Carbon Report

Scope 1 emissions (direct)

Energy type	Definition	Total volume (kWh)		Calculated emissions (Tonnes of CO2e)	
		2025	2024	2025	2024
Gas	Emissions from combustion of gas	48,735	49,852	8.9	9.1
Transport	Emissions from combustion of fuel for transport purposes	827,160	858,404	188.4	196.5
Total		**875,895**	**908,256**	**197.4**	**205.6**

Scope 2 emissions (indirect)

Energy type	Definition	Total volume (kWh)		Calculated emissions (Tonnes of CO2e)	
		2025	2024	2025	2024
Electricity	Emissions from purchased electricity	1,981,421	1,814,475	410.3	375.7
Total		**1,981,421**	**1,814,475**	**410.3**	**375.7**

Scope 3 emissions (other indirect)

Energy type	Definition	Total volume (kWh)		Calculated emissions (Tonnes of CO2e)	
		2025	2024	2025	2024
Transport	Emissions from business travel in rental cars or employee owned vehicles where the Company is responsible for purchasing the fuel	105,400	104,013	25.2	25.1
Total		**105,400**	**104,013**	**25.2**	**25.1**

Streamlined Energy and Carbon Report

Total emission scope summary

	Total volume (kWh)		Calculated emissions (Tonnes of CO2e)	
	2025	2024	2025	2024
Total gross emissions Scope 1, 2 and 3 (transport only)	**2,962,716**	**2,826,743**	**632.9**	**606.4**

	2025	2024
Number of Full Time Equivalent (FTE)	1,836	1,800
Intensity ratio: CO2e emissions per FTE (tCO2e/FTE)	0.34	0.34

Energy efficiency action and analytical review
Total emissions increased by 4% year on year. Gas consumption decreased by 2% in both kWh and tCO_2e, reflecting lower usage at the two Company sites that use natural gas. Electricity consumption increased by 9% in both kWh and tCO_2e, primarily due to increased EV charging across the sites as a result of promoting the transition of the Company car fleet to BEV-only.

Despite overall business mileage increasing by 8%, company car emissions fell by 4%. This can be attributed to a 25% increase in business miles driven in Company EVs. Additionally, the emissions factor used from the UK Government's conversion factors to calculate EV-related emissions decreased by 14%. There is no significant change in transport by personal cars since last year.

Since 31 March 2022, the SECR report has been prepared internally.

For detailed energy efficiency activity, refer to the latest Carbon Reduction Plan:
https://www.mitsubishihccapital.co.uk/sustainability/Resources

Reporting methodologies
The Company has taken guidance from multiple standards and well-known protocols for calculating GHG emissions. Additional information can be found on the MHCUK website:
https://www.mitsubishihccapital.co.uk/sustainability/Resources

Environmental, Social and Governance Review

Progress on our social and human commitments

Customer and colleagues
The Company continued to commit to providing good outcomes to customers and focusing on colleague engagement. More information can be found in the Directors' Report.

Charity and volunteering
Group charity partners this year were The Wildlife Trusts, Crisis, Young Enterprise and Unseen. These charities are aligned to the Company vision and values and the United Nation's Sustainable Development Goals. Colleagues' fundraising activities continue to be supported through £ for £ match funding. Volunteering also remained a key focus providing a direct impact on local communities.

Further information can be found below:
https://www.novuna.co.uk/who-we-are/sustainability/charities-and-volunteering/

Governance
In March 2024 a gap analysis was undertaken with charity partner Unseen to review the Company's approach to modern slavery. A working group led by the Chief Legal Officer is now implementing Unseen's recommendations. These include enhanced training for identified colleagues, enhancements to relevant e-learning modules and implementing updates to relevant policy standards.

The Company's approach to ensuring suppliers adhere to the Code of Conduct can be found in the Directors' Report.

For details of overall governance please see the Corporate Governance Statement in this report and below:
https://www.mitsubishihccapital.co.uk/sustainability/governance/.

Section 172(1) Statement

This statement forms part of the Group Strategic Report and describes how, throughout the year ended 31 March 2025, the Directors have had regard to the matters set out in section 172(1) of the Companies Act 2006 when performing their duty under section 172 to promote the success of the Company.

Role of the Board
The Board's primary responsibility is to promote the long-term success of the Group by creating and delivering sustainable shareholder value, whilst contributing to wider society. Details of the role and operation of the Board are set out in the Corporate Governance Statement, which starts on page 62 of the Annual Report. Successful delivery of the Group's strategic plans relies on key inputs from, and positive relationships with, a wide range of stakeholders. The section of the Directors' Report headed "Stakeholder engagement" starting on page 54, explains how the Board has engaged with the Group's key stakeholders (including the shareholder and investors, employees, government and regulators, customers and suppliers). Further detail is provided below on how the directors have considered employee interests, the need to foster business relationships with suppliers, customers and others, and the effects of those considerations, including on the principal decisions taken during the financial year.

Governance
The Company applies the Wates Corporate Governance Principles ("Wates Principles") as the most appropriate corporate governance framework for the Company. These principles provide a code of corporate governance for large private companies and unquoted public companies to raise awareness of good practice and to help to improve standards of corporate governance. They also support the Directors in meeting the requirements of Section 172 of the Companies Act 2006 by providing guidance on the following areas:
- Purpose and leadership;
- Board composition;
- Director responsibilities;
- Opportunity and risk;
- Remuneration; and
- Stakeholder relationships and engagement.

The Corporate Governance Statement includes an explanation of how the Company has applied the Wates Principles during the year.

Activities of the Board during the year
Engaging with stakeholders to deliver long term success is a key area of focus for the Board and all decisions take into account their impact on stakeholders. Views of stakeholders are gathered in Board papers and inform the decisions made in Board meetings. Agenda items include reports from the Chief Executive Officer, the Chief Financial Officer and each Board committee. Other updates throughout the year came from various businesses units and key functions, including Treasury, Operations and Human Resources, as well as the Company Secretary.
During the year, Board meetings were held at various sites around the Group, usually preceded by a presentation to the directors by the senior management of the host business unit. The visits were designed to provide directors with a deeper insight into certain business operations.

The various different categories of stakeholder can be impacted by, or benefitted from, decisions made by the Board in different ways. However, the Board is committed to ensuring that the Directors have acted (both individually and collectively) in the way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its shareholders and have regard (amongst other matters) to the matters set out in paragraphs (a)-(f) of Section 172(1) of the Companies Act 2006, as set out below:

Section 172(1) Statement

Section 172(1)	Decisions / interactions
a) The likely consequence of any decision in the long term.	The Board annually approves a three-year medium-term plan on a rolling basis and oversees its implementation throughout the year by way of detailed reports from executive management on the Group's operating and financial performance. This includes monitoring progress against key strategic programmes as well as considering the allocation of capital to support the rolling medium-term plan. In approving the plan, the Directors also consider external factors such as competitor behaviour, the performance of the financial services sector, and the evolving economic, political and market conditions. The Company has an established risk management framework, which is managed by a team led by the Chief Risk Officer, who provides regular reports to the Group Risk Committee and, on matters of material significance to the Group, to the Board itself. The Company's central treasury function, in conjunction with the Treasury Committee, continues to arrange funding to meet the short-term, medium-term and long-term needs of the business. When making decisions, the Board takes into account the likely long-term consequences. In its consideration of any proposals to declare dividends, these include the potential impact on the Company's defined benefit pension scheme. However, having completed a "buy-in" in respect of the scheme in March 2025, the Company has removed the investment and longevity risk associated with managing the scheme's assets and liabilities. This year, the Board concluded that there was no reasonable prospect of the loss-making branches of MHC Mobility Poland (in the Czech Republic, Slovakia and Hungary) becoming profitable in the foreseeable future. The Board therefore approved sales of the assets of these branches and their closure, despite the discontinuation crystallising a loss in the year. Mindful of the number of claims and complaints relating to motor finance commissions which will need to be dealt with in the future (irrespective of the outcome of the recent Supreme Court hearing, when published), the Board oversaw an increase in staffing in the Customer Experience team in Novuna Consumer Finance, as well as investment in a more robust customer care platform and various related process improvements. The Board also approved a financial provision, based on a reasonable estimate of the Company's likely liability to eligible claimants.

Section 172(1) Statement

Section 172(1)	Decisions / interactions
b) The interests of the Company's employees.	The Directors understand the importance of the Group's employees to the long-term success of the business. The health (including mental health), safety and welfare of employees remains a major priority for the Group. It became a matter of particular focus during the Covid-19 pandemic and remains a key factor in the Board's decision-making, especially in the context of continued pressures on the cost of living. Since the pandemic, the Company has moved to a hybrid way of working. Information about the ways in which the Board and executive management have communicated and engaged with employees during the year are included in the Directors' Report, which starts on page 52. Details of the various initiatives which are in place to support the wellbeing and development of employees, and to promote diversity and inclusion in the workforce, are set out in the ESG review in the Group Strategic Report and the Stakeholder Engagement section of the Directors' Report. The Company is a Disability Confident employer, which means itis committed to ensuring its recruitment practices are inclusive and accessible. The Board is responsible for overseeing the Company's progress in closing the gender pay gap and publishes each year a Gender Pay Gap report. Details from the latest report can be found in the "Colleagues and Culture" section of the ESG review.

Section 172(1) Statement

Section 172(1)	Decisions / interactions
c) The need to foster the Company's business relationships with suppliers, customers and others.	The Board regularly reviews how the Group maintains positive relationships with its stakeholders, including suppliers, customers and others. The Group maintains a strategic relationship management programme, overseen by the Group Procurement team, for all suppliers considered to be “critical” or “strategic” to the business. This programme requires the business “owner” of the relationship with each supplier to hold regular review meetings with “strategic” suppliers and “critical” suppliers. In addition, annual due diligence reviews of each significant supplier are undertaken and a monthly critical supplier risk review is circulated to business owners. The Board receives regular reports in respect of important suppliers, including any material operations which are outsourced to a third party. The Company has a Supplier Code of Conduct, which all suppliers to the Group are required to adopt and follow (unless they follow a code of their own which commits them to demonstrate equally high standards of conduct). The Supplier Code of Conduct is reviewed regularly to ensure it meets the Group’s requirements. Similar arrangements are maintained with business introducers, such as brokers, retailers and aggregators. The Company is committed to providing outstanding customer experiences on a consistent basis. Details of the steps taken during the year to deliver this commitment are set out in the ESG review in the Group Strategic Report, starting on page 15. Following their successful implementation last year, the Company continued to embed the FCA’s Consumer Duty rules into the DNA of those business units which conduct regulated business. The statement of the Group’s principal risks and uncertainties in the Group Strategic Report sets out risks that can impact the medium-term and long-term success of the Group, taking account of how these risks may impact upon the Company’s relationships with its stakeholders. The Directors receive regular reports from the Chief Executive Officer, Chief Financial Officer, Chief Risk Officer and Director of Operations to ensure that they have sufficient information to make appropriate decisions about the risks faced by the Group and how these are reflected within its medium-term and long-term plans.

Section 172(1) Statement

Section 172(1)	Decisions / interactions
d) The impact of the Company's operations on the community and environment.	The Board and the Company are fully committed to making a valuable contribution to society and the environment in which the Group operates. This commitment is encapsulated in the Group's Environmental, Social and Governance (ESG) Policy Standard and is embedded in its culture, which aligns with the fundamental philosophies of the Company's shareholder and its associated companies. As a subsidiary of Mitsubishi HC Capital Inc, the Company has adopted both the Human Rights Policy and the Environmental Policy of the Mitsubishi HC Capital Group, which set out principles of conducting business with the utmost respect for human rights and in harmony with the environment and society. "Communities" and "Sustainability" are two of the five key elements which form part of our ESG reporting. The Company continues to work towards a cleaner, healthier, and more sustainable future. The Board continues to align the business to the UN Sustainable Development Goals by investing in employees and future talent and through supporting society and the communities in which we live and work. Further information, including detail of the activities of staff and initiatives undertaken by the Company, is provided in the ESG review in the Group Strategic Report.

Section 172(1) Statement

Section 172(1)	Decisions / interactions
e) The desirability of the Company maintaining a reputation for high standards of business conduct.	The Directors take the reputation of the Group very seriously and this is not limited to operational and financial performance. As a subsidiary of Mitsubishi HC Capital Inc, the Company has adopted the Mitsubishi HC Capital Group Code of Ethics and Code of Conduct, which provide comprehensive guidance on how to conduct business in an ethical manner. The Board is committed to high standards of corporate governance. The Company not only applies the Wates Principles of Corporate Governance but also takes into account the principles and provisions of the UK Corporate Governance Code to the extent that the Board considers them to be proportionate and relevant to the Company. The Company is committed to preventing, deterring, and detecting all forms of financial crime such as money laundering, fraud, terrorist financing, bribery and corruption and market abuse. The Board ensures that the Group Financial Crime Prevention Team remains fully resourced and that it continues to provide regular reports to the Group Risk Committee in line with the Company's Financial Crime Policy Statement. During the year under review, the Company established an initiative to ensure compliance with relevant provisions of the Economic Crime and Corporate Transparency Act 2023, including implementing reasonable measures designed to prevent internal fraud being committed which will be in place no later than September 2025. The Board remains determined to ensure that the Company meets, or exceeds, its legal obligations to ensure that neither modern slavery nor human trafficking occur in its business or in its supply chains. The Company continues to be accredited as a "Real" Living Wage Employer by the Living Wage Foundation.
f) The need to act fairly as between members of the Company.	The Company has only one shareholder, Mitsubishi HC Capital Inc. There is therefore no possibility of a conflict of interests arising between members of the Company in the foreseeable future. However, in order to ensure that the Company and its shareholder continue to act in a manner which respects the legal, regulatory and cultural expectations in the UK and Japan respectively, the directors and management of both companies continue to work on the framework designed to promote appropriate levels of co-operation, consultation and exchange of information between the Company, its subsidiaries and its shareholder.

Risk Review

Executive summary
The business has continued to perform profitably within its documented risk appetite in a further year of macro-economic and geo-political challenges. Global unrest has continued with the conflict in Ukraine and ongoing instability in the Middle East creating economic uncertainty. The long-term impact of the new USA administration's agenda on the global economy and geopolitical tensions continues to be assessed. The current prevailing view is that associated uncertainty will hinder near term investment and growth prospects for the UK and European economies.

In the UK, inflation has reduced from its peak, albeit remaining in excess of the Bank of England's target, reflecting a combination of slowing prices in various sectors and economic adjustment. Interest rates while gradually reducing over the last 12 months remain higher than those experienced in the last decade, and the UK economy has continued to show little near-term growth potential. Prospects for further reductions in interest rates in the near term are unclear as inflationary pressures continue.

The Group continues to maintain a diversified funding base, managing the term of debt to exceed that of the Group's net earning assets (page 9) and spread borrowings maturities to minimise roll-over risk. Identifying alternative low-cost funding solutions remains a key focus. To illustrate this, the Group undertook a successful bond offering in the Asia-Pacific region during the year. In recognition of increased stability and more geographically diverse funding sources the Group reduced the residual risk rating for interest rate volatility impacts to below credit risk which has reverted to being the Group's highest rated residual risk.

Achieving adequate margins on new business continues to be a key risk in highly competitive markets addressed through careful management by our central Treasury function and focus on the quality of new business acquisition. Margin compression is managed through effective rate management. We have continued to be well hedged throughout the year and operated in line with our Risk Appetite, with strong oversight by the Group Treasury Committee.

Risk associated with the adequacy of residual value estimation at the outset of vehicle operating lease contracts has received considerable attention throughout the year. EVs in particular have seen declines in per unit disposal proceeds over the last two years. With new entrants into the UK and European markets and subdued demand for EVs, our risk mitigation approach has included new metrics for managing residual value risk appetite have been introduced and are closely monitored through our risk governance arrangements. Changes to the US tariff regime have potential to create further volatility in markets for new and used vehicles.

Gradual and marginal improvements in the cost of living and small reductions in interest rates have benefited our customer base. Arrears in both consumer and commercial portfolios have fallen steadily throughout the year, resulting in a more resilient, stable portfolio. Insolvencies in Novuna's commercial portfolio have remained largely stable throughout the year and this combined with higher recovery rates has led to lower commercial credit losses. Our Collection Departments have continued to offer affordable repayment options for those customers who may have experienced financial difficulties. This, in combination with a well secured commercial loan book, has resulted in credit losses remaining within budgeted levels.

The Group continues to place a high level of importance on delivering good outcomes for customers and the failure to deliver good customer outcomes has long been recognised as a top risk within the Company. The continued impact of the cost of living crisis on UK consumers and on-going importance of FCA's Consumer Duty rules have meant that this has remained an area of enduring focus for the Board and Executive Management throughout the year, with continued investment in, and oversight of, our frameworks to ensure we continue to be able to deliver good outcomes to customers.

Risk Review (continued)

During the year we have maintained our efforts to ensure we are able to support customers during the continuing cost of living crisis; these have included further enhancements to our affordability framework, our support offered to customers in financial difficulty, and the frameworks in place to ensure that we are able to communicate with customers in a clear, transparent, and timely manner. In the previous year we noted a modest increase in contact from customers who may be in financial difficulty. These levels of contact have largely remained stable, but in recognition of the continued financial strain being felt by many UK consumers we have continued to invest in training to our customer-facing staff and our systems and tools to support customers during these difficult conversations.

We place a strong reliance on the Group's Quality Assurance oversight to ensure that we are continuing to provide support to our customers, and to communicate with them clearly and fairly. Conduct Risk and customer treatment metrics have remained strong during the year, and these are kept under constant review by senior management as part of the work of the Group's Customer Experience Committee.

Like many other lenders in the market, we have seen a significant increase in complaints and enquiries received in respect of legacy Motor Finance Commission arrangements, much of which has been driven by Claims Management Companies. In response to the increased volume of these enquiries and complaints, additional resources have been allocated to the Customer Experience team within our Consumer Finance division to ensure that we are able to log, record, and provide responses to customer contact on this matter. We also await the outcome of the appeal in respect of motor finance commission matters heard by the UK Supreme Court in early April 2025.

During the year, management of complaints received via e-mail transitioned onto a more robust customer service platform providing an improved ability to manage complaints. The implementation of this platform, alongside other process improvements, have been important initiatives to ensure that we are able to continue to support our customers and deal with the unprecedented increase in volumes, largely driven by Motor Finance Commission complaints.

Complaint volumes are kept under regular review by management, with appropriate learnings taken as part of a process of continual improvement to our processes to deliver good customer outcomes.

Sanctions compliance has remained a key risk since the invasion of Ukraine and as a consequence of the conflict in the Middle East. The Group deploys a comprehensive customer screening tool which can detect sanctions and high-risk customers in a timely and efficient manner.

We are committed to minimising fraud, including online fraud, and have made further investment in tools to increase our effectiveness in this area. As a result we identified and prevented 99% (2024: 87%) of potential frauds before they took place and managed our total fraud losses to an amount 43% less than last year.

Across the industry, cyber-security breach trends in 2024/25 remained consistent with previous years. Phishing attacks and lost or stolen user credentials remain by far the most likely and costly type of breaches seen in the industry. According to IBM Cost of a Data Breach Report 2024, the average cost of a data breach continues to increase. Financial services remained the second most costly sector, with an average breach costing £4.5m.

Risk Review (continued)

In recognition of the continued high cyber risks both within the UK and, specifically, the financial services sector, during the year the Group has continued to invest in developing information security people and processes as well as in industry-leading technologies. During the year the Group successfully maintained the UK Government recognised Cyber Essentials certification for certain aspects of our service offering, ISO27001:2022, and, maintained compliance with the Payment Card Industry Data Security Standards ("PCI-DSS"). During 2024, there was a robust programme of phishing exercises and education, with additional targeted exercises on potentially higher-risk staff members. We have continued to enhance our information security suite of tools and automated a number of high volume tasks to enable greater focus on high value activity. Vulnerability management and penetration testing programmes have continued to operate across the entire estate, alongside continuous security logging, monitoring, alerting and remediation.

Since the FCA signalled their intent in 2020 to introduce new rules on Operational Resilience our operational resilience framework has been an area of significant investment. During the year we have built on previous work undertaken to identify our Important Business Services and define tolerances for acceptable outage of services, primarily through the delivery of a series of operational resilience tests across the business to assess the extent to which our Important Business Services are able to withstand extreme but plausible scenarios of disruption, process and vulnerability mapping. The transitional period for implementing the Operational Resilience rules ended on 31st March 2025. The annual Operational Resilience Self-Assessment has been undertaken. Results and recommendations are scheduled to be reported to the Board in July 2025.

We also recognise an increasing reliance on third parties in delivering our activities. Whilst the targeted and efficient use of third-party services can deploy specialised skills that we do not have in-house, we understand the associated risk of that reliance in terms of the quality and continuity of the provision of our services. We have therefore undertaken work to understand where our key third party dependencies are across the business and have documented our layered approach and recovery plans in the event of service outages or that any of these third parties are unable to continue to provide services.

Risk management framework
In order to manage the risks we face, MHCUK has a clearly defined Risk Management Framework, maintained and developed by Group Risk & Compliance team, led by the Chief Risk Officer, who reports to the Chief Executive Officer and is a member of the Executive Management team. The Risk Management Framework is overseen by the Board with certain responsibilities delegated to the Group Risk Committee, which is chaired by an appropriately skilled and experienced independent non-executive director.

Key elements of that framework include:

Risk governance - A clear model for effective Board and Executive level governance of the reporting, escalation and management of risk. In line with our “three lines of defence” model outlined below, each 1st Line Business Unit and Central Function has a Risk Committee (or equivalent forum) reporting to the Executive Risk Committee (the most senior executive level risk committee), which in turn reports to the Group Risk Committee. Additional oversight of risks takes place at the following 2nd Line Committees, which also report to the Executive Risk Committee - for Conduct and Operational Risks: the Operational Risk and Compliance Committee; for Financial Risks: the Credit Risk Committee and Treasury Committee; and for Information Security and Cyber Risk, the Group Information Security Committee.

Risk Review (continued)

Relevant management information designed to allow for the effective management of risks within their remit is supplied to the various committees. A description of the composition and operation of the Board and its committees can be found within the Corporate Governance Statement starting on page 62.

A 'three lines of defence' model providing clear segregation of responsibilities between the 1st Line of Defence (Business Units and Central Functions, with the primary responsibility for identifying, assessing and mitigating risks within their sphere of responsibility and the maintenance of quality); the 2nd Line of Defence (whose primary responsibility is the development and maintenance of the Risk Management Framework and the provision of oversight, advice and challenge to 1st Line areas); and the 3rd Line of Defence (Internal Audit, which is tasked with providing assurance to the Board on the overall effectiveness of the 1st and 2nd Lines of Defence and the overall robustness of internal controls throughout the organisation).

The principles of the three lines of defence model are aligned with Japan's Financial Instruments and Exchange Law ("J-SOX") control framework. In the J-SOX process the 1st Line of Defence tests their controls, the 2nd Line of Defence manages the J-SOX programme and assesses the 1st Line's testing of controls, the 3rd Line provides an assurance opinion to the Board and parent company over the overall effectiveness of the approach and its performance. For FY25/26 a plan to implement Category 1 J-SOX compliance in the MHC Mobility businesses is to commence. This will introduce detailed testing and assessment of the key controls that drive financial reporting using the same approach as the UK business.

Risk culture, awareness and training - A range of mechanisms to promote and reinforce the importance of risk management and the maintenance of high quality customer outcomes throughout MHCUK.

Policy framework - A clear set of policy statements, standards and supporting processes and procedures to articulate to staff and other stakeholders how we manage risks across our risk categories.

Risk appetite framework - Formalised quantitative and qualitative statements and measures approved by the Board designed to articulate the risks that the Group will and will not accept in achieving its strategy.

R**isk categories** - A library defining the hierarchy from high level categories down to more granular risk types that the Group is exposed to.

Risk processes - Processes designed to document and manage key risks that may arise using consistent risk assessment and evaluation techniques, including Incident Management Protocols and Disaster Recovery and Business Continuity Plans.

Assurance and oversight plans - Each 1st Line of Defence Business Unit and Central Function undertakes various control and assurance activity. The Risk and Compliance team (2nd Line of Defence) has a Risk Oversight and Compliance Monitoring Plan approved by the Group Risk Committee. The Internal Audit function (3rd Line of Defence) also has an Audit Committee approved Assurance Plan. Coordination is undertaken between all three Lines of Defence to facilitate a broad coverage of the risks of the Group and to enhance reporting of those risks to the Executive and Group Risk Committees and the Group Audit Committee.

Risk Review (continued)

Principal risks and uncertainties
The Group's risks are managed within the four categories set out below:

Strategic risk - The risk that the Group does not devise and implement a business strategy that is based upon its Vision, Mission and Values and/or that is not aligned to the Mitsubishi HC Capital Group Medium Term Strategy.

Financial risk - The risk that the Group does not achieve its business plan or profit target and that the bad debt charge and funding do not remain within agreed levels.

Conduct risk - The risk that the Group does not behave ethically or deliver good outcomes for its customers, whilst operating in accordance with both the letter and spirit of applicable legislation and regulation, including the FCA Principles for Business.

Operational risk - The risk that the Group does not adequately and effectively manage its people, processes and systems to deliver MHCUK's strategic objectives.

With reference to these categories, the principal risks that the Group considers it currently faces are as follows:

Strategic risk

Risk - changes in risk during the year	Mitigants
We are unable to keep pace with market change or our products become too costly in comparison to competitors, reducing our market share. This risk remained stable during the year.	• We make significant ongoing investment in the quality of our systems with a particular focus on enhancing fraud prevention capabilities. • We make significant investment in new products. • We regularly review our prices to ensure that they remain competitive. • We have a Board approved product governance process which considers any key risks, including consumer duty, and necessary mitigations in respect of new products and requires periodic consideration of the risk profile of existing products. • Our horizon-scanning activities consider a broad range of factors, including: evolving market developments; regulatory, legal and tax requirements (including those relating to the taxation of company cars); and emerging environmental, social and political developments in the UK and globally.

Risk Review (continued)

Financial risks

Risk - changes in risk during the year	Mitigants
We are unable to access funding for the business or can only access it at excessive cost. The overall risk has over the course of the year, remained unchanged. Successful debt raising has continued during the year, market rates have now largely stabilised but are likely to remain at higher levels.	• We raise funding from a well-diversified set of sources. This includes both public issuance and private placements from a Medium Term Note programme, bi-lateral term borrowing from banks, securitisation, commercial paper and short-term bank facilities - all in multiple currencies swapped into Sterling. This has enabled MHCUK to attract investors from multiple regions including Japan, mainland Europe, and Asia Pacific in addition to the UK. • We maintain borrowings such that the cumulative amount of repayment of borrowings is always less than the cumulative expected collection amount from assets. • We have adequate funding sources to meet forecast new asset creation through frequent, regular planning and review by a committee appointed by the Board of Directors (the Treasury Committee). • We ensure new business pricing reflects current funding costs, always maintaining an appropriate margin above borrowing cost.
Significant volatility in UK interest rates compresses margins and reduces profitability. This risk reduced during the year as interest rates steadied in line with the stabilisation of market rates following heightened volatility.	• We have set a range of fixed treasury risk appetite limits. Actual performance against these limits is continually monitored. This includes 100% elimination of exposure to changes in foreign exchange rates. • We mitigate interest rate risk by hedging through derivative financial instruments and fixed rate borrowings. • We manage the effectiveness of hedging activity through regular Treasury Committee meetings at which the tenor of interest rate fixings of borrowing costs is matched against the tenor of the fixed rate assets held by the Group. A hedging strategy is then set monthly at these meetings. • We have recruited additional staff into our Treasury Team to supplement resources and reduce key person dependency. • Treasury is liaising with our European subsidiaries to support the development of pan-European treasury operations. • We regularly monitor each counterparty's creditworthiness through assessment of their long and short term stability of credit rating. The Group requires minimum of Standard's & Poor's long term credit rating of at least BBB+ and short term credit rating of A-2 and the lower an entity is in the BBB+ to AAA range, the lower the policy exposure limit.

Risk - changes in risk during the year	Mitigants
We face significant unexpected credit losses, arrears, increased bad debts and defaults. The risk remained stable during the year as consumers and companies adjusted to higher interest rates and subdued economic growth. Our commercial customers responded well with the number of insolvencies remaining stable but with an improved recovery rate, resulting in lower overall commercial losses. Our consumer arrears and credit losses have stabilised, resulting in bad debts in line with budget and lower than the last 5 year average.	• We use internal and external data, internally developed scorecards and other analytical tools to assess customer creditworthiness, affordability and debt service capacity. • We focus our lending activities in segments and products where we have clear and proven expertise. • We limit concentration of lending by size, segment and customer type. • Where appropriate, especially in commercial lending, we obtain appropriate levels of collateral or security cover. • We maintain detailed lending and credit policies for each business unit. • We regularly review portfolio performance against a range of risk appetite metrics. • We regularly re-grade or re-score customers to re-assess the default risk. • We regularly review retailers, vendors and other business introducers to assess and manage contingent liabilities for the Group associated with those relationships including considerations arising from consumer protection provisions of the Consumer Credit Act.

Risk Review (continued)

Risk - changes in risk during the year	Mitigants
We are subject to an unexpected drop in residual values. This risk has increased during the year primarily due to a softening in the resale values being realised for battery electric vehicles.	• We regularly review and re-set residual values in respect of new leasing quotes and contracts using macro-economic modelling techniques and through comparison to sector peers. • We limit concentration of residual values by manufacturer, model, type, and contractual lease maturity. • We utilise a variety of disposal routes to optimise remarketing proceeds disposing of vehicles at the end of lease terms. • We regularly assess the expected residual values against those set at the inception of the lease and if necessary, adjust future depreciation rates to reflect the expected residual values. • We carry out an impairment assessment, at least annually, to ensure that the assets' carrying values do not exceed the discounted present value of future expected cashflows over the remaining lease term. • We have introduced a strengthened set of risk appetite metrics to allow us to better monitor this increasing element of our risk profile.
We are subject to a significant, sudden and unexpected reduction in demand for our products and services. No significant change in this risk arose during the year.	• We undertake periodic stress tests to ensure that our business model can withstand a range of severe but plausible shocks from both a capital and liquidity perspective. • We regularly review our strategic plans to ensure that the business is alert to rapidly changing external factors, reacting accordingly to protect our financial position. • We invest in and monitor the position and success of our brands in the market place.

Conduct risks

Risk - changes in risk during the year	Mitigants
We fail to deliver good outcomes to our customers This risk has increased over the year as: a) the changing economic position has meant that certain customer segments may have heightened levels of vulnerability due to sudden increases in the cost of living; b) FOS's stance on various legacy business issues has evolved during the year; and c) Legal decisions and consumer awareness in relation to motor finance commission.	• In addition to our risk management governance, we monitor the delivery of good customer outcomes through a dedicated Customer Experience Committee. • We conduct root cause analysis on customer complaints and claims. • We have control testing, oversight and assurance plans across all three lines of defence to address key conduct risks. • We have in place an organisation-wide programme of compulsory conduct risk training. • We undertake regular and focused training of our customer-facing colleagues. • We monitor our customer interactions for early signs of customer vulnerability and have processes in place to help support them with their individual circumstances. • We operate a Quality Assurance programme within our customer-facing business areas which has a major focus of ensuring good outcomes are achieved for customers. • We maintain a team of experienced complaint and claim handlers whose competence is assessed on an ongoing basis through our Quality Assurance framework. • We monitor the performance of third parties relied upon to provide services to our customers. • We have implemented the FCA's Consumer Duty requirements across all relevant areas of our business with focus on our controls to prevent poor customer outcomes arising. We continually review and enhance our customer journeys and communications to deliver good customer outcomes.

Risk Review (continued)

Risk - changes in risk during the year	Mitigants
We do not comply with either relevant current or emerging regulation and rules, including consumer credit and privacy regulation. No significant change in this risk arose during the year.	• We employ experienced and skilled regulatory risk professionals. • We have processes for review and assessment of new and emerging rules, regulations and industry best practices. • We undertake regular 2nd line risk-based monitoring reviews in line with our "three lines of defence" model outlined earlier in this statement. • We operate a Quality Assurance programme within our customer-facing business areas. • We have open and transparent dialogue with our regulators. • We have continued to apply the necessary standards under the FCA’s Consumer Duty requirements and have undertaken internal testing in relation to Operational Resilience performance.

Operational risks

Risk - changes in risk during the year	Mitigants
We are subject to a major systems failure including those arising as a consequence of malicious attack. No significant change in this risk arose during the year.	• We have in place real-time system monitoring to detect performance and security issues. • We have in place perimeter firewalls and security controls. • We employ dedicated and suitably skilled Information Technology and Information Security teams. • We undertake formal change management processes that include robust testing. • We regularly monitor our systems and infrastructure for vulnerabilities remediating weaknesses identified. • We employ experts to attempt to penetrate our perimeter identifying potential vulnerabilities which are remediated. • We run anti-virus software on our computer systems. • We have robust Business Continuity Planning and IT Disaster Recovery plans in place and are testing our Operational Resilience in line with FCA requirements. • We undertake regular 2nd and 3rd line reviews of IT controls. • We have robust access control processes and technologies in place. • We have a rolling programme of information security monitoring of key third parties on whom we place reliance for the provision of services to our customers.

Risk Review (continued)

Risk - changes in risk during the year	Mitigants
We are subject to significant fraud losses, including cybercrime. This risk has remained stable during the year.	• Automated customer screening at front end for our consumer division with integrated fraud detection tools. • We have in place real-time system monitoring to detect system compromises. • We operate perimeter firewalls and have security controls in place. • We deploy strict identity validation checks. • We complete periodic asset inspections. • We deploy dedicated device identification software and fraud detection rules. • We monitor our systems and perimeter for suspicious activity. • We employ dedicated and suitably skilled Information Security and Financial Crime Prevention support teams. • We have control testing, assurance and oversight plans across all three lines of defence to address key financial crime risks.
We fail to adequately take account of climate change risks in developing our business model and strategy. No significant change in this risk arose during the year.	• We explicitly recognise climate change risk in our corporate governance and enterprise risk management frameworks. • We set carbon reduction targets and monitor performance against them. • We monitor the stance that third parties that we have relationships with take on climate change reduction. • We have set and monitor targets to reduce the carbon footprint of our operational activities. • We have products designed to support the finance of sustainability projects.

Risk Review (continued)

Risk - changes in risk during the year	Mitigants
We are unable to continue to operate effectively due to an inadequate level of service from third parties. No significant change in this risk arose during the year.	• We operate robust Supplier governance including policies, periodic MI review and adherence to FCA material outsourcing oversight. • We review the performance and strength of our key suppliers including their operational resilience, financial position and cyber security posture. • We undertake review meetings to monitor service levels and for signs of deteriorating financial and operational health.

Risk profile and performance review

Strategic risk
During the year we have continued to work closely with our parent company, Mitsubishi HC Capital Inc. We have a shared vision about the role that MHCUK plays within the wider Group and how we can contribute to the overall MHC Inc strategic objectives.

During the year, we have also continued to strengthen the Group's European operation to develop a pan European offering for global customers. Integration continued with the European Mobility businesses, which offer various vehicle finance and leasing solutions over much of Non-Scandinavian Northern and Central Europe. The Group has implemented a proportionate version of MHCUK's Risk Management Framework in these businesses, with further embedding of policy requirements, controls and processes currently underway. Already we have seen strengthening of the European risk management governance, capabilities, improvement in oversight systems and various process efficiencies arising as a result of this activity.

The Group continues to pay close attention to developments in relation to Artificial Intelligence ("AI"). To that end Board Level AI Policy Standard and Executive level Policy Standard and supporting risk assessment processes have been developed to ensure that appropriate consideration of any AI systems / products is undertaken before implementation.

Financial risk
Economic conditions eased slightly in the second half of the year, with lower inflation, lower interest rates and a return of GDP growth. The availability and margin of borrowings remained relatively stable and favourable during most of the financial year, allowing the Group to gradually recover its new business margins following the rapid increase of prior financial years.

• Management has continued to focus on margins, which have started to improve following the fall in inflation and lower interest rates:
• Margins were controlled through a combination of targeted price increases, a focus on operational efficiencies, and an emphasis on our core values of delivering outstanding service to customers.
• Funding costs were kept under continual review and management, and regular Treasury Committee meetings were held to assess market developments, ensure we remained within risk appetite and continued to make effective plans for potential scenarios that could arise.
• The Group maintained a diverse funding strategy throughout the year, matching the term of debt to those of earning assets and ensuring maturities were spread to reduce rollover risk.

• Credit risk is monitored and assessed at Risk Committees held in each business unit with significant matters escalated to a Group Credit Risk Committee the Executive Risk Committee and the Group Risk Committee.
• Other financial risks are monitored at the Treasury Committee with matters escalated to the Executive Risk Committee and Group Risk Committee.

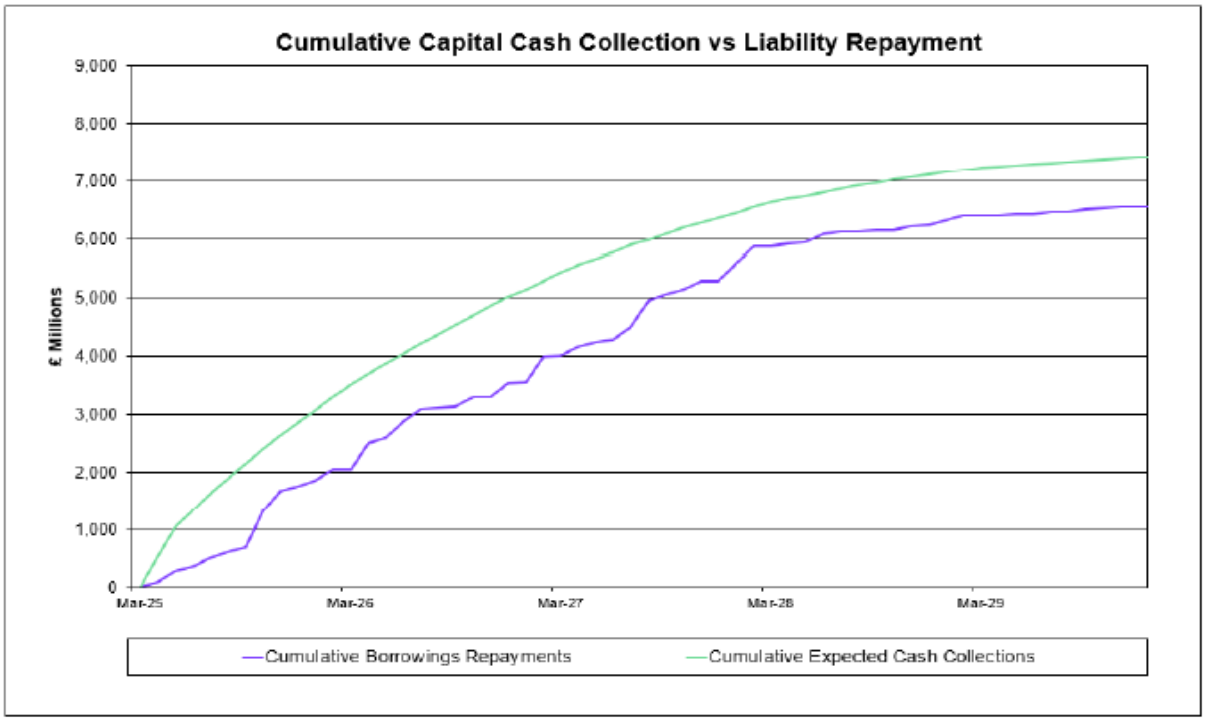
As a result of easing economic conditions, the number of consumers who are experiencing difficulties repaying their commitments have decreased. Continued focus on credit risk appetite and oversight has resulted in lower than forecasted credit losses. The easing economic environment has resulted in Group bad debts for the year which are in line with budget. The Group has continued to operate a prudent risk appetite for both credit risk and asset risk.

Credit risk parameters and affordability frameworks have been kept under constant review across all divisions, with appropriate adjustments being made throughout the year in order to account for the changing credit conditions in the UK economy, with oversight provided by the Group Credit Risk Committee.

The Group's annual stress testing exercise continues to confirm that the Company retains the financial strength to withstand significant shocks to the UK economy.

The Group undertakes regular stress scenario tests to ensure it has sufficient expected cash collections from its asset portfolio at any point in time to service its existing financing obligations without the requirement to make further drawdown on any facilities or undertake additional borrowing.

The chart below outlines the Company's expected cash collections and repayment of liabilities funding the asset portfolio assuming no new business is written. The Company is expected to have sufficient expected cash collections from its asset portfolio to service its financing obligations without the requirement to drawdown on any facilities or undertake further borrowing. The amounts represented in the chart exclude revaluations on foreign currency borrowings.



It is a positive affirmation of the Group's diversified business model, sound risk management, and a commitment to delivering the Company's core values across all areas of the business that we have continued to remain profitable, with a strong capital base, and high-quality loan portfolios in spite of the considerable and ongoing economic challenges.

Conduct risk
The Group has continued to invest in its controls to mitigate conduct risk. These include maintaining well-resourced Customer Experience teams in its first line of defence and Compliance / Quality Assurance teams in the second line.

Each of the Group's divisions monitors and assesses Conduct Risks and customer outcomes within their local Customer Experience Committee, with Executive-level oversight being delivered through the Group Customer Experience Committee. Senior management from the Group IT function are represented on the Group Customer Experience Committee in order to assess the impact of IT incidents on customer outcomes. Key issues are escalated to the Executive Risk Committee, with significant matters escalated to the Group Risk Committee.

During the year, MHCUK continued to deliver the requirements under the FCA's Consumer Duty rules, embedding the new frameworks developed following the Group-wide project to deliver Consumer Duty across 2022-24. The requirements incumbent on firms in these new rules were very much aligned with the Group's core values to deliver exceptional customer outcomes, nevertheless there has been strong management focus on ensuring that we continued to deliver good customer outcomes over the course of 2024/25.

During the year the MHCUK Board received the first Annual Consumer Duty Board Report, the purpose of which was to set out how MHCUK had complied with the requirements under Consumer Duty for the 12 months ended May 2024. The Board approved management's opinion, evidenced within the report, that the Company had been materially compliant with the requirements of Consumer Duty during that period. Customer outcome metrics indicated that, overall, we were delivering good outcomes to customers across each of the four Consumer Duty Outcomes during the period. As would be expected, the report identified some areas for enhancement but, encouragingly, these were all already known to management and were actively being worked upon. The Annual Consumer Duty Board Report covering the 12 months to May 2025 is currently being prepared.

The Company recognises the importance of strategy and culture in delivering good outcomes to customers across the Group. Business Unit strategies are consistent with acting to deliver good customer outcomes with our products designed to ensure that they meet the genuine needs of customers in their target markets. All Business Units have strong local governance and oversight frameworks, with local Customer Experience Committees dedicated to reviewing customer outcome metrics. All Business Units are subject to regular oversight by our independent Quality Assurance function across all material customer touchpoints, with feedback and learnings provided to colleagues based on quality assurance findings.

Having skilled and knowledgeable colleagues who are able to support our customers is highly valued by all Business Units, with Group-wide mandatory training being supplemented by local ad-hoc and / or targeted training to colleagues on various key topics.

Over the course of the year the business has taken account of external events which could drive poor outcomes for our customers. The biggest external threat to customer outcomes has been the on-going cost-of-living crisis. All Business Units have reviewed their Responsible Lending, Collections, and Vulnerable customer frameworks, making necessary adjustments to ensure that we are able to continue to support customers against the challenging economic backdrop.

Risk Review (continued)

The Group has continued to maintain a Vulnerable Customer framework during the year, with appropriate processes and procedures, as well as a Vulnerable Customer Toolkit to guide colleagues on how to support vulnerable customers, alongside training provided to colleagues.

Against the backdrop of the on-going cost-of-living crisis, the level of customer contact during the year has remained high. As such, call handling metrics have been kept under regular review by divisional management teams and we have continued to invest in our telephony system to increase the ability of customers to contact us easily and enhance the availability of resources available to our customer-facing staff to support them during their conversations with customers.

Encouragingly the Group's conduct metrics, including the results from our Quality Assurance oversight, remain strong overall and indicate that we are supporting our customers with appropriate outcomes being achieved. These results are echoed in our customer satisfaction metrics. Overall results from the Compliance Monitoring Plan over the past 12 months have also been positive, with reviews indicating a high level of risk awareness and mature conduct controls across the business.

During the year, along with other lenders in the industry, we have seen a significant increase in the number of enquiries and complaints received in respect of legacy Motor Finance Commission arrangements. The increased volume of Motor Finance Commission complaints was both unexpected and unprecedented, however management recognised the potential resource impacts on the business and made changes to the resourcing model within our complaints handling function, as well as other process improvements, to ensure that the large volumes of incoming customer contact on this matter could be handled quickly and efficiently.

The timely and fair resolution of customer complaints is an important consideration for the Company, however we recognise that this has not been possible in respect of Motor Finance Commission complaints. The FCA's rules to pause the deadline for firms to provide a final response to these complaints until December 2025, alongside interventions by the Court of Appeal and Supreme Court, means that there will be a large number of customers across the industry who will have been waiting a significant period of time for resolution of their complaint.

During the year we communicated clearly and transparently with impacted customers, explaining the reasons that we have been unable to resolve their complaint and when they might expect resolution. We remain committed to resolving these complaints in a timely manner for customers and, to this end, we await the outcome from the FCA's current investigation as well as the ruling from the Supreme Court into the historic use of discretionary commission arrangements in the motor finance industry.

Outside of Motor Finance Commission complaints, we have continued to see an increase in Claims Management Company ("CMC") driven complaint activity, which is noted by management as an area of continued risk. We support the initiatives taken by the Financial Ombudsman Service and the FCA in seeking to modernise the redress system, and believe that such efforts can only support customers in achieving the right redress where the required standards of service in the financial services industry have not been provided. Complaint levels are reviewed regularly by divisional management, alongside on-going quality assurance to ensure that we continue to handle and resolve complaints quickly, fairly, and efficiently.

Operational risk

The Group's Risk Management Framework has been further developed during the year with the introduction of a cross Business Unit / Group Function scorecard reflecting both the status of adherence the to the Risk Management Framework and the outcomes from second line quality assurance activities. The comprehensive suite of Group Policy Standards continues to be enhanced to ensure ongoing relevance, recent developments include the introduction of new policies for Data Governance and AI.

Risk Review (continued)

The recent trend of investing in tools and systems to combat information security risks has also continued with a dedicated team of engineers in place to continuously enhance their capabilities. The programme of regular staff training on information security risks has continued, with quarterly modules being released to all staff for mandatory completion with a particular focus on training staff to identify phishing attempts.

We have experienced no major IT or cybersecurity issues although there have been some short-term temporary outages which originated with third party suppliers. All of these incidents were subject to review by our IT and Information Security teams in order to understand the root cause of the incident and to propose any system or control enhancements which can be implemented to minimise the risk of future occurrences and / or mitigate the impact of those occurrences.

The increased levels of financial crime within the UK financial services sector have been noted, however, due to a significant amount of investment in financial crime systems, tools, resources, and training, the Group has seen an overall improvement in the volume of fraudulent applications identified and prevented. Fraud levels have remained within budget and risk appetite.

The Group's Risk Management Framework continues to operate effectively, with the regular assessment of risks, the quality of periodic testing of key controls, and the effective identification and management of incidents all demonstrating a strong level of risk awareness across the Company. Operational incident performance has continued to improve with open incidents reducing to a three-year low during the year.

The initiative started in previous years to move our IT estate from on-premise infrastructure to the Cloud continues, and it is anticipated that this will continue beyond 2024/25 as a multi-year project and the Group's key IT strategic objective in the near-to-medium term.

Following the publication of the FCA's rules on Operational Resilience in 2021, work was undertaken in previous years in order to identify the Group's Important Business Services and defining tolerances for acceptable outage of services. With the overarching framework in place, during 2024/25 the Group focussed on the design of business continuity plans and testing of those plans in order to assess the ability of the various divisions to continue to operate in the event of a major incident.

Operational risk matters continue to be considered at 1st Line Business Unit risk committees, the Operational and Compliance Risk Committee, the Group Information Security Committee, the Executive Risk Committee and, ultimately, the Group Risk Committee.

Approved by the Board and signed on its behalf by:



R.Gordon
Chief Executive Officer
10 June 2025

Mitsubishi HC Capital UK PLC

Directors' Report and Corporate Governance Statement

Directors' Report

The Board of Directors of Mitsubishi HC Capital UK PLC (registered company number 1630491) presents the annual report and audited financial statements for the year ended 31 March 2025 for the Company and its subsidiaries.

Results and dividends
The profit of the Group for the year ended 31 March 2025 is set out in the Consolidated Income Statement on page 86. No interim dividend was paid during the year (2024: £nil). The Directors have recommended a final dividend of £32.5m, 7.0p per share (2024: £37.2m, 8.0p per share) which represents 41.2% (2024: 40.2%) of the Group's profit after tax.

Share capital
The Group's issued share capital, together with the movement during the year, is detailed in note 26 to the Financial Statements. The Company has one class of ordinary shares which carries no right to fixed income.

Employee engagement
The Group is committed to maintaining a healthy culture and making the organisation a great place to work. We recognise that the Group's success is enabled by its employees as they support our business operations and deliver outstanding customer experience. Maintaining and developing a positive working environment helps us to attract and retain people, builds employee engagement and motivation, enables employees to grow and develop and improves performance and productivity. It also helps us bring to life our brand promise and core values of Harmony, Sincerity and Pioneering Spirit (which align to the vision and management philosophy of the parent company). Our policies and processes are constantly updated to make changes that have a positive impact on inclusion, belonging, engagement and trust for our people, as well as to reflect changes in legal and regulatory requirements. The Group is committed to the personal growth and development of all its employees and sees this as a key element in retention of talent within the business, which is reflected in an ever- increasing ratio of internal moves and promotions and also record low levels of resignations for the year ended 31 March 2025.

The Company's focus is on regular and timely communication to employees, recognising that providing good insight and information on matters of concern to them is important to maintain a supportive and committed workforce. Communication is carried out in multiple ways to ensure that messages are effectively shared with employees; these include both oral briefings (though meetings, conferences etc) and digital communications, often including FAQs. The Group's intranet acts as the main reference point in the provision of a wide variety of information to employees. Employees are directed to the intranet through Group-wide communications so that they are aware when important new messages are published on the site. The CEO produces a weekly blog to share both business and personal insight, be that on successes and challenges or external events and how they impact the Company. In addition, the CEO conducts quarterly 'team talk live' ('town hall') meetings in person at each of the Company's offices in turn. All these meetings are streamed live on-line and are recorded so that all employees can access them if they are not able to attend in person. The heads of each Business Unit and Function in the Group also conduct regular employee meetings and communications in their own areas. The Company also produces a monthly Team Talk magazine for all employees which provides news, updates and insight on a wide range of Group-related topics.

The Group completes an annual employee survey covering a broad range of issues, including communication, line management support and work/life balance. Our employees continue to provide positive feedback and, in the year under review, over 88% said that they would recommend the Company as a great place to work and 89% that they were proud to work for the Company. This year we will again be taking part in the global survey conducted by our parent company. The Company recognises that an annual survey is not always sufficient to find out the current views of employees and therefore conduct other "pulse" (ad-hoc) surveys to gauge employees' opinions on particular issues and as a general feedback tool.

The Group's focus on employee wellbeing (physical, mental, financial and social) is an important component in employee engagement. Details of arrangements designed to encourage employee involvement are set out in the "Stakeholder engagement" section below.

The Company operates an annual bonus scheme for all employees, where a proportion of bonus potential is based on the Group's financial performance and achievement of its other core objectives (including the delivery of good customer outcomes), thereby encouraging the involvement of all employees in the Group's performance. The Company's performance also influences the Long- Term Incentive Plans for the Executive and Senior Managers. Regular updates on performance ensure that all employees are aware of the financial and economic factors affecting the Group's performance.

The Company operates an equal opportunities policy and opposes all forms of unlawful discrimination. The Company's selection criteria and procedures ensure that individuals are assessed on their skills, attributes, knowledge and potential, in order to enable all employees to have equal opportunity to progress and reach their potential.

Our policy and practice is that neither disability nor any of the other protected characteristics listed in the Equality Act will form the basis of employment decisions, and the Group will make reasonable adjustments to its standard working practice to overcome barriers to recruitment, training, career development and promotion caused by disability. This includes retraining employees who become disabled whilst in the employment of the Group. The Company is a signatory to the Disability Confident employer scheme, aiming to ensure that colleagues with disabilities feel included and that any barriers to participation in everything the Group has to offer are removed. We have also joined the Business Disability Forum, gaining access to experts on best practices for disability inclusion. We also have a Colleague Ability Network, an employee-driven group challenging disability-related assumptions and advocating a more accessible and supportive workplace.

During the year, the Company changed its occupational health provider to get better support for its employees in creating the right working conditions for those needing adjustments.

All employees and other workers have access to the Group's whistleblowing framework, including a hotline operated in partnership with Safecall, through which any suspected wrongdoing can be reported anonymously.

Stakeholder engagement
Constructive dialogue with stakeholders is fundamental to ensure the success of the Group and to secure its place in the community. Maintaining robust lines of communication between stakeholders builds trust and confidence, promotes participation and influence, and ensures that stakeholder considerations are included in the decision-making process.

Government and regulators
The Board and senior management recognise that the Group is subject to both legislative requirements and Financial Conduct Authority regulation which is, in part, principles-based. We embrace both the form and the spirit of applicable requirements and are committed to ensuring that we maintain an understanding of, and can demonstrate compliance with, all of the rules, principles, and guidelines relevant to the Group.

We engage with our regulators in an open, constructive, and transparent manner, including our input into their thematic reviews and market studies.

The Board receives regular updates on regulatory developments, regulatory interaction and key areas of regulatory focus.

Regular horizon scanning is conducted and fed back to the business for awareness in order to ensure that senior management is aware of upcoming regulatory changes and that plans are put in place to deliver these in a timely manner.

During the year the Board received the Company's first Annual Consumer Duty Board Report, in which Senior Management confirmed that the Company had been materially compliant with the requirements of the Consumer Duty throughout the period covered by the report. In particular:
• Fair Value assessments completed in the period concluded that the regulated products offered in each of the impacted Business Units provide fair value to customers.
• Business Unit strategies were confirmed as being consistent with the delivery of good customer outcomes, and products were reviewed to ensure that they were designed to meet the genuine needs of customers, with a clear target market for each product.
• Over the course of the year the business had taken account of external events which could have driven poor outcomes for our customers and made adjustments to our frameworks as necessary to support customers.
• Customer outcome metrics indicated that, overall, we were delivering good outcomes to customers across each of the four Consumer Duty Outcomes.

Some areas to further improve the delivery of good customer outcomes were identified and are being implemented by the respective business divisions as part of our continual focus on reviewing processes to support our customers.

Shareholder
The Company continues to work with its shareholder, Mitsubishi HC Capital Inc., to optimise mechanisms and channels of communication in order to ensure efficient exchanges of information between the business and the parent company. Close engagement with the shareholder supports the pursuit of a shared mission and aligned strategies and ensures that the Company can respond to the interests of its own stakeholders and an evolving regulatory context. Directors and managers of the Company exchange visits with representatives of the shareholder to strengthen in person this collaborative approach.

An employee of the shareholder continues to sit on the Board as a non-executive Director and to serve as a member of the Group Audit Committee, Group Risk Committee, Nomination Committee and Remuneration Committee.

The Directors engage with the shareholder on various elements of remuneration, including Long-Term Incentive Plan arrangements and bonus schemes operated by the Group.

Debt investors
The Board of directors engages with debt investors through the Company's CEO, Group Treasury department and Treasury Committee. The Board is updated by the Treasury department through written briefing reports and by the CEO at board meetings. The briefing reports are based on market data from information services (together with insight produced by both banks and an external independent economic forecasting service) and include investor sentiment.

All of the Company's borrowings are from third party investors unconnected with the MHC Group, except for MUFG Bank Ltd. (and its associated companies) which also holds a 20% shareholding in the Group's parent, Mitsubishi HC Capital Inc. Broadly, these third party investors fall into two main categories. Firstly, investors who purchase debt securities issued through the Company's Medium Term Notes (public and private placement) ("MTNs") and Euro Commercial Paper ("ECP") programme dealers and secondly long-term relationship banks (including MUFG Bank Ltd.) from which the Company borrows directly on a bilateral basis or via private securitisation.

The Group Treasury department and the CEO have frequent, in-depth and direct communication and meetings with the long-term relationship banks.

Engagement with investors in the Company's debt securities is achieved indirectly via MTN and ECP dealers and directly through one-to-one and group investor calls on deal or non-deal roadshows and updates. Additionally, the Company publishes quarterly interim financial results and maintains a debt investor presentation on the Company's website. Investors' interests in ESG matters are met by information presented in the Company's full year financial statements and other separate ESG publications.

Customers
Our continued success can be attributed to a strong focus upon ensuring that our customers have an outstanding experience and we strive to provide good outcomes to consumers and businesses alike.
• We develop strong relationships with customers built on trust;
• We innovate and develop products and offer high levels of service that meet customers' needs, which allows us to retain existing customers and win new customers;
• Ongoing interaction with customers and their representatives, including meetings and customer site visits, is managed by the Group's business units;
• We have a customer feedback process, designed to ensure customer satisfaction. The Board receives regular updates from the Customer Experience Committee on such feedback and on the metrics we have in place to measure the quality of our customer service;
• We continue to keep our customer journeys under review in light of Consumer Duty, identifying and implementing enhancements across the customer journey in recognition of the importance of constantly challenging ourselves to deliver good outcomes for customers;

• We operate a Product Governance Framework which enables the business to assess the risk, reward, and value of all new products, whilst also periodically assessing those same aspects for existing products. This ensures that the Company continues to offer products which address a tangible need of customers in the market, whilst addressing any risks (to both customers and the business) in the design and operation of those products.

We recognise the impact of the continuing cost of living pressures on many people in the UK and the importance of supporting our customers during difficult times. A customer-first approach has always been a key aspect of our business model, and one of our core principles is exceptional customer service. Throughout 2024/25 we have continued to keep the customer lifecycle under review to ensure that the support we provide remains appropriate and that we make adjustments as necessary to support customers who may be struggling.

Suppliers
We are committed to establishing long-term, open and fair relationships with our suppliers. We work with over 5,000 suppliers across the Group, of which approximately 1,000 supply goods and services which enable the business to operate and over 4,000 provide services which allow us to meet the needs of our customers, including vehicle servicing/maintenance and breakdown assistance. We continue to adhere to our key principles and processes when engaging with suppliers, to ensure that they provide the right goods and services for our business. During the sourcing process we ensure that our suppliers are able to demonstrate that they can meet our requirements, our ethical standards and legal obligations (including compliance with the Modern Slavery Act). Our aim is to build strong, collaborative relationships with our suppliers so they can understand the environment in which we operate and thus meet our, and our customers' needs.

A further key component of our approach is continuing to manage and monitor our supplier base in light of economic, political and social changes, including alignment with Environmental, Social and Governance developments, with a particular focus on our critical and strategic suppliers.

We require all our suppliers to agree to the Company's Supplier Code of Conduct or have in place an equivalent of it. That Code of Conduct, which is reviewed regularly, includes requirements consistent with the Company's obligations as a Living Wage Employer, a Disability Confident employer, and a signatory to the Race at Work Charter.

Employee involvement
The Company is committed to creating an inclusive and diverse work environment, in which all colleagues are treated equally, supported and have the opportunity to be successful and achieve their potential and aspirations.

Employee communities ensure that the views of employees are taken into account in making decisions. The Company continues to encourage inclusion though active participation in such communities, which enable individuals to come together to maximise their involvement, lead on events and help to implement ideas that keep the wider employee population updated and engaged. Each community has executive sponsors, who form the Company's Diversity Council, which shares and develops inclusion and diversity plans and initiatives. The Diversity Council meets quarterly to review progress and the Board receives regular reports on diversity and inclusion from the Human Resources function, including updates in the People section of the monthly finance report.

The Company has seen an improvement in its gender pay gap, along with on-track progress to meet the Company's aspiration to increase the number of females in senior roles, as outlined in its submission to the HM Treasury Women in Finance Charter. The Company is signed up to, and working on, initiatives for the Race at Work charter. 'Early Careers' plays an active part of the Human Resources plan, and we have graduate and apprenticeships schemes in place through various cohorts across the business.

Directors' Report
(continued)

The Company has now appeared in the Inclusive Companies Top 50 UK Employers listing for the fifth year running, providing recognition for our many inclusive initiatives and actions. The Company is proud to say it is 15th in the 2024/25 listing, demonstrating significant progress against commitments.

Increased volumes of feedback from our employees on Glassdoor resulted in the Company's lifetime rating on Glassdoor increasing to an average of 4.6/5.0 and the CEO's rating is an outstanding 98%.

This year we launched our externally accredited Leadership Programme ("LEAP"). This will be rolled out to all employees with a different focus dependent on their particular roles. The programme focuses on aligning our values, the management philosophies of our parent company and inclusive leadership.

Our mentoring programme has now successfully delivered over the past nine years and we have over 100 trained mentors undertaking mentoring across the Company. Our externally accredited programme for aspiring leaders/managers is now in its fourth year, with nearly 200 employees completing, or in progress through, the programme.

In addition to local HR representatives, we have Mental Health Champions and representatives in all locations, who work with our wellbeing community in order to support all employees.

Communities and environment
Information on how the Directors have had regard to the need to foster the Company's business relationships with other communities, and its effect on the environment, is provided in the ESG review, starting on page 15, and in the Streamlined Energy and Carbon Report, starting on page 26.

Directors of the Group
The Directors who served during the year and/or to the date of this report were as follows:
A. Hughes
R. Gordon
S. Herbert
M. Mizutani (retired 31 March 2025)
O. Muramoto (appointed 1 October 2024)
D. Corbitt (appointed 17 April 2025)

In accordance with the Company's Articles of Association, each of the Directors will retire by rotation at the 2025 AGM and, being eligible to be re-appointed, will offer themselves for re-appointment at that meeting.

Disclosure of information to the auditor
The Directors who were members of the Board at the time of approving the Directors' Report are listed above. Having made enquiries of fellow Directors and of the Group's auditor, each of these Directors confirms that:

• to the best of each Director's knowledge and belief, there is no information relevant to the preparation of the Directors' report of which the Group's auditor is unaware; and
• each Director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Group's auditor is aware of that information.

Statement of Directors' responsibilities
The Directors are responsible for preparing the Annual Report and the Group and Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under such law, the Directors must prepare those financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international accounting standards as adopted by the United Kingdom. The Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that year.

In preparing these financial statements the Directors are required to:
• select suitable accounting policies in accordance with International Accounting Standard (IAS) 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
• make judgements and accounting estimates that are reasonable and prudent;
• present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
• provide additional disclosures when compliance with the specific requirements of IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the financial position and performance of the Group and the Company;
• state that the Group and Company have complied with IFRSs, subject to any material departures disclosed and explained in the financial statements; and
• prepare the financial statements on the going concern basis unless it is appropriate to presume that the Company and/ or the Group will not continue in business.

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

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, the Directors' Report, a Non-Financial Information Statement and a Corporate Governance Statement that comply with that law and those regulations.

To the best of the knowledge of each of the Directors:
• the financial statements, prepared in accordance with International Accounting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
• the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy; and

• the Group Strategic Report and the Directors' Report include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' liabilities
By virtue of Article 85 of the Articles of Association of the Company, qualifying indemnity provision (within the meaning given by sections 234 and 235 of the Companies Act 2006) is in force at the date of this report in respect of each Director of the Company (and each director of its subsidiaries) and was in force throughout the year ended 31 March 2025 in respect of each person who was a Director of the Company (or one of its subsidiaries) at any time during that year.

Section 172(1) Statement
Section 172(1) of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. A statement describing how the Directors have had regard to the matters set out in section 172 of the Act when discharging their duties under that section is included in the Group Strategic Report starting on page 29.

Going concern
The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Group Strategic Report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Group Strategic Report, the financial statements, and the notes to the financial statements. In addition, the notes to the financial statements include the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to market risk, credit risk and liquidity risk.

As part of the Directors' ongoing assessment of going concern, they have considered the forecasts for the Group as well as cash flow projections for at least 12 months from the date of approval of the financial statements. The Directors expect that the Group will remain profitable in its chosen financial markets in the coming year. A central treasury function provides funding for the Group's operations and manages treasury risks in accordance with policy limits approved by the Board and the Treasury Committee.

The Group has access to the following funding sources:
• Euro medium term note and commercial paper programmes for which Mitsubishi HC Capital Inc. acts as guarantor.
• Securitisation facilities, which Management renegotiates on a periodic basis.
• A number of term loan facilities primarily from Japanese banks.
• A Group loan facility available from Mitsubishi HC Capital Inc.
• Short term uncommitted bank borrowing facilities.

Directors' Report
(continued)

It is the Directors' intention to continue to utilise existing facilities and seek additional funding as required to meet the funding needs of the business. The Directors are satisfied that the Group has sufficient appropriate funding facilities and capacity to borrow both currently and for the foreseeable future. Liquidity risk and funding management issues are covered in more detail within note 36 of the Notes to the Financial Statements.

The Directors, based on latest forecasts, economic environment, stress testing and available funding, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future (which has been taken as 12 months from the date of approval of the financial statements) and that there are no material uncertainties to disclose. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The Directors have also considered reverse stress testing scenarios. Under these scenarios the bad debt charge would need to increase to approximately 26 times the level of 2025 and maintain that level for the next three years to exhaust the current capital base. We have stress-tested our portfolio to see how much the UK economy would have to deteriorate before the bad debt levels would result in zero profit in the 2025/26 financial year. We projected that UK unemployment would need to rise to 12.0% and GDP fall by 6.1% and consider these scenarios to be remote.

The Group's Consolidated Statement of Financial Position shows net current liabilities of £56.2m (Company: net current assets of £207.5m) at year-end based on contractual maturity profile. The expected cash collections from the run-off of existing receivables and funding available to the Group are well matched with the maturity profile of the borrowings and would be sufficient to settle obligations without the need to utilise cash from our parent. In addition, there are a number of facilities from large banks and MHC available, meaning the Directors are confident in meeting the Group's short- term and long-term obligations.

The Directors paid particular attention to the potential risks arising from the current geopolitical environment and are satisfied that the Group has effective business continuity plans in place and that it has conducted adequate stress testing of the possible economic scenarios.

The Directors are satisfied that, despite the current uncertain economic outlook, the Group is well placed to manage its business risks (including climate-related risks), as outlined in the principal risks and uncertainties included in the Risk Review within the Group Strategic Report.

Branches
The Company has a branch registered in the Republic of Ireland, which is currently dormant. The Company's two main subsidiaries, Mitsubishi HC Capital Europe B.V. and MHC Mobility Europe B.V., operate branches across Europe as described in the Company Information section, starting on page 222.

Political expenditure
The Company made no political donations or contributions during the year.

Auditors
In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of Deloitte LLP as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

Directors' Report
(continued)

Corporate Governance Statement
The Corporate Governance Statement on pages 62 to 69 forms part of this report. It includes a description of the main features of the Group's internal control and risk management systems in relation to the financial reporting process.

Streamlined Energy and Carbon Report
The information which the Company is required to provide about the Group's greenhouse gas emissions, energy consumption and energy efficiency action is set out in the Streamlined Energy and Carbon Report starting on page 26.

Likely future developments
An indication of likely future developments in the business of the Company is provided in the Group Strategic Report starting on page 1.

Post-balance sheet events
As stated above, the Directors recommend a final dividend of £32.5m (7.0p per share), relating to the year ended 31 March 2025. There were no other important events after the reporting period ended 31 March 2025.

Approved by the Board and signed on its behalf by



J.N.M. Sims
Company Secretary
10 June 2025

Corporate Governance Statement

This corporate governance statement describes the Company's corporate governance structure and the main features of its internal control and risk management systems in relation to the financial reporting process.

Corporate Governance Policy
The Board remains committed to high standards of corporate governance. The Board applies the Wates Corporate Governance Principles published by the Financial Reporting Council as the most appropriate corporate governance framework for the Company. However, the Board also has regard to the principles and provisions of the UK Corporate Governance Code to the extent that the Board considers them to be proportionate and relevant to the Company, bearing in mind the size and complexity of the Company and the nature of the risks and challenges it faces.

Application of the Wates Corporate Governance Principles
Set out below is an explanation of how the Company applied the six principles during the year.

Principle 1 - Purpose and leadership:
The Board and executive management believe that a clear understanding of, and commitment to, the Group's brand promise, vision, and values by the whole workforce is core to the continued success of the Company and to the delivery of long-term value to its shareholder and other stakeholders, including society as a whole.

Led by the Chief Executive Officer, the executive management devotes a considerable proportion of its time, budgets and energy to continually communicating, reinforcing and supporting the "tone from the top" to ensure that the Company's healthy culture is maintained.

Further information on how the Board has regard to the interests of employees and engagement with the workforce is set out in the Directors' Report on pages 52 to 53.

Principle 2 - Board composition:
The Board includes a separate Chair and Chief Executive Officer to ensure that the balance of responsibilities, accountabilities and decision-making across the Group is effectively maintained. The other members of the Board include two non-executive directors, one who is considered to be independent and one who is a secondee from the sole shareholder. The Chair and the independent non-executive director bring with them a variety of skills, backgrounds and knowledge, including experience in leadership, financial services and audit, in addition to perspectives and challenge from both inside and outside the sectors in which the Group operates. The Board considers that its size and composition is appropriate for a business of the scale and complexity of the Company. However, the Board continues to seek to increase its strength and breadth of skills and, further to the appointment of an additional executive director in April 2025, is still contemplating the appointment of an additional independent non-executive director, if a candidate with all the attributes considered necessary to add value to the Board can be identified. The Board has delegated specific functions to its Group Audit Committee, Group Risk Committee, Nomination Committee and Remuneration Committee respectively.

The Board conducts a formal effectiveness review of itself and its committees every year. The Board's policy is to have such reviews facilitated by an independent external advisor on a regular basis. The Board has decided that the next externally-facilitated assessment should be commissioned once the Directors are satisfied that appropriate changes to the composition of the Board have been made and the newly constituted Board has worked together for approximately six months.

Corporate Governance Statement
(continued)

Principle 3 - Director responsibilities:
The Directors are mindful of their statutory duties under the Companies Act 2006. The factors which they considered during the year in carrying out their statutory duty to promote the success of the Company are described in the Section 172(1) Statement, which forms part of the Group Strategic Report and starts on page 29.

As the most senior officers of a company whose business is regulated by the Financial Conduct Authority ("FCA"), the Directors are also acutely aware of their individual and collective responsibilities under the FCA's Senior Managers and Certification Regime ("SMCR").

The responsibilities of each Director are set out in role profiles (in the case of executive directors) or in appointment letters (in the case of non-executive directors) and (in respect of the SMCR) in their respective Statements of Responsibility. A separate document sets out the division of responsibilities between the Chair of the Board and the Chief Executive Officer.

To enable the Directors to discharge their responsibilities, the Board has a programme of five scheduled meetings every year. The Board also held ad hoc meetings during the course of the year in order to deal with various matters presenting risks and/or opportunities which needed to be addressed before the date of the next scheduled meeting. This year the Board held at least one Board meeting at the location of each of the Company's five UK business units. This enabled the Directors to hold in-depth discussions with the managing director of each business unit and gave them the opportunity to receive a presentation from the senior leadership team on the performance and strategic direction of that business.

Under the Company's enterprise risk management framework, the Board approves all Group policy statements, with subordinate policy standards being approved by the Executive Risk Committee and detailed processes and procedures being the responsibility of the relevant business units.

The Board receives regular and timely information (supported by Key Performance Indicators) on all key aspects of the business, including strategy, risks and opportunities, the financial performance of the business, operational matters, customer outcomes, regulatory issues, market conditions, and sustainability.

More information on the operation of the Board and its Committees (to which the Board delegates defined responsibilities), and on the Company's internal control and risk management, is set out later in this corporate governance statement.

To promote clarity, and to minimise the risk of breaching regulatory requirements in the countries in which the Company operates, or in Japan, the apportionment of accountabilities and responsibilities between the Company and its sole shareholder are set out in a document pursuant to the shareholder's global oversight requirements. A revised and updated version of this document was discussed during the year under review and is now in place.

Corporate Governance Statement
(continued)

Principle 4 - Opportunity and risk:
The Board seeks out opportunity whilst mitigating risk appropriately. The Board receives and reviews reports on any proposal or decision likely to have an impact on the Company or the Group, which the Board considers to be material (from any perspective, including, but not limited to, financial, operational, strategic or reputational).

All proposed projects above a defined threshold value must be submitted to the Change Governance Committee, which is chaired by the Director of Operations, who ensures that all major projects are brought to the Board for consideration.

Day to day risk management is addressed within the Group's enterprise risk management framework, which has been approved by the Board. The Chief Risk Officer is accountable for the maintenance of that framework and reports on a regular basis to the Executive Committee, the Group Risk Committee and the Board itself.

The work of these committees is described later in this corporate governance statement.

Details of the Group's principal risks and uncertainties, and the operation of the enterprise risk management framework, are set out in the section of the Group Strategic Report starting on page 39.

Principle 5 - Remuneration:
The Board has delegated to its Remuneration Committee responsibility for overseeing implementation of the Group's remuneration policy and making recommendations to the Board on significant matters such as pay structures and benefit schemes.

The main purpose of the Committee is to ensure that the Company has a remuneration policy which is designed to attract, retain and motivate executive management of the quality required to run the Company successfully without paying more than is necessary, having regard to the views of the shareholder and other stakeholders.

The Committee has regard to the risk appetite of the Company and aims to ensure that remuneration is aligned to the Company's long-term vision, brand promise and values and to corporate and individual performance, in order to promote the long-term, sustainable success of the Company.

The Committee also has regard to pay and employment conditions across the Group and to the alignment of incentives and rewards with its culture.

The Company published its 2024 annual statutory Gender Pay Gap Report by the required deadline. The report highlights a small improvement in the Gender Pay Gap and specific actions which the Company continues to pursue to improve its Gender Pay Gap position. These actions include an inclusive recruitment process, internal progression and a target for 35% of leadership roles to be held by women by 2025/26 (which is the Company's stated commitment towards the HM Treasury Women in Finance Charter). Good progress is being made towards this target and the Company reported this in September 2024 as part of its annual submission as a signatory to the HM Treasury Women in Finance Charter.

Corporate Governance Statement
(continued)

Principle 6 - Stakeholders:
The Board is acutely aware that effective engagement with stakeholders is essential to deliver the Group's vision and brand promise and to protect the Company's brand, reputation and relationships with all its stakeholders, including the shareholder, customers, employees, suppliers and the local communities in which the Group operates.

An explanation of how the Board, and the Company as a whole, engaged with its stakeholders (including the workforce) during the year is included in the Directors' Report, which starts on page 52.

As reported under Principle 3 above, during the year the Company and its shareholder discussed and agreed a revised version of the document setting out the apportionment of accountabilities and responsibilities between the Company and its sole shareholder. This document strikes an appropriate balance between, on the one hand, the statutory duties of the Directors and the legal and regulatory obligations of the Company and, on the other hand, the expectation of regulators and investors in Japan that Mitsubishi HC Capital Inc will exercise adequate oversight of its subsidiaries. Work continues on the optimisation of mechanisms and channels of communication to ensure efficient communication between the business and the parent company.

Board of Directors
The Board comprises five directors, being the Chair, two other non-executive directors, the Chief Executive Officer and the Chief Financial Officer. The names of the directors who served during the year and/or to the date of this report are set out under the heading 'Directors of the Group' in the Directors' Report on page 57.

Osamu Muramoto, a non-executive director and an employee of the Company's sole shareholder, Mitsubishi HC Capital Inc, joined the Board in October 2024 as a non-executive director. In March 2025, Mr Mizutani retired as a non-executive director of the Company after two years of service in order to take up another appointment within the Mitsubishi HC Capital Group.

Excluding the Chair, the Board therefore has one non-executive director, Ms. Herbert, who is determined by the Board to be independent. As explained above, the Board is contemplating the appointment of an additional independent non-executive director, if a candidate with all the attributes considered necessary to add value to the Board can be identified.

The Board has an oversight role, delegating day to day responsibility for managing the Group's business to the Executive Committee (described below) and holding the Chief Executive Officer to account. The Board has a written Schedule of Matters Reserved, which specifies all matters which must be escalated to the Board for consideration and decision. This schedule forms part of the Board Terms of Reference and is reviewed annually. The Board sets its agendas according to an agreed annual cycle, which is also reviewed annually.

Board Committees
The Board delegates certain defined responsibilities to committees which are summarised below. Each of these Committees has formal terms of reference which are reviewed annually.

Corporate Governance Statement
(continued)

Executive Committee
The Executive Committee is responsible for leading the day-to-day management of the Group. It provides the forum for the executive team to shape and agree the vision, brand promise, strategy and values, in alignment with those of the shareholder, for recommendation to the Board for approval. The committee, through the Chief Executive Officer, is then accountable to the Board for delivering the approved vision, brand promise and strategy in line with the Group's agreed values.

Group Audit Committee
The Group Audit Committee is chaired by Sian Herbert. Sian is a Chartered Accountant and a former partner at PricewaterhouseCoopers LLP. She previously held a position as a non-executive director and chair of the Audit Committee of HBL Bank UK Limited. Since October 2020 she has served on the Board of Equals Group Plc, a payments services Fintech, as chair of the Audit Committee and chair of the Risk Committee. The Board considers Sian to be independent and to have competence in both accounting and auditing as required by the FCA's Disclosure Guidance and Transparency Rules.

The other members of the Committee are Alan Hughes, and Osamu Muramoto. Masaki Mizutani was a member of the Committee until he retired as a director on 31 March 2025.

The Board considers that the Committee as a whole has competence relevant to the sector in which it is operating. The current membership of the Committee (excluding the Chair of the Board) includes one independent non-executive director. The Board has granted a temporary waiver of the requirement of the terms of reference of the Committee to have at least two independent non-executive directors as members, pending the appointment of an additional independent non-executive director (as described above). The Board ensures that the Committee carries out the functions required by rule 7.1.3 of the Disclosure Guidance and Transparency Rules.

The Committee normally meets in advance of each Board meeting, including on key dates in the financial reporting and audit cycle, and otherwise as necessary. The statutory auditor usually attends meetings of the Committee by invitation in order to ensure that all the information required by the Committee is available for it to operate effectively. The Chief Executive Officer and the heads of relevant central functions, such as the Chief Financial Officer, the Chief Risk Officer, and the Group Director of Internal Audit, also attend meetings by invitation. The Committee meets separately with the statutory auditor at least once per year.

The Committee's responsibilities are set out in its terms of reference, which include monitoring the financial reporting process and the statutory audit of the annual consolidated financial statements and reviewing the Company's internal control, information security and risk management arrangements, including the effectiveness of the Company's "three lines of defence" structure. The Committee reviews the findings of the Group's statutory auditor, keeps under review its independence and objectivity, the value for money of the audit, and the appropriateness and cost-effectiveness of any non-audit services provided by the statutory auditor. The Committee satisfies itself that any safeguards required by ethical guidance regarding the provision of non-audit services are implemented.

The Committee reports to the Board on the outcome of the statutory audit and explains how the statutory auditor and the Committee contribute to the process. The Committee is responsible for the procedure for selecting the statutory auditor and for making recommendations on its appointment.

The Committee also receives regular updates on the implementation of the Company's internal audit plan and compliance with certain aspects of Japan's Financial Instruments and Exchange Law (J-SOX).

Corporate Governance Statement
(continued)

Group Risk Committee
The Group Risk Committee is chaired by Sian Herbert. The other members of the Committee are Alan Hughes and Osamu Muramoto. Masaki Mizutani was a member of the Committee until he retired as a director on 31 March 2025.

The current membership of the Committee (excluding the Chair of the Board) includes one independent non-executive director. The Board has granted a temporary waiver of the requirement of the terms of reference of the Committee to have at least two independent non-executive directors as members, pending the appointment of an additional independent non-executive director (as described above).

The Committee normally meets in advance of each Board meeting. The Chief Executive Officer and the heads of relevant central functions, such as the Chief Financial Officer, the Chief Risk Officer, the Group Director of Operations, the Group Head of Compliance and the Group Director of Internal Audit attend meetings by invitation.

The Committee assists the Board in fulfilling its risk governance and oversight responsibilities. The Committee's responsibilities are set out in its terms of reference and include review of the Company's risk appetites (including credit risk appetite and climate-related risk appetite), review of, and recommendations to the Board on, policy statements relating to risk management, keeping under review the internal control, and risk management systems and controls, and receiving regular reports from the Chief Risk Officer and his Group Risk & Compliance function (including reports on credit risk, compliance with FCA principles and rules and other conduct risk). The Committee also oversees, and advises the Board on, the Company's risk exposures and risk strategy.

Remuneration Committee
The Remuneration Committee is chaired by Alan Hughes. Its other members are Sian Herbert, and Osamu Muramoto. Masaki Mizutani was a member of the Committee until he retired as a director on 31 March 2025. The Board has granted a temporary waiver of the requirement of the terms of reference of the Committee that the Chair of the Board should not chair the Remuneration Committee. One of the Board's criteria for the appointment of an additional independent non-executive director (described above) is that the candidate must be competent to chair the Remuneration Committee (and, prior to appointment, has been approved by the FCA to carry out the corresponding Senior Manager Function).

The role of the Committee includes agreeing the policy for remuneration of the executive management and approving their individual remuneration packages (above a specified threshold), ensuring that appropriate incentives exist at all levels and overseeing any major changes in employee benefit structures across the Group. The Committee also reviews, for approval by the Board and the shareholder, the design of long-term incentive plans, bonus schemes and commission schemes operated by the Group. In carrying out its duties, the Committee consults other committees of the Board, and the shareholder, as appropriate, and obtains professional advice to the extent it considers necessary.

Corporate Governance Statement
(continued)

Nomination Committee
The Nomination Committee is chaired by Alan Hughes. Its other members are Sian Herbert, Robert Gordon and Osamu Muramoto. Masaki Mizutani was a member of the Committee until he retired as a director on 31 March 2025. The purpose of the Committee is to regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to any changes, as well as to ensure that there is a formal, rigorous and transparent procedure for the appointment of new directors. The Committee makes recommendations to the Board on various matters, including succession plans, re-appointment of directors and membership of committees. In carrying out its duties, the Committee consults other committees of the Board, and the shareholder, as appropriate, and obtains professional advice to the extent it considers necessary.

Executive Risk Committee
The Executive Risk Committee is an executive level committee accountable to the Board. Its purpose is to ensure the effective management of all risks so that the Company's strategy and compliance objectives are achieved, escalating issues by exception to the Group Risk Committee. The Committee supports the Chief Executive Officer in identifying and addressing material risks and issues. The Committee is chaired by the Chief Risk Officer and its membership includes the Chief Executive Officer, the Group Director of Operations, the managing directors of each business division, the directors of relevant central functions, the Group Head of Compliance and the Group Treasurer.

Internal control and risk management
The Board is ultimately responsible for the Group's system of internal control and risk management and for reviewing its effectiveness. In relation to the financial reporting process, the system of internal control and risk management includes controls designed to safeguard assets against unauthorised use, to maintain proper accounting records and to ensure the reliability of financial information. The system of internal control and risk management is designed to manage, but not eliminate, the risk of failure to achieve business objectives and can provide only reasonable, rather than absolute assurance against material misstatement, loss or fraud.

The Board confirms that there is an appropriate ongoing process, as part of the Group's risk management framework, for identifying, evaluating and managing the significant risks faced by the Group which has been in place throughout the year ended 31 March 2025 and up to the date of approval by the Board of the Annual Report and Consolidated Financial Statements.

The key elements of the internal control system include: a clearly defined Board and Board committee structure, with terms of reference setting out membership, roles and responsibilities. Detailed annual budgets aligned with the corporate strategy are reviewed and approved by the Board. Regular progress reports and results are reviewed by the Board, or one of its committees, and actions are taken as appropriate. Organisational structures are in place which allow clear delegation of authority and responsibility throughout the Group.

Systems and procedures are in place to identify, control and report on the major risks facing the Group. The Group Risk Committee, supported by the Executive Risk Committee, is responsible for coordinating this process and for making recommendations to the Board. Further information about the Group's risk management framework is set out in the Group Strategic Report, under the heading Risk Review starting on page 35.

Corporate Governance Statement
(continued)

The Group has a 2nd line Risk and Compliance function and a 3rd line Internal Audit function which provide oversight and assurance in respect of the overall effectiveness of the governance of the Group, including the risk management framework.

The Board, through the Group Audit Committee and the Group Risk Committee, has reviewed the effectiveness of the system of internal control, including financial, operational and compliance controls and risk management, through representations from management and the independent monitoring undertaken by the Internal Audit function. In addition, the Group's statutory auditor presented to the Group Audit Committee reports that include details of any significant internal control matters which it had identified. Weaknesses identified during the course of these reviews have been incorporated into action plans.

Throughout the year ended 31 March 2025, the Group complied with the Japanese J-SOX legislation to the extent it was relevant to the Group, as a subsidiary of its parent, using the COSO framework, as a consequence of the parent company being listed on the Tokyo Stock Exchange.

Diversity and inclusion
The Directors believe that, as a leading financial services business, the Group has a role in society to encourage inclusion and diversity, within a workplace that welcomes everyone. The Group's aim is to create an environment that ensures that recruitment is a fully inclusive process and that all our people have the opportunity to benefit from sustainable and achievable career paths and to fulfil their potential. The Group is a Living Wage Employer and signatory to various diversity charters. Through our Diversity Leadership Council, the Group has executive sponsorship for its diversity communities, which consist of employees from across the Group who focus on initiatives to progress the inclusion agenda. The Group's progress has been recognised externally by being placed 15th in the 2024/25 Inclusive Company index, being the fifth year in a row that the Group has appeared in the top 50 listing. The Group is committed to set challenging targets to increase diversity in the business and will utilise the forthcoming FCA requirements to report and monitor continued progress.

The Group's Inclusion and Diversity Policy applies across the whole business, including the Board, its committees and the Company's management bodies. The policy and details of the Group's diversity and inclusion initiatives are available on the Company's website:
https://www.novuna.co.uk/who-we-are/inclusion-and-diversity/

By order of the Board.



J.N.M.Sims
Company Secretary
10 June 2025

Mitsubishi HC Capital UK PLC

Independent Auditor's Report
for the Year Ended 31 March 2025

Report on the audit of the financial statements

1. Opinion
In our opinion:
• the financial statements of Mitsubishi HC Capital UK PLC (the "parent company" or the "Company" or "MHCUK") and its subsidiaries (the "Group") give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2025 and of the Group's profit for the year then ended;
• the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
• the parent company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
• the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:
• the consolidated income statement;
• the consolidated statement of comprehensive income;
• the consolidated and Company statements of financial position;
• the consolidated and Company statements of changes in equity;
• the consolidated and Company statements of cash flows; and
• the related notes 1 to 37.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

2. Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and parent company for the year are disclosed in note 9 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Group or the parent company.

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

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Valuation of expected credit losses in Novuna Consumer Finance; • Valuation of the operating leased assets held in Novuna Vehicle Solutions; • Regulatory and litigation matters in relation to historical motor commission arrangements; and • Valuation of the investment in Gridserve, an equity investment designated at fair value through other comprehensive income. Within this report, key audit matters are identified as follows: (!) Newly identified <> Previously identified
Materiality	The materiality that we used for the Group financial statements was £12.8m which was determined on the basis of net assets.
Scoping	Our audit scope covers 97% of the Group's total assets, 98% of the Group's total liabilities, 88% of the Group's revenue and 86% of the Group's expenses.
Significant changes in our approach	A new key audit matter has been included in the current year in relation to the valuation of the Group's investment in Gridserve, an equity investment which is held at fair value through other comprehensive income due to the level of judgement involved in the valuation.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Group's and parent company's ability to continue to adopt the going concern basis of accounting included:

• Obtaining and reading the directors' going concern assessment, which included consideration of the Group's operational resilience and strategic plans, to understand, assess and evidence the key judgements made by management;

• Obtaining an understanding of relevant controls in relation to the directors' going concern assessment;
• Obtained the latest Board approved forecasts which includes the cash flow forecast for the going concern period and assessed key assumptions and their projected impact on the Group under different scenarios;
• In particular, as the Group is in a net current liability position of £56m as at 31 March 2025, challenging the assumptions used to determine the forecast expected cash inflows and outflows over the going concern assessment period. This included confirming the existence, terms and adequacy of funding facilities available to the Group to cover potential cash shortfalls and to meet scheduled debt repayments and evaluating management's intention and ability to carry out future planned actions in relation to the Group's funding and liquidity plans;
• Testing the mathematical accuracy of the forecasts used in the going concern assessment;
• Comparing the historical budgeted financial information with historical actual results to assess the historical accuracy of forecasts prepared by management;
• Supported by our regulatory specialists, assessing the results of the directors' stress testing and downside sensitivity analysis and assessed key assumptions with a focus on the liquidity and funding requirements that management assume that the Group will require;
• Using our knowledge of the Group and parent company, the financial services industry and the general economic environment, independently assessing factors and risks that may indicate events or conditions that may cast significant doubt on the Group and parent company's ability to continue as a going concern; and
• Assessing the going concern disclosures included in the financial statements to assess that the disclosures were appropriate and in conformity with the reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1 Valuation of expected credit losses in Novuna Consumer Finance <>

Refer to the judgements in applying accounting policies and critical accounting estimates in note 2.4 on pages 125 - 126 and note 35 on pages 206 - 214.

Key audit matter description
IFRS 9 Financial Instruments (“IFRS 9”) requires loan impairment provisions to be recognised on an expected credit loss ("ECL") basis. At 31 March 2025, the ECL relating to Novuna Consumer Finance ("NCF") forms the most significant part of the Group’s ECL provision of £54.4m (2024: £56.6m). The ECL provision in NCF requires management to make significant judgements and estimates and we therefore consider the valuation of the ECL to be a key audit matter due to the risk of fraud or error.

We identified two specific areas that require significant management judgement or relate to assumptions to which the ECL provision is particularly sensitive:
• Significant increases in credit risk (“SICR”) and staging: the appropriateness of the criteria used to classify loans into stage 1, 2 or 3, including the methodology and appropriateness of behavioural scores-cards that translate into probabilities of default (“PDs”); and
• Loss rates: the methodology and appropriateness of the loss rate estimates used in the ECL model.

How the scope of our audit responded to the key audit matter
We obtained an understanding of the relevant financial controls in the determination of the ECL provision in NCF. With involvement of our IT specialists, we tested general IT controls over the relevant underlying lending systems.

To challenge the NCF SICR criteria and staging we:
• Performed an accounting assessment of the SICR criteria to challenge whether the criteria were appropriate and in accordance with IFRS 9.
• Supported by our credit risk modelling specialist team, we:
o assessed the application of SICR in the ECL calculation, including a review of changes in the code script and methodology from prior year;
o understood and assessed the new behavioural scorecard model implemented in the year which is used to calculate PDs used in the SICR assessment, including reviewing the code script and methodology, and testing a sample of development data; and
o recalculated PDs and independently reperformed management's staging assessment, to test whether the staging criteria were applied correctly.
• Assessed the stage allocation by testing a sample of loans in stage 1, 2 and 3 and challenged whether they were in the appropriate stage by assessing the financial performance of the loan and with reference to the SICR criteria.
• Performed a composition analysis to assess the appropriateness of management’s definition of SICR by reference to certain validation metrics, including the proportion of loans transferred to stage 2 that were driven solely by being 30 days past due and assessed the proportion of loans that spent little or no time in stage 2 before transitioning to stage 3.

To challenge the NCF loss rates used in the ECL model, we:
• Understood the nature of the lending portfolio and considered whether historical loss data was an appropriate basis to estimate future losses.
• Supported by our credit risk modelling specialist team, we
o understood and assessed the 12-month and lifetime loss rate models used in the ECL calculation, including a review of any changes in code script and methodology from the prior year; and
o independently recalculated loss rates and reperformed the application of the loss rates within the ECL calculation.
• We also performed a stand-back assessment to assess whether the SICR classification and loss rates applied were appropriate and whether the overall ECL was reasonable.

Key observations
We determined that the Group's ECL provision for NCF as at 31 March 2025 was reasonable, in compliance with IFRS 9 and therefore appropriately stated.

5.2. Valuation of the operating leased assets held in Novuna Vehicle Solutions <>

Refer to the judgements in applying accounting policies and critical accounting estimates in note 2.4 on page 126 and note 13 on page 148 - 150.

Key audit matter description
As at 31 March 2025, the operating leased assets in Novuna Vehicle Solutions ("NVS") make up substantially all of the Company's operating leased assets which amount to £2,075.3m (2024: £1,899.0m), and constitute over 72% (2024: 72%) of the Group's operating leased assets of £2,865.5m (2024: £2,631.0m). For the year-ended 31 March 2025, the Group reported an impairment reversal of £76.3m (2024: impairment charge of £30.2m) relating to operating leased assets due to more normalised used vehicle prices following a period of volatility.

In determining the appropriate carrying amount of the operating leased assets in NVS as at 31 March 2025, the impairment provision requires management to make significant estimates of future cash flows. We therefore consider the valuation of the operating leased assets in NVS to be a key audit matter due to the risk of fraud or error.

We focused our audit effort on two key estimates used in the NVS impairment assessment:
• Residual values of battery electric vehicles used in the impairment assessment: residual values are a key estimate influenced by vehicle values, used car market conditions and the anticipated decline of the valuation over the vehicles' lifetime. There is significant estimation uncertainty in determining residual values for battery electric vehicles given the volatility that continued to be observed in the battery electric vehicle market in the year. This leads to greater uncertainty when estimating their residual values.
• The discount rate used for the calculation of the present value of the cashflows in the impairment assessment: the valuation of impairment is highly sensitive to changes in the discount rate. While interest rate volatility has somewhat decreased in the current year, the persistence of historically high rates and uncertain macroeconomic conditions continue to present a significant challenge in determining the appropriate discount rate used in the impairment assessment.

How the scope of our audit responded to the key audit matter
How the scope of our audit responded to the key audit matter We obtained an understanding of the relevant financial controls in the determination of the residual values and discount rate used in the impairment assessment for operating leased assets in NVS. With involvement of our IT specialists, we tested general IT controls over the relevant underlying leasing system.

To challenge the residual values used in the impairment assessment of operating leased assets, we:
• On a sample basis, compared management's residual values for battery electric vehicles against an independently developed reasonable range using automotive industry pricing data.
• Understood and challenged the appropriateness of significant judgements used in management's residual value model, particularly with reference to the data used by management to determine any adjustments to residual values. We also assessed the nature and agreed the value of management's residual values to internal information, including recent sales data, and external information where possible, considering contradictory evidence.
• Assessed the accuracy of management's residual values using our own knowledge of the industry, current trends in market performance against industry data predictions and views on the impact of emerging risks related to battery electric vehicles.

To challenge the discount rate used in the impairment assessment of operating leased assets, we:
• Involved our valuation specialists to independently determine an appropriate discount rate to challenge the rate applied by management in their impairment assessment.

Key observations
We determined that the Group's residual values for battery electric vehicles in NVS, as well as the discount rate used in the impairment calculations, were reasonable. We therefore determined that the impairment reversal and carrying value of the operating leased assets in NVS are appropriately stated.

5.3. Regulatory and litigation matters in relation to historical motor commission arrangements <>
Refer to the judgements in applying accounting policies and critical accounting estimates in note 2.4 on page 126 - 127 and note 24 on page 180 - 181.

Key audit matter description
The Group is exposed to potential redress relating to historical motor commission arrangements in light of the Financial Conduct Authority's ("FCA") ongoing review of historical discretionary commission arrangements in the motor finance market, and the Court of Appeal's judgment which raised the possibility of widespread liability among motor finance firms wherever commissions were not properly disclosed to customers.

As reported in note 24 the Group's provision for these matters is £5.0m at 31 March 2025 (2024: £nil). In the prior year, the Group disclosed a contingent liability in respect of this matter.

Significant judgement is required by the Group in determining whether, taking account of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, it is probable that an outflow of economic benefit will be required to settle the obligation, and whether a reliable estimate can be made. There is significant uncertainty around the final outcome as a result of the Court of Appeal decisions, appeal to the Supreme Court, other related legal developments and the impact of the ongoing review by the FCA.

In establishing the provision estimate, the Group created a number of scenarios to address the significant uncertainties that exist in a number of key assumptions, including the potential outcomes of the appeal to the Supreme Court and any steps that the FCA may take in relation to designing an appropriate redress approach. The estimate of the obligation is also sensitive to the commission models, product offerings and time periods in scope for any redress, the probability weightings applied to the different scenarios, the claim rate and the level of any compensatory interest applied.

We therefore consider the valuation of the provision to be a key audit matter due to the risk of fraud or error in determining whether the amount recorded is representative of the Group's best estimate to settle the obligation based on the information available to the Group.

How the scope of our audit responded to the key audit matter
We obtained an understanding of the relevant financial controls in the determination of the provision.

With the involvement of our regulatory specialists, we have performed the following procedures:
• Evaluated the assessment of the provision, associated probabilities, and potential outcomes in accordance with IAS 37.
• Assessed the scenarios considered and assumptions applied in determining the provision, including considering both supportive and contradictory information, the view of independent analysts and the decisions made by the Courts.
• Made direct enquiries of the Company's legal counsel.
• Tested the mechanical accuracy of the provision including the completeness and accuracy of data used in the provision.
• Inspected correspondence with the Group's regulators and legal counsel to challenge the completeness and valuation of the provision.
• Evaluated whether disclosures made in the financial statements appropriately reflect the facts and key sources of estimation uncertainty.
• Performed a stand back assessment on the appropriateness of the provision recognised with reference to the conclusions reached across the industry.

Key observations
We determined that management's judgements and assumptions underpinning the provision were reasonable and therefore the provision was appropriately stated. We also determined that the Group's disclosure appropriately describes the significant uncertainty in relation to the ultimate outcome of this matter which may result in a material adjustment to the carrying amount of the liability in the next financial year.

5.4. Valuation of investment in Gridserve, an equity investment designated at fair value through other comprehensive income (!)

Refer to the judgements in applying accounting policies and critical accounting estimates in note 2.4 on page 127, note 4.2 on page 138 and note 20 on pages 177 - 178.

Key audit matter description
As at 31 March 2025, the Group held a 7.55% interest (2024: 8.53%) in Gridserve Holdings Ltd, a company specialising in the provision of sustainable energy solutions. In the year-ended 31 March 2023, when the investment was first accounted for as an equity instrument measured at fair value, management made an irrevocable election to recognise subsequent changes in fair value in other comprehensive income. As reported in note 2.4 the value of the investment at 31 March 2025 is £23.0m (2024: £37.9m) and a loss of £14.9m was recognised in the consolidated statement of comprehensive income.

As disclosed in note 20, the investment in Gridserve is a Level 3 fair value equity investment, as the inputs used in its valuation are unobservable and therefore requires significant management judgement. The valuation technique used to measure the total equity value of Gridserve Holdings Ltd is a discounted cashflow method which is particularly sensitive to the discount rate. Management engaged an expert to support in determining the valuation of this investment. Given the inherent complexity of valuing Level 3 investments and the valuation movement during the year, we consider the valuation of the Gridserve investment to be a key audit matter due to the risk of fraud or error. As disclosed in note 2.4, the valuation of Gridserve is highly sensitive to a change in the discount rate. We therefore focused our audit effort on the reasonableness of the discount rate used in the discounted cash flow valuation.

How the scope of our audit responded to the key audit matter
We obtained an understanding of the relevant financial controls over the valuation of the investment and the resulting fair value movement recognised.

To challenge the valuation of the Group's investment, we:
• Obtained and assessed the valuation analysis provided by management's expert, including reviewing supporting schedules and related narrative information.
• Supported by our valuation specialists, assessed the appropriateness of the valuation methodology used in determining the fair value.
• Evaluated the competence, capability and objectivity of management's expert, including making direct inquiries of them.
• Assessed the reasonableness of the discount rate, involving our valuation specialists to determine a range of reasonable discount rates and comparing the discount rate selected by management to our range.
• Tested whether calculations were applied in accordance with the valuation method and were mathematically accurate.

Key observations
We determined that the assumptions used in determining the Gridserve investment valuation were reasonable and that the valuation of the investment and associated fair value loss recognised in other comprehensive income were appropriately stated.

6. Our application of materiality

6.1. Materiality
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group financial statements

Materiality	£12.8m (2024: £12.7m)
Basis for determining materiality	Group materiality was based on 1.2% of year-end net assets as of 31 March 2025 (2024: 1.2% of year-end net assets).
Rationale for the benchmark applied	In determining our benchmark for materiality, we considered the metrics used by investors and other users of the financial statements. Given the nature of the Group, the importance of strong capital and liquidity ratios and the potential volatility of profits and the recent economic and market conditions, we determined year-end net assets to be the most appropriate and stable benchmark to determine materiality.

Parent company financial statements

Materiality	£11.5m (2024: £11.4m)
Basis for determining materiality	Parent company materiality was based on 1.2% of parent company year-end net assets as of 31 March 2025 (2024: 1.2% of parent company year-end net assets) capped at 90% (2024: 90%) of the group materiality.
Rationale for the benchmark applied	We considered year-end net assets to be the most appropriate and stable benchmark to determine materiality in line with the rationale for the Group materiality.

6.2 Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	70% (2024: 70%) of Group materiality	70% (2024: 70%) of parent company materiality

Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: • Mitsubishi HC Capital UK PLC is a wholly owned subsidiary and the primary user of the financial statements is the ultimate parent, Mitsubishi HC Capital Inc; • Whilst the Company has listed debt, a significant portion of the external debt is guaranteed by Mitsubishi HC Capital Inc; • The quality of the control environment and that we were able to rely on controls over certain account balances; • The degree of centralisation and commonality of controls and processes; and • The nature, volume and size of uncorrected misstatements that were identified in the prior year audit.

6.3 Error reporting threshold
We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.64m (2024: £0.64m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1 Identification and scoping of components
Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls and assessing the risks of material misstatement at the Group level.

Our Group audit scope focused primarily on the parent company. The parent company was subject to an audit of the entire financial information, consistent with the prior year, using a component performance materiality of £8.1m (2024: £8.0m).

Additionally, in the current year, the Group audit team directly performed procedures over specified account balances in two components, using a component performance materiality between £2.2m and £4.5m.
Consistent with the prior year, we also engaged a component audit team to perform procedures over specified account balances in another component to obtain sufficient appropriate audit evidence on which to base our Group audit opinion. We set a component performance materiality of £4.5m for the component auditor to test the specified account balances.

Our Group audit scope therefore covered approximately 97% of the Group's total assets (2024: 95%), 98% of the Group's total liabilities (2024: 95%), 88% of the Group's total revenue (2024: 87%) and 86% of the Group's total expenses (2024: 84%).

We tested the Group's consolidation process and carried out analytical procedures to assess whether there were any potential significant risks of material misstatement in the aggregated financial information of the remaining components not subject to audit.

7.2 Our consideration of the control environment
We identified the key IT systems relevant to the audit to be those used in the Group's financial reporting and those used in NCF lending, NVS leasing and NBF leasing. For these systems, with the involvement of our IT specialists, we performed testing over the general IT controls, including testing of user access and change management systems.

In the current year we relied on controls for certain of the lending and leasing business processes as well as their related revenue streams. For the areas where we relied on controls, we performed walkthroughs with management to understand the process and controls and identified and tested relevant controls that address risks of material misstatement in financial reporting.

7.3 Our consideration of climate-related risks
In planning our audit, we have considered the impact of climate change on the Group's operations and impact on its financial statements. As set out in the Group's strategic report, on pages 18 - 22, management has identified that there is a risk that the Group does not adequately take account of climate change risks in developing the business model and strategy. The Strategic Report also contains information on several commitments and strategic priorities in relation to climate change, including that the Group has set a number of interim business decarbonisation targets and metrics for 2028-2030. The Group also has an ongoing strategic investment in Gridserve Holdings Ltd, a provider of sustainable energy solutions, which is held as an investment.

As set out in note 2.4 on page 125, the Group has considered the impact of climate-related matters on its financial position and performance and does not consider there to be a material impact on its judgements and estimates from the physical or transition risks associated with climate change in the short to medium term. Accordingly, the Group has determined that there is no significant risk of material adjustment to the carrying amount of assets and liabilities within the next financial year as a result of climate change.

We have held discussions with Group management to understand:
• the process for identifying affected operations, including the governance and controls over this process, and the subsequent effect on the financial reporting for the Group; and
• the long-term strategy to respond to climate change risks as they evolve.

Supported by our sustainability specialists, we have:
• challenged the completeness of the physical and transition risks identified, which included peer benchmarking and consideration of the Group's climate risk assessment and the conclusion that there is no material impact of climate change risk on current year financial reporting; and
• assessed the disclosures in the Annual Report and in note 2.4 of the financial statements and challenged the consistency between the financial statements and the remainder of the Annual Report.

We have not been engaged to provide assurance over the accuracy of climate change disclosures or targets. As part of our audit procedures, we are required to read these disclosures to consider whether they are materially inconsistent with the financial statements or knowledge obtained in the audit and we did not identify any material inconsistencies as a result of these procedures.

7.4 Working with other auditors
The Group audit team met regularly and was in active dialogue with the component audit team throughout the audit to oversee their audit activities performed. Oversight activities included determining whether the planned work was performed in accordance with the overall Group audit strategy and in line with the Group audit instructions provided to the component. We reviewed the component auditor's work through videoconferencing and attended planning and clearance meetings.

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

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

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

11. Extent to which the audit was considered capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1 Identifying and assessing potential risks related to irregularities
In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:
• the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
• results of our enquiries of management, internal audit, the directors and the Audit Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the Group's sector;

• any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
o identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
o detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
o the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
• the matters discussed among the audit engagement team including the component audit team and relevant internal specialists, including tax, valuations, financial instruments, pensions, IT, credit risk, analytics and modelling, sustainability, economics, conduct and regulatory specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: the valuation of expected credit losses in NCF; the valuation of operating leased assets held in NVS; regulatory and litigation matters in relation to historical motor commission arrangements; and the valuation of the investment in Gridserve. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, The Consumer Credit Act and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the Group's capital, liquidity and conduct requirements.

11.2 Audit response to risks identified
As a result of performing the above, we identified the valuation of expected credit losses in NCF; the valuation of operating leased assets held in NVS; regulatory and litigation matters in relation to historical motor commission arrangements; and the valuation of the investment in Gridserve as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:
• reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
• enquiring of management, the audit committee and in-house and external legal counsel concerning actual and potential litigation and claims;

• performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
• reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC and the FCA; and
• in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and component audit team, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:
• the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
• the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records
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 parent company, or returns adequate for our audit have not been received from branches not visited by us; or
• the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2. Directors' remuneration
Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

14. Other matters which we are required to address

14.1. Auditor tenure
Following the recommendation of the Audit Committee, we were appointed by the Board of Directors on 7 June 2021 to audit the financial statements for the year ending 31 March 2022 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is four years, covering the years ending 31 March 2022 to 31 March 2025.

14.2. Consistency of the audit report with the additional report to the audit committee
Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

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

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.15R - DTR 4.1.18R, these financial statements will form part of the Electronic Format Annual Financial Report filed on the National Storage Mechanism of the FCA in accordance with DTR 4.1.15R - DTR 4.1.18R. This auditor's report provides no assurance over whether the Electronic Format Annual Financial Report has been prepared in compliance with DTR 4.1.15R - DTR 4.1.18R.



Sarah Law ACA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
10 June 2025

Mitsubishi HC Capital UK PLC

Consolidated Income Statement for the Year Ended 31 March 2025

	Note	2025 £m	Re-presented* 2024 £m
Interest income	5	349.2	293.8
Finance lease income		96.8	89.2
Operating lease rental income		719.6	619.4
Operating lease maintenance income		137.7	125.8
Sale of operating leased assets		400.6	378.9
Other operating income	6	75.8	71.5
Revenue		**1,779.7**	**1,578.6**
Finance costs	7	(360.0)	(285.3)
Depreciation and impairment of operating leased assets	13	(487.2)	(421.4)
Maintenance expense on operating leased vehicles		(107.0)	(101.4)
Disposal of operating leased assets		(376.7)	(327.3)
Other cost of sales	8	(48.5)	(43.1)
Cost of sales		**(1,379.4)**	**(1,178.5)**
Gross profit		**400.3**	**400.1**
Impairment losses on credit exposures	16	(29.8)	(26.1)
Administrative expenses	9	(243.6)	(238.3)
Operating profit		**126.9**	**135.7**
Fair value loss on derivative financial instruments	18	(1.3)	(2.3)
Exceptional items	10	(5.0)	-
Profit before tax		**120.6**	**133.4**
Income tax expense	11	(31.5)	(32.4)
Profit after tax from continuing operations		**89.1**	**101.0**
Discontinued operations			
Loss after tax from discontinued operations	12	(10.3)	(8.4)
Profit for the year		**78.8**	**92.6**

* The prior year comparatives have been re-presented to reflect that the results of the branches in Czech Republic, Slovakia and Hungary are now reported as discontinued operations (note 12)

Mitsubishi HC Capital UK PLC

Consolidated Statement of Comprehensive Income for the Year Ended 31 March 2025

	Note	2025 £m	2024 £m
Profit after tax for the year		78.8	92.6
Items to be reclassified to profit or loss in subsequent period			
Loss taken to cash flow hedge and cost of hedging reserve		(28.5)	(68.7)
Income tax effect	11	7.8	16.6
	27	(20.7)	(52.1)
Fair value losses on financial instruments measured as fair value through other comprehensive expense		(14.8)	(2.8)
Income tax effect	11	3.7	0.7
	27	(11.1)	(2.1)
Foreign currency translation losses	27	(0.6)	(0.6)
Net other comprehensive expense to be reclassified to profit or loss in subsequent period		**(32.4)**	**(54.8)**
Items that will not be reclassified to profit or loss in subsequent period			
Re-measurement of defined benefit pension scheme		(5.3)	(0.4)
Income tax effect	11	1.8	0.1
	27	(3.5)	(0.3)
Net other comprehensive expense not to be reclassified to profit or loss in subsequent period		**(3.5)**	**(0.3)**
Other comprehensive expense for the year, net of tax		**(35.9)**	**(55.1)**
Total comprehensive income for the year, net of tax		**42.9**	**37.5**
Attributable to:			
Equity holders of the parent		42.9	37.5
Total comprehensive income for the year, net of tax		42.9	37.5

Consolidated Statement of Financial Position as at 31 March 2025

	Note	Group 31 March 2025 £m	Group 31 March 2024 £m
Non-current assets			
Intangible assets	15	53.6	59.6
Investment accounted for under the equity method		-	0.1
Property, plant and equipment under operating lease	13	2,918.4	2,689.5
Other property, plant, equipment and right of use assets	14	28.5	31.8
Loans and advances to customers	17	3,287.4	3,185.2
Financial instruments at fair value through profit or loss	20	60.4	66.3
Equity instruments at fair value through other comprehensive income	20	23.0	37.9
Derivative financial instruments	18	42.4	48.9
Deferred tax assets	11	2.0	-
Retirement benefit asset	30	0.3	5.4
		6,416.0	**6,124.7**
Current assets			
Loans and advances to customers	17	2,516.8	2,395.3
Derivative financial instruments	18	7.8	24.4
Inventories	21	25.1	35.9
Current tax asset		-	1.6
Trade and other receivables	22	210.1	183.9
Cash and cash equivalents	25	242.4	59.3
		3,002.2	**2,700.4**
Operating leased assets held for sale	12	14.5	-
		3,016.7	**2,700.4**
Total assets		**9,432.7**	**8,825.1**
Equity and liabilities			
Equity			
Share capital	26	116.2	116.2
Share premium	26	43.6	43.6
Retained earnings		931.7	890.0
Other reserves	27	(13.3)	22.6
Equity attributable to owners of the company		**1,078.2**	**1,072.4**

Consolidated Statement of Financial Position as at 31 March 2025 (continued)

	Note	Group 31 March 2025 £m	Group 31 March 2024 £m
Non-current liabilities			
Interest bearing borrowings	19	4,933.7	3,674.1
Derivative financial instruments	18	185.3	207.5
Trade and other payables	28	137.0	119.4
Provisions	24	1.4	1.3
Deferred tax liability	11	24.2	44.5
		5,281.6	**4,046.8**
Current liabilities			
Bank overdrafts	25	10.0	19.4
Interest bearing borrowings	19	2,482.0	3,097.2
Derivative financial instruments	18	90.7	128.1
Current tax liability		10.5	11.0
Trade and other payables	28	470.9	439.4
Provisions	24	8.8	10.8
		3,072.9	**3,705.9**
Total liabilities		**8,354.5**	**7,752.7**
Total equity and liabilities		**9,432.7**	**8,825.1**

Company Statement of Financial Position as at 31 March 2025

	Note	Company 31 March 2025 £m	Company 31 March 2024 £m
Non-current assets			
Intangible assets	15	48.9	54.5
Investments in subsidiaries	4	69.2	45.8
Property, plant and equipment under operating lease	13	2,123.4	1,948.3
Other property, plant, equipment and right of use assets	14	15.3	17.2
Loans and advances to customers	17	3,186.1	3,104.7
Financial instruments at fair value through profit or loss	20	60.4	66.3
Equity instruments at fair value through other comprehensive income	20	23.0	37.9
Derivative financial instruments	18	42.4	48.9
Trade and other receivables	22	79.4	60.7
Retirement benefit asset	30	0.3	5.4
		5,648.4	**5,389.7**
Current assets			
Loans and advances to customers	17	2,478.1	2,338.7
Derivative financial instruments	18	7.8	24.4
Inventories	21	15.2	27.0
Trade and other receivables	22	223.1	210.9
Cash and cash equivalents	25	206.1	40.6
		2,930.3	**2,641.6**
Total assets		**8,578.7**	**8,031.3**
Equity and liabilities			
Equity			
Share capital	26	116.2	116.2
Share premium	26	43.6	43.6
Retained earnings		917.3	877.0
Other reserves	27	(17.2)	16.7
Equity attributable to owners of the company		**1,059.9**	**1,053.5**
Non-current liabilities			
Interest bearing borrowings	19	4,456.9	3,242.4
Derivative financial instruments	18	185.3	207.5
Trade and other payables	28	134.6	114.0
Provisions	24	1.4	1.3
Deferred tax liability	11	17.8	37.7
		4,796.0	**3,602.9**

Company Statement of Financial Position as at 31 March 2025 (continued)

	Note	Company 31 March 2025 £m	Company 31 March 2024 £m
Current liabilities			
Bank overdrafts	25	9.9	7.8
Interest bearing borrowings	19	2,193.0	2,831.2
Derivative financial instruments	18	90.7	128.1
Current tax liability		5.6	6.5
Trade and other payables	28	415.0	390.8
Provisions	24	8.6	10.5
		2,722.8	**3,374.9**
Total liabilities		**7,518.8**	**6,977.8**
Total equity and liabilities		**8,578.7**	**8,031.3**

Company profit for the year was £77.5m (2024; £90.0m)

The financial statements were approved by the board, authorised for issue on 10 June 2025 and signed on its behalf by:



R. Gordon,
Chief Executive Officer

Consolidated Statement of Changes in Equity as at 31 March 2025

Group	Note	Share capital £m	Share premium £m	Retained earnings £m	Other reserves £m	Non Controlling Interest £m	Total £m
At 31 March 2023		116.2	43.6	843.8	77.9	0.2	1,081.7
Profit for the year		-	-	92.6	-	-	92.6
Other comprehensive expense	27	-	-	-	(55.1)	-	(55.1)
Total comprehensive income/(expense) for the year		-	-	92.6	(55.1)	-	37.5
Dividends paid		-	-	(46.0)	-	-	(46.0)
Acquisition of non-controlling interest, increase or decrease in equity		-	-	-	-	(0.2)	(0.2)
Other movements		-	-	(0.4)	(0.2)	-	(0.6)
At 31 March 2024		**116.2**	**43.6**	**890.0**	**22.6**	**-**	**1,072.4**
Profit for the year		-	-	78.8	-	-	78.8
Other comprehensive expense	27	-	-	-	(35.9)	-	(35.9)
Total comprehensive income/(expense) for the year		-	-	78.8	(35.9)	-	42.9
Dividends paid	23	-	-	(37.2)	-	-	(37.2)
Other movements		-	-	0.1	-	-	0.1
At 31 March 2025		**116.2**	**43.6**	**931.7**	**(13.3)**	**-**	**1,078.2**

Mitsubishi HC Capital UK PLC

Statement of Changes in Equity for the Year Ended 31 March 2025

Company	Note	Share capital £m	Share premium £m	Retained earnings £m	Other reserves £m	Total £m
At 31 March 2023		116.2	43.6	832.7	70.1	1,062.6
Profit for the year		-	-	90.0	-	90.0
Other comprehensive expense	27	-	-	-	(53.2)	(53.2)
Total comprehensive income/(expense) for the year		-	-	90.0	(53.2)	36.8
Dividends paid		-	-	(46.0)	-	(46.0)
Other movements		-	-	0.3	(0.2)	0.1
At 31 March 2024		**116.2**	**43.6**	**877.0**	**16.7**	**1,053.5**
Profit for the year		-	-	77.5	-	77.5
Other comprehensive expense	27	-	-	-	(33.9)	(33.9)
Total comprehensive income/(expense) for the year		-	-	77.5	(33.9)	43.6
Dividends paid	23	-	-	(37.2)	-	(37.2)
At 31 March 2025		**116.2**	**43.6**	**917.3**	**(17.2)**	**1,059.9**

Mitsubishi HC Capital UK PLC

Consolidated Statement of Cash Flows for the Year Ended 31 March 2025

	Note	Group 2025 £m	Group 2024 £m
Profit before tax from continuing operations		120.6	133.4
Loss before tax from discontinued operations		(11.5)	(7.4)
Profit before tax		109.1	126.0
Operating activities:			
Non cash adjustment to reconcile profit before tax to net cash flows:			
Depreciation and impairment of property, plant and equipment under operating lease	13	487.2	433.1
Depreciation and impairment of other property, plant, equipment and right of use assets	14	6.1	5.9
Amortisation and impairment of intangible assets	15	10.2	10.3
Impairment losses on credit exposures	16	29.8	26.3
Net charge in respect of provisions	24	3.1	(3.3)
Finance costs	7	360.0	289.4
Net gain on disposal of operating lease assets		(15.4)	(51.1)
Net loss/(gain) on disposal of property plant and equipment		2.6	(0.1)
Net loss on disposal of intangible assets		0.5	0.5
Fair value loss on derivative financial instruments	18	1.3	2.3
Defined benefit pension scheme income	30	(0.3)	(0.2)
Fair value loss on non-derivative financial instruments		(2.1)	(0.1)
		992.1	839.0
Working capital adjustments			
Increase in loans and advances to customers		(247.0)	(246.2)
Increase in trade and other receivables		(32.4)	(8.1)
Increase in payables and provisions		26.6	26.7
Decrease/(increase) in inventories		10.8	(3.0)
Cash contributions to defined benefit pension scheme	30	-	(4.6)
Purchase of operating leased assets		(1,132.9)	(1,129.5)
Proceeds from sale of operating leased assets		441.5	385.9
Cash inflow/(outflow) from operations		58.7	(139.8)
Income taxes (paid)/received		(38.2)	0.6
Interest paid		(359.0)	(267.5)
Net cash outflow from operating activities		(338.5)	(406.7)
Investing activities			
Purchase of property, plant and equipment (non-operating leases)	14	(5.7)	(11.4)
Purchase of intangible assets	15	(4.5)	(4.5)
Net investment in debt instruments		8.0	8.4
Net cash outflow from investing activities		(2.2)	(7.5)

Consolidated Statement of Cash Flows for the Year Ended 31 March 2025 (continued)

	Note	Group 2025 £m	Group 2024 £m
Financing activities			
Receipt of long term borrowings		3,208.1	4,915.6
Repayments of long term borrowings		(2,571.0)	(4,555.8)
Decrease other in short term borrowings		(57.4)	(20.1)
Dividends paid		(37.2)	(46.0)
Repayment of principal portion of lease liabilities		(9.0)	(8.2)
Net cash inflow from financing activities		533.5	285.5
Net increase/(decrease) in cash and bank overdrafts		192.8	(128.7)
Net foreign exchange difference		(0.3)	2.0
Cash and bank overdrafts at beginning of the year	25	39.9	166.6
Cash and bank overdrafts at end of the year	25	232.4	39.9
Current assets - cash	25	242.4	59.3
Current liabilities - bank overdrafts	25	(10.0)	(19.4)
Cash and bank overdrafts at end of the year		232.4	39.9

Mitsubishi HC Capital UK PLC

Company Statement of Cash Flows for the Year Ended 31 March 2025

	Note	Company 2025 £m	Company 2024 £m
Profit before tax		104.2	115.6
Operating activities:			
Non cash adjustment to reconcile profit before tax to net cash flows:			
Depreciation and impairment of property, plant and equipment under operating lease	13	376.4	330.0
Depreciation and impairment of other property, plant, equipment and right of use assets	14	3.2	2.8
Amortisation and impairment of intangible assets	15	10.2	9.9
Impairment losses on credit exposures	16	28.9	25.3
Net charge in respect of provisions	24	3.1	(3.4)
Finance costs		326.7	261.1
Net gain on disposal of operating lease assets		(16.0)	(35.5)
Net loss/(gain) on disposal of property plant and equipment		0.4	(0.3)
Net loss on disposal of intangible assets		0.1	0.4
Fair value loss on derivative financial instruments	18	1.3	2.3
Defined benefit pension scheme income	30	(0.3)	(0.2)
Fair value loss on non-derivative financial instruments		(2.1)	(0.1)
		836.1	707.9
Working capital adjustments			
Increase in loans and advances to customers		(245.9)	(277.7)
(Increase)/decrease in trade and other receivables		(32.2)	24.0
Increase in payables and provisions		22.7	21.4
Decrease/(increase) in inventories		11.8	(4.8)
Cash contributions to defined benefit pension scheme	30	-	(4.6)
Purchase of operating leased assets		(810.9)	(777.7)
Proceeds from sale of operating leased assets		295.3	285.9
Cash inflow/(outflow) from operations		76.9	(25.6)
Income taxes (paid)/received		(34.2)	2.3
Interest paid		(325.9)	(239.6)
Net cash outflow from operating activities		(283.2)	(262.9)
Investing activities			
Purchase of property, plant and equipment (non-operating leases)	14	(1.6)	(1.8)
Purchase of intangible assets	15	(4.7)	(4.2)
Net investment in debt instruments		8.0	8.4
Capital injection in subsidiaries		(25.1)	(4.6)
Net cash outflow from investing activities		(23.4)	(2.2)

Company Statement of Cash Flows for the Year Ended 31 March 2025 (continued)

	Note	Company 2025 £m	Company 2024 £m
Financing activities			
Receipt of long term borrowings		2,888.7	4,568.1
Repayments of long term borrowings		(2,341.2)	(4,374.9)
(Decrease)/Increase other in short term borrowings		(35.9)	8.8
Dividends paid		(37.2)	(46.0)
Repayment of principal portion of lease liabilities		(5.8)	(5.6)
Net cash inflow from financing activities		468.6	150.4
Net increase/(decrease) in cash and bank overdrafts		162.0	(114.7)
Net foreign exchange difference		1.4	1.3
Cash and bank overdrafts at beginning of the year	25	32.8	146.2
Cash and bank overdrafts at end of the year	25	196.2	32.8
Current assets - cash	25	206.1	40.6
Current liabilities - bank overdrafts	25	(9.9)	(7.8)
Cash and bank overdrafts at end of the year		196.2	32.8

1 Corporate information

The consolidated financial statements of the Group for the year ended 31 March 2025 were authorised for issue by the directors on 10 June 2025. Mitsubishi HC Capital UK PLC is a public limited company incorporated in the United Kingdom. The address of the registered office is given at the end of this report as is information on the ultimate parent undertaking. The principal activities of the Group are described in note 3.

2 Accounting policies

2.1 Basis of preparation

The financial statements are prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international accounting standards as adopted by the United Kingdom. Under section 408 (3) of the Companies Act 2006, the Company has not included its own income statement or statement of comprehensive income.

The financial statements have been prepared on a historical cost convention, as modified by financial instruments recognised at fair value.

The financial statements are presented in pound sterling and all values are rounded to the nearest hundred thousand, except when otherwise indicated.

Use of estimates, assumptions and judgements
The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that the management consider to be reasonable, the results of which form the basis of making the judgements about carrying values of assets and liabilities. Further information can be found in note 2.4 on significant accounting judgements, estimates and assumptions.

Going concern
The Directors, based on latest forecasts, economic environment, stress testing and available funding, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future (which has been taken as 12 months from the date of approval of the financial statements) and that there are no material uncertainties to disclose. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements. The full going concern statement is set out in the Directors' Report starting on page 59.

2 Accounting policies (continued)

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 March 2025. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra Group balances, transactions and dividends are eliminated in full.

Subsidiaries are those entities, including securitisation entities, over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee. The Group has power over an entity when it has existing rights that give it the current ability to direct the relevant activities that most significantly affect the entity's returns. Power may be determined on the basis of voting rights or, in the case of securitisation entities, other contractual arrangements.

Where the Group does not retain direct ownership of the equity in a securitisation entity, but the Directors have determined that the Group controls those entities, they are treated as subsidiaries and are consolidated. Control is determined to exist if the Group has the power to direct the relevant activities that most significantly affect the securitisation entity's returns and that the Group is exposed to a variable return due to credit risk. Securitisation structures that do not meet these criteria are not treated as subsidiaries and are excluded from the consolidated accounts and instead specific assets and liabilities to the extent of the Group's continuing involvement are recognised to the Group's Statement of Financial Position. Significant judgements as regards to the accounting treatment of securitisation entities can be found in note 2.4.

2 Accounting policies (continued)

2.3 Summary of material accounting policy information

(a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred and included in administrative expenses.

Any contingent consideration to be transferred by the Group will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments: Recognition and Measurement, is measured at fair value through profit or loss. If the contingent consideration is not within the scope of IFRS 9, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill on acquisition is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the fair value of the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the income statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units ("CGU") that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

(b) Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

2 Accounting policies (continued)

2.3 Summary of material accounting policy information (continued)

(b) Investments in associates and joint ventures (continued)

The investment in associate or joint venture is accounted under the equity method whereby, the investment is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately. The carrying amount of investment in an associate or a joint venture is recognised under 'Investment accounted for under the equity method' within the Group's statement of financial position.

The Consolidated Income Statement reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the Statement of Changes in Equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of associates and a joint ventures is shown on the face of the Consolidated Income Statement outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and the carrying value, and then recognises the loss within 'Share of profit or loss of investment accounted for under the equity method' in the consolidated income statement.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in the Consolidated Income Statement.

The Group does not have any investments in associates or joint ventures reported in its Statement of Financial Position.

2 Accounting policies (continued)

2.3 Summary of material accounting policy information (continued)

(c) Foreign currency transactions and balances

The presentational currency of the Group and the Company is pound sterling. The functional currency of the Company is pound sterling, which is the currency of the primary environment in which the Group operates. The income, expenses, assets and liabilities for all Group's subsidiaries that have a functional currency different from the presentation currency are translated into pound sterling as follows:

- Assets and liabilities are translated at the closing exchange rate at the balance sheet date.
- Income and expenses are translated at the average exchange rate during the year.

The cumulative translation gains or losses arising from this are reported and presented as part of the Group's Other Comprehensive Income.

Transactions in foreign currencies are initially recorded in the functional currency at the spot rate of exchange ruling at the date of the transaction. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the Consolidated Income Statement for the period.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or Consolidated Income Statement are also recognised in Other Comprehensive Income or Consolidated Income Statement, respectively).

Goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

In order to hedge its exposure to foreign exchange risk arising from borrowings denominated in foreign currency, the Group enters into cross currency swaps and FX swaps, the accounting policies of which are set out in note 2.3(n).

2 Accounting policies (continued)

2.3 Summary of material accounting policy information (continued)

(d) Revenue from contracts with customers

In accordance with IFRS 15 Revenue from contracts with customers, the Group recognises revenues at the point in time or over the period in which its performance obligations to customers for services are satisfied.

When the Group concludes that it has control over the provided good or service before that good or service is transferred to the customer, the Group acts as principal, and revenues for satisfying the performance obligations are recognised on a gross basis (before deduction of directly attributable costs). Otherwise, revenues are recognised on a net basis.

Disclosed in the Group's income statement are Operating lease maintenance income, sale of operating leased assets and other operating income are the revenue streams which represent the categories of revenue recognised in accordance with IFRS 15.

Operating lease maintenance income
This income relates to maintenance services on assets leased to customers on operating leases. The Group satisfies performance obligations when maintenance and repairs are performed on vehicles and the transaction price represent to total amount of maintenance rental income receivable over the lease term.

The transaction price is allocated as the performance obligations are satisfied over the contractual term of the lease. The allocation is based on historical analysis as well as other available information to enable the Group to forecast maintenance cost profile over the lease term. The difference between the amounts charged to customers and amounts recognised as income is accounted for as deferred maintenance income. Cost profiles are reviewed periodically to ensure they remain a fair representation of historical repair and maintenance expenditures, adjusted for reasonable expectations of changes in cost profiles.

Deferred maintenance income represents contract liabilities for unsatisfied or partially satisfied performance obligations in relation to service, maintenance and repair services. Deferred revenue also materially represents the transaction price that is allocated to future performance obligations.

Sale of operating lease assets
This income relates to disposal of operating leased assets when they are returned by the lessee. The Group satisfies performance obligations when the assets are sold and the buyer has obtained control of the assets. The transaction price, recognised at a point in time when performance obligation is satisfied, represents the sale proceeds net of commission paid to the intermediaries. The revenue includes proceeds from the sale of vehicles, net of directly attributable costs of disposal and end of contract fees chargeable to customers. The revenue is presented as sale of operating leased assets within the Group's consolidated income statement and the related net book value is presented as disposal of operating leased assets within cost of sales.

Other operating income
The Group earns fleet management, contract administration and early settlement fees in relation to operating lease, finance lease and instalment finance contracts. Fleet management and contract administration fees are recognised on a monthly basis as the performance obligation is satisfied over the contract term. Early settlement fees are recognised at a point in time when the customer has obtained control of the asset or agreed to settle their loan.

2 Accounting policies (continued)

2.3 Summary of material accounting policy information (continued)

(e) Leases

A lease is a contract, or a part of a contract, that conveys the right to use an asset or a physically distinct part of an asset ("the underlying asset") for a period of time in exchange for consideration. Further, the contract must convey the right to the Group to control the asset or a physically distinct portion thereof. A contract is deemed to convey the right to control the underlying asset if, throughout the period of use, the Group has the right to:

· Obtain substantially all the economic benefits from the use of the underlying asset, and;
· Direct the use of the underlying asset (e.g. direct how and for what purpose the asset is used).

Where contracts contain a lease coupled with an agreement to purchase or sell other goods or services (i.e., non-lease components), the non-lease components are identified and accounted for separately from the lease component. The consideration in the contract is allocated to the lease and non-lease components on a relative standalone price basis using the principles in IFRS15.

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessor - operating leases
Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Group as a lessor - finance leases
Leases where substantially all the risks and rewards incidental to ownership of an asset are transferred to the lessee are classified as finance leases or hire purchase contracts. The Group as a lessor records a finance lease or hire purchase receivable at the amount of its net investment which equals the present value of the future minimum lease payments receivable (including any guaranteed residual value by the lessee) and the unguaranteed residual value accruing to the Group, after any accumulated impairment losses. Unearned finance income is the difference between the gross investment in the lease and the net investment in the lease.

Over the lease term, the instalments charged to clients are apportioned between a reduction in the net investment in the lease and finance lease income. The finance lease income is calculated using the effective interest method to achieve a constant rate of return over the lease term.

Group as a lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities, included within trade and other payables (note 28) to make lease payments and right-of-use assets (note 14) representing the right to use the underlying assets.

2 Accounting policies (continued)

2.3 Summary of material accounting policy information (continued)

Initial recognition and measurement

The Group initially recognises a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term.

The lease liability is measured at the present value of the lease payments to be made over the lease term, discounted using the Group's incremental borrowing rate. The lease payments include fixed payments, purchase options at exercise price (where payment is reasonably certain), expected amount of residual value guarantees, termination option penalties (where payment is considered reasonably certain) and variable lease payments that depend on an index or rate.

The right-of-use asset is initially measured at the amount of the lease liability, adjusted for lease prepayments, lease incentives received, the Group’s initial direct costs (e.g. commissions) and an estimate of restoration, removal and dismantling costs.

Subsequent measurement

After the commencement date, the Group measures the lease liability by:
(a) Increasing the carrying amount to reflect interest on the lease liability;
(b) Reducing the carrying amount to reflect the lease payments made; and
(c) Re-measuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in substance fixed lease payments or on the occurrence of other specific events.

Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. Interest charges are included within finance cost in the Consolidated Income Statement, unless the costs are included in the carrying amount of another asset applying other applicable standards.

Variable lease payments not included in the measurement of the lease liability, are included in operating expenses in the period in which the event or condition that triggers them arises.

The related right-of-use asset is accounted for using the "Cost model" in IAS 16 and depreciated and charged in accordance with the depreciation requirements of IAS 16 Property, Plant and Equipment as disclosed in 2.3(g) Property, plant and equipment & right of use assets. Adjustments are made to the carrying value of the right of use asset where the lease liability is re-measured in accordance with the above.

Right of use assets are presented within Other property, plant, equipment and right-of-use assets in note 14. They are tested for impairment in accordance with IAS 36 Impairment of assets as disclosed in 2.3(s) Impairment of non-financial assets.

2 Accounting policies (continued)

2.3 Summary of material accounting policy information (continued)

Lease modifications

If a lease is modified, the modified contract is evaluated to determine whether it is or contains a lease. If a lease continues to exist, the lease modification will result in either a separate lease or a change in the accounting for the existing lease.

The modification is accounted for as a separate lease if both:
(a) The modification increases the scope of the lease by adding the right to use one or more underlying assets; and
(b) The consideration for the lease increases by an amount commensurate with the stand alone price for the increase in scope and any appropriate adjustments to that stand alone price to reflect the circumstances of the particular contract.

If both of these conditions are met, the lease modification results in two separate leases, the unmodified original lease and a separate lease. The Group then accounts for these in line with the accounting policy for new leases.

If either of the conditions are not met, the modified lease is not accounted for as a separate lease and the consideration is allocated to the contract and the lease liability is re-measured using the lease term of the modified lease and the discount rate as determined at the effective date of the modification.

For a modification that fully or partially decreases the scope of the lease (e.g., reduces the square footage of leased space), IFRS 16 requires a lessee to decrease the carrying amount of the right-of-use asset to reflect partial or full termination of the lease. Any difference between those adjustments is recognised in the Consolidated Income Statement at the effective date of the modification.

For all other lease modifications which are not accounted for as a separate lease, IFRS 16 requires the lessee to recognise the amount of the re-measurement of the lease liability as an adjustment to the corresponding right-of-use asset without affecting the Consolidated Income Statement.

Short term and low value leases

The Group has made an accounting policy election, by class of underlying asset, not to recognise lease assets and lease liabilities for leases with a lease term of 12 months or less (i.e., short-term leases).

The Group has made an accounting policy election on a lease-by-lease basis, not to recognise lease assets on leases for which the underlying asset cost is less than £5,000 (i.e. low value leases).

Lease payments on short term and low value leases are accounted for on a straight line basis over the term of the lease or other systematic basis if considered more appropriate. Short term and low value lease payments are included in "operating expenses" in the Consolidated Income Statement.

2 Accounting policies (continued)

2.3 Summary of material accounting policy information (continued)

Sub leases

If an underlying asset is re-leased by the Group to a third party and the Group retains the primary obligation under the original lease, the transaction is deemed to be a sublease. The Group continues to account for the original lease (the head lease) as a lessee and accounts for the sublease as a lessor (intermediate lessor). When the head lease is a short term lease, the sublease is classified as an operating lease. Otherwise, the sublease is classified using the classification criteria applicable to "Lessor Accounting" in IFRS 16 by reference to the right-of-use asset in the head lease (and not the underlying asset of the head lease). After classification lessor accounting is applied to the sublease.

(f) Taxes

Current Income Tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in the Consolidated Income Statement.

Deferred Tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available, against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside the Consolidated Income Statement are recognised in correlation to the underlying transaction either in Other Comprehensive Income or directly in Equity.

The Group has legally enforceable right to set-off and it intends to settle the deferred tax assets and liabilities within the same jurisdiction on the net basis, in accordance with IAS 12. As such, the deferred assets and liabilities within the same jurisdiction have been offset in the Group‘s statement of financial position.

2 Accounting policies (continued)

2.3 Summary of material accounting policy information (continued)

(g) Property, plant, equipment and right of use assets

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes expenditure directly attributable to the acquisition of property and equipment. Subsequent cost is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the Group and the cost can be measured reliably. Maintenance and repairs, which do not meet these criteria, are charged against income as incurred.

Right-of-use assets are presented together with property and equipment in the Statement of Financial Position - refer to the accounting policy in note 2.3(e) Leases. Right-of-use assets are depreciated on a straight-line basis over the lease term.

Depreciation of owned assets is calculated on a straight line basis over the estimated useful lives of the assets as follows:

• Land and buildings - 50 years
• Right of use assets - Property leases - lease term
• Furniture, fittings and equipment:
- Leasehold improvements - remaining expected term of the lease
- Fixtures, fittings and computer equipment - 4 years
• Motor vehicles - 3 to 6 years

Depreciation of operating leased assets is calculated over the useful life of the asset on a straight line basis.

Assets held for use in operating leases consist of specialist leasing assets under construction or purchase of new vehicles with an intention of leasing to customers in the near future. These are not depreciated until the assets are ready for use.

The Group reviews residual values, useful lives and methods of depreciation on its operating lease contracts, at least annually, and prospectively adjusts future depreciation such the assets are depreciated to the expected amount that the Group would currently obtain from the disposal of the asset, if the asset was already of the age and conditions expected at the end of the assets' useful life. Any changes in residual value is charged or credited to the Group's consolidated Income Statement over the remaining lives of the operating leases.

(h) Investment in subsidiaries

Investments in subsidiaries are initially and subsequently measured at cost. These are assessed for impairment in line with the accounting policy detailed in note 2.3(s).

The investments, recognised in the Company financial statements, are eliminated on consolidation as the subsidiaries' assets and liabilities are consolidated into the Group.

2 Accounting policies (continued)

2.3 Summary of material accounting policy information (continued)

(i) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Capitalised software
Purchased software and costs directly associated with the development of computer software are capitalised as intangible assets where the software is a clearly identifiable asset controlled by the Group and will generate future economic benefits. The Group only recognises internally generated intangible assets if all of the following conditions are met:
• The technical feasibility study has been completed so that the intangible asset will be available for use or sale.
• The Group intends to complete the intangible asset and use or sell it.
• The Group has the ability to use or sell the intangible asset.
• The intangible asset will generate probable future economic benefits. Among other things, the Group can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
• Adequate technical, financial and other resources are available to complete the development and to use or sell the intangible asset.
• Ability to measure reliably the expenditure attributable to the intangible asset during its development.

Costs to establish technological feasibility or to maintain existing levels of performance are recognised as an expense. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period.

Software-as-a-service (SaaS), is an arrangement that provides the Group with the right to receive access to the supplier's application software in the future which is treated as a service contract, rather than a software lease or the acquisition of a software intangible asset.

An intangible asset is only recognised if:
• The Group has the contractual right to take possession of the software during the hosting period without significant penalty; and
• It is feasible for the Group to run the software on its own hardware or contract with a party unrelated to the supplier to host the software.

The costs of configuring or customising supplier application software in a SaaS arrangement that is determined to be a service contract is recognised as an expense or prepayment. Where the configuration and customisation services are not distinct from the right to receive access to the software, then the costs are recognised as an expense over the term of the arrangement.

Capitalised software includes purchased and internally generated intangible assets which are amortised on a straight line basis over the useful economic life (between 2 to 10 years). The useful economic lives are assessed for each asset based on the asset's expected future economic benefits as well as historical performance of similar assets.

2 Accounting policies (continued)

2.3 Summary of material accounting policy information (continued)

Other intangible assets and goodwill
These are acquired through business combinations and other than goodwill, they are amortised on a straight line basis over the useful economic life (between 2 to 10 years). The useful economic lives are assessed for each asset based on the asset's expected future economic benefits as well as historical performance of similar assets.

Goodwill acquired in business combination is held at historical cost and tested for indicators of impairment on an annual basis (note 2.3(a)).

The amortisation expense is recognised in the Consolidated Income Statement within "administrative expenses". For development costs that are under construction, no amortisation will be applied until the asset is available for use.

The Group reviews the amortisation period on an annual basis. If the expected useful life of assets is different from previous assessments, the amortisation period is changed accordingly.

At each reporting date, the Group reviews the carrying amount of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Irrespective of whether there is any indication of impairment, the Group also tests the recoverable amount of intangible assets not yet available for use at least annually.

Any difference between recoverable amount and carrying value of the intangible asset is recognised as an impairment loss in the Consolidated Income Statement within "administrative expenses".

(j) Classification and measurement of financial assets and liabilities

The Group's financial assets and financial liabilities comprise loans and advances to customers, other financial instruments at amortised cost, financial instruments at fair value through profit or loss, trade and other receivables, cash and cash equivalents, interest bearing borrowings, derivative financial instruments and trade and other payables.

The Group recognises financial assets and financial liabilities in the Statement of Financial Position on the settlement date which is when the Group becomes party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value. Financial liabilities are initially recognised at fair value, representing the proceeds received net of premiums, discounts and transaction costs that are directly attributable to the financial liability. Subsequent to initial measurement, financial assets and financial liabilities are measured at either amortised cost or fair value.

2 Accounting policies (continued)

2.3 Summary of material accounting policy information (continued)

Financial assets
Financial assets are classified at inception into one of the following three categories, which then determine the subsequent measurement methodology:-

· financial assets at amortised cost;
· financial assets at fair value through other comprehensive income ("FVTOCI"); or
· financial assets at fair value through the profit or loss ("FVTPL").

The classification and the basis for measurement are subject to the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, as detailed below:-

The business model reflects how the Group manages the assets in order to generate cash flows. One of the following business models is identified for each financial asset depending on how the risks are managed, past experience with the financial asset and how performance is measured and reported:

• Hold to collect: it is intended to collect the contractual cash flows from the assets (amortised cost).
• Hold to collect and to sell: it is intended to collect both the contractual cash flows and cash flows arising from the sale of the asset (FVTOCI classification): or
• Hold to sell: it is intended to sell the financial asset in the short to medium term, or the asset is designated FVTPL to minimise an accounting mismatch (FVTPL classification).

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

Financial assets at amortised cost
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:-
· the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
· the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2 Accounting policies (continued)

2.3 Summary of material accounting policy information (continued)

The Group's portfolio consists of instalment finance, hire purchase, finance lease, stock finance, invoice finance receivables. These receivables have fixed or determinable payments and therefore in accordance with IFRS 9 Financial Instruments, they are measured at amortised cost and reported as loans and advances to customers.

These receivables are measured using the effective interest rate method less impairment. Interest income is recognised by applying the effective interest rate method.

The effective interest rate discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount of the financial asset.

Amounts included in the Statement of Financial Position under "loans and advances to customers" that represent amounts due from lessees under finance lease agreements are recognised in accordance with the Group's accounting policy on leases set out in note 2.3(e).

The Group recognises trade receivables in respect of its operating lease contracts and these are also measured at amortised cost in accordance with IFRS 9 Financial instruments and reported within Trade and other receivables in the Group's statement of financial position.

Financial assets at fair value through other comprehensive income

A financial asset is measured at FVTOCI only if it is a debt instrument and meets both of the following conditions and is not designated as at FVTPL:-

· the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

· the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading nor contingent consideration is recognised by the acquirer in a business combination to which IFRS 3 applies, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

If an equity investment is designated as FVTOCI, all gains and losses, except for dividend income, are recognised in Other Comprehensive Income and are not subsequently included in the Consolidated Income Statement.

The Group's investment in Gridserve Holdings Ltd is designated at FVTOCI (note 4.2).

Financial assets at fair value through the profit or loss

Financial assets not otherwise classified above are classified and measured as FVTPL. If a financial asset meets the amortised cost or FVTOCI criteria, the Group may choose to designate the financial asset at FVTPL. Such an election is irrevocable and applicable only if the FVTPL classification significantly reduces a measurement or recognition inconsistency.

The Group classifies the junior notes held in a special purpose entity under its SOCA securitisation programme as financial assets at FVTPL (note 34). Any gain or loss on the asset measured at FVTPL, which is not part of the hedging relationship, is recognised within "interest income" in the Consolidated Income Statement.

Accounting policies relating to derivative financial instruments measured at FVTPL can be found in note 2.3(n).

2 Accounting policies (continued)

2.3 Summary of material accounting policy information (continued)

Financial liabilities
Financial liabilities are classified at inception into one of the following two categories, which then determine the subsequent measurement methodology:-
· financial liabilities at amortised cost; or
· financial liabilities at fair value through the profit or loss.

Financial liabilities at amortised cost
All financial liabilities, other than those classified as financial liabilities at FVTPL, are measured at amortised cost using the effective interest rate method.

The Group classifies the following financial liabilities at amortised cost.

Interest bearing borrowings
Borrowings are normally measured at amortised cost using the effective interest rate method, with interest expense measured on an effective yield basis. However, where the borrowings are in a fair value hedging relationship they are recorded at fair value, net of transaction costs.

The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate at which estimated future cash payments are discounted to the net carrying amount of the financial liability over the expected life (or a shorter period, where appropriate) of the financial liability. The corresponding interest expense is presented within "Finance cost" in the Consolidated Income Statement for the period.

Retailer liability
The retailer liability arises through contractual terms with certain retailers whereby a portion of the cash flows financed are deferred and held by the Group to cover possible future credit losses. These deferred amounts are therefore recorded as liabilities by the Group, as they remain the property of the retailer until either losses arise or each vintage of financing agreements matures. The vintage refers to a group of agreements incepted in a given period. As credit losses arise on finance agreements which are subject to these contractual terms, the associated amount of deferral is released to the extent necessary to cover credit losses on each finance agreement and is set off against the associated bad debt charge in accordance with the contractual terms established with the retailer. As a result, credit losses arising from agreements which are subject to these contractual terms have no effect on the Group's Consolidated Income Statement unless the amount of credit loss recorded is greater than the amount of deferred retailer cash held by the Group. In the event that the retailer liability is not consumed by losses before the end of the maturity of the last agreement in the vintage, the balance is returned to the retailer upon final maturity of each annual vintage of agreements. Retailer liability is recorded within trade and other payables on the statement of financial position.

Financial liabilities at fair value through the profit or loss
Financial liabilities not measured at amortised cost are classified and measured at FVTPL. This classification includes derivative liabilities.

The Group does not hold financial liabilities at FVTPL, except for the derivative financial instruments which are designated for hedge accounting under IFRS 9 as set out in 2.3(n).

2 Accounting policies (continued)

2.3 Summary of material accounting policy information (continued)

(k) Derecognition of financial assets and financial liabilities

Financial assets

The Group derecognises a financial asset when;
- the contractual rights to the cash flows from the financial asset expire,
- it transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of the consideration received is recognised as a gain or loss in the Consolidated Income Statement.

Any cumulative gain or loss recognised in OCI in respect of equity investment securities designated as FVTOCI is not recognised in profit or loss on derecognition of such securities.

The Group enters into transactions whereby it transfers assets recognised on its Statement of Financial Position but retains either all or substantially all of risks and rewards of the transferred assets. In such cases, the transferred assets are not derecognised.

When the Group derecognises transferred financial assets in their entirety but has continuing involvement in them then the Group discloses for each type of continuing involvement at the reporting date:

(a) The carrying amount of the assets and liabilities that are recognised in the Group's Statement of Financial Position and represent the Group's continuing involvement in the derecognised financial assets, and the line items in which those assets and liabilities are recognised.

(b) The fair value of the assets and liabilities that represent the Group's continuing involvement in the derecognised financial assets.

(c) The amount that best represents the Group's maximum exposure to loss from its continuing involvement in the derecognised financial assets, and how the maximum exposure to loss is determined.

(d) The undiscounted cash outflows that would or may be required to repurchase the derecognised financial assets or other amounts payable to the transferee for the transferred assets.

The Group recognises a separate asset or liability representing any residual interest in transferred financial assets. The Group did not have any transactions of continuing involvement during the year.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire.

2 Accounting policies (continued)

2.3 Summary of material accounting policy information (continued)

(l) Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to the cash flows from the original financial asset are deemed to expire. In this case the original financial asset is derecognised and a new financial asset is recognised at either amortised cost or fair value.

If the cash flows are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the Consolidated Income Statement.

Financial liabilities

If the terms of a financial liability are modified, the Group evaluates whether the cash flows of the modified liability are substantially different. If the cash flows are substantially different, then the contractual obligations from the cash flows from the original financial liability are deemed to expire. In this case the original financial liability is derecognised and a new financial liability is recognised at either amortised cost or FVTPL.

If the cash flows are not substantially different, then the modification does not result in derecognition of the financial liability. In this case, the Group recalculates the gross carrying amount of the financial liability and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the Consolidated Income Statement.

2 Accounting policies (continued)

2.3 Summary of material accounting policy information (continued)

(m) Measurement of expected credit losses (impairment of financial assets)

The Group recognises loss allowances for Expected Credit Losses ("ECL") on financial instruments that are not measured at FVTPL, namely:

- Loans and advances to customers;
- Trade and other receivables;
- Financial guarantee contracts issued; and
- Loan commitments issued.

Simplified approach
The Group measures ECL based on the simplified approach for some of its short term trade receivables. This approach does not require staging to be applied and therefore expected lifetime losses are recognised from initial recognition of the receivables, including those that are past due. To measure the ECL, receivables have been grouped based on shared credit risk characteristics and the days past due.

For performing receivables, the ECL provision is determined based on historical loss rates experienced within a specified period of time. The historical loss rates are adjusted to reflect current and forward-looking information on macro-economic factors affecting the ability of the customers to settle the receivables.

For credit impaired receivables, the ECL provision is determined on an individual basis by reference to past default experience and other recoverability information relating to the specific loan or other receivable. Management assesses each impairment on a case by case basis where evidence of impairment exists and calculations of incurred loss are performed by considering current facts and circumstances of the exposure. Recoverable amounts are assessed with reference to the expected future cash flows on the trade and lease receivables, including consideration of estimates of security value (internal or professional valuation) as well as capacity for payment and timing of recoveries.

General approach
The Group's Consumer Finance and Business Finance divisions measures ECL based on the general approach which requires financial assets to be classified into stage 1, stage 2 or stage 3, based on the impairment methodology, described below:

Stage 1: ECL allowance based on 12-month loss where the receivables are up-to date and not credit impaired. A 12-month ECL is the portion of the ECL that results from default events on a financial instrument that are probable within 12 months from the reporting date.

Stage 2: ECL allowance based on lifetime loss where there has been a Significant Increase in Credit Risk ("SICR") since initial recognition or the receivables are 30 days past due or two missed payments, if shorter.

A lifetime ECL is the loss resulting from default events that are probable within the expected life of a financial instrument from the reporting date.

Stage 3: ECL allowance based on lifetime loss for credit-impaired financial assets.

Provisions for credit-impairment are recognised in the Consolidated Income Statement and are reflected in accumulated provision balances against each relevant financial instruments balance.

2 Accounting policies (continued)

2.3 Summary of material accounting policy information (continued)

Evidence that the financial asset is credit-impaired include the following;

- Significant financial difficulties of the borrower or issuer;
- A breach of contract such as default or the receivables are greater than 90 days past due or missed three payments, if shorter;
- The restructuring of the loan or advance by the Group on terms that the Group would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for the security because of financial difficulties; or
- There is other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or economic conditions that correlate with defaults.

Agreements which are known to be credit-impaired, such as when a default event has happened or receivables are greater than 90 days in arrears or missed three payments, if shorter, are transferred to stage 3 and the ECL allowance is calculated on a lifetime basis.

All other agreements are held in stage 1 or 2 depending on the movement in credit risk of the counterparty since origination of the instrument. ECL allowances are calculated in line with the criteria set out above. Likelihood of customer default and losses incurred are estimated regularly and these estimates are modelled on historical experience, which factors in past behaviours together with current and forward-looking information on macro-economic factors affecting the ability of the customers to settle the receivables to determine loss rates. The portfolio is segmented by current payment status and incurred loss is calculated using the probabilities applied against payment data.

Amounts charged to the allowance account are written off against the carrying amount of the impaired financial asset when all avenues to recover the asset have been fully utilised and management deems further recovery remote.

The Group does not renegotiate the terms of financial assets as a matter of course. However, when the terms of financial assets that are past due or impaired are renegotiated (by exception only), the income statement is charged with the write down of the asset to its revised carrying value and credited with any previous provision made against the asset.

IFRS 9 requires management to make estimates and judgements that affect the allowance for ECL. Estimates and judgements are based on historical experience and Management’s knowledge. Measurement of ECL requires the use of complex models and significant assumptions around the expected future economic conditions and the credit behaviour of the customers (e.g. likelihood of customers defaulting and the resulting losses). The methodology and assumptions, including any forecasts of future economic conditions, are reviewed regularly by Management and included in the credit risk and impairment section of note 35.

2 Accounting policies (continued)

2.3 Summary of material accounting policy information (continued)

(n) Hedge accounting

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets and liabilities.

Derivative financial instruments are contracts, the value of which is derived from one or more underlying financial instrument or index, and include futures, forwards, swaps and options in the interest rate, foreign exchange, equity and credit markets.

Derivative financial instruments are initially recorded at fair value the end of the day the derivative contract is entered into. After initial recognition they are re-measured to their fair value at each reporting date. The resulting gains or losses are taken to the Consolidated Income Statement immediately unless the derivative is within a designated cash flow hedge relationship, in which event, the timing of the recognition in the Consolidated Income Statement depends on the nature of the underlying hedged item. Fair values are derived from prevailing market prices, discounted cash flow models or option pricing models as appropriate.

In the Statement of Financial Position, derivative financial instruments with positive fair values (unrealised gains) are included as assets and derivative financial instruments with negative fair values (unrealised losses) are included as liabilities.

The Group designates derivatives held for risk management as hedging instruments in qualifying hedge relationships. On initial designation of the hedge, the Group formally documents the relationship between the hedging instruments and hedged items, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at inception of the hedge relationship and on an ongoing basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated.

The Group enters into a variety of derivative financial instruments to hedge its exposure to variation in interest and foreign exchange rates including cross currency swaps and interest rate swaps. The Group does not use derivative financial instruments for speculative purposes.

Wherever possible the Group designates derivatives as either hedges of the fair value of recognised assets or liabilities (fair value hedges), or hedges of foreign currency and/or interest rate risk of firm commitments and recognised liabilities (cash flow hedges). The Group may also from time to time undertake economic hedges that do not satisfy the strict eligibility requirements for hedge accounting contained within IFRS 9 and are, as a result, ‘non designated’ for hedge accounting purposes but which nevertheless make an effective economic hedge against a particular financial risk in accordance with the principles of risk management.

The Group's hedging relationships are discussed below.

2 Accounting policies (continued)

2.3 Summary of material accounting policy information (continued)

Fair value hedges

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognised immediately in profit or loss, together with changes in the fair value of the hedged item that are attributable to the hedged risk (in the same line item in the Consolidated Income Statement and OCI as the hedged item).

If hedging derivatives expire or are sold, terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, then hedge accounting is discontinued. However, if the derivative is novated to a central clearing counterparty by both parties as a consequence of laws or regulations without changes in its terms except for those that are necessary for the novation, then the derivative is not considered expired or terminated.

Any adjustment up to the point of discontinuation of a hedged item for which the effective interest method is used is amortised to Consolidated Income Statement as part of the recalculated effective interest rate of the item over its remaining life.

Cash flow hedges

The Group makes an assessment for a cash flow hedge of a forecast transaction of whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability that could affect profit or loss, then the effective portion of changes in the fair value of the derivative is recognised in OCI and presented in the hedging reserve within equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the Consolidated Income Statement. The amount recognised in OCI is reclassified to the Consolidated Income Statement as a reclassification adjustment in the same period as the hedged cash flows affect profit or loss, and in the same line item in the Consolidated Income Statement and OCI.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. However, if the derivative is novated to a central clearing counterparty by both parties as a consequence of laws or regulations without changes in its terms except for those that are necessary for the novation, then the derivative is not considered expired or terminated.

Hedges of a net investment in a foreign operation

When a derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a foreign investment, the effective portion of changes in the fair value of the hedging instrument is recognised in OCI and presented as a separate reserve within equity.

Any ineffective portion of the changes in the fair value of the hedge instrument is recognised immediately in Consolidated Income Statement. The relevant amount recognised in OCI is reclassified to profit or loss as a reclassification adjustment on disposal or partial disposal of the foreign investment.

2 Accounting policies (continued)

2.3 Summary of material accounting policy information (continued)

(o) Inventories

Inventories are valued at the lower of cost and net realisable value. Inventories represent assets that have come off a lease arrangement pending disposal. Cost represents the depreciated net book value of the assets at the end of the operating lease contracts. Net realisable value is the estimated selling price of the assets in the ordinary course of business, less cost of disposal.

(p) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement net of any reimbursement.

(q) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and on hand and short term deposits with a maturity of three months or less.

For the purposes of the consolidated statement of cash flows, the Group has included bank overdrafts within cash and cash equivalents as they are considered an integral part of the Group’s cash management.

(r) Securitisation transactions

The Group enters into funding arrangements with lenders or investors to sell receivables into special purpose vehicles ("SPV"). For each SPV, the Group applies judgement to determine whether the SPVs meet the consolidation criteria outlined in basis of consolidation note 2.2. If the consolidation criteria is met, the Group consolidates the SPVs into its consolidated financial statement, otherwise it derecognises the underlying receivables in line with accounting policy note 2.3(k) and then separately recognises new assets and liabilities to the extent of its continuing involvement in the SPVs.

2 Accounting policies (continued)

2.3 Summary of material accounting policy information (continued)

(s) Impairment of non-financial assets

Operating leased property, plant and equipment
Residual value exposure occurs due to the uncertain nature of the value of an asset at the end of an agreement. Throughout the life of an asset, its residual value will fluctuate because of the uncertainty of the future market for that asset as well as general economic conditions. Residual values are set at the commencement of the lease based upon Management's expectation of future sale proceeds. During the course of the lease, residual values are assessed at least annually and future depreciation of assets adjusted prospectively in line with the Group's accounting policy outlined in 2.3(g).

In addition, the Group performs an impairment assessment on its operating leased asset residual values at least annually. As part of the assessment, the Group considers both internal and external factors to determine whether there are any indications for impairment. If indications exist, the Group estimates the assets recoverable amount, as measured by the value in use, of each asset or a Cash Generating Unit (CGU). The value in use is the present value of future cash flows expected to be derived from an individual asset or a CGU. The key assumptions used in determining the value in use are the discount rate and estimated residual values less costs of disposal at the end of the lease term.

If the carrying amount of an individual asset or a CGU is greater than the value in use, an impairment loss is recognised within cost of sales in the Group's Income Statement. In the event that the assets' recoverable amount is increased due to changes in estimates, the impairment loss is reversed only to the extent that the increase in carrying amount of the asset does not exceed the carrying amount (net of amortisation or depreciation) that would have been determined had no impairment loss been recognised for the asset in prior periods.

Other assets (including right of use assets)
Annually, the Group assesses whether there is any indication of impairment to the carrying value of a non-financial asset. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of value in use and fair value less costs of disposal and is determined for an individual asset or cash generating unit ("CGU"), unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The Group bases its impairment calculation on detailed budget calculations, which are prepared separately for each of the Group's CGU's. These budgets generally cover a period of four years; for longer periods, a long term growth rate is calculated and applied to project future cash flows after the fourth year. Impairment losses are recognised in the Income Statement.

2 Accounting policies (continued)

2.3 Summary of material accounting policy information (continued)

(t) Pension benefits

The Group operates a defined benefit pension scheme and a defined contribution pension scheme. The pension cost relating to the defined benefit scheme is assessed in accordance with the advice of independent qualified actuaries using the projected unit credit method which attributes entitlements to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations).

Actuarial gains and losses are recognised, in full, in the statement of comprehensive income in the periods in which they arise. The Group's contributions to the defined contribution scheme are charged to the income statement in the period to which the contributions relate.

The defined benefit asset or liability comprises the present value of the defined benefit obligation less past service costs not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly, less actuarial losses not yet recognised. The value of any asset is the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

During the year, the Group purchased a bulk annuity contract (i.e. a "buy-in" transaction) from an insurance company. Under the terms of the contract, the insurer is liable to make payments to the scheme that matches the scheme liabilities as they fall due. The "buy-in" transaction does not change the obligations of the scheme as the legal responsibility to pay benefits to the scheme members remains with the scheme, and ultimately with the Group. Following the transaction, the fair value of the pension scheme assets equal the fair value of the benefit obligations and cumulative changes in the value of the scheme assets are treated as remeasurements and recognised within Other Comprehensive Income.

(u) Interest and similar income

In accordance with IFRS 9 financial instruments, interest income is recorded using the effective interest rate method for all financial instruments measured at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset.

The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Group recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loans and receivables.

Interest and Finance lease income earned on instalment finance, finance leases, hire purchase and other loans and receivables is calculated by applying EIR to the gross carrying amount of financial assets other than credit impaired assets.

When a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3' as per staging criteria set out in note 2.4 (m), interest and Finance lease income is calculated by applying the effective interest rate to the net amortised cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the calculation is reverted back to gross carrying amount of financial assets and any difference is taken as a credit to the impairment charge.

2 Accounting policies (continued)

2.3 Summary of material accounting policy information (continued)

Interest income
Interest and other similar income and charges earned on instalment finance and other loan agreements are credited to the income statement over the life of the agreement using the effective interest rate method such that a constant rate of return is earned in proportion to the capital balances outstanding. Initial direct costs are recognised over the life of the agreement, on the same basis as revenues.

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

Operating lease rental income
Rental income from operating leases is recognised on a straight line basis over the contractual term of the lease.

(v) Balances due to invoice financing clients

These are deferred assignment consideration owed to invoice finance clients where there is not a full right of recourse. Amounts payable are classified as current liabilities as the Group does not have an unconditional right, at the end of the reporting period, to defer settlement beyond 12 months after the reporting date.

2 Accounting policies (continued)

2.3 Summary of material accounting policy information (continued)

(w) Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss. The prior year comparatives for the Group have been re-presented to reflect that the results of the branches in Czech Republic, Slovakia and Hungary are now reported as discontinued operations.

Cash flows from discontinued operations are included in the consolidated statement of cash flows and are disclosed separately in note Discontinued operations. The Group includes proceeds from disposal in cash flows from discontinued operations.

All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

2 Accounting policies (continued)

2.4 Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires Management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Existing circumstances and assumptions about future developments may change due to circumstances beyond the Group's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the consolidated financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

As set out in our risk section of the ESG review on pages 18 to 22, there is a risk that the Group does not adequately take account of climate change risks in developing our business model and strategy climate change. Therefore, in preparing the financial statements, the Group has considered the impact of climate-related risks on its financial position and performance, including the impact on used vehicle prices (note 13). While the effects of climate change represent a source of uncertainty, the Group does not consider there to be a material impact on its judgements and estimates from the physical or transition climate change risks in the short to medium term. Accordingly, there is no significant risk of material adjustment to the carrying amount of assets and liabilities within the next financial year as a result of climate change.

Judgements

The Group has made following key judgements in the application of material accounting policy information.

(a) Measurement of expected credit losses

Significant increase in credit risk
The Group's stage 2 ECL provision is based on SICR criteria, set out in note 35. The SICR criteria requires judgement on whether there is evidence of SICR of customers since origination of the contracts. The assessment takes into account significant deterioration in customers' internal credit behaviour scores as well as significant increase in Probability of Default ("PD") since origination.

(b) Securitisation entities
Determining whether the Group has control of a securitisation entity involves judgement around the Group's power over the relevant activities to significantly influence the securitisation entity's returns. The Group also considers the design, purpose of the entity and the extent to which it has transferred or retained variability in returns. Key judgements are set out in note 33 and 34 along with the basis of consolidation note 2.2.

(c) Customer claims provision
The Group recognises provisions in respect of present obligations arising from past events where it is probable that outflows of resources will be required to settle the obligations and they can be reliably estimated.

2 Accounting policies (continued)

2.4 Significant accounting judgements, estimates and assumptions (continued)

The Group assesses possible obligations whose existence depends on the outcome of uncertain future events or those present obligations where the outflows of resources are uncertain or cannot be measured reliably. Contingent liabilities are not recognised in the financial statements but are disclosed unless they are deemed remote.

During the year, the Group applied judgement in relation to motor commission which is outlined below.

Motor commission
Following the FCA announcement of the review into Discretionary Commission Arrangements ("DCA"), the Group applied judgement to determine that a provision was required in relation to the Group's historic commission arrangements. Further details on the Group's approach to the provision is outlined in note 2.4(f) below. Management's approach and key assumptions surrounding the provision is included within note 24. This was disclosed as a contingent liability in the prior year.

Estimates

The Group has made the following estimates in the application of material accounting policy information that have a significant risk of material misstatement of the carrying amount of assets and liabilities within the next financial year.

(d) Measurement of expected credit losses
ECL provision is subject to estimation uncertainties regarding the amount and the timing of future cash flows. Key estimation uncertainties in the measurement of ECL are outlined in measurement of ECL section starting on page 206.

(e) Residual values and discount rates for operating leased assets
Depreciation and impairment of operating leases assets is based on the expected residual values at the end of the contract. The nature of the assumptions, estimation uncertainties and methods used to determine residual values are set out in accounting policy 2.3(g).

The Group's operating leased assets together with key assumptions surrounding assessment of residual values and discount rates are set out in note 13. This note also includes sensitivity analysis outlining the impact of change in used vehicle prices and discount rates on the Group's income statement.

(f) Customer claims provision
The Group recognises a customer claims provision, where the Group is jointly and severally liable to customers who have claims against retailers or the Group for misrepresentation, breach of contract or customer redress, in accordance with the accounting policy stated in note 2.3(p). During the year, the Group assessed estimated provision in relation to motor commission as outlined below.

2 Accounting policies (continued)

2.4 Significant accounting judgements, estimates and assumptions (continued)

Motor commission

In January 2024, the FCA announced initial steps of a review of the use of Discretionary Commission Amounts ("DCA"s) between lenders and credit brokers (FCA review) including a pause on complaint handling rules for certain categories of complaint. Following subsequent updates, the FCA has broadened the scope of the complaint handling pause which is now in place until 4 December 2025. The FCA has indicated that it will advise within six weeks of the outcome of the Supreme Court case referred to below whether it will propose a redress scheme in respect of the matters under review.

The outcome of the FCA's review may be informed by the result of an appeal to the Supreme Court, heard in April 2025, of the Court of Appeal's judgment in October 2024 relating to the commission arrangements used by two motor finance lenders, and by an appeal to the High Court's judicial review of the Financial Ombudsman Service's final decision relating to a complaint about the use of a DCA by another lender. In light of the Court of Appeal's judgment of October 2024 and the ongoing FCA review, the Group recognised a provision of £5m in its financial results for the year ending 31 March 2025. This was disclosed as a contingent liability in the prior year.

In establishing the provision estimate, the Group created a number of scenarios to address uncertainties around a number of key assumptions. These include the potential outcomes of the appeal to the Supreme Court, any steps that the FCA may take and various outcomes in relation to the extent of harm and remedies. Other key assumptions include applicable commission models, commission rates, product offerings, time periods, claim rates, scenario weightings, compensatory interest applied and costs to deal with claims and complaints. The Group will continue to assess developments and potential impacts, including the outcome of the appeals, any announcement by the FCA of its next steps, and any action by other interested parties including governmental bodies. Given that there is a significant level of uncertainty around the eventual outcome, the ultimate financial impact could materially differ from the amount provided.

(g) Fair value measurement of equity instruments through other comprehensive income

The Group's investment in Gridserve Holdings Ltd (note 4.2) was initially measured at fair value through profit or loss. The initial valuation was based on the equity funding from Chariot (BidCo) Limited (also known as Infracapital) in August 2022. Subsequently, the Group elected to recognise fair value changes through other comprehensive income. The fair valuation is subject to estimation uncertainties surrounding discount rate and cashflow forecasts from Gridserve management taking into account the expected levels of capital expenditure, funding, debt repayment and forecast profitability.

During the year, the fair value of the Group's investment in Gridserve Holdings Ltd reduced to £23.0m (2024: £37.9m). This is mainly due to the introduction of Series II Preference shares into the capital structure, which dilutes the economic value attributable to the ordinary shares due to the Series II Preference shares' preferential ranking upon an assumed exit event. The current valuation as at 31 March 2025 assumes the Series II Preference shares will be fully allotted and paid up by 31 December 2026. Following the allotment of Series II Preference shares during April 2025, the Group's investment has been diluted from 8.53% to 7.55%.

The Group has performed sensitivity analysis to assess the impact of change in discount rate on the fair value of the investment. A 2.5% increase in discount rate would result in £15.4m reduction (2024: £22.8m reduction) in fair valuation at 31 March 2025.

2 Accounting policies (continued)

2.5 New and amended International Financial Reporting Standards ("IFRS"s) and interpretations

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 April 2024. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

(a) IFRSs issued and effective for the annual periods beginning on or after 1 April 2024

Amendments to IAS 1 Classification of liabilities as current or non-current and non-current liabilities with covenants

There were two amendments to IAS 1, published in January 2020 and October 2022, affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify the following:

• the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period and that the classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability.

• the covenants with which an entity must comply after the reporting period do not affect classification of a liability as current or non-current at the reporting date.

• the definition of 'settlement' is introduced to clarify that the settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The effective date for the amendments were deferred (previously 1 January 2023), with the amendments applied retrospectively for annual periods beginning on or after 1 January 2024, with early application permitted. This amendment has not had any impact on the consolidated financial statements for the Group.

Amendments to IFRS 16 leases to add subsequent measurement requirements for lease liabilities arising from sale and leaseback transactions

The amendments add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 Revenue from Contracts with Customers to be accounted for as a sale. The amendments require the seller-lessee to determine ‘lease payments’ or ‘revised lease payments’ such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date.

The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease. Without these new requirements, a seller-lessee may have recognised a gain on the right of use it retains solely because of a remeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in IFRS 16. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2024, with early application permitted. These amendments were adopted by the Group on 1 April 2024 and did not have any impact on the Group’s consolidated financial statements.

2 Accounting policies (continued)

2.5 New and amended International Financial Reporting Standards ("IFRS"s) and interpretations (continued)

Amendments to IAS 7 and IFRS 7 Supplier Finance arrangements
The amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2024, with early application permitted. These amendments were adopted by the Group on 1 April 2024 and did not have any impact on the Group's consolidated financial statements.

(b) IFRSs issued but not yet effective

Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates, lack of exchangeability
On 15 August 2023, the IASB issued amendments to IAS 21 the effects of changes in foreign exchange rates, Lack of Exchangeability.

The amendments require companies to apply a consistent approach in assessing whether a currency is exchangeable into another currency. When a currency is not exchangeable, an estimation should be made of the spot exchange rate.

Disclosure requirements must be provided to investors to understand the financial statement effects of a currency not being exchangeable into another currency.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2025, with early application permitted. These amendments will be adopted by the Group on 1 April 2025 and are not expected to have any impact on the Group's consolidated financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements
In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations.

It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements and the notes.

In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

2 Accounting policies (continued)

2.5 New and amended International Financial Reporting Standards ("IFRS"s) and interpretations (continued)

IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively. The Group is currently working to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements.

IFRS 19 Subsidiaries without Public Accountability: Disclosures
In May 2024, the IASB issued IFRS 19, which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards.

IFRS 19 will become effective for reporting periods beginning on or after 1 January 2027, with early application permitted. The new standard is not expected to have any impact on the Group’s consolidated financial statements.

3 Operating segment information

The Group offers finance solutions to a range of customers and its operations are split into seven operating segments and a corporate function. The segmentation is based on the nature of products and services being offered and it is aligned with the measures reported to decision makers for the purpose of allocating resources to the segments and assessing their performance. For each of the reportable segments, the Board, which is the Chief Operating Decision Maker, reviewed internal management reports on a monthly basis. Segmental performance is evaluated based on the segmental gross profit, profit before tax and net earning assets (NEA) which represent the loans, receivables, finance and operating lease contracts with customers net of initial direct costs. A reconciliation between NEA and total assets is included at the end of this note.

No revenues earned from transactions with a single external customer amount to 10% or more of the Group's revenues in either the 2025 or 2024 reporting periods. Revenue from the Group's European operations is earned through EVF EUR and MHC Mobility and therefore, geographical analysis is not presented separately. Inter segment sales are charged at prevailing market rates.

The accounting policies of the reportable segments, except MHC Mobility, are the same as the Group's accounting policies described in note 2. Accounting policies for MHC Mobility follow local country GAAP requirements which are then aligned to IFRS for group reporting. Segment profit represents the profit earned by each segment including allocation of central administration costs and finance costs.

During the year, the Board of Directors announced its decision to discontinue the branches in Czech Republic, Slovakia and Hungary. These branches are owned by the Group through its wholly owned subsidiary, MHC Mobility sp. z.o.o., a company incorporated in Poland. The results for the discontinued operations have been excluded from the MHC Mobility segment below. The prior year comparatives for the Group have been re-presented to reflect that the results of the branches in Czech Republic, Slovakia and Hungary are now reported as discontinued operations. Further details on discontinued operations can be found in note 12.

The principal activities of each business unit are as follows:

Business segment	Principal activities
Novuna Consumer Finance (NCF)	Retail point of sale and personal finance
Novuna Vehicle Solutions (NVS)	Vehicle management solutions and fleet management services in the UK
Novuna Business Finance (NBF)	Provider of asset finance, block discounting and stock finance solutions
Novuna Business Cash Flow (NBCF)	Factoring, invoice discounting, and accounts payable financing
European Vendor Finance (EVF UK)	Vendor finance solutions for Mitsubishi and Hitachi Group companies, as well as key Group and global accounts in the UK
European Vendor Finance Europe (EVF EUR)	Vendor finance solutions for Mitsubishi and Hitachi Group companies, as well as key Group and global accounts in Europe
MHC Mobility	Vehicle leasing and fleet management services in Europe
Corporate	Head office and central support functions including Group Treasury

3 Operating segment information (continued)

The administration costs relating to the Group's support functions such as Finance, Treasury, IT, Risk and Human Resources are allocated to each segment on a reasonable basis, consistent with previous years. The Group Treasury function is responsible for arranging finance on behalf of the Group and as such the funding costs are allocated to each segment based on their respective borrowing requirements.

Company

Year ended 31 March 2025	NCF £m	NVS £m	NBF £m	NBCF £m	EVF UK £m	Corporate £m	Company £m
Interest income	283.1	-	37.4	24.5	2.7	0.7	348.4
Finance lease income	-	1.3	81.8	-	6.8	-	89.9
Operating lease rental income	-	531.8	7.4	-	-	(5.4)	533.8
Operating lease maintenance income	-	68.3	-	-	-	-	68.3
Sale of operating leased assets	-	288.0	7.3	-	-	-	295.3
Other operating income	16.8	18.1	18.9	(0.2)	0.5	-	54.1
Revenue	299.9	907.5	152.8	24.3	10.0	(4.7)	1,389.8
Finance costs	(155.2)	(79.0)	(79.7)	(7.0)	(5.8)	-	(326.7)
Depreciation and impairment of operating lease assets	-	(370.5)	(5.9)	-	-	-	(376.4)
Maintenance expense on operating leased assets	-	(59.6)	-	-	-	-	(59.6)
Disposal of operating leased assets	-	(271.8)	(2.8)	-	-	-	(274.6)
Other cost of sales	5.7	(12.1)	(0.1)	(1.5)	-	-	(8.0)
Cost of sales	(149.5)	(793.0)	(88.5)	(8.5)	(5.8)	-	(1,045.3)
Gross profit	150.4	114.5	64.3	15.8	4.2	(4.7)	344.5
Impairment losses on credit exposures	(25.7)	(1.8)	(0.9)	(0.6)	0.1	-	(28.9)
Administrative expenses	(80.8)	(71.7)	(40.5)	(13.4)	(3.6)	4.9	(205.1)
Operating profit	43.9	41.0	22.9	1.8	0.7	0.2	110.5
Fair value loss on derivative financial instruments	-	-	-	-	-	(1.3)	(1.3)
Exceptional items	(5.0)	-	-	-	-	-	(5.0)
Profit before tax	38.9	41.0	22.9	1.8	0.7	(1.1)	104.2
Income tax	(10.1)	(10.6)	(5.9)	(0.5)	(0.2)	0.6	(26.7)
Profit/(loss) after tax from continuing operations	28.8	30.4	17.0	1.3	0.5	(0.5)	77.5
Profit / (loss) after tax	28.8	30.4	17.0	1.3	0.5	(0.5)	77.5
Total assets	3,475.1	2,291.1	1,920.4	310.7	149.1	432.3	8,578.7
Total liabilities	2,865.5	2,019.2	1,706.9	298.3	125.5	503.4	7,518.8
Net earning assets	3,434.5	2,071.6	1,874.8	136.6	128.3	-	7,645.8

3 Operating segment information (continued)

Group

Year ended 31 March 2025	Company £m	EVF EUR £m	MHC Mobility £m	Corporate £m	Group £m
Interest income	348.4	0.4	0.4	-	349.2
Finance lease income	89.9	7.1	0.8	(1.0)	96.8
Operating lease rental income	533.8	0.5	185.0	0.3	719.6
Operating lease maintenance income	68.3	-	69.4	-	137.7
Sale of operating leased assets	295.3	-	105.3	-	400.6
Other operating income	54.1	0.4	21.3	-	75.8
Revenue	1,389.8	8.4	382.2	(0.7)	1,779.7
Finance costs	(326.7)	(3.8)	(30.4)	0.9	(360.0)
Depreciation and impairment of operating lease assets	(376.4)	(0.4)	(110.4)	-	(487.2)
Maintenance expense on operating leased assets	(59.6)	-	(47.4)	-	(107.0)
Disposal of operating leased assets	(274.6)	-	(102.1)	-	(376.7)
Other cost of sales	(8.0)	-	(40.5)	-	(48.5)
Cost of sales	(1,045.3)	(4.2)	(330.8)	0.9	(1,379.4)
Gross profit	344.5	4.2	51.4	0.2	400.3
Impairment losses on credit exposures	(28.9)	-	(0.9)	-	(29.8)
Administrative expenses	(205.1)	(3.8)	(34.7)	-	(243.6)
Operating profit	110.5	0.4	15.8	0.2	126.9
Fair value loss on derivative financial instruments	(1.3)	-	-	-	(1.3)
Exceptional items	(5.0)	-	-	-	(5.0)
Profit before tax	104.2	0.4	15.8	0.2	120.6
Income tax	(26.7)	(0.1)	(4.6)	(0.1)	(31.5)
Profit/(loss) after tax from continuing operations	77.5	0.3	11.2	0.1	89.1
Loss from discontinued operations	-	-	(10.3)	-	(10.3)
Profit after tax	77.5	0.3	0.9	0.1	78.8
Total assets	8,578.7	146.7	906.5	(199.2)	9,432.7
Total liabilities	7,518.8	127.0	838.3	(129.6)	8,354.5
Net earning assets	7,645.8	138.8	798.6	(5.5)	8,577.7

3 Operating segment information (continued)

Company

Year ended 31 March 2024	NCF £m	NVS £m	NBF £m	NBCF £m	EVF UK £m	Corporate £m	Company £m
Interest income	236.9	-	30.5	24.9	2.3	(1.2)	293.4
Finance lease income	-	2.1	74.5	-	6.2	-	82.8
Operating lease rental income	-	469.6	7.5	-	-	(5.0)	472.1
Operating lease maintenance income	-	63.5	-	-	-	-	63.5
Sale of operating leased assets	-	280.0	5.9	-	-	-	285.9
Other operating income	14.6	16.2	19.3	(0.2)	0.4	0.5	50.8
Revenue	251.5	831.4	137.7	24.7	8.9	(5.7)	1,248.5
Finance costs	(126.9)	(57.1)	(65.6)	(6.5)	(4.9)	-	(261.0)
Depreciation and impairment of operating lease assets	-	(324.2)	(5.9)	-	-	-	(330.1)
Maintenance expense on operating leased assets	-	(60.6)	-	-	-	-	(60.6)
Disposal of operating leased assets	-	(248.6)	(1.7)	-	-	-	(250.3)
Other cost of sales	1.9	(10.5)	(0.1)	(1.4)	-	-	(10.1)
Cost of sales	(125.0)	(701.0)	(73.3)	(7.9)	(4.9)	-	(912.1)
Gross profit	126.5	130.4	64.4	16.8	4.0	(5.7)	336.4
Impairment losses on credit exposures	(20.4)	(2.5)	(2.4)	(0.3)	0.2	-	(25.4)
Administrative expenses	(76.7)	(65.1)	(38.6)	(12.9)	(3.9)	4.0	(193.2)
Operating profit	29.4	62.8	23.4	3.6	0.3	(1.7)	117.8
Fair value gain on derivative financial instruments	-	-	-	-	-	(2.3)	(2.3)
Profit before tax	29.4	62.8	23.4	3.6	0.3	(4.0)	115.5
Income tax	(7.7)	(16.3)	(6.1)	(0.9)	(0.1)	5.6	(25.5)
Profit/(loss) after tax	21.7	46.5	17.3	2.7	0.2	1.6	90.0
Total assets	3,321.4	2,100.4	1,819.0	307.6	200.1	282.8	8,031.3
Total liabilities	2,740.5	1,859.2	1,611.3	296.5	177.4	292.9	6,977.8
Net earning assets	3,298.0	1,902.3	1,757.5	130.4	190.1	-	7,278.3

3 Operating segment information (continued)

Group

Year ended 31 March 2024	Company £m	EVF EUR £m	MHC Mobility £m	Corporate £m	Group £m
Interest income	293.4	0.3	0.1	-	293.8
Finance lease income	82.8	6.5	1.3	(1.3)	89.3
Operating lease rental income	472.1	-	147.1	0.1	619.3
Operating lease maintenance income	63.5	-	62.3	-	125.8
Sale of operating leased assets	285.9	-	93.0	-	378.9
Other operating income	50.8	0.3	20.4	-	71.5
Revenue	1,248.5	7.1	324.2	(1.2)	1,578.6
Finance costs	(261.0)	(3.1)	(22.4)	1.2	(285.3)
Depreciation and impairment of operating lease assets	(330.1)	-	(91.3)	-	(421.4)
Maintenance expense on operating leased assets	(60.6)	-	(40.8)	-	(101.4)
Disposal of operating leased assets	(250.3)	-	(77.0)	-	(327.3)
Other cost of sales	(10.1)	-	(33.0)	-	(43.1)
Cost of sales	(912.1)	(3.1)	(264.5)	1.2	(1,178.5)
Gross profit	336.4	4.0	59.7	-	400.1
Impairment losses on credit exposures	(25.4)	(0.2)	(0.5)	-	(26.1)
Administrative expenses	(193.2)	(3.6)	(41.5)	-	(238.3)
Operating profit	117.8	0.2	17.7	-	135.7
Fair value gain on derivative financial instruments	(2.3)	-	-	-	(2.3)
Profit before tax	115.5	0.2	17.7	-	133.4
Income tax	(25.5)	-	(6.8)	(0.1)	(32.4)
Profit/(loss) after tax	90.0	0.2	10.9	(0.1)	101.0
Total assets	8,031.3	135.1	833.5	(174.8)	8,825.1
Total liabilities	6,977.8	128.0	777.1	(130.2)	7,752.7
Net earning assets	7,278.3	131.2	749.1	(5.3)	8,153.3

3 Operating segment information (continued)

The Group has elected to include net earning assets within segmental reporting above as it is the most significant measure being reported to the chief operating decision maker and used in the measurement of key ratios for each segment.

Total assets and liabilities for the Corporate segment include mainly goodwill and intangibles, cash and cash equivalents, bank overdrafts, derivative assets/liabilities, borrowings revaluations, trade receivables and trade payables.

Net earning assets represent the loans, receivables, finance and operating lease contracts with customers net of initial direct costs.

Below is the reconciliation of net earning assets to the total assets disclosed in the Group's Consolidated Statement of Financial Position.

	2025 £ m	2024 £ m
Total assets	**9,432.7**	**8,825.1**
Assets not included in NEA		
Intangible assets	(53.6)	(59.6)
Investment accounted for under the equity method	-	(0.1)
Other property, plant and equipment	(28.5)	(31.8)
Derivative Financial Instruments	(50.2)	(73.3)
Deferred tax assets	(2.0)	-
Retirement benefit asset	(0.3)	(5.4)
Inventories	(25.1)	(35.9)
Current tax asset	-	(1.6)
Trade and other receivables	(210.1)	(183.9)
Cash and cash equivalents	(242.4)	(59.3)
Assets held for use in operating leases	(14.5)	-
Equity instruments at Fair Value through Other Comprehensive Income	(23.0)	(37.9)
Other assets	(5.5)	(6.1)
Liabilities included in NEA:		
Balances due to invoice financing clients	(142.9)	(142.7)
Rentals in advance	(36.8)	(34.2)
Other payables	(20.1)	-
Net earning assets	**8,577.7**	**8,153.3**

4 Investments

4.1 Investment in subsidiaries (Company)

The Group consists of a parent company, Mitsubishi HC Capital UK PLC, incorporated in the United Kingdom and a number of subsidiaries held directly and indirectly by the Group, which operate and are incorporated around the United Kingdom and mainland Europe.

In May 2023, MHC Mobility Europe B.V sold its 100% shareholding in Mobility Mixx B.V. for £1.5m which resulted in a net loss on disposal of £0.7m to the Group which has been recognised within other operating income in the Group's income statement.

On 3 October 2023, the Group acquired the remaining 0.47% share capital in MHC Mobility Holdings B.V. in exchange for a cash consideration of £266,570 from Veenstra Klazienaveen Holding B.V., a private company incorporated in the Netherlands. Following the acquisition, the Group now holds 100% shareholding in MHC Mobility Holdings B.V.

Outlined below is a table of legal entities owned directly by the Company:

	Hitachi Capital Vehicle Solutions Ltd £m	Mitsubishi HC Capital Europe B.V. £m	MHC Mobility Europe B.V. £m	Total £m
At 31 March 2023	1.7	6.0	33.5	41.2
Acquisition during the year	-	-	4.6	4.6
At 31 March 2024	1.7	6.0	38.1	45.8
Capital contribution during the year	-	12.7	12.4	25.1
Disposal of subsidiary	(1.7)	-	-	(1.7)
At 31 March 2025	-	18.7	50.5	69.2

4 Investments (continued)

4.1 Investment in subsidiaries (Company) (continued)

During the year, the Group liquidated its wholly owned subsidiary, Hitachi Capital Vehicle Solutions Ltd, The remaining share capital was distributed to the Company and it is disclosed as a disposal of subsidiary in the table above.

MHC Mobility Europe B.V. owns 100% shareholding in the following subsidiaries:

• MHC Mobility Holdings B.V., a company incorporated in the Netherlands. This entity owns 100% of MHC Mobility Netherlands which also operates a branch in Belgium.
• MHC Mobility GmbH, a company incorporated in Germany. This entity also owns a 100% subsidiary in Austria.
• MHC Mobility sp. z.o.o., a company incorporated in Poland. This entity also owns a 100% of MHC Mobility Zrt (formerly Eurofleet Zrt.), a company incorporated in Hungary, as well as branches in Slovakia, Czech republic and Hungary.

Hitachi Capital Vehicle Solutions Ltd has been liquidated during the year. The disposal represents distribution of the share capital to the Company.

The subsidiary companies, Mitsubishi HC Capital Europe B.V. (73824917) and MHC Mobility Europe B.V. (86993577), have claimed exemption from audit given they qualify as small entities under the Dutch Civil Code.

All subsidiaries are wholly owned and directly held by the Company. The registered addresses can be found within the Company Information section of this report. The Company controls Securitisation of Financial Assets II Ltd, a special purpose vehicle, which is also treated as a subsidiary for accounting purposes (note 33).

4.2 Equity investments

The Group holds an equity investment in Gridserve Holdings Ltd, a company incorporated in England and Wales specialising in provision of sustainable energy solutions. The investment is not held for trading and therefore in accordance with IFRS 9 and the Group's accounting policy in note 2.3(j), the Group has elected to recognise subsequent measurement of fair value gains and losses through Other Comprehensive Income (note 27).

This investment is fully aligned to the Group's wider vision of financially supporting projects that go towards delivering a net zero carbon economy. Gridserve Holdings Ltd's financial reporting period runs from 1 January to 31 December.

5 Interest income

	2025 £m	2024 £m
At amortised cost		
Loans and advances to customers at amortised cost	343.9	292.8
At fair value through profit or loss		
Financial instruments held at fair value through profit or loss	5.3	1.0
Total interest income	349.2	293.8

Financial instruments held at FVTPL above relate to SOCA securitisation programme (note 34). In the year to 2024, following increases in the Bank of England Bank Rate, there was a significant increase in discount rates and future expected funding costs of the programme. This led to a reduction in fair value of the notes, resulting in a net charge to the interest income within the income statement. During this financial year, there was a reduction in discount rates and future expected funding costs of the programme which resulted in an increase in interest income.

6 Other operating income

The analysis of the group's revenue for the year from continuing operations is as follows:

	2025 £m	Re-presented* 2024 £m
Fleet management and other services	32.7	31.6
Administration fee income	26.8	24.8
(Loss)/gain on disposal of finance lease assets	(1.7)	0.4
Other income	18.0	14.7
Total revenue	75.8	71.5

Other operating income presented above has been disaggregated to provide income amounts for material categories of products and services provided by the Group, in accordance with the disclosure requirements of IFRS 15 ‘Revenues from contracts with customers’.

Other income predominately relates to early settlement income on instalment finance receivables and sundry fee income on operating lease contracts.

The Group received £0.1m (2024 £0.9m) up-front fees as a consideration for holding bare legal title to the assets held under a structured finance transaction involving high value assets financed by the Group sold under various forms to investment grade rated counterparties. The Group has no rights to the risk and rewards, or control, of the assets and associated liabilities of this transaction, resulting in full derecognition from the Group’s Statement of Financial Position. The fees are recognised to the income statement and reported within other income above.

* The prior year comparatives have been re-presented to reflect that the results of the branches in Czech Republic, Slovakia and Hungary are now reported as discontinued operations (note 12).

7 Finance costs

At amortised cost	2025 £m	Re-presented* 2024 £m
Finance costs on loans and borrowings	358.8	284.7
Finance costs on right of use land and buildings	1.2	0.6
Total finance costs	360.0	285.3

During the year, the Group's finance costs on loans and borrowings have increased due to a significant increase in interest rates together with growth in business.

* The prior year comparatives have been re-presented to reflect that the results of the branches in Czech Republic, Slovakia and Hungary are now reported as discontinued operations (note 12).

8 Other cost of sales

	Note	2025 £m	Re-presented* 2024 £m
Commission expense		12.9	11.8
Customer claim provision release	24	(6.4)	(2.6)
Insurance expense		30.0	26.3
Other expenses		12.0	7.6
Total other cost of sales		48.5	43.1

Not included in the other cost of sales above is a provision of £5.0m relating to motor commission arrangements following the Court of Appeal' judgment of October 2024 and the ongoing FCA review. The provision has been presented as an exceptional item in the Group's Income Statement (note 10). Further details can be found in significant in accounting judgments note 2.4(f).

Customer claim provision release consists of the following:

	2025 £m	2024 £m
Recoveries in respect of indemnity*	(4.5)	-
Net reduction in customer claims provision	(1.9)	(2.6)
Total	(6.4)	(2.6)

8 Other cost of sales (continued)

* The prior year comparatives have been re-presented to reflect that the results of the branches in Czech Republic, Slovakia and Hungary are now reported as discontinued operations (note 12).

**In relation to recovery from an indemnity claim in respect of certain finance products sold by the Company until December 2020.

9 Administrative expenses and Auditor's remuneration

Group	2025 £m	Re-presented* 2024 £m
Wages and salaries	107.2	104.5
Social security costs	14.9	14.6
Pension and other post-employment benefit costs	7.3	6.8
Other employee expense	30.1	26.8
Premises and office	18.0	19.0
IT and telephony	41.2	37.3
Marketing	7.9	9.0
Professional services and other	15.3	18.3
Impairment of goodwill	(0.6)	-
Auditor's remuneration		
Fees paid for the audit of the Company	1.9	1.6
Fees paid for the audit of subsidiaries	0.4	0.4
Total auditor's remuneration	2.3	2.0
Total administrative expenses	243.6	238.3

Company	2025 £m	2024 £m
Wages and salaries	91.8	86.4
Social security costs	12.6	11.5
Pension and other post-employment benefit costs	6.7	6.2
Other employee expense	25.7	22.4
Premises and office	14.4	12.8
IT and telephony	35.7	32.2
Marketing	5.7	6.7
Professional services and other	10.6	13.2
Auditor's remuneration		
Fees paid for the audit of the Company	1.9	1.7
Total administrative expenses	205.1	193.1

9 Administrative expenses and Auditor's remuneration (continued)

The fees paid for the audit of the Group include £58,104 (2024: £80,729) relating to non-audit services provided by the auditors during the year. The non-audit services were in respect of the issuance of the comfort letter relating to the Group's MTN programme update, assurance services relating to Belgium branch and the subscription to Deloitte's accounting reference manual.

* The prior year comparatives have been re-presented to reflect that the results of the branches in Czech Republic, Slovakia and Hungary are now reported as discontinued operations (note 12).

	Group		Company	
	2025	2024	2025	2024
Full-time equivalent employees ("FTE")	2,313	2,286	1,836	1,800
Average FTE during the year	2,313	2,269	1,832	1,798
Headcount	2,463	2,424	1,891	1,856
Average headcount	2,457	2,399	1,888	1,850

The number FTE employees included permanent and temporary staff as well as those on fixed term contracts.

10 Exceptional items

Following the Court of Appeal's judgment of October 2024 and the ongoing FCA review, the Group recognised a provision of £5.0m relating to motor commission arrangements for the year ending 31 March 2025. The provision has been presented as an exceptional item in the Group's Income Statement as it is material in nature to understand the Group's financial performance. Further details can be found in significant accounting judgments note 2.4(f).

11 Income tax

	2025 £m	Re-presented* 2024 £m
Current income tax		
Charge for the year	35.0	25.8
UK corporation tax adjustment to prior periods	2.4	(2.9)
	37.4	22.9
Deferred taxation		
Origination and reversal of temporary differences in the current year	(3.2)	7.4
Adjustment in respect of prior years	(2.7)	2.1
Total	(5.9)	9.5
Tax charge on profit	31.5	32.4

The effective tax rate on profit before tax for the year was 26.13% (2024: 26.5%) compared to the standard rate of corporation tax of 25.0% (2024: 25.0%).

The differences are reconciled below:

	2025 £ m	Re-presented* 2024 £ m
Group		
Profit before tax	120.6	126.0
Tax on profit at UK corporation tax rate of 25% (2024: 25%)	30.1	30.5
Increase in current and deferred tax from adjustment for prior periods	(0.3)	(0.7)
Increase from effect of expenses not deductible in determining taxable profit	1.7	2.6
Tax charge	31.5	32.4

* The prior year comparatives have been re-presented to reflect that the tax charge related to the branches in Czech Republic, Slovakia and Hungary are now reported as discontinued operations (note 12).

The UK rate of Corporation Tax is currently 25% and has been in place since 1 April 2023. As a result, deferred tax carried forward as at 31 March 2025 has been recognised at the 25% tax rate.

Amounts recognised in other comprehensive income:

11 Income tax (continued)

	Gain or loss on cash flow hedges £ m	Remeasurements of post employment benefit obligations £ m	Gain or loss on Equity instruments at FVTOCI £ m
2024			
Before tax	(68.7)	(0.4)	(2.8)
Tax benefit	16.6	0.1	0.7
Net of tax	(52.1)	(0.3)	(2.1)
2025			
Before tax	(28.5)	(5.3)	(14.8)
Tax benefit	7.8	1.8	3.7
Net of tax	(20.7)	(3.5)	(11.1)

International Tax Reform - Pillar Two

On 20 June 2023, the UK Government substantively enacted the Pillar Two framework. The rules were effective from 1 January 2024. The Pillar Two rules are designed to ensure that multinational organisations meeting certain conditions pay a minimum level of tax on the income arising in each jurisdiction where they operate. The Group has assessed the application of Pillar Two International Tax Reform in the jurisdictions in which it operates, and the impact to current tax charge is outlined below. The adoption of Pillar Two by the jurisdictions in which the Group operates is not expected to have a significant impact in future periods.

Pillar Two	**2025 £m**	**2024 £m**
Current tax charge excluding Pillar Two	37.3	23.9
Current tax charge related to Pillar Two	0.1	-
Total current tax charge	37.4	23.9

On 23 May 2023, amendments to IAS 12 were published and adopted from that date. These amendments introduced a temporary mandatory relief from accounting for deferred taxes arising from the jurisdictional implementation of the Organisation for Economic Co-operation and Development ("OECD")/G20 Inclusive Framework on Base Erosion and Profit Shifting ("BEPS") Pillar Two Model Rules (Pillar Two or Pillar Two income taxes). As required by the amendments to IAS 12, the Group has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

Deferred tax

Deferred tax is calculated on all temporary differences under the liability method. There are no temporary differences in respect of which deferred tax has not been recognised.

The deferred assets and liabilities within the same jurisdiction have been offset in the Group‘s Statement of Financial Position in accordance with its accounting policy note 2.3(f).

11 Income tax (continued)

Deferred tax movement:

	Accelerated tax depreciation £ m	Pension benefit obligations £ m	Revaluation of cash flow hedges £ m	Other items £ m	Total £m
Group					
As at 01 April 2023	(20.8)	(0.2)	(27.1)	(4.6)	(52.7)
Recognised in income	(9.8)	-	-	0.3	(9.5)
Recognised in other comprehensive income	-	0.1	16.6	0.7	17.4
Other movements	-	-	-	0.3	0.3
As at 31 March 2024	(30.6)	(0.1)	(10.5)	(3.3)	(44.5)
Recognised in income	7.8	-	-	1.0	8.8
Recognised in other comprehensive income	-	1.8	7.8	3.7	13.3
Other movements	(0.5)	(1.8)	(0.2)	2.7	0.2
As at 31 March 2025	(23.3)	(0.1)	(2.9)	4.1	(22.2)

	Accelerated tax depreciation £ m	Pension benefit obligations £ m	Revaluation of cash flow hedges £ m	Other items £ m	Total £m
Company					
As at 01 April 2023	(16.5)	(0.2)	(27.1)	(7.9)	(51.7)
Recognised in income	(5.4)	-	-	2.2	(3.2)
Recognised in other comprehensive income	-	-	16.5	0.7	17.2
As at 31 March 2024	(21.9)	(0.2)	(10.6)	(5.0)	(37.7)
Recognised in income	6.7	-	-	-	6.7
Recognised in other comprehensive income	-	1.8	7.8	3.7	13.3
Other movements	1.0	(1.7)	(0.1)	0.7	(0.1)
As at 31 March 2025	(14.2)	(0.1)	(2.9)	(0.6)	(17.8)

12 Discontinued operations

During the year, the Group announced the decision of its Board of Directors to close the branches in Czech Republic, Slovakia and Hungary and sell the operating leased assets in the branches. These branches are owned by the Group through its wholly owned subsidiary, MHC Mobility sp. z.o.o., a company incorporated in Poland.

The results of the discontinued operations, which have been included in the consolidated income statement, were as follows:

	2025 £ m	2024 £ m
Revenue	61.0	26.6
Expenses	(72.5)	(34.0)
Loss before tax	(11.5)	(7.4)
Tax expense relating to profit before tax of discontinued operations	1.2	(1.0)
Net loss attributable to discontinued operations	(10.3)	(8.4)

The results include £5.0m loss on operating lease assets sold during the year.

The prior year comparatives for the Group have been re-presented to reflect that the results of the branches in Czech Republic, Slovakia and Hungary are now reported as discontinued operations. Below is the reconciliation between the reported results and re-presented income statement for the Group.

	2024 Reported	Discontinued operations	2024 re-presented
Interest income	293.8		293.8
Finance lease income	89.2		89.2
Operating lease rental income	633.3	13.9	619.4
Operating lease maintenance income	130.6	4.8	125.8
Sale of operating lease assets	385.9	7.0	378.9
Other operating income	72.4	0.9	71.5
Revenue	1,605.2	26.6	1,578.6
Finance costs	(289.4)	(4.1)	(285.3)
Depreciation and impairment of operating leased assets	(433.1)	(11.7)	(421.4)
Maintenance expense on operating leased vehicles	(105.1)	(3.7)	(101.4)
Disposal of operating leased assets	(334.8)	(7.5)	(327.3)
Other cost of sales	(46.3)	(3.2)	(43.1)
Cost of sales	(1,208.7)	(30.2)	(1,178.5)

12 Discontinued operations (continued)

Gross profit / (loss) for the year	**396.5**	**(3.6)**	**400.1**
Impairment on credit exposures	(26.3)	(0.2)	(26.1)
Administrative expenses	(241.9)	(3.6)	(238.3)
Fair value loss on derivative financial instruments	(2.3)	-	(2.3)
Profit / (loss) before tax	**126.0**	**(7.4)**	**133.4**
Income tax charge	(33.4)	(1.0)	(32.4)
Profit / (loss) after tax	**92.6**	**(8.4)**	**101.0**

The discontinued operations results contributed the following to the group cash flow:

	2025 £ m	2024 £ m
Net cash inflows/(outflows) from operating activities	22.5	(1.8)
Net cash (outflows)/inflows from financing activities	(18.1)	5.9
Net cash inflows arising on disposal	4.4	4.1

At 31 March 2025, the branches were classified as a disposal group held for sale and as a discontinued operation. The Board considered the branches to meet the criteria to be classified as held for sale as at that date for the following reasons:

• Since the announcement, significant portion of the assets were already sold and the resulting losses were recognised as part of the loss on discontinued operations.
• The remaining operating lease assets were available for immediate sale and could be sold to the buyer in its current condition.
• The actions to complete the sale were expected to be completed within one year from the date of initial classification.

The major class of asset of the branches classified as held for sale as at 31 March 2025 were Operating leased assets with a net book value of £14.5m.

Write-down of operating leased assets
Immediately before the classification of the branches as discontinued operations, the recoverable amount was estimated for operating leased assets and no impairment loss was identified. Following the classification, the carrying amount of the assets represented the fair value less costs to sell and therefore no further impairment loss was recognised.

As at 31 March 2025, there was no further write-down as the carrying amount of the assets did not fall below its fair value less costs to sell.

13 Property, plant and equipment under operating leases

Group

The Group reviews residual values on its operating lease contracts, at least annually, and prospectively adjusts future depreciation in line with the Group's accounting policy set out in note 2.3(g).

In addition, the Group performs an impairment, at least annually, in line with the Group's accounting policy set out in note 2.3(s).

The Group's impairment of operating leased assets comprises the UK, the Netherlands, Germany, Poland and Hungary. Outlined below are the Group's pre-tax discount rate, as calculated by the Weighted Average Cost of Capital, for each country.

	2025	2024
The United Kingdom	6.47%	6.76%
The Netherlands	4.98%	5.22%
Germany	5.01%	5.22%
Poland	7.92%	7.04%
Hungary	9.75%	8.86%
Slovakia	5.31%	5.56%
Czech Republic	6.73%	6.42%

Estimated future residual values and discount rate remain the Group's key sources of estimation uncertainty in respect of property, plant and equipment under operating leases. Outlined below is the Group's sensitivity analysis of these key variables in reasonable scenarios, based on historical performance, in order to assess their impact on the Group's impairment provision.

Increase in residual values and decrease in discount rate	**Impairment release**	**Impairment release**
	2025	**2024**
	£m	**£m**
2.5% increase in residual values	(8.7)	(21.5)
1% decrease in discount rate	(10.4)	(23.2)

13 Property, plant and equipment under operating leases (continued)

Decrease in residual values and increase in discount rate	Impairment charge 2025 £m	Impairment charge 2024 £m
2.5% decrease in residual values	11.1	23.0
1% increase in discount rate	12.9	25.7

The Group benefits from a well-diversified range of vehicles and sales channels so the impact of changes in used vehicle prices or discount rate would not have a linear relationship with the amount of impairment.

The table below outlines the impact of prospective depreciation and impairment on the Group's depreciation and impairment for the year and disposal of operating lease assets. These are included within the cost of sales in the Group's Income Statement.

	Group		Company	
	2025	2024	2025	2024
Impact of prospective depreciation and impairment on operating leased assets (i)	£m	£m	£m	£m
Prospective depreciation charge/(reversal) (ii)	54.4	(57.4)	64.7	(25.8)
Impairment charge/(reversal) (iii)	(76.3)	30.2	(76.4)	4.0
Net credit for the year	**(21.9)**	**(27.2)**	**(11.7)**	**(21.8)**
Reversal of prospective depreciation and impairment on disposal of operating leased assets (iv)				
Prospective depreciation reversal	51.0	59.0	22.4	44.4
Impairment reversal	(17.3)	(16.7)	(8.5)	(14.5)
Net charge for the year	**33.7**	**42.3**	**13.9**	**29.9**
Net charge in respect of prospective depreciation and impairment adjustments	**11.8**	**15.1**	**2.2**	**8.1**

13 Property, plant and equipment under operating leases (continued)

(i) Represents the impact of revaluation of residual values on operating lease assets that existed at balance sheet date. The impact is recognised through prospective depreciation and impairment adjustments which are included within depreciation and impairment of operating leased assets in the Group's income statement,

(ii) The prospective depreciation charge for the year (2024: release for the year) above reflects continued fall in the current used vehicle prices resulting in the reversal of previously recognised prospective depreciation credit adjustments as the used vehicle market returns towards historical long-term average. The closing balance of £55.5m (2024: £156.3m) as at 31 March 2025 represented the cumulative prospective depreciation credit adjustments recognised on operating leased assets. The fall in the closing balance compared to last year reflects a lower expected profit position against the residual values estimated at the inception of the lease contracts compared to last year.

(iii) The impairment reversal for the year (2024: charge for the year) above reflects the reversal of previously recognised impairment charges driven by a lower carrying value through recognition of prospective depreciation charge as outlined in (ii) above. The closing impairment balance of £61.7m (2024: £159.4m) as at 31 March 2025 related to the operating leased assets where it was deemed that the assets' carrying values were greater than the value in use which include future expectations of the assets' residual values at the end of the lease term.

(iv)) Represents the impact of reversal of prospective depreciation and impairment adjustments recognised in prior periods on disposal of operating leased assets. These are included within disposal of operating leased assets in the Group's income statement.

Operating leased assets, outlined in the table below, represent vehicles leased to customers on operating lease contracts and assets held for use in operating leases.

Depreciation and impairment charge of £433.1m for the year ended 31 March 2024 represents both continuing and discontinued operations.

The prior year comparatives in the Group's Income Statement has been re-presented to reflect that the results of the branches in Czech Republic, Slovakia and Hungary are now reported as discontinued operations (note 12).

The depreciation and impairment charge for the year has been split between continuing and discontinued operations in the table below.

	2025	2024
	£m	£m
Continuing operations	487.2	421.4
Discontinued operations	9.9	11.7
Total	497.1	433.1

13 Property, plant and equipment under operating leases (continued)

	Operating leased assets £m	Assets held for use in operating leases £m	Total £m
Cost			
At 1 April 2023	3,296.6	34.4	3,331.0
Additions	1,093.9	24.3	1,118.2
Disposals	(638.0)	(0.2)	(638.2)
Transfers	(0.1)	-	(0.1)
Foreign exchange movements	(6.7)	-	(6.7)
At 31 March 2024	3,745.7	58.6	3,804.3
Additions	1,121.2	48.3	1,169.5
Disposals	(797.0)	(0.5)	(797.5)
Transfers	32.1	(53.5)	(21.4)
Foreign exchange movements	(17.0)	-	(17.0)
At 31 March 2025	4,085.0	52.9	4,137.9
Accumulated depreciation and impairment			
At 1 April 2023	987.8	-	987.8
Transfers	0.2	-	0.2
Charge for year	402.9	-	402.9
Disposals	(303.3)	-	(303.3)
Impairment charge for the year	30.2	-	30.2
Foreign exchange movements	(3.1)	-	(3.1)
At 31 March 2024	1,114.8	-	1,114.8
Charge for the year	563.5	-	563.5
Disposals	(370.9)	-	(370.9)
Impairment reversal for the year	(76.3)	-	(76.3)
Transfers	(7.5)	-	(7.5)
Foreign exchange movements	(4.1)	-	(4.1)
At 31 March 2025	1,219.5	-	1,219.5
Carrying amount			
At 31 March 2024	2,631.0	58.5	2,689.5
At 31 March 2025	2,865.5	52.9	2,918.4

13 Property, plant and equipment under operating leases (continued)

Company

	Operating leased assets £m	Assets held for use in operating leases £m	Total £m
Cost			
At 1 April 2023	2,492.9	34.2	2,527.1
Additions	751.5	15.1	766.6
Disposals	(466.9)	-	(466.9)
At 31 March 2024	2,777.6	49.3	2,826.9
Additions	787.4	42.8	830.2
Disposals	(546.1)	-	(546.1)
Transfers	44.0	(44.0)	-
At 31 March 2025	3,062.9	48.1	3,111.0
Accumulated depreciation and impairment			
At 1 April 2023	765.0	-	765.0
Charge for the year	326.1	-	326.1
Disposals	(216.6)	-	(216.6)
Impairment charge for the year	4.0	-	4.0
At 31 March 2024	878.5	-	878.5
Charge for the year	452.8	-	452.8
Disposals	(267.3)	-	(267.3)
Impairment reversal for the year	(76.4)	-	(76.4)
At 31 March 2025	987.6	-	987.6
Carrying amount			
At 31 March 2024	1,899.0	49.3	1,948.3
At 31 March 2025	2,075.3	48.1	2,123.4

At 31 March 2025, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £522.2m (2024: £335.1m), being assets to be leased to customers under operating lease contracts. These represent outstanding orders with vehicle suppliers at the reporting date, placed in the ordinary course of business to fulfil agreed delivery commitments to customers. These orders were not included on the Group's Statement of Financial Position at the reporting date. Management has determined that the necessary funding will be available from existing facilities to cover these commitments.

MHC Mobility Netherlands B.V., a wholly owned subsidiary of the Group, has collateralised operating leased assets with a carrying value of £167.2m (2024: £140.5m) against bank borrowings of £113.8m (£111.9m). The operating leased assets and the related borrowings are reported within property, plant and equipment under operating lease and interest bearing borrowings in the Group's Statement of Financial Position, respectively.

14 Other property, plant, equipment & right of use assets

Group

	Land and buildings £m	Right of use assets - Property leases £m	Furniture, fittings and equipment £m	Motor vehicles £m	Total £m
Cost					
At 1 April 2023	6.0	38.9	32.3	-	77.2
Additions	1.0	4.3	3.4	2.7	11.4
Disposals	-	(15.5)	(3.7)	(0.8)	(20.0)
Transfers	-	-	0.1	-	0.1
Foreign exchange movements	-	(0.4)	(0.3)	-	(0.7)
At 31 March 2024	7.0	27.3	31.8	1.9	68.0
Additions	-	2.0	2.6	1.1	5.7
Disposals	(0.9)	(1.0)	(14.6)	(0.8)	(17.3)
Transfers	0.2	3.2	(0.9)	-	2.5
Foreign exchange movements	-	(0.3)	(0.1)	-	(0.4)
At 31 March 2025	6.3	31.2	18.8	2.2	58.5
Accumulated depreciation and impairment					
At 1 April 2023	0.7	26.4	21.5	-	48.6
Charge for year	0.1	3.3	2.5	-	5.9
Eliminated on disposal	-	(15.7)	(2.3)	0.4	(17.6)
Transfers	-	-	(0.2)	-	(0.2)
Foreign exchange movements	-	(0.4)	(0.1)	-	(0.5)
At 31 March 2024	0.8	13.6	21.4	0.4	36.2
Charge for the year	0.1	3.1	2.9	-	6.1
Eliminated on disposal	(0.2)	(0.5)	(14.5)	(0.3)	(15.5)
Transfers	0.4	3.6	(1.0)	0.4	3.4
Foreign exchange movements	-	(0.1)	(0.1)	-	(0.2)
At 31 March 2025	1.1	19.7	8.7	0.5	30.0
Carrying amount					
At 31 March 2024	6.2	13.7	10.4	1.5	31.8
At 31 March 2025	5.2	11.5	10.1	1.7	28.5

14 Other property, plant, equipment & right of use assets (continued)

Company

	Land and buildings £m	Right of use assets - Property leases £m	Furniture, fittings and equipment £m	Total £m
Cost				
At 1 April 2023	5.9	17.7	20.5	44.1
Additions	-	-	1.7	1.7
Disposals	-	(3.2)	(0.2)	(3.4)
At 31 March 2024	5.9	14.5	22.0	42.4
Additions	-	1.1	0.5	1.6
Disposals	-	-	(13.7)	(13.7)
Transfers	-	3.2	-	3.2
At 31 March 2025	5.9	18.8	8.8	33.5
Accumulated depreciation and impairment				
At 1 April 2023	0.7	9.4	16.0	26.1
Charge for year	0.1	1.5	1.2	2.8
Eliminated on disposal	-	(3.4)	(0.3)	(3.7)
At 31 March 2024	0.8	7.5	16.9	25.2
Charge for the year	0.1	1.6	1.5	3.2
Eliminated on disposal	-	(0.1)	(13.7)	(13.8)
Transfers	-	3.6	-	3.6
At 31 March 2025	0.9	12.6	4.7	18.2
Carrying amount				
At 31 March 2024	5.1	7.0	5.1	17.2
At 31 March 2025	5.0	6.2	4.1	15.3

14 Other property, plant, equipment & right of use assets (continued)

Depreciation expense relating to the Group's other property, plant and equipment (including right of use assets) of £6.0m (2024: £5.9m) was included in administrative expenses.

The title to the other property and equipment is not restricted and these assets are not pledged as security for liabilities.

Right of use assets represent Group's leasehold office buildings. The related lease obligations are included within trade and other payables (note 28). The Group does not have any extension options related to its leasehold office buildings. One of the Group's buildings has an early termination option which is not expected to be exercised.

For maturity analysis of undiscounted contractual cash flow of lease liabilities refer to trade and other payables in note 28.

15 Intangible assets

Group

	Capitalised software £m	Other intangible assets £m	Goodwill £m	Total £m
Cost or valuation				
At 1 April 2023	86.4	3.4	22.4	112.2
Additions	4.5	-	-	4.5
Disposals	(1.0)	-	-	(1.0)
Foreign exchange movements	(0.1)	0.2	0.2	0.3
At 31 March 2024	89.8	3.6	22.6	116.0
Additions	4.5	-	-	4.5
Disposals	(18.1)	0.2	(0.6)	(18.5)
Foreign exchange movements	(0.1)	-	0.1	-
At 31 March 2025	76.1	3.8	22.1	102.0
Amortisation and impairment				
At 1 April 2023	40.1	1.8	4.7	46.6
Charge for year	10.2	0.1	-	10.3
Eliminated on disposal	(0.6)	-	-	(0.6)
Foreign exchange movements	(0.1)	0.1	0.1	0.1
At 31 March 2024	49.6	2.0	4.8	56.4
Charge for year	10.4	0.4	-	10.8
Eliminated on disposal	(18.1)	-	-	(18.1)
Impairment reversal for the year	-	-	(0.6)	(0.6)
Foreign exchange movements	(0.1)	-	-	(0.1)
At 31 March 2025	41.8	2.4	4.2	48.4
Carrying amount				
At 31 March 2024	40.2	1.6	17.8	59.6
At 31 March 2025	34.3	1.4	17.9	53.6

15 Intangible assets (continued)

Company

	Capitalised software £m	Other intangible assets £m	Goodwill £m	Total £m
Cost or valuation				
At 1 April 2023	82.4	1.0	17.7	101.1
Additions	4.2	-	-	4.2
Disposals	(1.0)	-	-	(1.0)
At 31 March 2024	85.6	1.0	17.7	104.3
Additions	4.7	-	-	4.7
Disposals	(18.0)	-	-	(18.0)
At 31 March 2025	72.3	1.0	17.7	91.0
Amortisation and impairment				
At 1 April 2023	36.8	0.5	3.0	40.3
Charge for year	9.9	0.1	-	10.0
Eliminated on disposal	(0.5)	-	-	(0.5)
At 31 March 2024	46.2	0.6	3.0	49.8
Charge for year	10.1	0.1	-	10.2
Eliminated on disposal	(17.9)	-	-	(17.9)
At 31 March 2025	38.4	0.7	3.0	42.1
Carrying amount				
At 31 March 2024	39.4	0.4	14.7	54.5
At 31 March 2025	33.9	0.3	14.7	48.9

15 Intangible assets (continued)

Capitalised software includes £4.1m (2024: £2.7m) relating to capitalisation of development expenditure for assets which are not yet ready for use. The remainder relates to development expenditure for assets which have been deployed into production and therefore are being amortised in line with the Group accounting policy 2.3 (i). The remaining amortisation period for assets which have been deployed into production is an average of 2.5 years (2024: 2.4 years).

During the year, £1.2m (2024: £2.4m) of internal resource costs have been expensed to the Income Statement in respect SaaS project that did not meet the criteria for capitalisation set out in the Group's accounting note 2.3 (i).

The amortisation charge relating to capitalised software and other intangibles is included in the administrative expense line of the income statement. The title to intangible assets is not restricted and these assets are not pledged as security for liabilities.

At 31 March 2025, neither the Group nor the Company had any contractual commitments for the acquisition of intangible assets (2024: none).

Goodwill acquired through business combinations has been allocated to individual cash-generating units, which are also reportable business segments, for impairment testing. The recoverable amount for each cash generating unit has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a four year period. The pre-tax discount rates, represented by cost of equity, were applied to cash flow projections for each business segment to goodwill was allocated. Cash flows beyond the four year period were extrapolated using a range of growth rates between 2% and 10% (2024: 2% and 10%) depending on the nature of the business segments. Outlined below are carrying amount of goodwill and the pre-tax discount rates used for goodwill impairment assessment.

Carrying amount of goodwill	**2025 £ m**	**2024 £ m**
Novuna Business Cash Flow	4.9	4.9
Novuna Vehicle Solutions - SME channel	4.1	4.1
Novuna Vehicle Solutions - Specialist channel	1.7	1.7
Novuna Business Finance	4.0	4.0
MHC Mobility Zrt (formerly Eurofleet Zrt.)	3.2	3.1
Total	17.9	17.8

Goodwill in MHC Mobility Zrt (formerly Eurofleet Zrt), a company incorporated in Hungary, was acquired as part of acquisition of MHC Mobility sp. z.o.o. (note 4.1). All other business segments are based in the United Kingdom.

Pre-tax discount rates, represented by cost of equity, used in Goodwill assessments are 14.51% (2024: 13.05%) for UK business segments and 18.05% (2024: 17.57%) for MHC Mobility Zrt (formerly Eurofleet Zrt).

15 Intangible assets (continued)

The key assumptions used in the calculation of value in use were budget assumptions to which an estimate of growth rate was used to extrapolate cash flows beyond the budget period and a discount rate was then applied. The budgets for each cash generating unit are representative of operational and financial aspects that relate to that unit and include past experience, default rates, impairment implications and market conditions prevailing at the time. As a result, management have used their current asset base and new sales opportunities to derive the revenue and profitability expectations for the operating unit. These budgets are approved by senior management and the parent company. The growth rate used to extrapolate cash flows beyond the budget period has been based on the long term growth rate of the economy. An internal rate of return method was used in the calculation of value in use, which resulted in returns in excess of the parent company's minimum expectations.

Sensitivity analysis was performed to evaluate the impact of changes in cash flows, growth rates and discount rate on the amount of goodwill. In addition, management carried out a goodwill assessment against reasonably possible scenarios impacting future cashflows and discount rates of each business segment and concluded that these changes, either individually or in combination, would not result in impairment of goodwill.

16 Impairment losses on credit exposures

Movements in provision for expected credit losses

	2025 £ m	2024 £ m
Group		
At 1 April	56.6	66.0
Amounts written off	(40.2)	(40.9)
Recoveries	7.7	5.7
Charge to the Income Statement	29.8	26.3
Other adjustments	0.5	(0.5)
Total as at 31 March	**54.4**	**56.6**

The Group's total ECL provision consists of loans and advances to customers of £48.0m (2024: £51.5m) and trade receivables £6.4m (2024: £5.1m). Further details can be found in note 35 and note 22, respectively.

Charge to the Income Statement above for the year ended 31 March 2024 represents both continuing and discontinued operations (note 12). The amount relating to discontinued operations for the year ended 31 March 2024 was £0.2m.

	2025 £ m	2024 £ m
Company		
At 1 April	53.9	62.4
Amounts written off	(39.9)	(39.0)
Recoveries	7.7	5.1
Charge to the Income Statement	28.9	25.3
Total at 31 March	50.6	53.8

17 Loans and advances to customers

Loans and advances to customers, net of impairment, together with weighted average effective interest rates, are analysed further below.

	2025 £ m	%	2024 £ m	%
Group				
Finance lease receivables	218.7	7.7	201.7	6.8
Hire Purchase agreements	1,072.1	7.8	1,089.2	7.2
Instalment finance agreements	3,928.4	7.2	3,700.8	6.9
Other loans and advances	585.0	5.4	588.8	7.2
Total	5,804.2	7.2	5,580.5	7.0

	2025 £ m	%	2024 £ m	%
Company				
Finance lease receivables	167.6	8.4	147.4	7.5
Hire Purchase agreements	993.9	7.9	1,020.6	7.4
Instalment finance agreements	3,918.7	7.2	3,694.0	6.9
Other loans and advances	584.0	5.4	581.4	7.2
Total	5,664.2	7.2	5,443.4	7.1

The Group's maximum exposure to credit risk include undrawn loan commitments of £22.0m (2024: £52.8m) in respect of instalment finance receivables.

The Group enters into finance lease and hire purchase arrangements with customers in a wide range of sectors including plant and machinery, cars and commercial vehicles. There are no unguaranteed residual values in relation to the finance leases at 31 March 2025 (31 March 2024: no unguaranteed residual values).

The Group's securitisation programmes through SOFA II & Fleetbank Funding Ltd (note 33) result in receivables being encumbered as collateral against the related borrowings. As at 31 March 2025, the net carrying amount of encumbered receivables included in loans and advances to customers was £927.5m (2024: £819.2m).

In April 2025, the Group repurchased from Fleetbank Funding Ltd (the SPV for the British Business Bank's 'Enable Funding Programme') all of the receivables that had previously been encumbered as collateral against the related borrowings (note 33).

17 Loans and advances to customers (continued)

The amortised present values of the loans and receivables, analysed by residual maturity:

Group	<1 yr £m	1-3 yrs £m	3-5 yrs £m	>5 yrs £m	Total £m
Finance lease receivables at 31 March 2025					
Finance leases - gross	83.3	118.8	46.0	3.3	**251.4**
Deferred revenue	(12.6)	(15.4)	(3.4)	(0.1)	**(31.5)**
Impairment	(0.4)	(0.6)	(0.2)	-	**(1.2)**
Total	70.3	102.8	42.4	3.2	**218.7**
Finance lease receivables at 31 March 2024					
Finance leases - gross	79.0	100.0	43.6	6.6	**229.2**
Deferred revenue	(10.1)	(12.6)	(3.4)	(0.3)	**(26.4)**
Impairment	(0.4)	(0.5)	(0.2)	-	**(1.1)**
Total	68.5	86.9	40.0	6.3	**201.7**
Hire purchase agreements at 31 March 2025					
Hire purchase agreements - gross	457.3	575.6	174.1	15.1	**1,222.1**
Deferred revenue	(61.5)	(69.3)	(12.4)	(0.9)	**(144.1)**
Impairment	(2.2)	(2.7)	(0.9)	(0.1)	**(5.9)**
Total	393.6	503.6	160.8	14.1	**1,072.1**
Hire purchase agreements at 31 March 2024					
Hire purchase agreements - gross	460.2	598.7	171.2	8.2	**1,238.3**
Deferred revenue	(59.3)	(69.1)	(12.1)	(0.5)	**(141.0)**
Impairment	(3.0)	(3.9)	(1.1)	(0.1)	**(8.1)**
Total	397.9	525.7	158.0	7.6	**1,089.2**
Instalment finance at 31 March 2025					
Instalment finance - gross	1,780.8	1,952.9	689.7	314.9	**4,738.3**
Deferred revenue	(297.1)	(308.8)	(106.7)	(58.4)	**(771.0)**
Impairment	(15.8)	(15.3)	(5.4)	(2.4)	**(38.9)**
Total	1,467.9	1,628.8	577.6	254.1	**3,928.4**

17 Loans and advances to customers (continued)

Group	<1 yr £m	1-3 yrs £m	3-5 yrs £m	>5 yrs £m	Total £m
Instalment finance at 31 March 2024					
Instalment finance - gross	1,629.3	1,822.4	670.7	363.5	**4,485.9**
Deferred revenue	(274.0)	(295.2)	(109.6)	(65.9)	**(744.7)**
Impairment	(14.7)	(16.4)	(6.1)	(3.2)	**(40.4)**
Total	1,340.6	1,510.8	555.0	294.4	**3,700.8**
Other loans and advances at 31 March 2025					
Other loans - gross	586.9	-	-	-	**586.9**
Deferred revenue	0.1	-	-	-	**0.1**
Impairment	(2.0)	-	-	-	**(2.0)**
Total	585.0	-	-	-	**585.0**
Other loans and advances at 31 March 2024					
Other loans - gross	590.0	0.5	-	-	**590.5**
Deferred revenue	0.2	-	-	-	**0.2**
Impairment	(1.9)	-	-	-	**(1.9)**
Total	588.3	0.5	-	-	**588.8**
Total loans and receivables, net of impairment - at 31 March 2025	2,516.8	2,235.2	780.8	271.4	**5,804.2**
Total loans and receivables, net of impairment - at 31 March 2024	2,395.3	2,123.9	753.0	308.3	**5,580.5**

17 Loans and advances to customers (continued)

Company	<1 yr £m	1-3 yrs £m	3-5 yrs £m	>5 yrs £m	Total £m
Finance lease receivables at 31 March 2025					
Finance leases - gross	68.7	91.5	32.2	2.2	**194.6**
Deferred revenue	(10.5)	(12.5)	(2.6)	(0.1)	**(25.7)**
Impairment	(0.4)	(0.6)	(0.3)	-	**(1.3)**
Total	57.8	78.4	29.3	2.1	**167.6**
Finance lease receivables at 31 March 2024					
Finance leases - gross	61.0	77.0	28.5	2.7	**169.2**
Deferred revenue	(8.1)	(10.1)	(2.3)	(0.2)	**(20.7)**
Impairment	(0.4)	(0.5)	(0.2)	-	**(1.1)**
Total	52.5	66.4	26.0	2.5	**147.4**
Hire purchase agreements at 31 March 2025					
Hire purchase agreements - gross	431.6	540.1	151.4	9.5	**1,132.6**
Deferred revenue	(57.6)	(64.5)	(10.8)	(0.7)	**(133.6)**
Impairment	(1.9)	(2.5)	(0.7)	-	**(5.1)**
Total	372.1	473.1	139.9	8.8	**993.9**
Hire purchase agreements at 31 March 2024					
Hire purchase agreements - gross	424.2	563.8	163.7	8.1	**1,159.8**
Deferred revenue	(54.6)	(65.4)	(11.6)	(0.5)	**(132.1)**
Impairment	(2.6)	(3.5)	(1.0)	-	**(7.1)**
Total	367.0	494.9	151.1	7.6	**1,020.6**
Instalment finance at 31 March 2025					
Instalment finance - gross	1,776.6	1,947.4	688.9	314.9	**4,727.8**
Deferred revenue	(296.6)	(308.5)	(106.7)	(58.4)	**(770.2)**
Impairment	(15.8)	(15.3)	(5.4)	(2.4)	**(38.9)**
Total	1,464.2	1,623.6	576.8	254.1	**3,918.7**

17 Loans and advances to customers (continued)

Company	<1 yr £m	1-3 yrs £m	3-5 yrs £m	>5 yrs £m	Total £m
Instalment finance at 31 March 2024					
Instalment finance - gross	1,626.5	1,818.6	669.7	363.5	**4,478.3**
Deferred revenue	(273.5)	(294.9)	(109.6)	(65.9)	**(743.9)**
Impairment	(14.7)	(16.4)	(6.1)	(3.2)	**(40.4)**
Total	1,338.3	1,507.3	554.0	294.4	**3,694.0**
Other loans and advances at 31 March 2025					
Other loans - gross	585.9	-	-	-	**585.9**
Deferred revenue	0.1	-	-	-	**0.1**
Impairment	(2.0)	-	-	-	**(2.0)**
Total	584.0	-	-	-	**584.0**
Other loans and advances at 31 March 2024					
Other loans - gross	582.6	0.5	-	-	**583.1**
Deferred revenue	0.2	-	-	-	**0.2**
Impairment	(1.9)	-	-	-	**(1.9)**
Total	580.9	0.5	-	-	**581.4**
Total loans and receivables, net of impairment - at 31 March 2025	2,478.1	2,175.1	746.0	265.0	**5,664.2**
Total loans and receivables, net of impairment - at 31 March 2024	2,338.7	2,069.1	731.1	304.5	**5,443.4**

18 Derivative Financial Instruments

The detail of the derivative financial instruments stated in the Group and Company Statement of Financial Position at fair value is as follows:

	Cross currency swap contracts						
2025	**JPY £ m**	**EUR £ m**	**USD £ m**	**Other £ m**	**Total £m**	**Interest rate swap £m**	**Total £ m**
Assets							
Less than 1 year	1.0	1.0	1.0	0.6	3.6	4.2	7.8
1 to 2 years	-	-	0.3	1.5	1.8	7.3	9.1
2 to 3 years	2.1	10.3	0.1	0.6	13.1	9.4	22.5
3 to 4 years	0.1	-	-	-	0.1	6.1	6.2
4 to 5 years	0.4	-	0.2	-	0.6	3.9	4.5
5 to 6 years	-	-	-	-	-	-	-
> 6 years	-	-	-	-	-	0.1	0.1
Total	3.6	11.3	1.6	2.7	19.2	31.0	50.2
Liabilities							
Less than 1 year	(80.7)	(4.8)	(3.9)	(0.1)	(89.5)	(1.2)	(90.7)
1 to 2 years	(43.4)	(16.3)	(0.2)	(10.9)	(70.8)	(6.4)	(77.2)
2 to 3 years	(35.5)	(1.0)	(20.8)	(0.1)	(57.4)	(1.3)	(58.7)
3 to 4 years	(24.5)	(4.4)	(8.0)	-	(36.9)	(1.9)	(38.8)
4 to 5 years	(2.3)	-	(0.2)	(5.4)	(7.9)	-	(7.9)
5 to 6 years	(1.0)	-	-	-	(1.0)	(0.1)	(1.1)
> 6 years	(1.6)	-	-	-	(1.6)	-	(1.6)
Total	(189.0)	(26.5)	(33.1)	(16.5)	(265.1)	(10.9)	(276.0)
	(185.4)	(15.2)	(31.5)	(13.8)	(245.9)	20.1	(225.8)
Of which,							
Designated as fair value hedges	(116.2)	(0.5)	(20.7)	(0.9)	(138.3)	0.6	(137.7)
Designated as cash flow hedges	(69.2)	(14.7)	(10.8)	(12.9)	(107.6)	19.5	(88.1)

18 Derivative Financial Instruments (continued)

	Cross currency swap contracts						
2024	**JPY £ m**	**EUR £ m**	**USD £ m**	**Other £ m**	**Total £m**	**Interest rate swap £m**	**Total £ m**
Assets							
Less than 1 year	-	0.2	3.0	2.6	5.8	18.6	24.4
1 to 2 years	-	-	0.1	(0.1)	-	13.8	13.8
2 to 3 years	-	-	0.2	0.2	0.4	13.2	13.6
3 to 4 years	-	-	-	-	-	12.2	12.2
4 to 5 years	-	-	0.3	-	0.3	5.7	6.0
5 to 6 years	-	-	-	-	-	3.3	3.3
Total	-	0.2	3.6	2.7	6.5	66.8	73.3
Liabilities							
Less than 1 year	(103.1)	(19.9)	(2.2)	0.4	(124.8)	(3.3)	(128.1)
1 to 2 years	(76.8)	(1.6)	(1.3)	-	(79.7)	(0.9)	(80.6)
2 to 3 years	(38.5)	(3.9)	-	1.4	(41.0)	(5.6)	(46.6)
3 to 4 years	(30.3)	(1.2)	(8.8)	-	(40.3)	-	(40.3)
4 to 5 years	(19.9)	(4.9)	(8.0)	-	(32.8)	(3.0)	(35.8)
5 to 6 years	-	-	-	(3.8)	(3.8)	-	(3.8)
> 6 years	(0.2)	-	-	-	(0.2)	(0.2)	(0.4)
Total	(268.8)	(31.5)	(20.3)	(2.0)	(322.6)	(13.0)	(335.6)
	(268.8)	(31.3)	(16.7)	0.7	(316.1)	53.8	(262.3)
Of which,							
Designated as fair value hedges	(151.2)	(21.5)	(8.6)	(1.2)	(182.5)	(2.1)	(184.6)
Designated as cash flow hedges	(117.6)	(9.8)	(8.1)	1.9	(133.6)	55.9	(77.7)

The average interest rate related to net interest rate swap assets amounting to £10.9m (2024: £13.0m) was 1.30% (2024: 1.87%). The average interest rate related to cross currency swaps was included within the rates disclosed in note 19.

During the year, the derivative financial instruments aggregate net liability decreased by £36.5m from £262.3m to £225.8m. With 100% matched hedging against foreign currency borrowings, this movement was partially offset by a £53.6m revaluation in foreign currency borrowings. The remaining movement of £90.1m principally represents the effect of the movement of fixed Sterling interest rates on the value of the portfolio of float to fixed interest rate swaps that were taken out to match underlying floating funding.

18 Derivative Financial Instruments (continued)

Cash flows from derivative financial instruments will affect Other Comprehensive Income and Income Statement in the periods up to April 2039 (2024: February 2031) for cross currency swaps and to April 2031 (2024: February 2031) for interest rate swaps. Descriptions of the hedges are covered in material accounting policy information note 2.3(n).

A description of the risks being hedged for fair value and cash flow hedges is disclosed in note 36.

	Notional Amount of Hedging Instrument	Carrying value of instrument	
2025	**£m**	**Asset £m**	**Liability £m**
Cash Flow Hedges			
Foreign Exchange Risk - Cross Currency Swaps and FX Swaps	-	-	-
Less than one year	744.8	1.1	(28.1)
More than one year but less than three years	981.9	0.8	(60.7)
More than three years	326.3	0.2	(20.9)
Interest Rate Risk - Interest Rate Swaps	-	-	-
Less than one year	1,184.9	4.3	(1.2)
More than one year but less than three years	2,112.6	16.4	(7.6)
More than three years	646.7	9.8	(2.0)
	5,997.2	32.6	(120.5)
Fair Value Hedges			
Foreign Exchange Risk - Cross Currency Swaps and FX Swaps	-	-	-
Less than one year	611.4	2.4	(61.4)
More than one year but less than three years	1,862.0	14.2	(67.5)
More than three years	360.1	0.5	(26.6)
Interest Rate Risk - Interest Rate Swaps	-	-	-
More than one year but less than three years	125.0	0.2	-
More than three years	14.0	0.3	-
	2,972.5	17.6	(155.5)
Total	8,969.7	50.2	(276.0)

18 Derivative Financial Instruments (continued)

2024	Notional Amount of Hedging Instrument £m	Carrying value of instrument Asset £m	Liability £m
Cash Flow Hedges			
Foreign Exchange Risk - Cross Currency Swaps and FX Swaps	1,898.4	1.3	(134.8)
Interest Rate Risk - Interest Rate Swaps	3,587.4	66.2	(10.4)
	5,485.8	67.5	(145.2)
Fair Value Hedges			
Foreign Exchange Risk - Cross Currency Swaps and FX Swaps	2,503.6	5.3	(187.8)
Interest Rate Risk - Interest Rate Swaps	359.0	0.5	(2.6)
	2,862.6	5.8	(190.4)
Total	8,348.4	73.3	(335.6)

Mark to market of derivative financial instruments is presented in derivative assets and liabilities in the Group statement of financial position.

The hedged items are presented in interest bearing borrowings in the Group statement of financial position.

18 Derivative Financial Instruments (continued)

2025	Carrying amount of hedged item: Assets £m	Carrying amount of hedged item: Liabilities £m	Net accumulated adjustment to value of hedged item £m	Change in Fair value used for calculating ineffectiveness £m	Cumulative Cost of Hedge and Cash Flow Hedge Reserve £m
Cash Flow Hedges					
Foreign Exchange Risk - Cross Currency Swaps and FX Swaps	-	2,049.2	99.2	1.0	4.7
Interest Rate Risk - Interest Rate Swaps	-	3,282.8	-	0.5	(20.2)
	-	5,332.0	99.2	1.5	(15.5)
Fair Value Hedges					
Foreign Exchange Risk - Cross Currency Swaps and FX Swaps	-	2,832.1	134.7	0.4	4.1
Interest Rate Risk - Interest Rate Swaps	-	139.0	(0.5)	-	-
	-	2,971.1	134.2	0.4	4.1
Total	-	8,303.1	233.4	1.9	(11.4)

18 Derivative Financial Instruments (continued)

2024	Carrying amount of hedged item: Assets £m	Carrying amount of hedged item: Liabilities £m	Net accumulated adjustment to value of hedged item £m	Change in Fair value used for calculating ineffectiveness £m	Cumulative Cost of Hedge and Cash Flow Hedge Reserve £m
Cash Flow Hedges					
Foreign Exchange Risk - Cross Currency Swaps and FX Swaps	-	1,895.6	123.4	-	(1.8)
Interest Rate Risk - Interest Rate Swaps	-	447.5	-	-	(42.9)
	-	2,343.1	123.4	-	(44.7)
Fair Value Hedges					
Foreign Exchange Risk - Cross Currency Swaps and FX Swaps	-	2,485.9	162.8	-	4.7
Interest Rate Risk - Interest Rate Swaps	-	357.7	0.8	-	-
	-	2,843.6	163.6	-	4.7
Total	-	5,186.7	287.0	-	(40.0)

2025	Change in Hedging Instrument recognised in OCI £m	Amount reclassified from cash flow hedge reserve to P&L £m	Ineffectiveness recognised in P&L for period £m	P&L for period £m
Cash Flow Hedges				
Foreign Exchange Risk - Cross Currency Swaps and FX Swaps	6.3	(0.2)	-	(0.2)
Interest Rate Risk - Interest Rate Swaps	22.8	1.2	-	1.0
Fair value hedges				
Foreign Exchange Risk - Cross Currency Swaps and FX Swaps	-	-	0.5	0.5
Total	(29.1)	(1.0)	(0.5)	(1.3)

18 Derivative Financial Instruments (continued)

2024	Change in Hedging Instrument OCI £m	Amount reclassified from cash flow hedge reserve to P&L £m	Ineffectiveness recognised in P&L for period £m	P&L for period £m
Cash Flow Hedges				
Foreign Exchange Risk - Cross Currency Swaps and FX Swaps	(62.8)	0.5	-	0.5
Fair value hedges				
Foreign Exchange Risk - Cross Currency Swaps and FX Swaps	-	-	1.8	1.8
Total	62.8	(0.5)	(1.8)	(2.3)

The ineffective portion of hedge relationships is presented in fair value gains and loss on derivative financial instruments within the Group's income statement.

19 Interest bearing borrowings

The Group has a central treasury function that is responsible for all external funding activities. The carrying values and weighted average effective interest rates of borrowings are as follows:

Group	2025 £m	2025 %	2024 £m	2024 %
Bank borrowings	1,858.6	5.4	2,268.7	5.1
Commercial Paper	149.1	5.3	275.5	5.5
Funding from securitised receivables	601.0	5.6	601.0	5.5
Medium term notes	4,807.0	5.8	3,626.1	5.9
Total	7,415.7	5.7	6,771.3	5.6

For the Group disclosure above, funding from securitised receivables relates to amounts owed to senior note holders (note 33).

Company	2025 £m	2025 %	2024 £m	2024 %
Bank borrowings	1,092.8	6.1	1,571.0	5.5
Commercial Paper	149.1	5.3	275.5	5.5
Funding from securitised receivables	601.0	5.6	601.0	5.5
Medium term notes	4,807.0	5.8	3,626.1	5.9
Total	6,649.9	5.8	6,073.6	5.7

19 Interest bearing borrowings (continued)

The average interest rates above include the impact of hedging the foreign currency risk through Cross Currency Swaps (note 18). The average interest rate related to interest rate swaps is disclosed in note 18.

The Group mainly raises funding under its Euro Medium Term Note programme for terms of one to five years. Borrowings from this source are unsecured although they benefit from a guarantee from Mitsubishi HC Capital Inc.

Other committed and uncommitted term borrowing facilities are available to the Group from banks and other sources. These are outlined within funding sources section of note 36 pages 217 - 218.

The Group utilises two securitisation facilities: under the first it sells consumer receivables to SOFA II Ltd, a securitisation SPV. Under the second, receivables from SME originated by Novuna Business Finance division are sold to the British Business Bank's Enable Funding Programme's SPV, Fleetbank Funding Limited, ('SME Securitisation') (see note 33). These assets are not derecognised from the financial statements since the majority of the risks and rewards are retained by the Group. In both arrangements if the facilities were, for whatever reason, to be run down, then the Group would be entitled to receive the return of surplus cash collections after fees, and principal and interest of the secured borrowings are repaid. Interest on funding from the securitisation programmes are at a margin over daily compounded SONIA, payable monthly in arrears. For the Company disclosure above, funding from securitised receivables includes £500.0m (2024: £500.0m) relating to amounts owed to Securitisation of Financial Assets II Ltd, a special purpose vehicle (note 33).

In April 2025, the Group repaid £100m relating to securitisation facility with Fleetbank Funding Limited and as part of the transaction the securitised receivables have been re-purchased by the Group (note 33).

Borrowings under the Group's Euro commercial paper programmes can be issued for periods of between one day and 364 days. Borrowings under the programme are also guaranteed by Mitsubishi HC Capital Inc.

19 Interest bearing borrowings (continued)

The borrowings are repayable as follows:

Group	Fixed 2025 £m	Floating 2025 £m	Total 2025 £m	Fixed 2024 £m	Floating 2024 £m	Total 2024 £m
Current Liabilities						
On demand or within 1 year	1,415.0	1,067.0	2,482.0	2,343.2	754.0	3,097.2
Non-Current Liabilities						
1-2 years	1,317.2	785.5	2,102.7	840.9	585.2	1,426.1
2-3 years	1,812.6	189.7	2,002.3	1,164.1	203.8	1,367.9
3-4 years	437.9	130.7	568.6	287.4	145.8	433.2
4-5 years	71.6	151.4	223.0	318.9	101.7	420.6
5-6 years	12.9	0.6	13.5	20.5	0.5	21.0
> 6 years	23.5	0.1	23.6	5.2	0.1	5.3
	3,675.7	1,258.0	4,933.7	2,637.0	1,037.1	3,674.1
	5,090.7	2,325.0	7,415.7	4,980.2	1,791.1	6,771.3

There were no defaults of either principal or interest and no breaches of loan agreement terms that caused the lender to demand accelerated payment on any loans payable during the reporting periods ending 31 March 2024 or 31 March 2025.

Company	Fixed 2025 £m	Floating 2025 £m	Total 2025 £m	Fixed 2024 £m	Floating 2024 £m	Total 2024 £m
Current Liabilities						
On demand or within 1 year	1,126.0	1,067.0	2,193.0	2,078.0	753.2	2,831.2
Non-Current Liabilities						
1-2 years	1,100.8	785.5	1,886.3	653.0	585.2	1,238.2
2-3 years	1,645.2	189.7	1,834.9	1,012.2	203.8	1,216.0
3-4 years	345.5	130.7	476.2	198.0	145.8	343.8
4-5 years	71.4	151.4	222.8	316.8	101.7	418.5
5-6 years	12.6	0.6	13.2	20.1	0.5	20.6
> 6 years	23.4	0.1	23.5	5.2	0.1	5.3
	3,198.9	1,258.0	4,456.9	2,205.3	1,037.1	3,242.4
	4,324.9	2,325.0	6,649.9	4,283.3	1,790.3	6,073.6

19 Interest bearing borrowings (continued)

An analysis of borrowings by currency is as follows:

Group	Sterling £m	Euro £m	Yen £m	US Dollar £m	PLN Zloty £m	Other £m	Total £m
31 March 2025	1,956.1	2,444.2	1,558.6	757.1	140.8	558.9	7,415.7
31 March 2024	1,923.3	2,186.4	1,573.8	499.6	129.3	458.9	6,771.3

Company	Sterling £m	Euro £m	Yen £m	US Dollar £m	Other £m	Total £m
31 March 2025	1,956.2	1,881.6	1,558.6	757.1	496.4	6,649.9
31 March 2024	1,923.3	1,673.4	1,573.7	499.6	403.6	6,073.6

20 Fair value of financial assets and financial liabilities

Group:	Note	Carrying amount 2025 £ m	Carrying amount 2024 £ m	Fair value 2025 £ m	Fair value 2024 £ m	Fair Value Hierarchy
Financial assets measured mandatorily at fair value:						
Derivative financial instruments	18	50.2	73.3	50.2	73.3	2
Financial instruments at fair value through profit or loss	34	60.4	66.3	60.4	66.3	3
		110.6	139.6	110.6	139.6	
Financial assets measured at fair value through other comprehensive income:						
Equity instruments at designated at fair value though other comprehensive income		23.0	37.9	23.0	37.9	3
Financial assets measured at amortised cost:						
Cash and cash equivalents	25	242.4	59.3	242.4	59.3	1
Trade and other receivables		147.1	109.8	147.1	109.8	3
Loans and advances to customers	17	5,804.2	5,580.5	5,679.1	5,450.6	3
Amounts due from subsidiary undertakings	22	-	-	-	-	3
Total financial assets		6,327.3	5,927.1	6,202.2	5,797.2	
Financial liabilities measured mandatorily at fair value:						
Derivative financial instruments	18	276.0	335.6	276.0	335.6	2
Financial liabilities measured at amortised cost:						
Bank overdrafts	25	10.0	19.4	10.0	19.4	1
Interest bearing borrowings	19	7,415.7	6,771.3	7,416.1	6,776.4	2
Other liabilities		286.6	258.2	286.6	258.2	3
Total financial liabilities		7,988.3	7,384.5	7,988.7	7,389.6	

20 Fair value of financial assets and financial liabilities (continued)

Company:	Note	Carrying amount 2025 £ m	Carrying amount 2024 £ m	Fair value 2025 £ m	Fair value 2024 £ m	Fair Value Hierarchy
Financial assets measured mandatorily at fair value:						
Derivative financial instruments	18	50.2	73.3	50.2	73.3	2
Financial instruments at fair value through profit or loss	34	60.4	66.3	60.4	66.3	3
		110.6	139.6	110.6	139.6	
Financial assets measured at fair value through other comprehensive income:						
Equity instruments at designated at fair value though other comprehensive income		23.0	37.9	23.0	37.9	3
Financial assets measured at amortised cost:						
Cash and cash equivalents	25	206.1	40.6	206.1	40.6	1
Trade and other receivables		129.1	96.2	129.1	96.2	3
Loans and advances to customers	17	5,664.2	5,443.4	5,539.8	5,315.3	3
Amounts due from subsidiary undertakings	22	124.4	124.0	124.4	124.0	3
Total financial assets		6,257.4	5,881.7	6,133.0	5,753.6	
Financial liabilities measured mandatorily at fair value:						
Derivative financial instruments	18	276.0	335.6	276.0	335.6	2
Financial liabilities measured at amortised cost:						
Bank overdrafts	25	9.9	7.7	9.9	7.7	1
Interest bearing borrowings	19	6,649.9	6,073.6	6,648.9	6,083.9	2
Other liabilities		286.6	258.2	286.6	258.2	3
Total financial liabilities		7,222.4	6,675.1	7,221.4	6,685.4	

Outlined below is the movement in financial instruments at FVTPL and financial instruments at FVTOCI:

20 Fair value of financial assets and financial liabilities (continued)

	FVTPL £m	FVTOCI £m
At 1 April 2023	74.7	40.7
(Losses) / gains recognised to Income Statement	0.9	-
Losses recognised to other comprehensive income	-	(2.8)
Net disposals	(9.3)	-
As at 31 March 2024	**66.3**	**37.9**
Gains recognised to income statement	5.3	-
Losses recognised to other comprehensive income	-	(14.9)
Net disposals	(11.2)	-
As at 31 March 2025	**60.4**	**23.0**

Financial instruments at FVTPL represent junior notes held in SOCA securitisation programme (note 34).

Equity instruments at FVTOCI represent investment in Gridserve Holdings Ltd (note 4.2).

Level 1:
The fair values are based on quoted (unadjusted) market prices in active markets for identical assets or liabilities. Outlined below are the descriptions of financial assets and liabilities classified as level 1 in the fair value hierarchy.

• Cash and cash equivalents and bank overdrafts
This represents the physical cash, short-term deposits and bank overdrafts which the Group had at the balance sheet date where fair value is considered to be the carrying value.

• Interest bearing borrowings not in fair value hedge relationships
The borrowings not in fair value hedge relationships are held per the historic cost model and subsequently fair value is considered to be the carrying values.

• Securitisation Programmes
It is assumed the fair value of the senior notes is the same as the carrying value.

Level 2:
Fair values are based on valuation techniques for which the lowest level input that is significant to the fair value and measurement is directly observable. Outlined below are the descriptions of financial assets and liabilities classified as level 2 in the fair value hierarchy.

• Derivative financial instruments
The fair value of derivatives in the disclosure above has been determined using discounted cash flow models using observable market inputs in the form of yield curves in each relevant currency and spot foreign currency exchange rates to convert values to sterling. Where there is an embedded option in a derivative, for example a floor aligning the derivative cashflows with the underlying debt, the option portion has been valued using option pricing models based on observable market inputs such as volatility, discount rates and foreign exchange rates. The fair value of derivatives is further adjusted by taking account of both the Group's counterparties and its own credit spreads applied to cash flows owed to and from the Group. These credit spreads were derived from observable market prices of credit default swaps and other market-based credit spreads. Funding Value Adjustment is also applied to the fair value of derivatives.

20 Fair value of financial assets and financial liabilities (continued)

Interest bearing borrowings in fair value hedge relationships
The fair value of borrowings in the table above has been determined using discounted cash flow models using observable market inputs in the form of yield curves in each relevant currency and spot foreign currency exchange rates to convert values to Sterling.

Level 3:
Fair values are based on valuation techniques for which the lowest level input that is significant to the fair value and measurement is unobservable. Outlined below are the descriptions of financial assets and liabilities classified as level 3 in the fair value hierarchy.

Financial instruments measured at fair value through profit or loss
These relate to the junior and mezzanine notes held in the Group's SOCA securitisation programme outlined in note 34. Discounted cash flow is the valuation technique used to measure the carrying amount recognised in the Group's statement of financial position. The key unobservable inputs are the expected level of early settlements and write-offs which drive the expected cash collections through to maturity. An increase in expected levels of early settlements or write-offs would result in a lower fair value measurement.

• **Equity instruments measured at fair value through other comprehensive income**
This relates to an equity investment in Gridserve Holdings Ltd (note 4.2). The valuation technique used to measure the total equity value of Gridserve Holdings Ltd is a discounted cashflow method. The Group has then applied its proportion of shareholding to determine its share of the total valuation of Gridserve Holdings Ltd. Key unobservable inputs are the discount rate, cash flow forecasts, time to exit and volatility whilst also considering the expected levels of capital expenditure, funding, debt repayment and forecast profitability. The initial fair value measurement was based on implied pricing arising from a third-party equity funding round that took place in August 2022.

• **Loans and advances to customers**
The fair value of loans and receivables has been determined by using a model that uses as input the observable market interest rate for the relevant tenor of each asset, and its change from the time of inception of the asset to the statement of financial position date. Further adjustment to take account of customer credit risk uses unobservable inputs.

• **Trade and other receivables**
These represent amounts due from customers during normal course of business with maturity of less than 12 months where fair value is considered to be the carrying value.

• **Other liabilities**
These relate to amounts due to invoice financing clients and other short term payables for which fair value is considered to be the carrying value.

There were no transfers between levels 1, 2 and 3 during the year. There were also no changes in valuation techniques during the year.

21 Inventories

	Group		Company	
	31 March 2025 £m	31 March 2024 £m	31 March 2025 £m	31 March 2024 £m
Motor vehicles for resale	25.1	35.9	15.2	27.0

The title to inventories is not restricted and these assets are not pledged as security for liabilities.

During the year, £306.9m (2024: £250.2m) in relation to the disposal and sale of inventories was recognised as disposal of operating leased assets in the consolidated income statement.

22 Trade and other receivables

	Group		Company	
	31 March 2025	31 March 2024	31 March 2025	31 March 2024
Non-current	£m	£m	£m	£m
Amounts due from subsidiary undertakings	-	-	79.4	60.7

	Group		Company	
	31 March 2025	31 March 2024	31 March 2025	31 March 2024
Current	£m	£m	£m	£m
Trade receivables	147.9	109.5	127.2	94.6
Provision for impairment of trade receivables	(6.4)	(5.1)	(3.3)	(3.3)
Net trade receivables	141.5	104.4	123.9	91.3
Amounts due from subsidiary undertakings	-	-	45.0	63.3
Prepayments and other receivables	68.6	79.5	54.2	56.3
	210.1	183.9	223.1	210.9

23 Dividends paid

A final dividend of £37.2m (8.0p per share), relating to year ended 31 March 2024 was paid during the year. The Directors recommend a final dividend of £32.5m (7.0p per share), relating to year ended 31 March 2025.

24 Other provisions - Group and Company

	Customer claims £m	Dilapidations £m	Other provisions £m	Total £m
At 1 April 2023	16.9	2.5	0.2	19.6
Credit to the Income Statement	(2.5)	(0.8)	-	(3.3)
Provisions utilised	(3.9)	(0.3)	-	(4.2)
At 31 March 2024	10.5	1.4	0.2	12.1
Non-current liabilities	-	1.3	-	1.3
Current liabilities	10.5	0.1	0.2	10.8

	Customer claims £m	Dilapidations £m	Other provisions £m	Total £m
At 1 April 2024	10.5	1.4	0.2	12.1
Charge to the Income Statement	3.1	-	-	3.1
Provisions utilised	(5.0)	-	-	(5.0)
At 31 March 2025	8.6	1.4	0.2	10.2
Non-current liabilities	-	1.4	-	1.4
Current liabilities	8.6	-	0.2	8.8

Customer claims

The table below outlines the charge/(credit) to the Income Statement during the year in respect of customer claims provision.

	2025 £m	2024 £m
Motor commission provision charge (Note 10 and 2.4(f))	5.0	-
Net reduction in customer claims provision*	(1.9)	(2.5)
Total charge/(credit) to the income statement	**3.1**	**(2.5)**

24 Other provisions - Group and Company (continued)

*The reduction in customer claims provision above relates primarily to the adjustment of the customer claims provision to reflect the latest information in respect of complaint, remediation rate and remediation cost.

Customer claims
In certain situations, the Group is jointly and severally liable to customers who have claims against suppliers for misrepresentation or breach of contract, in respect of certain types of regulated agreements. This risk is minimised by the Group through regular due diligence reviews of the suppliers through which financed products are sold and termination of business where there is higher potential risk of default recognised.

In determining the provision, management has considered the likely population of eligible claims and an estimate of the complaint rate, remediation rate and remediation cost per claim. The provision represents the Group's best estimate of the likely future redress cost. However, the timing and amount of any payments are uncertain and the provision is subject to regular review. During the year, the Group also determined an estimated provision in relation to motor commission which is outlined below.

Motor commission
Following the Court of Appeal's judgment of October 2024 and the ongoing FCA review, the Group recognised a provision of £5.0m (2024: £nil) in its financial results for the year ending 31 March 2025. The provision has been presented as exceptional item in the Group's Income Statement (note 10). Further details can be found in significant accounting judgments note 2.4(f). This was disclosed as a contingent liability in the prior year.

Dilapidations
The Group holds dilapidation provisions relating to its leased sites at Staines, Leeds, Newbury and Telford. The provision represents an estimate of the work required to bring it back to its original state at the end of the contract. The estimated outflow of this provision is expected to be £nil (2024: £nil) due within one year, £1.5m (2024: £2.1m) due after one year but less than ten years and £nil (2024: £nil) due after ten years.

25 Cash and cash equivalents

Cash, short term deposits and bank overdrafts held by the Group all have an original maturity of three months or less.

Bank overdrafts are repayable on demand and the average effective interest rate for the year was 5.5% (2024: 6.25%) and is based on the Bank of England base rate plus an agreed margin.

For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise the following at 31 March 2025:

25 Cash and cash equivalents (continued)

	Group		Company	
	31 March 2025 £m	31 March 2024 £m	31 March 2025 £m	31 March 2024 £m
Cash at bank	122.5	59.3	86.2	40.6
Short-term deposits	119.9	-	119.9	-
	242.4	59.3	206.1	40.6
Bank overdrafts	(10.0)	(19.4)	(9.9)	(7.8)
Cash and cash equivalents in statement of cash flows	232.4	39.9	196.2	32.8

26 Share capital

The Company has one class of ordinary shares, which carry no right to fixed income. The share capital is analysed below.

	2025			2024		
	Number of shares	Nominal value	Share premium	Number of shares	Nominal value	Share premium
		£m	£m	No.	£m	£m
Issued and fully paid share capital						
Ordinary shares	464,674,511	116.2	43.6	464,674,511	116.2	43.6

27 Other reserves

Group

	Cash flow hedging reserve £m	Cost of hedging reserve £m	Fair Value through OCI £m	Retirement benefit obligation £m	Foreign currency translation £m	Integration reserve £m	Total other reserves £m
At 31 March 2023	79.5	1.9	(2.5)	(7.7)	1.6	5.1	77.9
Other comprehensive income for the year	(44.4)	(7.7)	(2.1)	(0.3)	(0.6)	-	(55.1)
Other movements	-	-	(0.1)	(0.1)	-	-	(0.2)
At 31 March 2024	35.1	(5.8)	(4.7)	(8.1)	1.0	5.1	22.6
Other comprehensive income for the year	(23.1)	2.4	(11.1)	(3.5)	(0.6)	-	(35.9)
At 31 March 2025	12.0	(3.4)	(15.8)	(11.6)	0.4	5.1	(13.3)

Company

	Cash flow hedging reserve £m	Cost of hedging reserve £m	Fair Value through OCI £m	Retirement benefit obligation £m	Foreign currency translation £m	Total other reserves £m
At 31 March 2023	79.5	1.9	(2.5)	(7.7)	(1.1)	70.1
Other comprehensive income for the year	(44.4)	(7.7)	(2.1)	(0.3)	1.3	(53.2)
Other movements	-	-	(0.1)	(0.1)	-	(0.2)
At 31 March 2024	35.1	(5.8)	(4.7)	(8.1)	0.2	16.7
Other comprehensive income for the year	(23.1)	2.4	(11.1)	(3.5)	1.4	(33.9)
At 31 March 2025	12.0	(3.4)	(15.8)	(11.6)	1.6	(17.2)

27 Other reserves (continued)

Cash flow hedging reserve
The balance on the cash flow hedge reserve represents the cumulative effective portion of the net gains or losses from the revaluation of the hedging instruments and their associated underlying hedged items that are in cash flow hedge relationships. The deferred gains or losses are recognised to the Group's Income Statement over the remainder life of the hedge.

Fair value through OCI
The balance on fair value through OCI reserve represents cumulative gains or losses on the Group's equity investments in Gridserve Holdings Ltd (note 4.2), designated as FVTOCI.

Retirement benefit obligation
The balance on retirement benefits obligation reserve represents cumulative actuarial gains or losses on the valuation of the Group's defined benefit pension scheme (note 30).

Integration reserve
The balance on integration reserve represents the difference between the initial carrying values and fair values on acquisition of MHC Mobility (note 4.1) at acquisition date. The balance originated from the Group's application of "pooling of interests" method of accounting as the acquisition qualified as a business combination under common control which is outside the scope of IFRS 3.

28 Trade and other payables

Trade and other payables - current

	Group		Company	
	31 March 2025 £m	31 March 2024 £m	31 March 2025 £m	31 March 2024 £m
Balances due to invoice financing clients	142.9	142.7	142.9	142.7
Rentals in advance	36.4	33.7	34.1	31.3
Deferred maintenance and other income	40.0	41.5	28.0	30.4
Trade creditors and accruals	181.8	148.6	151.7	125.9
Other payables	63.7	65.4	53.7	56.3
Lease liabilities	6.1	7.5	4.6	4.2
	470.9	439.4	415.0	390.8

28 Trade and other payables (continued)

Trade and other payables - current (continued)

Rentals in advance relate to monthly lease instalments received from customers to cover lease expenses in subsequent period(s).

Deferred maintenance and other income above include contract liabilities in relation to service and maintenance obligations on operating lease contracts. The Group has contractual obligations to provide maintenance services for the duration of the lease contract in exchange for a fixed amount of monthly instalments received from the customers. The remaining performance obligations will be satisfied in the future periods and, the corresponding contract liabilities will also be recognised in the future periods. The Group's maintenance income recognition policy is outlined in accounting policies section 2.3(d).

The table below outlines the movement in the Group's contract liabilities:

	2025	2024
	£m	£m
As at 1 April	35.9	23.1
Deferred during the year	118.8	126.2
Recognised as revenue during the year	(119.5)	(113.4)
As at 31 March	35.2	35.9

Trade and other payables - non-current

	Group		Company	
	31 March 2025	31 March 2024	31 March 2025	31 March 2024
	£m	£m	£m	£m
Retailer liability (note 2.3(j))	112.0	104.3	112.0	104.3
Lease liabilities	11.0	15.1	8.6	9.7
Other payables	14.0	-	14.0	-
	137.0	119.4	134.6	114.0

Lease liabilities relate to the right of use assets (note 14) in respect of the Group's leasehold buildings. Outlined below is the movement in lease liabilities during the year.

28 Trade and other payables (continued)

Trade and other payables - non-current (continued)

	Note	2025 £m	2024 £m
As at 1 April	4.1	22.6	21.4
New leases		3.3	8.9
Lease repayments		(9.0)	(8.3)
Finance costs	7	0.2	0.6
At 31 March		**17.1**	**22.6**

During the year, the Group incurred expenses of £nil (2024: £nil) in relation to short-term leases and nil (2024: nil) in relation to low-value assets.

A maturity analysis of lease liabilities based on discounted gross cash flow is reported in the table below:

	Group		Company	
	31 March 2025 £m	31 March 2024 £m	31 March 2025 £m	31 March 2024 £m
Less than one year	6.2	7.5	4.6	4.2
1-2 years	4.9	5.7	4.5	4.1
2-3 years	2.2	3.4	1.9	2.4
3-4 years	1.3	2.2	1.3	1.4
4-5 years	0.6	1.3	0.3	0.9
Over 5 years	1.9	2.5	0.6	0.9
Total lease liabilities	17.1	22.6	13.2	13.9

A maturity analysis of lease liabilities based on undiscounted gross cash flow is reported in the table below:

28 Trade and other payables (continued)

Trade and other payables - non-current (continued)

	31 March 2025 £m	31 March 2024 £m	31 March 2025 £m	31 March 2024 £m
Less than one year	6.7	8.3	5.9	5.5
1-2 years	4.7	6.1	5.1	4.9
2-3 years	2.1	3.7	2.0	2.9
3-4 years	1.3	2.4	1.4	1.5
4-5 years	0.7	1.4	0.3	1.0
Over 5 years	2.0	2.2	0.5	0.3
Total	17.5	24.1	15.2	16.1

29 Operating and finance lease contracts - as a lessor

Group as a lessor - operating leases
Operating lease rental income on vehicles and other assets forms a significant part of the Group's business and during the year amounted to £719.5m (2024: £619.4m) for continuing operations..

The table below outlines the future minimum lease rentals receivable under non-cancellable operating leases at year end.

Group

	31 March 2025 £m	31 March 2024 £m
Less than 1 year	674.0	630.6
1-2 years	522.4	479.3
2-3 years	344.1	313.7
3-4 years	181.4	164.6
4-5 years	72.7	72.8
More than 5 years	47.0	46.1
Total	1,841.6	1,707.1

Company

29 Operating and finance lease contracts - as a lessor (continued)

	31 March 2025 £m	31 March 2024 £m
Less than 1 year	488.5	482.0
1-2 years	378.3	375.9
2-3 years	244.8	242.8
3-4 years	129.2	128.0
4-5 years	56.8	61.7
More than 5 years	44.8	44.5
Total	1,342.4	1,334.9

Group as a lessor -finance leases
Assets leased to customers under finance lease and hire purchase agreements are secured against gross receivable from the customer and the Group provides no residual value guarantees in order to mitigate risk. For Hire purchase agreements, legal title to the assets remain with the Group until the final instalment and the option to purchase fee has been paid by the lessee. For Finance lease agreements, the title remains with the Group until the asset has been sold to the third party.

Details of the Group's finance lease and hire purchase receivables are set out in note 17. This includes a maturity analysis showing the gross investment in the lease (the undiscounted lease payments receivable) and a reconciliation to the net investment in the lease (loans and advances to customers).

Finance income recognised during the year on finance lease and hire purchase receivables is included in interest income (note 5).

30 Retirement Benefit Pension Schemes

Defined contribution pension scheme

The Group operates a defined contribution retirement benefit scheme ("The Scheme") for all qualifying employees. The assets of the scheme are held separately from those of the Group in an independently administered fund.

The total cost charged as an administrative expense to the Income Statement of £7.0m (2024: £6.4m) represents contributions payable to the scheme at rates specified in the rules of the scheme. There were no unpaid contributions at either 31 March 2025 or 31 March 2024.

Defined benefit pension schemes

The Group operates a funded pension scheme providing benefits based on final pensionable earnings, which has been closed to employees joining since 2002. From 5 April 2018, the Scheme was closed to future accrual with active members becoming deferred members from that date. The Scheme is set up under a trust, with the assets held separately from the Group and managed by an independent set of trustees. The trustees are required by law to act in the best interests of the Scheme participants and are responsible for setting the Scheme's investment and governance policies and paying benefits. The Scheme is registered with HMRC for tax purposes. No other post-retirement benefits are provided.

Under the UK's pension plan funding requirements, the trustees and the Group together agree a funding strategy and contribution schedule for the Scheme every three years.

During the year, the Company entered into a buy-in transaction with Canada Life whereby the pension scheme's assets were invested in a buy-in insurance policy that matches the majority of the Scheme's liabilities. The transaction involved the sale and transfer of existing assets in the scheme to Canada Life in exchange for an insurance policy asset ("Buy-in policy") that will meet the future defined benefit obligations under the Scheme. Consequently, under IAS 19 Employment Benefits, the fair value of the buy-in policy is deemed to be equal to the present value of the Scheme's liabilities.

The Trustees continue to be responsible for deciding the investment strategy for the Scheme's assets, although changes in investment policies require consultation with the Group.

The pension scheme's formal actuarial valuation is completed every three years. The most recent valuation was completed as at 31 March 2022. The accounting valuation of the present value of the defined benefit obligation was carried out as at 31 March 2025 by Lane Clark & Peacock LLP, an independent qualified actuary, the calculations for which were based on the membership data used for the Scheme's latest formal actuarial valuation as at 31 March 2022 projected to the accounting date. The present value of the defined benefit obligation was measured using the projected unit credit method.

30 Retirement Benefit Pension Schemes (continued)

On 26 October 2018, the High Court ruled on the Lloyds Bank Guaranteed Minimum Pensions Inequalities case, which is expected to affect the Scheme, as well as most other UK pension plans. Guaranteed Minimum Pensions are unequal between men and women. The court judgement confirmed that pension schemes need to adjust scheme benefits to remove these inequalities and pay equal benefits to men and women. At this stage, the scheme actuary has estimated the costs at £50k.

Contributions payable to the pension scheme at the end of the year were £nil (2023: £4.6m). It is expected to be £nil in future years as the scheme is closed for new entrants and future accruals.

IFRIC 14 has no impact on the figures in this note because the Company has an unconditional right to a refund of any surplus in the Scheme once the last member's liabilities have been settled.

The Company is aware of the 2023 ruling in the Virgin Media vs NTL Pension Trustee legal case and subsequent Court of Appeal ruling published in July 2024. There remains significant uncertainty as to whether the judgments will result in additional liabilities for UK pension schemes and it is possible that the Department of Work & Pensions will introduce legislation to allow changes to be certified retrospectively. There remains a risk that the defined benefit obligation of schemes affected by the ruling turn out to be materially higher if any such amendments are found to be invalid. The situation will continue to be monitored by the Company and Trustee.

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the Statement of Financial Position are as follows:

	31 March 2025 £m	31 March 2024 £m
Fair value of scheme assets	30.1	40.0
Present value of scheme liabilities	(29.8)	(34.6)
Defined benefit pension scheme surplus	0.3	5.4

The reduction in surplus is largely due to the purchase of a buy-in policy during the period.

Scheme assets

Changes in the fair value of the pension scheme assets are as follows:

	31 March 2025 £m	31 March 2024 £m
Fair value at start of year	40.0	36.6
Interest income	1.9	1.8
Return on plan assets, excluding amounts included in interest income/(expense)	(10.6)	(1.6)
Employer contributions	-	4.6
Benefits paid	(1.2)	(1.4)
Fair value at end of year	30.1	40.0

30 Retirement Benefit Pension Schemes (continued)

The return on plan assets consists of the impact of purchasing the buy-in insurance policy (£6.5m) together with a reduction in the valuation of Scheme assets (£4.1m) in line with the corresponding reduction in the Scheme liabilities arising from actuarial gains and losses (£5.2m). The net reduction in £5.4m has been recognised in the Group's Other Comprehensive Income.

Total administrative expenses relating to the Scheme were £0.4m (2024: £0.4m).

Analysis of assets

The major categories of the pension scheme assets are as follows:

	31 March 2025 £m	31 March 2024 £m
Equity instruments	-	9.0
Real estate	-	0.5
Gilts	-	22.3
Corporate bonds	-	6.6
Buy-in policy	29.7	-
Cash and net current assets	0.4	1.6
	30.1	40.0

Actual return on scheme's assets

	31 March 2025 £m	31 March 2024 £m
Actual return on scheme assets	-	0.2

The Company's pension scheme assets are invested in a buy-in policy and cash.

The pension scheme does not invest directly in property occupied by the Group or in financial securities issued by the Group. All of the pension scheme's buy in policy is classified as Level 3 using the Fair Value Determination hierarchy. Level 3 inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

30 Retirement Benefit Pension Schemes (continued)

Pension scheme liabilities

Changes in the present value of the pension scheme liabilities are as follows:

	31 March 2025 £m	31 March 2024 £m
Present value at start of year	34.6	35.6
Actuarial gains and losses arising from changes in demographic assumptions	(0.8)	(0.3)
Actuarial gains and losses arising from changes in financial assumptions	(4.6)	(1.4)
Actuarial gains and losses arising from experience adjustments	0.2	0.5
Interest cost	1.6	1.6
Benefits paid	(1.2)	(1.4)
Present value at end of year	29.8	34.6

Principal actuarial assumptions

The significant actuarial assumptions used to determine the present value of the defined benefit obligation at the Statement of Financial Position date are as follows:

	31 March 2025 %	31 March 2024 %
Retail price inflation	3.1	3.1
Consumer price inflation	2.5	2.5
Discount rate	5.8	4.8
Pension increases in payment (5% or RPI if less)	2.9	3.0
Pension increases in payment (3% or CPI if less)	2.0	2.0
Pension increases in payment (2.5% or RPI if less)	2.0	2.0

As the scheme is now closed to future accrual, members' future salary increases no longer affect the defined benefit obligation.

30 Retirement Benefit Pension Schemes (continued)

Post retirement mortality assumptions

	31 March 2025 Years	31 March 2024 Years
Male currently aged 65	21.9	21.8
Female currently aged 65	24.5	24.4
Male aged 65 in 20 years' time	23.1	23.1
Female aged 65 in 20 years' time	25.9	25.8

Amounts recognised in the Income Statement

	31 March 2025 £m	31 March 2024 £m
Recognised in arriving at operating profit	-	-
Interest income	(0.3)	(0.2)
Total recognised in the income statement	(0.3)	(0.2)

As with previous years, the Company agreed to pay the administrative expenses of the pension scheme directly and therefore, included above are the total administrative expenses paid by the Group. The total amount recognised in the Income Statement has been included in the administrative expenses for the Group.

Amounts taken to the Statement of Comprehensive Income

	31 March 2025 £m	31 March 2024 £m
Actuarial gains and losses arising from changes in demographic assumptions	0.8	0.3
Actuarial gains and losses arising from changes in financial assumptions	4.6	1.4
Actuarial gains and losses arising from experience adjustments	(0.2)	(0.5)
Return on plan assets, excluding amounts included in interest income/(expense)	(10.5)	(1.6)
Amounts recognised in the Statement of Comprehensive Income	(5.3)	(0.4)

The return on plan assets consists of the impact of purchasing the buy-in insurance policy (£6.5m) together with a reduction in the valuation of scheme assets (£4.1m) in line with the corresponding reduction in the Scheme liabilities arising from actuarial gains and losses (£5.2m). The net reduction in £5.4m has been recognised in the Group’s Other Comprehensive Income.

30 Retirement Benefit Pension Schemes (continued)

Sensitivity analysis

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected rate of inflation and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

Adjustment to discount rate	**31 March 2025 - 0.1% £m**	**31 March 2024 - 0.1% £m**
Present value of total obligation	0.4	0.6
Fair value of pension scheme assets	0.4	0.6

Adjustment to rate of inflation	**31 March 2025 + 0.1% £m**	**31 March 2024 + 0.1% £m**
Present value of total obligation	0.3	0.4
Fair value of pension scheme assets	0.3	0.4

Adjustment to mortality age rating assumption	**31 March 2025 + 1 Year £m**	**31 March 2024 + 1 Year £m**
Present value of total obligation	0.9	1.2
Net Retirement benefit asset / obligations	0.9	1.2

If the assumption were decreased rather than increased, the impact would have the opposite sign and broadly be of the same magnitude. Each assumption has been varied individually and a combination of changes in assumptions could produce a different result. For consistency, the value of the pension scheme's holding of bonds has been varied consistently with the change in the discount rate and inflation assumptions.

There were no changes in the methods and assumptions used in preparing the sensitivity analysis during the year or in the prior year.

The weighted average duration of the defined benefit obligation is 14 years (2024: 17 years), and most of the benefit payments are linked to future levels of inflation.

Following the purchase of the buy in policy any change in defined benefit obligations from a change of assumptions would lead to an equal and opposite change in the scheme assets.

31 Reconciliation of liabilities arising from financing activities

Group

	At 1 April 2024 £m	Financing cash flows £m	Foreign exchange movements £m	Fair value changes £m	Transfers £m	At 31 March 2025 £m
Interest bearing borrowings - current	3,097.2	(1,943.0)	(42.8)	90.8	1,279.8	2,482.0
Interest bearing borrowings - non current	3,674.1	2,522.7	(25.1)	41.8	(1,279.8)	4,933.7
	6,771.3	579.7	(67.9)	132.6	-	7,415.7

	At 1 April 2023 £m	Financing cash flows £m	Foreign exchange movements £m	Fair value changes £m	At 31 March 2024 £m
Interest bearing borrowings - current	3,362.1	(302.4)	(22.0)	59.5	3,097.2
Interest bearing borrowings - non current	3,145.8	642.1	(45.5)	(68.3)	3,674.1
	6,507.9	339.7	(67.5)	(8.8)	6,771.3

31 Reconciliation of liabilities arising from financing activities (continued)

Company

	At 1 April 2024 £m	Financing cash flows £m	Foreign exchange movements £m	Fair value changes £m	Transfers £m	At 31 March 2025 £m
Interest bearing borrowings - current	2,831.3	(1,834.3)	(42.9)	90.7	1,148.1	2,192.9
Interest bearing borrowings - non current	3,242.4	2,345.9	(25.1)	41.8	(1,148.1)	4,456.9
	6,073.7	511.6	(68.0)	132.5	-	6,649.8

	At 1 April 2023 £m	Financing cash flows £m	Foreign exchange movements £m	Fair value changes £m	At 31 March 2024 £m
Interest bearing borrowings - current	3,123.2	(325.3)	(25.1)	58.4	2,831.2
Interest bearing borrowings - non current	2,825.1	527.3	(41.6)	(68.4)	3,242.4
	5,948.3	202.0	(66.7)	(10.0)	6,073.6

32 Related Party Disclosures

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation. All related party transactions are made on terms equivalent to those that prevail in arm's length transactions.

During the year Group companies entered into the following transactions with immediate parent undertakings and related companies who are not members of the Group:

32.1 Transactions with immediate parent undertakings

The Group entered into transactions with its immediate parent company, Mitsubishi HC Capital Inc. The following tables show outstanding amounts and corresponding income and expenses recognised during the year.

	2025	2024
	£m	£m
Payments for administration charges	2.0	1.5

	2025	2024
	£m	£m
Amounts owed to Mitsubishi HC Capital Inc	0.9	0.6
Amounts owed by Mitsubishi HC Capital Inc	0.1	0.2

32.2 Transactions with other related parties

The Group entered into transactions with companies in the Mitsubishi Group that have significant influence over it. All transactions are unsecured and made on terms equivalent to those that prevail in arm's length transactions. The following tables show outstanding amounts and corresponding income and expenses recognised during the year.

32 Related Party Disclosures (continued)

Group

	2025	2024
	£m	£m
Interest paid to Mitsubishi companies	17.7	56.0
Interest received from Mitsubishi companies	2.2	12.2

	2025	2024
	£m	£m
Amounts due to Mitsubishi companies in respect of borrowings	451.6	797.6
Amounts held with Mitsubishi companies in respect of deposits	50.0	-
Accrued interest expense owed to Mitsubishi companies	3.4	6.3

The Company entered into transactions with wholly owned subsidiaries of the Group and other Mitsubishi companies that have significant influence over the Group. All transactions are unsecured and made on terms equivalent to those that prevail in arm's length transactions. The following tables show outstanding amounts and corresponding income and expenses recognised during the year.

Company

	2025	2024
	£m	£m
Interest paid to Mitsubishi companies	13.2	50.9
Interest received from Mitsubishi companies	2.2	12.2
Interest income from Mitsubishi HC Capital Europe B.V.	3.8	3.5
Administration fees from Mitsubishi HC Capital Europe B.V.	2.6	1.8
Interest paid to MHC Mobility Europe B.V.	0.9	1.2
Administration fees from MHC Mobility Europe B.V.	0.7	2.1

32 Related Party Disclosures (continued)

	2025 £m	2024 £m
Amounts due to Mitsubishi companies in respect of borrowings	288.5	619.3
Amounts held with Mitsubishi companies in respect of deposits	50.0	-
Accrued interest expense owed to Mitsubishi companies	3.4	6.3
Amounts due from Mitsubishi HC Capital Europe B.V.	125.1	126.6
Amounts due from MHC Mobility Europe B.V.	2.5	2.3
Amounts due to MHC Mobility Europe B.V.	5.3	4.9

The borrowings and deposits from Mitsubishi companies are on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest bearing and settlement occurs in cash. The borrowings are included within interest bearing borrowings in note 19 and the deposits are included within cash and cash equivalents in note 25.

The Group entered into transactions with Securitisation of Financial Assets II Ltd, a special purpose vehicle, which is consolidated into the Group. Details of the related party transactions with Securitisation of Financial Assets II Ltd can be found in note 33.

Remuneration of Key Management Personnel

Key management personnel comprise Directors of the Group and members of the Executive Committee.

During the year there were no related party transactions between the key management personnel and the Group other than those described below.

	31 March 2025 £m	31 March 2024 £m
Salaries and other short term employee benefits	6.4	5.9
Post-employment benefits	0.1	0.1
Other long-term benefits	2.1	2.0
	8.6	8.0

No Directors (2024: nil) were accruing retirement benefits in respect of qualifying services under a defined benefit scheme or a money purchase scheme.

The aggregate amount of remuneration paid to Directors was £2.4m (2024: £2.2m). The highest paid Director's remuneration in the year was £1.8m (2024: £1.6m).

Other long term benefits consists of Long Term Incentive Plans under which £0.5m (2024: £0.5m) was paid to Directors.

33 Transferred financial assets that are not derecognised by the Group

The Group operates two Securitisation programmes that are shown on the Group's Statement of Financial Position because, as of the reporting date, the majority of the risks and rewards on the transferred assets are retained by the Group, as set out in the basis of consolidation note 2.2 and accounting policies note 2.3(r).

Consumer securitisation programme
In accordance with the terms and conditions, the Group had transferred instalment finance receivables to a Special Purpose Vehicle 'Securitisation of Financial Assets II Ltd', a company incorporated in England and Wales with registered office at 10th Floor, 5 Churchill Place, London, E14 5HU.

As at 31 March 2025, the Company had transferred £646.8m (2024: £654.9m) of its instalment finance receivables, with a fair value of £599.4m (2024: £598.7m). The carrying value of securitised receivables was £639.2m (2024: £647.4m) and the corresponding amount owed to senior lenders was £500.0m (2024: £500.0m). The receivables are included within Instalment finance receivables the Group's statement of financial position (note 17).

The Group continues to manage the transferred receivables and it is exposed to the credit risk in respect of collectability of the contractual cashflows. As such, the Group has concluded that it has retained substantially all of the risks and rewards of the transferred assets. The Group has the power to control the relevant activities that most significantly impact the returns of the Special Purpose Vehicle and therefore, Securitisation of Financial Assets II Ltd is consolidated into the Group.

SME Securitisation programme
As at 31 March 2025 the Company had transferred £126.9m (2024: £121.9m) of its hire purchase and finance lease receivables, with a fair value of £127.1m (2024: £118.9m) to the Special Purpose Vehicle of the British Business Bank Enable Funding Programme "Fleetbank Funding Ltd". Fleetbank Funding Ltd is incorporated in England and Wales with registered office at 1 Bartholomew Lane, London, EC2N 2AX.

The Group continues to manage the receivables and it is exposed to the credit risk in respect of collectability of the contractual cashflows. This is a private securitisation programme whereby multiple originators are able to sell into a single, shared, SPV which the Group has no power to control or determine its relevant activities. As a result, the Group does not consolidate the Special Purpose Vehicle but continues to recognise the full carrying amount of the receivables and the face amount of its share of the Senior Funding to the SPV on its Statement of Financial Position.

As at 31 March 2025, the Consolidated Financial Statement of the Group included £126.4m (2024: £121.2m) of carrying value receivables sold to the SPV and £100.0m (2024: £100.0m) of amounts owed to SPV's senior lenders. The receivables are included within Hire Purchase receivables the Group's statement of financial position (note 17).

In April 2025, the Group repurchased from Fleetbank Funding Ltd (the SPV for the British Business Bank's 'Enable Funding Programme') all of the receivables that had previously been sold to Fleetbank. As a result, Fleetbank repaid all of the borrowing (£100m) that is included in interest bearing borrowings total shown on the Group's statement of financial position (note 19).

34 Transferred financial assets that are derecognised by the Group

During the year, the Group operated a Securitisation programme whereby tranches unsecured of consumer loans were sold to the Special Purpose Vehicle, outlined below. The transactions resulted in full derecognition of the financial assets from the Group's Statement of Financial Position on the basis that the Group had transferred a sufficient amount of the risks and rewards of ownership. The Group has surrendered control over the transferred assets and the relevant activities of the SPV and therefore the entity is not consolidated into the Group.

Securitisation Of Consumer Agreements ("SOCA")
During the year, the Company continued to transfer instalment finance receivables to the Special Purpose Vehicle SOCA. The initial transfer of receivables resulted in a loss of £1.0m (2024: £0.2m) during the year, which has been included within the other operating income in the consolidated income statement.

Following the transfer, the Group continued to act as a servicer of the transferred assets, with a servicing fee of 0.8% (2024: 0.8%) of outstanding capital balance paid on a monthly basis. As at 31 March 2025, the amortised cost of receivables sold into SOCA amounted to £246.8m (2024: £264.6m).

The undiscounted estimated cash flows and the related contractual maturities of receivables that had been transferred to SOCA as of the balance sheet date are outlined in the table below.

	2025	2024
	£m	£m
Less than 1 year	140.0	149.6
1 - 3 years	105.1	118.2
3 - 5 years	16.3	16.2
> 5 years	0.9	-
Total	**262.3**	**284.0**

The Group originated further receivables with a carrying value of £12.4m (2024: £11.6m) which have been classified as financial instruments measured at fair value through profit or loss in the Group's statement of financial position with the intention of selling into SOCA securitisation programme.

Prior to the March 2023 balance sheet date, the SOCA securitisation programme was re-structured. Under the terms of the re-structure, mezzanine notes are subject to a nil return whilst they continue to be held by the Group. The junior notes continue to be held by the Group and they continue to be subject to variable returns which are payable once all other more Senior claims have been paid. As mezzanine notes are no longer subject to fixed contractual cashflows representing solely payments of principal and interest, they are derecognised at amortised cost and recognised at fair value through profit or loss, outlined below.

Mezzanine notes are well protected against credit losses under the securitisation structure as junior notes absorb first losses. As such, the Group concluded that there was no difference between carrying value of mezzanine notes at amortised cost and fair value through profit or loss and therefore no gain or loss was recognised upon derecognition.

34 Transferred financial assets that are derecognised by the Group (continued)

The following tables summarise the maximum exposure and carrying values of the subordinated debt held in the SOCA securitisation programme. The Group's maximum exposure to credit risk is represented by the carrying values of the notes held in securitisation programmes. The maximum exposure is determined by the level of first loss which is likely to be absorbed by each investee in accordance with the agreed priority of payments.

Financial instruments measured at fair value through profit or loss

	2025 £ m	2024 £ m
Junior notes held in SOCA	48.0	54.7
Receivables held-for-sale into SOCA	12.4	11.6
Total	60.4	66.3

The following table summarises the income relating to the Group's continuous involvement in SOCA securitisation programmes.

	2025 £ m	2024 £ m
Interest income / (expense)	5.3	0.9
Other income	1.9	2.2
Total	7.2	3.1

In 2024, following increases in the Bank of England Bank Rate, there was a significant increase in discount rates and future expected funding costs of the programme. This led to a reduction in fair value of the notes, resulting in a net charge to the interest income within the income statement.

During the year, there was a reduction in discount rates and future expected funding costs of the programme which resulted in an increase in interest income for the year.

35 Credit risk management

The Group's principal financial assets are loans and receivables, trade and other receivables, derivative financial instruments and cash and cash equivalents.

The Group's credit risk is primarily attributable to its loans and advances to customers. The amounts presented in the statement of financial position are net of allowances for impairment losses. The carrying amounts of loans and receivables represent the Group's maximum exposure to credit risk and are set out in loans and advances to customers (note 17) and trade receivables (note 22). The Group also bears credit risk associated with the rental payments due from customers related to operating lease assets, the outstanding portion of which is included within trade receivables set out in note 22. The risk exposure to operating leases is however reduced significantly by the Group's ability to re-market the vehicles and other assets concerned into the second-hand market.

The Group has guaranteed £0.1m (2024: £0.4m) of lease payments due from customers in France, Poland, Portugal and Spain to third party lessors and receives a fee for these services.

The Group has a Credit Risk Committee ("CRC") that provides a key element of oversight to the credit approval and portfolio risk management functions across the Group. The CRC monitors the Group's credit risk appetite and oversees the adherence of individual business units and subsidiaries' adherence to the credit risk appetite approved by the GRC.

Credit risk is managed to minimise losses, maximise recoveries and prevent fraud. The credit policy requires consideration to be given to the financial and credit status of the customer, dealer, supplier and/or vendor (including retailers and brokers), the quality of any collateral taken or of the asset being financed and the terms and conditions which are applied to the financing.

Credit Policies are maintained that specify such factors as maximum loan amounts and funding period, requirement for down payments or deposits, any deferral periods and authorisation limits. Customer scorecards are used extensively throughout the retail and small-ticket commercial businesses. Detailed credit files are maintained for larger commercial transactions and significant relationships. Material changes to credit risk appetite, and significant facility limits and extensions of credit typically require director or senior executive level approval. The Group's credit risk exposures are spread over a large number of counterparties and customers.

Where the exposure to any one counterparty exceeds certain levels, annual reviews are performed to ensure that the credit quality has not deteriorated.

Credit risk arising from balances held with banks and financial institutions is managed by Group Treasury in accordance with the Group's counterparty risk management policy outlined below. Investments of surplus funds are made only with approved counterparties.

The credit risk exposure from any cash deposits and derivative financial instruments is regularly measured by counterparty and monitored relative to individual counterparty limits in accordance with the Board approved Treasury policy. Counterparties are selected and assessed on their prospects for long term stability of credit rating for which the Group seeks a minimum long term credit rating by Standard & Poor's of at least 'BBB+' (and a short term rating of 'A-2'). Swap counterparty creditworthiness is also monitored on a regular basis using any other available indicators such as standard 5 year credit default swap prices.

35 Credit risk management (continued)

Apart from those designated in Fair Value hedge relationships, the Group does not have any financial liabilities designated at fair value through profit or loss. As a result therefore, there has been no revaluation of financial liabilities for own credit risk. This includes financial liabilities in hedge relationships. The changes in the fair value of financial liabilities recognised in the income statement are principally due to changes in foreign exchange and interest rates for those borrowings designated in Fair Value hedge relationships.

Asset collateral

The Group maintains procedures setting out acceptable collateral and other criteria to be considered when reviewing a loan application. The decision as to whether collateral is required will be based upon the nature of the transaction and the creditworthiness of the customer. The provision of collateral will not necessarily determine the outcome of a credit application. The fundamental business proposition must evidence the ability of the obligor to generate funds from normal operations or business sources to repay debt. The extent to which collateral values are actively managed or monitored will depend on the credit quality and other circumstances of the obligor.

Although lending decisions are primarily based on expected cash flows and debt service ability, any collateral provided may influence the pricing and other terms of a loan or facility granted; this may have a financial impact on the amount of net interest income recognised and on internal estimates of Loss Given Default ("LGD") that contribute to the determination of asset quality. The Group believes that this approach is appropriate. The value of collateral is reassessed if there is observable evidence of distress of the obligor. Unimpaired lending, including any associated collateral, is managed on a customer by customer basis rather than a portfolio basis.

A general description of collateral held as security in respect of loans and receivables in each business unit is provided below.

(a) Novuna Consumer Finance

Most lending is unsecured and therefore no collateral is held. However, for certain retailers, a portion of the cash flows financed are deferred and held by the Group to cover possible future credit losses, see note 2.3(j). At the year end 31 March 2025 deferred cash flows amounted to £112.0m (2024: £104.3m), against related gross loans and receivables of £2,487.5m (2024: £2,318.6m). There was no such deferred cash collateral held against gross loans and receivables amounting to £961.3m (2024: £970.4m).

(b) Novuna Vehicle Solutions

Credit facilities are quantified and established for business and private customers based on the higher of a) the gross value of receivables calculated to be invoiced over the life of the lease contract or fleet management facility, or b) the current exposure to the customer plus the capital value of expected new vehicle orders. Vehicle Solutions had gross loans and receivables outstanding amounting to £5.8m (2024: £5.9m), which related to finance leases. Payments due from customers under operating leases are included under trade receivables. The facilities and any customer exposures thereunder are secured on the passenger cars and commercial vehicles leased to customers under the contracts.

35 Credit risk management (continued)

(c) Novuna Business Finance

Lending decisions for asset finance transactions are primarily based on an obligor's ability to repay the debt from normal business operations, rather than reliance on the disposal of any security provided. Nevertheless, the original cost and expected collateral values of financed assets are rigorously assessed at the time of loan origination in line with the credit risk policy above. Assets considered eligible for financing include but are not limited to vehicles, plant, manufacturing equipment, agricultural machinery, and other moveable fixed assets. Collateral values are revisited after origination in the event of changes in the performance of the loans, e.g. customer default, or in respect of significant customer exposures, at the time of annual review or facility renewals.

Certain extensions of credit within the Business Finance unit are made under block discounting agreements, the collateral for which consists of receivables under loans and leases originated by the borrower, which are sold to the Company in return for the advance. Of the total gross loans and receivables, £192.3m (2024: £185.0m) related to block discounting agreements. Collateral coverage for block discounting agreements is verified regularly by a field audit team. Business Finance also provides financing of stock for equipment and vehicle dealers, which is subject to a regular programme of field audits and automated controls.

Of the total gross loans and advances to customers amounting to £1,859.9m (2024: £1,748.6m), £6.7m was individually impaired (2024: £7.2m).

(d) Novuna Business Cash Flow

Credit facilities are established by reference to the expected levels of drawings made by clients against the value of invoices assigned. The net loans and receivables for invoice finance, of £136.6m (2024: £130.4m) are primarily collateralised by trade receivables purchased from factoring clients which had a gross value of £279.5m (2024: £273.1m), and, in certain cases, by directors' or principals' personal guarantees and/or indemnities as additional security for shortfalls on collect outs due to disputes or breach of contract for which the guarantor is liable. Clients are subject to a rigorous programme of continuous verifications, reviews and audits.

Credit quality

Categories of credit risk quality are determined at an agreement or facility level using both internal risk management inputs and external inputs from credit risk rating agencies and bureaux. The inputs used are specific to the business unit in which the exposure exists, but common categories of credit risk have been determined to monitor portfolio credit quality across the Group. The categories are based primarily on aligning estimated ranges of PD but also on management judgement.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 17.

35 Credit risk management (continued)

Measurement of expected credit losses

The Group recognises ECL provision in accordance with IFRS 9 Financial instruments, as set out in the Group accounting policies outlined in note 2.3(m). The measurement of ECL under the IFRS 9 is complex and requires a high level of judgement. Outlined below are the key judgements, estimates and input into IFRS 9 models used by the Group in measurement of ECL.

Loss rate percentage
The loss rate is a key component of the calculation of ECL. The loss rate incorporates the likelihood of default occurring (i.e., PD) as well as the expected amount of the resulting loss (LGD) taking into account expected recoveries post default. The loss rate is expressed as a percentage and it represents the amount written off as a proportion of capital balancing outstanding over a given period of time.

Novuna Consumer Finance
The loss rates are refreshed on a monthly basis, using actual 12-month performance from a given reporting period. The actual 12-month loss rates are smoothed to remove any seasonal variations before being applied to the model as a basis for projecting the future 12-month losses. Within the calculation, financial assets are grouped with those sharing similar credit risk characteristics and which are expected to behave in uniform ways. This process enables 12 month and lifetime ECL calculation through Markov chain extrapolation of 12 month loss rates for each financial asset and a total undiscounted ECL for that group. The undiscounted ECL is then discounted to the present value at the reporting date to create a total ECL for instalment finance receivables. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

Novuna Business Finance
The loss rates are refreshed on six monthly basis and they are determined through analysis of historical defaults. In order to determine lifetime loss rates for stage 2 and stage 3 ECL, the defaults are grouped into delinquency bands and asset types which are considered to represent similar credit risk characteristics. In order to determine 12-month loss rate for stage 1 ECL, NBF have analysed the receivable balance from 12 month ago and calculated the 12 month PD corresponding to those receivables, grouped by product and multiplied by Lifetime LGD, calculated based on historical defaults, weighted towards the most recent defaults.

ECL is calculated by applying the average loss rate (12-month or lifetime) for each asset type and delinquency group to the corresponding gross exposure at the balance sheet date.

Significant increase in credit risk (movement to stage 2)
A SICR is not a defined term, it is determined by criteria set by management based on past experience and judgement.

35 Credit risk management (continued)

Novuna Consumer Finance
In order to assess whether a financial asset has significantly increased in credit risk since origination, the Group has developed a set of quantitative staging criteria outlined below:

• Credit risk of the customer, as measured by behaviour score, since origination has deteriorated to at least double the origination PD AND The latest PD is greater than 2% OR
• the latest PD is at least 5% greater than the origination PD OR
• The customer has receivables which are more than 30 days past due, or two missed payments if shorter.

PD is an estimate of the likelihood of default occurring over a 12 month period calculated at account level. Management have used historical data and assumptions of future conditions to model PD over a period of time.

Novuna Business Finance
The Group transfers receivables to stage 2 when they are more than 30 days past due or earlier subject to management judgment being applied on a case-by-case basis.

The customer will move back to stage 1 only when the above SICR criteria is no longer triggered.

Definition of default (movement to stage 3)
The Group applies a range of criteria to determine when a financial asset meets the definition of default and should therefore be transferred to stage 3 or credit impaired. The Group defines a financial asset to be in default if it meets one or more of the criteria set out below:
• Arrears greater than 90 days or missed three payments, if shorter
• Insolvency or bankruptcy
• Account holder is deceased

The customer will move out of stage 2 when their credit improves such that it no longer meets the above criteria at which point, they will move to stage 1 or stage 2 depending on whether they meet SICR criteria.

Write-offs
Uncollectable loans and receivables are written off against the related allowance for loan impairment on completion of the Group's internal processes and when all reasonably expected recoverable amounts have been collected. Subsequent recoveries of amounts previously written off are credited to the income statement. The timing and extent of write-offs may involve some element of subjective judgement. Nevertheless, a write-off will often be prompted by a specific event, such as the inception of insolvency proceedings or other formal recovery action, which makes it possible to establish that some or the entire advance is beyond realistic prospect of recovery.

Expected life
ECL is calculated either over the contractual life of the financial asset or the period over which the Group is exposed to credit risk. For lease receivables and other secured loans, this is the contractual life and for unsecured loans and advances, the lifetime is the behavioural life of the financial asset.

Origination date
This is the date at which the origination credit risk score of the asset is determined and this is referenced at each reporting period when assessing SICR.

35 Credit risk management (continued)

Forward looking macro-economic assumptions

The Group has developed an in-house macro-economic model to establish the correlation between historical default rates and a set of macro-economic variables over a period of time. The model provides an estimate of the impact to ECL arising from a movement in a set of macro-economic variables and those with the most significant correlation are selected as inputs to the ECL provision model.

The Group has engaged with a third party to obtain macro-economic forecasts for UK unemployment rate, real household disposal income, average weekly earnings and total UK consumer debt and UK GDP growth under four scenarios (base, upside, downside and severe downside). As with any economic forecasts, the projections and likelihood of occurrence are subject to a high degree of subjectivity and uncertainty therefore the actual outcomes may be significantly different to those projected.

The Group has identified UK unemployment rate, real household disposal income, average weekly earnings, total UK consumer debt and UK GDP growth as the key variables with the strongest correlation with expected loss rates and therefore the most significant inputs for IFRS 9 ECL models. The macro-economic data is assessed and reviewed on a quarterly basis to ensure appropriateness and relevance to the ECL calculation, with more frequent updates provided as and when the circumstances require them.

Outlined below are the three year forward looking averages for key macro-economic variables used in the ECL models, along with the chosen scenarios and the associated probability weightings.

31 March 2025

	UK unemployment rate	Average weekly earnings	Total UK consumer debt	Weighting
Upside	4.33%	£730	£1.89tn	30%
Base case	4.72%	£725	£1.90tn	40%
Downside	4.86%	£721	£1.91tn	25%
Severe downside	5.06%	£717	£1.92tn	5%

	Real household disposable income	UK GDP growth	Weighting
Upside	£428.5bn	1.8%	30%
Base case	£423.9bn	1.1%	40%
Downside	£418.3bn	0.6%	25%
Severe downside	£415.3bn	0.3%	5%

35 Credit risk management (continued)

31 March 2024

	UK unemployment rate	Average weekly earnings	Total UK consumer debt	Weighting
Upside	4.20%	£698	£1.83tn	30%
Base case	4.51%	£687	£1.85tn	40%
Downside	5.63%	£676	£1.86tn	25%
Severe downside	7.20%	£665	£1.88tn	5%

	Real household disposable income	UK GDP growth	Weighting
Upside	£372.1bn	1.9%	30%
Base case	£361.8bn	0.8%	40%
Downside	£353.2bn	(0.3%)	25%
Severe downside	£345.7bn	(1.4%)	5%

The calculation of the Group's ECL provision under general approach is sensitive to changes in the chosen weightings as highlighted above. The effect on the closing modelled provision of each portfolio as a result of applying a 100% weighting to each of the selected scenarios is shown below:

	Mar-25 £m	Mar-24 £m
Probability weighted modelled ECL provision	45.0	48.5
Upside	43.3	44.8
Base	45.0	46.5
Downside	46.9	54.3
Severe downside	52.6	78.2

35 Credit risk management (continued)

The Group's ECL provision on general approach is sensitive to changes to the loss rate %. The effect of a 15% increase in loss rate would result in £20.9m increase (2024: £20.6m increase) in ECL provision. Conversely, the effect of 15% decrease in loss rate would result in £16.6m reduction (2024: £17.8m decrease) in ECL provision.

Post Model Adjustments ("PMAs")
PMAs supplement modelled ECL provision when it is considered that not all the risks identified in a portfolio have been accurately reflected within the models or for other situations where it is not possible to provide a modelled outcome.

During the year, the Group applied PMAs amounting to £nil (2024: £2.3m) to its receivables under the general approach. In the prior year, the PMA reflected the increased likelihood of customers coming off a lower fixed term mortgage and onto a higher rate resulting in an increase in mortgage repayments and therefore increased risk of default over the next 12 months. In the current year, we have seen a reduction in the level of mortgage payment increases and therefore reduced risk of default, thus PMA is no longer required.

Simplified approach
For trade and factoring receivables, the Group measures ECL based on simplified approach, as set out in its accounting policy in note 2.3(m).

The portfolio consists of short-term trade and Factoring receivables, largely secured against physical assets or underlying debtor balances assigned to the Group. The Group's modelled ECL allowance under the simplified approach was £9.4m (2024: £8.3m).

The following table sets out the Group's gross loans and receivables by credit risk category under the simplified approach.

Gross loans and advances to customers - Simplified approach

	2025 £m	2024 £m
Very low risk	283.5	329.5
Low risk	120.3	109.0
Moderate risk	100.2	113.4
High risk	10.0	11.6
Ungraded	27.8	29.0
Individually impaired	1.7	2.2
Gross carrying amount	543.5	594.7
Trade receivables	147.9	109.3
Gross Exposure	691.4	704.0

35 Credit risk management (continued)

Those categories that are 'ungraded' have not been specifically rated by the business for various reasons such as a lack of relevant or comparable information, or the fact that they are short term in nature and are perceived to be low in inherent risk.

'Individually impaired' represent agreements which meet the Group's default definition and therefore subject to specific ECL allowance calculated on a case-by-case basis.

The following table sets out the Group's ECL allowance and coverage ratio under the simplified approach.

ECL allowance and coverage ratio - simplified approach

	31 March 2025	31 March 2024
Gross exposure (£m)	691.4	704.0
ECL allowance (£m)	9.4	8.3
Coverage ratio	1.4%	1.2%

General approach
Novuna Consumer Finance and Novuna Business measure ECL based on the general approach, as set out in its accounting policy in 2.3(m). The portfolio is categorised into three stages for the purpose of assessing ECL allowance, as outlined below.

Credit risk categorisation	Expected credit loss (ECL) calculation period	Description
Stage 1	12 months	Receivables that are not credit-impaired on initial recognition and have not experienced a SICR.
Stage 2	Lifetime	SICR has occurred since initial recognition or the receivables are more than 30 days past due or missed two payments, if shorter.
Stage 3	Lifetime	Receivables are credit-impaired (i.e., in default or subject to special collections strategy) or more than 90 days past due or missed three payments if shorter.

The Group's ECL provision under the general approach consists of modelled provision, including macro-economic adjustments, amounting to £45.0m (2024: £45.5m) and Post Model Adjustment £nil (2024: £2.3m).

35 Credit risk management (continued)

The following table sets out the gross credit risk exposures by IFRS 9 stage allocation under general approach:

As at 31 March 2025	Stage 1	Stage 2	Stage 3	Total
Gross exposure (£m)	5,043.9	163.7	101.1	5,308.7
ECL allowance (£m)	12.8	10.8	21.4	45.0
Coverage ratio	0.3%	6.6%	21.2%	0.8%

As at 31 March 2024	Stage 1	Stage 2	Stage 3	Total
Gross exposure (£m)	4,804.5	146.5	86.5	5,037.5
ECL allowance (£m)	18.0	14.8	15.5	48.3
Coverage ratio	0.4%	10.1%	17.9%	1.0%

The following table sets out the Group's receivables under the general approach by credit risk category:

	Stage 1 £m	Stage 2 £m	Stage 3 £m	2025 £m	2024 £m
Very low risk	1,753.0	0.5	2.5	1,756.0	1,175.8
Low risk	1,852.8	3.5	32.3	1,888.6	2,201.2
Moderate risk	1,047.2	47.0	27.6	1,121.8	1,204.9
High risk	276.0	106.3	18.3	400.6	311.1
Ungraded	114.9	0.2	-	115.1	110.5
Individually impaired	-	6.2	20.4	26.6	34.0
Gross carrying amount	5,043.9	163.7	101.1	5,308.7	5,037.5

The following table sets out the reconciliation of movements in the Group's receivables and related ECL provision under general approach:

35 Credit risk management (continued)

Gross loans and advances to customers

	Stage 1	Stage 2	Stage 3	Total
	£m	£m	£m	£m
Balance as at 1 April 2024	4,804.5	146.5	86.5	5,037.5
Stage transfers	(203.1)	69.9	111.1	(22.1)
New business	3,130.9	0.3	0.4	3,131.6
Receivables repaid or written-off	(2,741.1)	(53.0)	(96.9)	(2,891.0)
Other movements	52.7	-	-	52.7
Balance as at 31 March 2025	**5,043.9**	**163.7**	**101.1**	**5,308.7**

	Stage 1	Stage 2	Stage 3	Total
	£m	£m	£m	£m
Balance as at 1 April 2023	3,233.7	195.6	96.0	3,525.3
Stage transfers	(198.1)	7.6	111.8	(78.7)
New business	2,512.1	0.1	0.1	2,512.3
Receivables repaid or written-off	(2,030.9)	(60.0)	(117.1)	(2,208.0)
Changes to models / risk parameters	1,062.8	3.2	5.2	1,071.2
Other movements	224.9	-	(9.5)	215.4
Balance as at 31 March 2024	**4,804.5**	**146.5**	**86.5**	**5,037.5**

ECL allowance

	Stage 1	Stage 2	Stage 3	Total
	£m	£m	£m	£m
Balance as at 1 April 2024	18.0	14.8	15.5	48.3
Stage transfers	(0.7)	(11.8)	12.5	-
New business	10.8	-	0.2	11.0
Receivables repaid or written-off	(14.1)	(2.0)	(23.1)	(39.2)
Other movements	(1.2)	9.8	16.3	24.9
Balance as at 31 March 2025	**12.8**	**10.8**	**21.4**	**45.0**

35 Credit risk management (continued)

	Stage 1	Stage 2	Stage 3	Total
	£m	£m	£m	£m
Balance as at 1 April 2023	12.0	16.9	16.1	45.0
Stage transfers	(0.1)	(11.8)	12.5	0.6
New business	9.3	0.2	0.7	10.2
Receivables repaid or written-off	(3.7)	(1.7)	(16.1)	(21.5)
Changes to models / risk parameters	0.2	12.8	2.3	15.3
Other movements	0.3	(1.6)	-	(1.3)
Balance as at 31 March 2024	**18.0**	**14.8**	**15.5**	**48.3**

Changes to models/risk parameters in the prior year relates to receivables and related ECL provision for Novuna Business Finance being classified from simplified approach to general approach.

36 Liquidity and funding risk management

Liquidity Risk and Funding Management
Liquidity risk is managed by the Treasury Committee and reviewed regularly. The Group's objective is to maintain a balance between continuity of funding, flexibility and cost through the use of borrowings with a range of maturities that in aggregate match or exceed the duration of the Group's assets. The term of each borrowing is determined by considering the market conditions of each of the Group's debt instruments, funding cost and correlation with the Group's receivables. Included under funding sources below, is a list of undrawn facilities that the Group has at its disposal. In addition, the Group has committed and uncommitted money market and overdraft facilities to provide short term financing.

The table below summarises the gross contractual maturity profile of the Group's borrowings, net derivative assets and liabilities along with other financial liabilities which include amounts due to invoice financing clients and retailer liability (note 28). All derivatives used for hedging purposes are shown by maturity, based on their contractual undiscounted repayment obligations and include future interest receipts and payments.

The table below represents future cash outflows as negative and inflows as positive.

36 Liquidity and funding risk management (continued)

	<1 yr £ m	1-2 yrs £ m	2-3 yrs £ m	3-4 yrs £ m	4-5 yrs £ m	5-6 yrs £ m	>6 yrs £ m	Total £m
At 31 March 2025								
Non derivative financial liabilities:								
Foreign currency denominated borrowings	(1,655.4)	(1,843.4)	(1,372.5)	(499.9)	(210.1)	(13.7)	(9.9)	(5,604.9)
Sterling borrowings	(573.4)	(194.2)	(616.4)	(64.4)	-	-	-	(1,448.4)
Securitisation	(362.8)	(185.0)	(71.4)	(19.5)	(4.0)	(0.7)	(0.1)	(643.5)
Other liabilities	(165.9)	(10.6)	(9.0)	(8.1)	(18.1)	(64.7)	(10.1)	(286.5)
Total	(2,757.5)	(2,233.2)	(2,069.3)	(591.9)	(232.2)	(79.1)	(20.1)	(7,983.3)
Derivative financial assets / (liabilities):								
Foreign currency receipts relating to FX swaps	349.1	-	-	-	-	-	-	349.1
Sterling payments relating to FX swaps	(356.5)	-	-	-	-	-	-	(356.5)
Foreign currency receipts relating to cross currency swaps	1,227.9	1,626.9	1,205.1	407.6	209.9	13.4	9.8	4,700.6
Payments relating to interest rate swaps	(135.2)	(79.0)	(40.8)	(16.8)	(4.7)	(1.3)	(0.1)	(277.9)
Receipts relating to interest rate swaps	54.9	7.2	7.2	0.4	-	-	-	69.7
Sterling payments relating to cross currency swaps	(1,282.1)	(1,625.6)	(1,218.6)	(423.8)	(224.7)	(13.3)	(8.9)	(4,797.0)
Total	(141.9)	(70.5)	(47.1)	(32.6)	(19.5)	(1.2)	0.8	(312.0)

36 Liquidity and funding risk management (continued)

	<1 yr £ m	1-2 yrs £ m	2-3 yrs £ m	3-4 yrs £ m	4-5 yrs £ m	5-6 yrs £ m	>6 yrs £ m	Total £m
At 31 March 2024								
Non derivative financial liabilities:								
Foreign currency denominated borrowings	(2,202.1)	(836.7)	(1,231.5)	(376.9)	(363.0)	(24.4)	(13.3)	(5,047.9)
Sterling borrowings	(633.3)	(511.7)	(124.3)	(54.6)	(66.0)	-	-	(1,389.9)
Securitisation	(363.2)	(176.8)	(76.9)	(23.2)	(4.4)	(0.5)	(0.1)	(645.1)
Other liabilities	(156.9)	(1.8)	(4.1)	(3.3)	(12.5)	(9.9)	(69.7)	(258.2)
Total	(3,355.5)	(1,527.0)	(1,436.8)	(458.0)	(445.9)	(34.8)	(83.1)	(7,341.1)
Derivative financial assets / (liabilities):								
Foreign currency receipts relating to FX swaps	269.3	-	-	-	-	-	-	269.3
Sterling payments relating to FX swaps	(321.0)	-	-	-	-	-	-	(321.0)
Foreign currency receipts relating to cross currency swaps	1,674.7	648.9	1,079.5	287.5	360.7	24.1	13.3	4,088.7
Payments relating to interest rate swaps	(111.6)	(72.1)	(38.7)	(17.2)	(5.8)	(0.7)	(0.5)	(246.6)
Receipts relating to interest rate swaps	158.9	80.9	39.6	17.9	6.3	1.0	0.4	305.0
Sterling payments relating to cross currency swaps	(1,899.2)	(775.6)	(1,135.5)	(335.6)	(380.5)	(25.2)	(13.9)	(4,565.5)
Total	(228.9)	(117.9)	(55.1)	(47.4)	(19.3)	(0.8)	(0.7)	(470.1)

36 Liquidity and funding risk management (continued)

Where derivatives are used to hedge an underlying exposure, the cashflows of the derivative instrument are tailored to match those of the underlying hedged item and are both held to maturity. As a result, sources of hedge ineffectiveness affecting the Profit and Loss account are reduced to a minimum.

The Group has a central treasury function which provides funding for the Group's operations and manages treasury risks in accordance with policies approved by the Board and Treasury Committee. The Treasury Committee consists of the CEO, the Group Treasurer, the Finance Director and Chief Risk Officer. The major risks to the Group are liquidity, movement in foreign exchange rates, interest rate movements and counterparty credit risk.

The Group's principal sources of funding are Medium Term Note programme, bi-lateral bank borrowings, three securitisation programmes, a European commercial paper programme, uncommitted short bank facilities and a additionally potentially has access to borrowings from the Mitsubishi Group of companies (not drawn during the year). Rate risks on these funding sources are managed using derivative financial instruments.

The Group accesses a variety of markets to raise finance and issues both fixed and floating rate debt in a number of different currencies. All foreign currency borrowings are swapped into Sterling upon issuance to either floating interest rates linked to SONIA or at a fixed rate in sterling. The exception being the foreign currency borrowings used to fund foreign currency assets.

All interest-bearing borrowings are subject to interest risk management in accordance with the Group's risk management policies. As a result, a high proportion of the floating rate borrowings are fixed by entering into float-to-fixed Sterling interest rate swaps.

Funding Sources
The Group has a number of funding options and regularly reviews alternative sources of financing. In selecting the most appropriate source of funding at any point in time, factors such as market conditions, interest rate levels, liquidity and the profile of the assets being funded are considered.

The Group's core funding programmes and facilities are as follows:

• A Euro medium term note programme supported by a guarantee from Mitsubishi HC Capital Inc and rated 'A-' by Standard & Poors
• Bi-lateral term borrowings from relationship banks
• Securitisation facilities, which Management renegotiates on a bi-annual or annual basis
• A Euro-commercial paper programme, also guaranteed by Mitsubishi HC Capital Inc and rated 'A2' by Standard & Poors
• A liquidity back-up borrowing facility available from Mitsubishi HC Capital Inc (unutilised).
• Short term uncommitted bank borrowing facilities.

The uncommitted facilities from relationship banks consist of unsecured short term money market and overdraft facilities. Drawings under these facilities are generally for periods of between one day and three months.

36 Liquidity and funding risk management (continued)

	Amount drawn 2025 £ m	Capacity available 2025 %	Amount drawn 2024 £ m	Capacity available 2024 %
European medium term note programme	4,966.2	1.3	3,832.3	26.0
European commercial paper programme	143.5	85.7	269.3	73.8
Committed securitisation programme	600.0	-	600.0	-
Uncommitted short term facilities from relationship bank	4.8	99.3	78.9	85.6
Uncommitted long term facilities from relationship bank	1,120.7	56.7	1,546.2	32.9
Other loans from banks	765.4	29.2	697.3	27.9
Total borrowings	7,600.6		7,024.0	

'Other loans from banks' in the table above relate wholly to borrowings drawn by the Group's subsidiary undertakings.

The borrowings above exclude amortisation of fees, charges and revaluations.

In April 2025, the Group repurchased the receivables and repaid £100m securitisation facility with Fleetbank Funding Ltd (note 33).

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market rates. This impacts the underlying value of the Group's assets, liabilities and off-balance instruments, and consequently their economic value. Market risk can also lead to earnings being impacted where income and expenses is sensitive to changes in market rates. Financial instruments affected by market risk include loans and receivables, interest bearing borrowings and derivative financial instruments. The Group's particular activities expose it to the risk of adverse changes in foreign currency exchange rates and Sterling interest rates. Additionally, there is an exposure to foreign currency exchange rate on consolidation of the Group's foreign subsidiaries. The Group does not operate a trading book and is not exposed to market risk through such activity.

The primary market risk associated with the Group is Sterling interest rate risk. The Group manages this risk by aligning the duration of its assets and liabilities and by using interest rate derivatives to 'fix' floating borrowings to match them to underlying fixed rate assets. The Group then monitors its exposure to interest rate risk monthly using hedge effectiveness and sensitivity calculations.

The Company is not exposed to adverse changes in foreign currency exchange rates despite most borrowings being denominated in foreign currency because the Company hedges all foreign currency borrowings (where there is not an economic offset through foreign currency denominated asset revaluation) with derivatives. The Group is exposed to adverse changes in foreign currency exchange rates on consolidation of its foreign subsidiaries which are hedged using foreign currency denominated liabilities. The Group then monitors its balance sheet exposure and profit and loss impact due to foreign exchange revaluations monthly to identify any exposure that may arise.

36 Liquidity and funding risk management (continued)

Interest rate risk

Most of the Group's assets are at a fixed rate of interest so there is a risk of financial loss if the actual funding cost for these assets rises above the assumed funding costs that were used to price the assets at the time of origination. The risk of potential mis-match of interest rate is managed by duration, matching the fixed rate receivables and operating lease portfolio against the combination of fixed rate debt and rate fixings from the portfolio of interest rate derivatives.

The Group's policy is to hedge its exposure to variations in Sterling interest rates. The degree to which borrowings are rate fixed, as compared to the size of the Group's underlying fixed rate assets, is expressed as a target ratio (calculated using interest rate sensitivity analysis on the assets and liabilities). Agreed targets for this ratio are set by the Treasury Committee each month and reported to the Board on a quarterly basis. It is kept within a policy range of a minimum of 50% and a maximum of 120%.

Foreign exchange risk

This is the risk that the value of the Group's foreign currency denominated assets and liabilities are adversely impacted by changes in exchange rates. The Group's currency risk mainly arises from foreign currency borrowings. The carrying amount of the Group's foreign currency denominated monetary liabilities at the reporting date is set out in note 19.

The Group policy is to eliminate all foreign currency risk on borrowings by entering into cross currency swaps which convert non-sterling obligations from debt issuance and borrowings into sterling obligations. Currency debt raised under the medium term note and commercial paper programmes is 100% hedged at the time of drawdown unless foreign currency proceeds are required to fund foreign currency denominated assets. Currency rate risk will therefore only arise in the unlikely event of a swap counterparty defaulting on its non-sterling obligations. As at 31 March 2025 and 31 March 2024, all currency exposures on non-sterling debt were 100% hedged. This risk is also monitored monthly.

36 Liquidity and funding risk management (continued)

Market Risk Mitigation

The Group enters into a variety of derivative financial instruments to manage its exposure to these risks, including;
• Interest rate swaps to mitigate the risk of rising interest rates, and
• Cross currency swaps and short term FX swaps to mitigate the exchange rate risk arising on issuance of debt in foreign currency.

Interest rate swap contracts
Under interest rate swap contracts, the Group agrees to pay or receive the difference between variable and fixed interest rates calculated on an agreed notional principal amount. Such contracts allow the Group to mitigate the risk of changing interest rates on the cash flows of issued variable rate debt held and to a lesser extent the fair value of fixed rate debt held. The fair value of IRSs at the year-end have been determined by discounting the future cash flows for each contract using the yield curve as at the end of the year and the credit risk inherent in the contract.

Sterling interest swaps settle on a monthly, quarterly, or semi-annual basis and use SONIA reference rates on the floating side of the swap. The Group settles on the difference between the fixed and floating interest rate on a trade-by-trade basis and, therefore, the Group recognises net derivative assets and liabilities based on overall exposure on a trade-by-trade basis..

Floating to fixed IRSs, where the Group pay fixed and receive floating interest, are designated for accounting purposes as cash flow hedges to reduce the variability of charges to the Group's income statement. In some cases, although the IRSs economically hedge the Group's cash flow exposure, they cannot be designated as cash flow hedges under IFRS 9 instead they are classified as fair value hedges.

Interest rate sensitivity
The sensitivity analysis below has been determined based on the exposure to interest rates as at the reporting date and the stipulated change taking place at the end of the current financial year and persisting for the coming financial year. A 100 basis points change is used when reporting interest rate risk internally to key management personnel and represents management's assessment of a reasonably possible change in interest rates.

At the reporting date, if interest rates had been 100 basis points higher and all other variables were held constant:
• Net profit would be decreased by £9.5m (2024: decreased by £15.0m). This is mainly attributable to the Group's exposure to interest rates on variable rate borrowings.
• Other equity reserves would be increased by £69.0m (2024: increased by £64.3m) mainly as a result of the change in mark to market valuation of interest rate swaps in designated hedging relationships.

A 10 basis points decrease in interest rate, reflected evenly across the yield curve, would result in Net profit being increased by £0.9m (2024: increased by £1.5m) and other equity reserves decreased by £6.9m (2024: decreased by £6.4m)
approximately.

36 Liquidity and funding risk management (continued)

Cross currency swap contracts
The Group utilises cross currency swaps and short term FX swaps to hedge against the foreign currency exposure that arises from the issuance of debt in foreign currency. The contracts are for the full amount of the foreign currency debt raised unless currency proceeds are required to fund currency denominated assets.

Foreign currency sensitivity
The Group's sensitivity to any reasonable depreciation or appreciation of GBP against foreign currencies would have no material impact on the Group as all foreign currency debt is hedged using derivative instruments.

Information concerning the Group's cross currency swaps is included in note 18.

Fair value hedges
Fair value hedges are used by the Group to protect it against changes in the fair value of financial assets and financial liabilities due to movements in foreign currency exchange and interest rates. The hedged items include foreign currency borrowings and both public and privately issued listed debt instruments. The Group uses cross currency swaps to hedge against specifically identified foreign currency and interest rate risks.

Cash flow hedges
The Group is exposed to variability in future interest cash flows on non-trading assets and liabilities which bear interest at a variable rate. The Group uses interest rate swaps as cash flow hedges of these interest rate risks. Also, because of firm commitments in foreign currencies, such as foreign currency debt, the Group is exposed to foreign exchange and interest rate risks which are hedged with cross currency interest rate swaps.

Capital risk management
The Group manages its equity to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the balance between debt and equity. The capital structure of the Group consists of debt, which includes borrowings disclosed in note 19, net of cash and cash equivalents verses equity attributable to shareholders which, comprises of issued share capital, reserves and retained earnings as disclosed in note 26 and in note 27 and the Consolidated Statement of Changes in Equity on page 92. The Board of Directors review the capital structure on a semi-annual basis. As a part of this review the Board considers the cost of capital and risks associated with each source of funds. The Group will balance its overall capital structure through the retention of profit, payment of dividends to or capital injection from the parent company.

37 Non adjusting events after the financial period

The Directors recommend a final dividend of £32.5m (7.0p per share), relating to year ended 31 March 2025.

In April 2025, the Group repurchased the receivables and repaid £100m securitisation facility with Fleetbank Funding Ltd (note 33).

There were no other subsequent events after the reporting period ended 31 March 2025.

Mitsubishi HC Capital UK PLC

Company Information

Mitsubishi HC Capital UK PLC is a public company limited by shares, registered in England & Wales under number 1630491. Mitsubishi HC Capital Inc., a company incorporated in Japan, is the ultimate parent undertaking and the ultimate controlling party of the smallest and the largest group to consolidate the financial statements of Mitsubishi HC Capital UK PLC. Copies of the financial statements of Mitsubishi HC Capital Inc can be obtained from its registered office: 5-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo, 100-6525, Japan.

Chairman	A. Hughes
Chief executive Officer	R. Gordon
Other Directors	S. Herbert
	O Muramoto
	D Corbitt
Company secretary	J.N.M. Sims
Registered office	Novuna House Thorpe Road Staines-upon-Thames Surrey TW18 3HP
Auditors	Deloitte LLP 2 New Street Square London EC4A 3BZ

Registered offices and business addresses for Mitsubishi HC Capital UK PLC its subsidiaries, branches and affiliates as at 31 March 2025 are shown below.

Registered Offices

Mitsubishi HC Capital UK PLC
Novuna House, Thorpe Road, Staines-upon-Thames, Surrey, TW18 3HP
Mitsubishi HC Capital Europe B.V.
The Netherlands - WTC Amsterdam H Toren 4de verdieping, Zuidplein 36, 1077 XV Amsterdam
Mitsubishi HC Capital Europe B.V. (Ireland)
Regus Santry, Block B, The Crescent Building Northwood, Santry, Dublin 9, D09C6X8
Mitsubishi HC Capital Europe B.V. (Finland)
Suomi sivuliike, Karhumäentie 3, Vantaa, 01530, Finland
Kieler Bocht 11, 9723 JA, Groningen, Netherlands

MHC Mobility Europe B.V.
Zuidplein 361077XV Amsterdam, Netherlands
MHC Mobility BV
MHC Mobility (LU Branch)
Kraanspoor 38, 1033 SE, Amsterdam, Netherlands
MHC Mobility (BE branch)
M. de Klerkweg 1, 1703 OK Heerhugowaard, Netherlands

MHC Mobility GmbH
An der Autobahn 12 - 16, 27404 Gyhum / Bockel, Germany
MHC Mobility GmbH (Austria)
Perfektastraße 87, 1230 Wien, Austria
MHC Mobility APS
Bag Haverne 32, c/o DreistStorgaard Advokater A/S, 4600 Køge, Denmark

MHC Mobility Sp.z.o.o.
UL. Franciszka Klimczaka 1, 02-797 Warszawa, Poland
MHC Mobility Czech
Olbrachtova 2006/9, 140 00 Praha 4, Czech Republic
MHC Mobility Slovakia
Galvaniho 19, 821 04 Bratislava, Slovakia
MHC Mobility Hungary
Budaörs, Puskás Tivadar út 6-II. em, 2040, Hungary
MHC Mobility Zrt (formerly Eurofleet Zrt)
Győr, Dugonics u. 16, 9024 Hungary

Business addresses (where different from above)
Novuna Consumer Finance
2 Apex View, and Interchange House, Leeds, West Yorkshire, LS11 9BH, Tel: 0344 375 5500
Novuna Business Finance
Pinetrees, Thorpe Road, Staines-upon-Thames, TW18 3HR, Tel: 01784 227 322
Novuna Business Cash Flow
5 Hollinswood Court, Stafford Park 1, Telford, Shropshire, TF3 3DE, Tel: 01952 213 300
Novuna Vehicle Solutions
4 The Sector, Newbury Business Park, London Road, Newbury, RG14 2PZ, Tel: 0344 463 2900
Hakuba House, White Horse Business Park, Trowbridge, Wiltshire, BA14 0FL, Tel: 01225 777 710
European Vendor Finance
UK - Novuna House, Thorpe Road, Staines-upon-Thames, TW18 3HP, Tel: 01784 227 322
MHC Mobility BV
Kieler Bocht 11, 9723 JA Groningen, Netherlands
MHC Mobility (BE branch)
Bijenstraat 4, 9051 Gent, Belgium