

REGISTERED NUMBER: 02579167

Report of the Directors and  
Audited Financial Statements for the Year Ended 31 March 2020  
for  
Kwik-Fit Properties Limited

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Kwik-Fit Properties Limited (Registered number: 02579167)

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for the Year Ended 31 March 2020

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Kwik-Fit Properties Limited

Company Information  
for the Year Ended 31 March 2020

**DIRECTORS:**

M Slade  
M Lynott

**SECRETARY:**

I Ellis

**REGISTERED OFFICE:**

ETEL House  
Avenue One  
Letchworth Garden City  
Hertfordshire  
SG6 2HU

**REGISTERED NUMBER:**

02579167

**AUDITORS:**

BDO LLP  
55 Baker Street  
London  
W1U 7EU

Report of the Directors  
for the Year Ended 31 March 2020

The directors present their report with the financial statements of the company for the year ended to 31 March 2020. In preparing this directors' report advantage has been taken of the small companies exemption.

**GOING CONCERN**

*The Directors have adopted the going concern basis in preparing these financial statements.*

This is on the basis that the Directors have a reasonable expectation that the business will continue in operational existence for at least a period 12 months from the date of the signing of these financial statements.

This conclusion has been reached after considering the performance of the Group of which the Company is part during the COVID-19 outbreak, its recovery after the initial lockdown, and its modelled trading under a number of Reverse Stress Testing scenarios, and the two year loan made available to European Tyre Enterprise Limited and its subsidiaries ("the Group") by the ultimate parent, Itochu Corporation, for the 12 months from the date of signing of these financial statements. As at 31 March 2020, The Group had access to short-term funding from the ultimate parent of £680m, renewable annually.

On 29 September 2020, the Group's funding arrangements were amended to consist of a two year loan expiring on 30 September 2022 of £500m, a further £80m of unused committed facility available to be drawn upon at the option of the Directors by 31 March 2021, in addition to the short term funding facility of £100m which is currently due to expire, unless both parties agree to extend, on 31 March 2021. All of the above facilities were provided by Itochu Corporation, the group's ultimate parent.

The Directors consider that the key variables which will affect the operations of the Group of which the Company is part in the immediate future are the extent to which COVID-19 re-emerges, and the extent and nature of the response to such an outbreak.

At the point of the strictest lockdown, from late March into April 2020, the operations of the Group of which the Company is part continued uninterrupted, due to its status as an essential service. Further details can be found in the respective financial statements for those entities.

Using this experience, the Directors have constructed an extreme scenario, a reverse stress-test, which suggests that Group revenues would have to permanently fall to below 50% of the prior year level in order to erode the available headroom to zero by the end of the period 12 months from the date of signing of these financial statements.

In this scenario, all centres and warehouses in the wider Group are assumed to function throughout, but with lower demand, and margins remain at the lower level seen in the first five months of the year to March 2021. This extreme scenario also assumes that costs remain fixed, that there is no further government support, and excludes any upsides from other strategies, such as rationalising the business and operations to better match its scale to the level of demand present.

Furthermore, this calculation is based solely on the £580m of committed loans made available by the ultimate parent, and excludes the short term funding facility noted above of £100m. As noted above the £80m committed funding needs to be drawn down prior to 31 March 2021 at the option of the Directors. The Directors will make their assessment as to whether amounts up to £80m will be drawn down prior to that date based on their assessment of current and expected trading of the Group and review of trading and cash forecasts and sensitivities through to the period 12 months from the date of signing the financial statements and taking into account other considerations including the availability of renewals of existing facilities that expire on 31 March 2021. Any amounts drawn down under the £80m facility have a 2 year repayment date.

Despite the uncertain economic environment and future impacts of a possible re-emergence of lock-down as a result of COVID-19 outbreaks, the Directors have a reasonable expectation that the Group has adequate resources through facilities provided by its ultimate parent, to continue in operational existence for the foreseeable future.

The Directors therefore believes that while these uncertainties exist, this does not pose a material uncertainty that would cast doubt on the Company's ability to continue as a going concern.

The Directors therefore consider it appropriate for the accounts to be prepared on a going concern basis.

**POST BALANCE SHEET EVENT**

As noted in the Post Balance Sheet Events note, on 29 September 2020, the Group's funding arrangements were amended to consist of a two year loan expiring on 30 September 2022 of £500m, a further £80m of unused committed facility available to be drawn upon at the option of the Directors by 31 March 2021, in addition to the short term funding facility of £100m which is currently due to expire, unless both parties agree to extend, on 31 March 2021. All of the above facilities were provided by Itochu Corporation, the group's ultimate parent.

Kwik-Fit Properties Limited (Registered number: 02579167)

Report of the Directors – continued  
for the Year Ended 31 March 2020

#### **FUTURE DEVELOPMENTS**

The directors do not anticipate any changes to the company's activities in the foreseeable future.

#### **DIRECTORS**

The directors shown below have held office during the whole of the period from 1 April 2019 to the date of this report.

M Slade

M Lynott

#### **ULTIMATE PARENT COMPANY**

The company's immediate parent company is Kwik-Fit (GB) Limited, registered in the United Kingdom.

The company's ultimate holding and controlling parent company is Itochu Corporation, which is incorporated in Japan, its registered office address is 5-1, 2 Chome, Kita Aoyama, Minato-ku, Tokyo, Japan.

The largest and smallest group into which the activities of the company are consolidated is that headed by Itochu Corporation.

#### **QUALIFYING THIRD PARTY INDEMNITY**

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. A fellow company also purchased and maintained throughout the financial period directors' and officers' liability insurance in respect of the company and its directors.

Report of the Directors – continued  
for the Year Ended 31 March 2020

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statement on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors are responsible for the maintenance and integrity of the company's website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware at the date of this report, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**AUDITORS**

The auditors BDO LLP were appointed by the Directors as auditors and have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the next Annual General Meeting.

This report has been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

**APPROVED ON BEHALF OF THE BOARD:**



.....  
M Lynott - Director

Date: 9/10/20 .....

Report of the Independent Auditors to the Members of  
Kwik-Fit Properties Limited

**Opinion**

We have audited the financial statements of Kwik-Fit Properties Limited ("the Company") for the year ended 31 March 2020 which comprise Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

**Basis for opinion**

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

**Conclusions relating to going concern**

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

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

**Other information**

The Directors are responsible for the other information. The other information comprises the information included in the Report of the Directors and Financial Statements, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Directors has been prepared in accordance with applicable legal requirements.

Report of the Independent Auditors to the Members of  
Kwik-Fit Properties Limited – continued

**Matters on which we are required to report by exception**

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Directors were not entitled to take advantage of the small companies' exemptions in preparing the Report of the Directors and from the requirement to prepare a Strategic report.

**Responsibilities of directors**

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

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

**Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



Report of the Independent Auditors to the Members of  
Kwik-Fit Properties Limited – continued

**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 a Report of the Auditors 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.

BDO LLP

Sophia Michael (Senior Statutory Auditor)  
for and on behalf of BDO LLP  
55 Baker Street  
London  
W1U 7EU

Date: .....

12<sup>th</sup> October 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

**Kwik-Fit Properties Limited (Registered number: 02579167)**

**Statement of Comprehensive Income**  
**for the Year Ended 31 March 2020**

	Notes	2020 £'000	2019 £'000
<b>REVENUE</b>		-	-
Administrative expenses		<u>143</u>	<u>(70)</u>
		143	(70)
Other operating income		<u>601</u>	<u>-</u>
<b>OPERATING PROFIT/(LOSS)</b>		744	(70)
Interest receivable and similar income	3	<u>3,344</u>	<u>-</u>
		4,088	(70)
Interest payable and similar expenses	4	<u>(4,312)</u>	<u>-</u>
<b>LOSS BEFORE TAXATION</b>	5	(224)	(70)
Tax on loss	6	<u>297</u>	<u>13</u>
<b>PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>		73	(57)
<b>OTHER COMPREHENSIVE INCOME</b>		<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR</b>		<u><u>73</u></u>	<u><u>(57)</u></u>

Kwik-Fit Properties Limited (Registered number: 02579167)

Statement of Financial Position

31 March 2020

	Notes	2020 £'000	2019 £'000
<b>FIXED ASSETS</b>			
Owned			
Property, plant and equipment	8	-	-
Right-of-use			
Property, plant and equipment	8	<u>4,810</u>	<u>-</u>
		<u>4,810</u>	<u>-</u>
<b>CURRENT ASSETS</b>			
Debtors: amounts falling due within one year	9	20,234	13
Debtors: amounts falling due after more than one year	9	<u>122,941</u>	<u>-</u>
		143,175	13
<b>CREDITORS</b>			
Amounts falling due within one year	10	<u>(38,576)</u>	<u>-</u>
<b>NET CURRENT ASSETS</b>		<u>104,599</u>	<u>13</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		109,409	13
<b>CREDITORS</b>			
Amounts falling due after more than one year	11	<u>(119,879)</u>	<u>-</u>
<b>NET (LIABILITIES)/ASSETS</b>		<u>(10,470)</u>	<u>13</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	-	-
Retained earnings	15	<u>(10,470)</u>	<u>13</u>
<b>SHAREHOLDERS' FUNDS</b>		<u>(10,470)</u>	<u>13</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved and authorised for issue by the Board of Directors and authorised for issue on 9/10/20 and were signed on its behalf by:



M Lynott - Director

Kwik-Fit Properties Limited (Registered number: 02579167)

Statement of Changes in Equity  
for the Year Ended 31 March 2020

	Called up share capital £'000	Retained earnings £'000	Share premium account £'000	Total equity £'000
Balance at 1 April 2018	2,000	372	-	2,372
Changes in equity				
Increase in share capital	9	-	113	122
Reduction in share capital	(2,009)	2,123	(113)	1
Dividends	-	(2,425)	-	(2,425)
Total comprehensive loss	-	(57)	-	(57)
Balance at 31 March 2019	-	13	-	13
Changes in equity				
IFRS16 transition adjustment	-	(10,556)	-	(10,556)
Total comprehensive income	-	73	-	73
Balance at 31 March 2020	-	(10,470)	-	(10,470)

**1. ACCOUNTING POLICIES**

**General information**

Kwik-Fit Properties Limited is a private company, limited by shares, incorporated in England and Wales under the Companies Act 2006. The Address of the registered office is ETEL House, Avenue One, Letchworth Garden City, Hertfordshire, SG6 2HU. The principal activity is set out in the directors report and the ultimate parent company is set out in the report of the director.

**Basis of preparation**

The financial statements are prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

**Going Concern**

The Directors have adopted the going concern basis in preparing these financial statements.

This is on the basis that the Directors have a reasonable expectation that the business will continue in operational existence for at least a period 12 months from the date of the signing of these financial statements.

This conclusion has been reached after considering the performance of the Group of which the Company is part during the COVID-19 outbreak, its recovery after the initial lockdown, and its modelled trading under a number of Reverse Stress Testing scenarios, and the two year loan made available to European Tyre Enterprise Limited and its subsidiaries ("the Group") by the ultimate parent, Itochu Corporation, for the 12 months from the date of signing of these financial statements. As at 31 March 2020, The Group had access to short-term funding from the ultimate parent of £680m, renewable annually.

On 29 September 2020, the Group's funding arrangements were amended to consist of a two year loan expiring on 30 September 2022 of £500m, a further £80m of unused committed facility available to be drawn upon at the option of the Directors by 31 March 2021, in addition to the short term funding facility of £100m which is currently due to expire, unless both parties agree to extend, on 31 March 2021. All of the above facilities were provided by Itochu Corporation, the group's ultimate parent.

The Directors consider that the key variables which will affect the operations of the Group of which the Company is part in the immediate future are the extent to which COVID-19 re-emerges, and the extent and nature of the response to such an outbreak.

At the point of the strictest lockdown, from late March into April 2020, the operations of the Group of which the Company is part continued uninterrupted, due to its status as an essential service. Further details can be found in the respective financial statements for those entities.

Using this experience, the Directors have constructed an extreme scenario, a reverse stress-test, which suggests that Group revenues would have to permanently fall to below 50% of the prior year level in order to erode the available headroom to zero by the end of the period 12 months from the date of signing of these financial statements.

In this scenario, all centres and warehouses in the wider Group are assumed to function throughout, but with lower demand, and margins remain at the lower level seen in the first five months of the year to March 2021.

This extreme scenario also assumes that costs remain fixed, that there is no further government support, and excludes any upsides from other strategies, such as rationalising the business and operations to better match its scale to the level of demand present.

Furthermore, this calculation is based solely on the £580m of committed loans made available by the ultimate parent, and excludes the short term funding facility noted above of £100m. As noted above the £80m committed funding needs to be drawn down prior to 31 March 2021 at the option of the Directors. The Directors will make their assessment as to whether amounts up to £80m will be drawn down prior to that date based on their assessment of current and expected trading of the Group and review of trading and cash forecasts and sensitivities through to the period 12 months from the date of signing the financial statements and taking into account other considerations including the availability of renewals of existing facilities that expire on 31 March 2021. Any amounts drawn down under the £80m facility have a 2 year repayment date.

Despite the uncertain economic environment and future impacts of a possible re-emergence of lock-down as a result of COVID-19 outbreaks, the Directors have a reasonable expectation that the Group has adequate resources through facilities provided by its ultimate parent, to continue in operational existence for the foreseeable future.

The Directors therefore believes that while these uncertainties exist, this does not pose a material uncertainty that would cast doubt on the Company's ability to continue as a going concern.

The Directors therefore consider it appropriate for the accounts to be prepared on a going concern basis.

**1. ACCOUNTING POLICIES – Continued**

**Financial reporting standard 101 - reduced disclosure exemptions**

The company has taken advantage of the following disclosure exemptions under FRS 101:

- a Statement of Cash Flows;
- a statement of compliance with IFRS (a statement of compliance with FRS 101 is provided instead);
- additional comparative information for narrative disclosures and information, beyond IFRS requirements;
- disclosures in relation to the objectives, policies and process for managing capital;
- disclosure of the effect of future accounting standards not yet adopted;
- the remuneration of key management personnel;
- Related party transactions with wholly owned members of the group;
- certain disclosures required under IFRS 15 Revenue from Contracts with Customers, including disaggregation of revenue, details of changes in contract assets and liabilities, and details of incomplete performance obligations;
- financial Instrument disclosures as required by IFRS 7 Financial Instruments: Disclosures; and
- fair value measurements - details of the valuation techniques and inputs used for fair value measurement of assets and liabilities as per paragraphs 91 to 99 of IFRS 13 Fair Value Measurement.

Where relevant, equivalent disclosures can be found in the consolidated financial statements of Itochu Corporation as at 31 March 2020 and these financial statements may be obtained from their company's website which is [www.Itochu.co.jp](http://www.Itochu.co.jp)

**Changes in accounting policies**

Except for the changes under leases further below, the Company has consistently applied the policies to all periods presented in these financial statements.

**Exemption from preparation of consolidated financial statements**

This financial statement is prepared as an individual company and do not contain consolidated financial information as the parent of the group. The company has taken advantage of the exemption conferred by s401 of the Companies Act 2006 not to produce consolidated financial statements as it is included in the accounts of Itochu Corporation.

**Share capital**

Financial instruments issued by the company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The company's ordinary shares are classified as equity instruments.

**2. ACCOUNTING POLICIES – Continued**

**Dividends receivable**

Dividend income is recognised when the right to receive the dividend payment is established.

**Dividends payable**

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when they are paid. In the case of final dividends, this is when approved by the shareholders at the AGM.

**Operating profit**

Comprises the results of the company before interest receivable and similar income, interest payable and similar expenses, income from shares in group undertakings, amounts written off in investments, corporation tax and deferred tax.

**Summary of significant accounting policies and key accounting estimates**

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

**Taxation**

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantively enacted by the statement of financial position date.

Deferred tax is the tax expected to be payable or recoverable on taxable temporary differences, arising from differences between carrying amounts and the tax base, unless it arises from the initial recognition of goodwill or from assets and liabilities where differences will not impact on accounting profits or taxable profits. 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.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

**Foreign currency translation**

The financial statements are presented in pounds sterling, which is the currency of the economic environment in which the Company operates (its functional currency). Amounts have been presented in round thousands ("£'000s").

Notes to the Financial Statements - continued  
for the Year Ended 31 March 2020

**1. ACCOUNTING POLICIES – continued**

**Leases**

The Company applied IFRS 16 with a date of initial application of 1st April 2019. As a result, the Company has changed its accounting policy for lease contracts as detailed below.

The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1st April 2019. The details of the changes in accounting policies are disclosed below. The comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

**Definition of a Lease**

Previously, the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Company assesses whether a contract is or contains a lease based on the definition of a lease, as explained below.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1st April 2019.

**As a Lessee**

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most leases - i.e. these leases are on-balance sheet. The company concluded that this classification is made at lease commencement date.

The Company decided to apply recognition exemptions to short-term leases (lease term 12 months or less) and low value leases (asset with a value, when new, in the order of magnitude of £5,000 or less). The company will recognise the lease payments associated with these leases as an expenses in a straight-line basis over the lease term. For leases of other assets, which were classified as operating under IAS 17, the Company recognised right-of-use assets and lease liabilities.

**Leases classified as operating leases under IAS 17**

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the lease incremental borrowing rate as at 1st April 2019. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application; and
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately on the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.



Notes to the Financial Statements - continued  
for the Year Ended 31 March 2020

**1. ACCOUNTING POLICIES – continued**

**Leases previously classified as finance leases**

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at 1st April 2019 are determined at the carrying amount of the lease asset and lease liability under IAS17 immediately before that date.

**As a lessor**

The Company is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Company accounted for its leases in accordance with IFRS 16 from the date of initial application.

Under IFRS 16, the Company is required to assess the classification of a sub-lease with reference to the right-of-use asset, not the underlying asset. On transition, the Company reassessed the classification of a sub-lease contract previously classified as an operating lease under IAS 17. The Company concluded that the sub-lease is a finance lease under IFRS 16.

The Company concluded the basis of a finance lease are:

- The lease transfers ownership of the underlying asset to the lessee by the end of the lease term ; or
  - The lease term is for the major part of the economic life of the underlying asset, even if title is not transferred;
- or
- Risks and rewards incidental to ownership of the underlying assets are substantially transferred to the lessee.

The Company applied IFRS 15 Revenue from Contract with Customers to allocate consideration in the contract to each lease and non-lease component.

**Commitments**

The Company has applied IFRS 16 on 1 April 2019 and therefore this note has been recorded for comparison purposes only.

The omission of operating lease commitments disclosure at 31 March 2019 means £57,401,000 for leases were incorrectly held in other entities within the Group. This correction can be seen in the impact of financial statements below.

31.3.19 Restated  
£'000

**Operating leases for land and buildings**

Future undiscounted minimum lease payments which fall due within 1 year	£5,022
Between 2 or 5 years	£19,496
After 5 years	<u>£32,883</u>
	<u>£57,401</u>

Notes to the Financial Statements - continued  
for the Year Ended 31 March 2020

**Impacts on financial statements**

On transition to IFRS 16, the Company recognised an additional £3,952,212 right-of-use assets and £152,879,664 of lease liabilities, recognising the difference in retained earnings.

When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate per lease as at 1st April 2019. The weighted-average rate applied is 2.31%.

	1st April 2019 £'000
Operating lease commitments as at 31st March 2019 as disclosed in the Company's financial statements	-
Correction to prior year disclosure	£57,401
Operating lease commitments held in other entity	£124,415
Operating lease commitments as at 31st March 2019	£181,816
<u>Discounted using the incremental borrowing rate at 1st April 2019</u>	<u>£147,360</u>
- Extension and termination options reasonably certain to be exercised	£2,520
- Variable lease payments based on an index or a rate	£3,000
	<u>£152,880</u>
Lease liabilities recognised at 1st April 2019	<u>£152,880</u>

**Policy applicable before 1st April 2019**

For contracts entered into before 1st April 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

**As a Lessee**

All leases are accounted for by recognising a right of use asset and a lease liability except for:

- leases of low value assets; and
- leases with a term of 12 months or less.

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

Notes to the Financial Statements - continued  
for the Year Ended 31 March 2020

**1. ACCOUNTING POLICIES – continued**

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

The lease liability is initially measured at the present value of the contractual lease payments due to the lessor over the lease term, that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot readily be determined, the Company incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term and other variable lease payments are expensed in the period to which they relate;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is re-measured to reflect a change in the estimate of the lease term, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. When the carrying value is re-measured to reflect any of the instances in the paragraph above, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.

When the group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;
- in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount; and
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

Notes to the Financial Statements - continued  
for the Year Ended 31 March 2020

**1. ACCOUNTING POLICIES – continued**

For contracts that both convey a right to the company to use an identified asset and require services to be provided to the company by the lessor, the group has elected to account for the entire contract as a lease, i.e. it does allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

The Company presents right-of-use assets that do not meet the definition of investment property in "property, plant and equipment" and lease liabilities in "loans and borrowings" in the statement of financial position.

**Break clauses**

The Company sometimes negotiates break clauses in its property leases. On a case-by-case basis, the Company will consider whether the absence of a break clause would expose the Company to excessive risk. Typically factors considered in deciding to negotiate a break clause include:

- the length of the lease term;
- the economic stability of the environment in which the property is located; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
  - the Company has the right to operate the asset; or
  - the Company designed the asset in a way that predetermines how and for what purpose it will be used.
- whether the location represents a new area of operations for the Company.

At commencement date the Company considers all relevant factors and circumstances that create economic incentives for the Company to exercise, or not to exercise, the option, including expected changes in facts and circumstances from the commencement date until the exercise date of the option. Upon this assessment the financial impact of the total lease payments was deemed not material.

**Short-term leases and leases of low-value assets**

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**Under IAS 17**

In the comparative period, as a lessee the Company classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent.

Subsequently, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognized in the Company's statement of financial position. Payments made under operating leases were recognized in profit and loss on a straight-line basis over the term of the lease. Lease incentives received were recognized as an integral part of the total lease expense, over the term of the lease.

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 March 2020**

**1. ACCOUNTING POLICIES - continued**

**Critical accounting estimates and judgements**

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

In preparing these financial statements, the directors have made only the below judgement and no significant estimates.

**Recoverability of receivables (see note 9)**

In assessing the recoverability of receivables when considering intercompany balances the liquidity of the company is considered and enquiries of the company's directors are made in assessing recoverability.

**Impairment of right-of-use assets (see note 8)**

When determining whether there are indicators of impairment of the company's right-of-use assets, factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

**Incremental Borrowing Rate (IBR) used to measure lease liabilities**

When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate (IBR). The IBR is intended to reflect the theoretical cost to borrow money to buy the Right of Use asset for the term of the lease. It can be built up, lease by lease, using an appropriate Risk Free Rate (which depends on whether the asset is in the UK/elsewhere), adjusting for the creditworthiness of the lessee (the better the credit, the lower the increment) and the quality of the asset (lower quality assets result in a higher borrowing rate).

**2. EMPLOYEES AND DIRECTORS**

During the current and previous year, the company had no employees.

The remuneration of the directors are paid by the parent company which makes no recharge to the company. The directors of Kwik-Fit Properties Limited are also the directors of the parent company and a number of fellow subsidiaries, and it is not possible to make an accurate apportionment of their remuneration in respect of each of the subsidiaries. Accordingly, the above details include no remuneration in respect of the directors. The total remuneration is included in the aggregate of directors' remuneration disclosed in the financial statements of the parent company.

**3. INTEREST RECEIVABLE AND SIMILAR INCOME**

	2020	2019
	£'000	£'000
Other interest receivable	347	-
Interest receivable due from fellow group undertakings	2,997	-
	<u>3,344</u>	<u>-</u>

**4. INTEREST PAYABLE AND SIMILAR EXPENSES**

	2020	2019
	£'000	£'000
Interest on lease liabilities	<u>4,312</u>	<u>-</u>

Notes to the Financial Statements - continued  
for the Year Ended 31 March 2020

5. **LOSS BEFORE TAXATION**

	2020	2019
	£'000	£'000
Depreciation - leased assets	395	-
Income from sub-leasing right-of-use assets	(601)	-
Right of use asset impairment	(625)	-
Management charge	87	69

During the current and prior year, the auditors' remuneration for the Company was paid by a fellow group undertaking amounting to £10,000 (2019: £5,000).

6. **TAXATION**

**Analysis of tax income**

	2020	2019
	£'000	£'000
Current tax:		
Corporation taxation payable	(355)	(13)
Deferred tax current year	58	-
Total tax income in statement of comprehensive income	(297)	(13)

**Factors affecting the tax expense**

The tax assessed for the year is lower (2019 - higher) than the standard rate of corporation tax in the UK. The difference is explained below:

	2020	2019
	£'000	£'000
Loss before income tax	(224)	(70)
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%)	(42)	(13)
Effects of:		
Remeasurement of opening deferred tax	(255)	-
Tax income	(297)	(13)

The UK corporation tax relates to amounts due from other group companies in relation to group relief.

**Factors that may affect future tax charges**

A change to the main UK corporation tax rate, announced in the Budget on 11 March 2020, was substantively enacted on 17 March 2020, under the provisions of the Provisional Collection of Taxes Act 1968, for the purposes of IFRS and UK GAAP. The rate applicable from 1 April 2020 remains at 19% rather than the previously enacted reduction to 17%.

**Deferred tax**

As at 31 March 2020 a deferred tax asset of £2,104,024 was recognised (2019 - Nil).

Notes to the Financial Statements - continued  
for the Year Ended 31 March 2020

7. **DIVIDENDS**

	2020 £'000	2019 £'000
Ordinary A shares of £1 each		
Final	<u>-</u>	<u>2,425</u>

8. **PROPERTY, PLANT AND EQUIPMENT**

	Land and buildings £'000
<b>COST</b>	
Adoption of IFRS16	<u>5,205</u>
At 31 March 2020	<u>5,205</u>
<b>DEPRECIATION</b>	
Charge for year	<u>395</u>
At 31 March 2020	<u>395</u>
<b>NET BOOK VALUE</b>	
At 31 March 2020	<u>4,810</u>

**As a Lessee**

The Company leases land and buildings. An extract from the table below for which the Company is a lessee is presented below:

	Leasehold £'000
<b>Right-of-use Assets</b>	
Balance as 1st April 2019	3,952
Addition	1,020
Lease payment change	233
Disposal	-
Depreciation	<u>(395)</u>
<b>Balance as at 31 March 2020</b>	<b>4,810</b>

Notes to the Financial Statements - continued  
for the Year Ended 31 March 2020

9. **DEBTORS**

	2020 £'000	2019 £'000
Amounts falling due within one year:		
Amounts owed by group undertakings	16,243	13
Amounts receivable in respect of finance leases	1,887	-
Deferred Tax	2,104	-
	<u>20,234</u>	<u>13</u>
Amounts falling due after more than one year:		
Amounts receivable in respect of finance leases	<u>122,941</u>	<u>-</u>
Aggregate amounts	<u>143,175</u>	<u>13</u>

Amounts owed by group undertakings are considered to be a low credit risk. Credit risk for these assets has not increased significantly since their initial recognition.

The company considers the provision against these intercompany receivables to be immaterial.

10. **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2020 £'000	2019 £'000
Leases (see note 12)	21,494	-
Amounts owed to group undertakings	<u>17,082</u>	<u>-</u>
	<u>38,576</u>	<u>-</u>

The company hold unlimited guarantees given by:

- Central Tyre (Commercial) Limited;
- Kwik-fit Finance Limited
- Kwik-fit Group Limited
- Speedy 1 Limited;
- Stapleton's (Tyre Services) Limited;
- Detailagent Limited;
- Ebley Tyre Services Limited;
- Kwik-fit Developments Limited;
- Kwik-fit Euro Limited;
- Kwik-fit (GB) Limited;
- Kwik-fit Holdings Limited;
- Kwik-fit Nederland BV;
- Kwik-fit Netherlands Cooperatief WA;
- Superdrive Motoring Centres Limited;
- TPAS (UK) Limited;

11. **CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2020 £'000	2019 £'000
Leases (see note 12)	<u>119,879</u>	<u>-</u>



Notes to the Financial Statements - continued  
for the Year Ended 31 March 2020

**12. FINANCIAL LIABILITIES - BORROWINGS**

	2020 £'000	2019 £'000
Current:		
Leases (note 13)	<u>21,494</u>	<u>-</u>
Non-current:		
Leases (note 13)	<u>119,879</u>	<u>-</u>

**13. LEASES**

	1 year or less £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000	Total £'000
Leases	<u>21,494</u>	<u>14,296</u>	<u>41,680</u>	<u>63,903</u>	<u>141,373</u>

The total cash outflow for leases during the year was £18,879,880 paid by fellow group undertaking.

**14. CALLED UP SHARE CAPITAL**

	2020 Allotted, called up and fully paid £	2019 Allotted, called up and fully paid £
Ordinary A shares of £1 each	<u>1</u>	<u>1</u>
Ordinary B shares of £1 each	<u>-</u>	<u>-</u>
	<b>1</b>	<b>1</b>

Ordinary A shares and Ordinary B shares have the same rights and privileges in all respects.

The Company forms part of the group of companies which Itochu Corporation is the ultimate parent (The Itochu Group).

**15. RESERVES**

The company reserves are as follows:

**Retained earnings**

The retained earnings represents cumulative profits or losses, net of dividends paid and other adjustments.

**16. RELATED PARTY DISCLOSURES**

All related party transactions and balances relate to companies wholly owned within the group.

Information about the company's immediate parent and ultimate holding and controlling parent company is provided in the Report of the Directors.

Notes to the Financial Statements - continued  
for the Year Ended 31 March 2020

**17. GUARANTEES AND OTHER FINANCIAL COMMITMENTS**

**As a lessor**

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is short-term to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Company applies IFRS 15 to allocate the consideration in the contract.

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "other income".

The accounting policies applicable to the Company as a lessor in the comparative period were not different from IFRS 16. However, when the Company was an intermediate lessor the sub-leases were classified with reference to the underlying asset.

**Lease liabilities**

	<b>2020</b>
	£'000
Maturity analysis - contractual undiscounted cash flows	
Less than one year	18,302
One to five years	67,484
More than five years	123,942
Total undiscounted lease liabilities as at 31st March 2020	209,728
Lease liabilities included in statement of financial position at 31st March 2020	141,374
Current	21,494
Non-current	119,879

**i) Real Estate Leases**

The Company leases land and buildings for its office space and retail and warehouse stores. The leases of office space typically run for a period of 150 years, and leases of retail stores for 4 to 51 years and warehouses 10 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

The Company leases a number of properties in the jurisdictions from which it operates. In some jurisdictions it is customary for lease contracts to provide for payments to increase each year by inflation or and in others to be reset periodically to market rental rates. In some jurisdictions property leases the periodic rent is fixed over the lease term.

Notes to the Financial Statements - continued  
for the Year Ended 31 March 2020

**17. GUARANTEES AND OTHER FINANCIAL COMMITMENTS – continued**

The Company sub-leases some of its properties under operating and finance leases below.

**Extension options**

Some leases contain extension options exercisable by the Company up to one year before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Company and not the lessors. The Company assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

**ii) Surplus leases**

Some of the properties that the Company leases have been vacant during the period. The Company expects to be able to sub-let these properties or surrender the leases within 3 years.

**As a Lessor**

Lease income from lease contracts in which the Company acts as a lessor is £601,062.

**i) Operating lease**

The Company leases out property. The Company has classified leases as operating leases where they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. The note below sets out information about the operating leases.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date:

	2020 £'000
Less than one year	601
One to two years	470
Two to three years	437
Three to four years	404
More than five years	1,112
Total undiscounted lease payments	3,024

**ii) Finance lease**

The Company also sub-leases properties. The Company has classified the sub-leases as finance leases, because the sub-leases are for the more than 75% of the lease term of the head term.

The following table sets out a maturity analysis of the lease receivables, showing the undiscounted lease payments to be received after the reporting date.

	2020 £'000
Less than one year	2,285
One to two years	2,103
Two to three years	2,099
Three to four years	2,064
More than five years	11,959
Total undiscounted lease payments	20,510

**18. POST BALANCE SHEET EVENT**

As at 31 March 2020, the Group had access to short-term funding from the ultimate parent of £680m, renewable annually.

On 29 September 2020, this Group funding arrangement was amended to consist of a two year loan expiring on 30 September 2022 of £500m, a further £80m of unused committed facility available to be drawn upon at the option of the Directors by 31 March 2021, in addition to the short term funding facility of £100m which is currently due to expire, unless both parties agree to extend, on 31 March 2021.