TOYOTA FINANCE AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES
ABN 48 002 435 181
INTERIM REPORT
FOR THE HALF YEAR ENDED 30 SEPTEMBER 2024

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Interim Report

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DIRECTORS' REPORT

The directors present this report on the consolidated entity consisting of Toyota Finance Australia Limited ("the company") and the entities it controlled at the end of, or during, the half year ended 30 September 2024.

1. DIRECTORS

The directors of the company at any time during or since the end of the financial year are:

Current Directors
E. Tsirogiannis, a director since 2017; Managing Director since 2020
B. I. Knight, a director since 2014
M. J. Callachor, a director since 2017
M. Templin, a director since 2018
J. Pappas, a director since 2022
H. Ito, a director since 2023
D. Chessari was appointed as a director on 22 August 2024
G. McGrath, term expired as a director on 30 September 2024

2. REVIEW OF OPERATIONS

The net profit of the consolidated entity for the half year ended 30 September 2024 was $234,814,000 (30 September 2023: $141,035,000) after deducting income tax expense of $98,874,000 (30 September 2023: $57,851,000).

The Reserve Bank of Australia (RBA) has continued to hold the cash rate at a 10-year high. Despite inflation showing signs of easing, the RBA remains vigilant about ensuring that inflation trends downward toward its target range. The ongoing high cash rate have continued to affect both the cost of funds and lending rates, creating challenges in borrowing and consumer spending.

Strong new vehicle volume growth has continued as supply chain disruptions ease. Used vehicle prices holding above pre-COVID levels have further supported operating income.

Underlying profitability has been impacted by the change in the fair value of derivatives used to manage exposure to foreign currency and interest rate risks. As the consolidated entity does not apply hedge accounting, changes in the fair value of derivatives are recognised immediately in the statements of condensed consolidated comprehensive income as interest expense and similar charges. This introduces volatility in the condensed consolidated entity's statement of comprehensive income and produces anomalous results through the lifecycle of the derivatives.

3. AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration is set out on page 4.

4. ROUNDING OF AMOUNTS

The company and its controlled entities are of a kind referred to in ASIC Legislative Instrument 2016/191, relating to "rounding off" of amounts in the directors' report. Amounts in the directors' report and condensed consolidated interim financial report have been rounded off in accordance with that Instrument to the nearest thousand dollars or, in certain cases, to the nearest dollar.

This report is made in accordance with a resolution of the directors.
For and on behalf of the Board

E. Tsirogiannis Director	H. Ito Director
Sydney 11 December 2024	Sydney 11 December 2024

Auditor's Independence Declaration

As lead auditor for the review of Toyota Finance Australia Limited for the half-year ended 30 September 2024, I declare that to the best of my knowledge and belief, there have been:

1. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Toyota Finance Australia Limited and the entities it controlled during the period.

David R Cox
Partner
PricewaterhouseCoopers

Sydney
11 December 2024

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	30 September 2024 $'000	30 September 2023 $'000
Interest revenue calculated using the effective interest rate method	2a	923,236	687,800
Rental income on motor vehicles under operating lease		300,202	247,629
Fee income	2b	32,135	29,091
Financing and similar revenue		**1,255,573**	**964,520**
Interest expense and similar charges	2a	(544,652)	(445,577)
Depreciation expense on motor vehicles under operating lease		(237,808)	(202,655)
Financing expense and similar charges		**(782,460)**	**(648,232)**
Net financing and similar revenue		**473,113**	**316,288**
Other revenue	3	70,006	53,295
Net operating income		**543,119**	**369,583**
Credit impairment (loss)	4c	(41,686)	(22,058)
Non-credit impairment reversal	7b	504	63
Employee benefits expense		(101,260)	(95,779)
Depreciation, write-off and amortisation	5	(21,435)	(14,313)
IT and communication expense		(26,047)	(23,511)
Sales and marketing expense		(4,163)	(4,278)
Other expenses		(19,445)	(16,872)
Share of net profits of associates accounted for using the equity method		4,101	6,051
Profit before income tax		**333,688**	**198,886**
Income tax expense		(98,874)	(57,851)
Profit attributable to owners of Toyota Finance Australia Limited		**234,814**	**141,035**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		(25)	(634)
Total comprehensive income attributable to owners of Toyota Finance Australia Limited		**234,789**	**140,401**

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 September 2024 $'000	31 March 2024 $'000
Assets			
Cash and cash equivalents		2,500,380	3,070,045
Loans and receivables	7a	26,846,533	26,209,498
Motor vehicles under operating lease	7b	2,475,875	2,242,356
Derivative financial instruments	10	221,229	448,123
Investment accounted for using the equity method		105,065	116,189
Intangible assets		60,440	64,068
Property, plant and equipment		18,265	17,341
Right-of-use assets		36,137	39,911
Other assets		182,313	134,186
Total assets		**32,446,237**	**32,341,717**
Liabilities			
Due to banks and other financial institutions	8	8,227,941	7,911,831
Bonds and commercial paper	9	20,408,801	20,971,661
Derivative financial instruments	10	691,089	414,605
Deferred tax liabilities		26,014	31,874
Other liabilities		590,620	656,424
Contract liabilities		141,640	136,974
Lease liabilities		43,056	46,479
Total liabilities		**30,129,161**	**30,169,848**
Net assets		**2,317,076**	**2,171,869**
Equity			
Contributed equity		120,000	120,000
Reserves		2,865	2,890
Retained earnings		2,194,211	2,048,979
Total equity		**2,317,076**	**2,171,869**

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 April 2023	120,000	4,957	1,785,754	1,910,711
Profit for the period	-	-	141,035	141,035
Other comprehensive income	-	(634)	-	(634)
Total comprehensive income for the period	-	(634)	141,035	140,401
Dividend paid	-	-	-	-
Balance at 30 September 2023	**120,000**	**4,323**	**1,926,789**	**2,051,112**
Balance at 1 April 2024	120,000	2,890	2,048,979	2,171,869
Profit for the period	-	-	234,814	234,814
Other comprehensive income	-	(25)	-	(25)
Total comprehensive income for the period	-	(25)	234,814	234,789
Dividend paid	-	-	(89,582)	(89,582)
Balance at 30 September 2024	**120,000**	**2,865**	**2,194,211**	**2,317,076**

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	30 September 2024 $'000	30 September 2023 $'000
Cash flows from operating activities		
Net cash outflow from lending and other operating activities	(1,429,819)	(2,379,397)
Interest received	1,011,434	773,108
Rental income received	300,202	247,633
Interest paid	(627,235)	(442,562)
Income taxes refunded/(paid)	(10,000)	45,337
Net cash outflow from operating activities	**(755,418)**	**(1,755,881)**
Cash flows from investing activities		
Payments for intangible assets	(7,716)	(12,912)
Payments for property, plant and equipment	(5,235)	(3,137)
Proceeds from sale of non-leased property, plant and equipment	3,767	1,928
Dividends received from associate	15,200	-
Net cash inflow/(outflow) from investing activities	**6,016**	**(14,121)**
Cash flows from financing activities		
Proceeds from borrowings	11,496,821	11,772,443
Repayments of borrowings	(11,224,079)	(10,127,710)
Principal lease payments	(3,423)	(3,849)
Dividends paid to parent	(89,582)	-
Net cash inflow from financing activities	**179,737**	**1,640,884**
Net decrease in cash and cash equivalents	(569,665)	(129,118)
Cash and cash equivalents at beginning of period	3,070,045	2,104,066
Cash and cash equivalents at end of period	**2,500,380**	**1,974,948**

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1. Basis of preparation of interim financial report

The condensed consolidated interim financial report for the half year ended 30 September 2024 has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting.*

The condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 March 2024.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, with the exception of new and amended standards and interpretations, commencing 1 April 2024 that have been adopted where applicable.

Going Concern

The directors consider the consolidated entity has sufficient resources to meet all its obligations as and when they fall due. Therefore, the financial statements have been prepared on a going concern basis, which assumes that the consolidated entity will be able to realise its assets and discharge its liabilities in the normal course of business.

Prior Year comparatives

Where relevant, comparatives in the condensed consolidated interim financial report have been restated to conform to the current half year presentation.

2. Financing revenue, expense and similar charges

	30 September 2024 $'000	30 September 2023 $'000
(a) Interest revenue and expense		
Interest revenue calculated using the effective interest rate method		
Interest revenue	1,009,705	773,204
Fee income	52,642	48,364
Fee expense	(139,111)	(133,768)
Total interest revenue	**923,236**	**687,800**
Interest expense and similar charges		
Interest expense	598,199	452,832
Net (gain)/loss on translation of foreign currency debt	(665,226)	228,527
Fair value loss/(gain) on derivative financial instruments at fair value through profit or loss	595,115	(250,826)
Transaction costs	15,575	14,605
Interest on lease liabilities	989	439
Total interest expense and similar charges	**544,652**	**445,577**
(b) Fee income earned on originated assets		
Administration and management fee	30,806	27,932
Other fees	1,329	1,159
Total fee income	**32,135**	**29,091**

3. Other revenue

	30 September 2024 $'000	30 September 2023 $'000
Net gain on disposal of leased and fixed assets*	39,806	28,832
Net insurance distribution revenue	12,518	12,247
Net maintenance revenue	14,814	9,121
Other income	2,868	3,095
Total other revenue	**70,006**	**53,295**

* The net gain on disposal of leased and fixed assets represents proceeds of $248,029,000 (2023: $159,758,000) and cost of sales of $208,223,000 (2023: $130,926,000).

4. Impairment of financing assets

	30 September 2024 $'000	31 March 2024 $'000
(a) Provision for credit impairment of loans and receivables		
Opening balance	160,167	138,767
Increase in impairment loss provision	10,000	21,400
Closing balance	**170,167**	**160,167**

	30 September 2024 $'000	31 March 2024 $'000
(b) Provision for Guaranteed Future Value		
Opening balance	700	2,200
Decrease in impairment loss provision	-	(1,500)
Closing balance	**700**	**700**

	30 September 2024 $'000	30 September 2023 $'000
(c) Credit impairment loss		
Bad debts written off	52,617	34,111
Recovery of bad debts written off	(20,931)	(12,053)
Increase in impairment loss provision	10,000	-
Total impairment loss	**41,686**	**22,058**

Significant accounting estimate and judgement

The consolidated entity assesses, on a forward-looking basis, the expected credit loss (ECL) associated with its loan and receivable assets carried at amortised cost and recognises a loss allowance for such losses at each reporting date. The consolidated entity uses complex models and significant assumptions on future economic conditions and credit behaviour (e.g., the likelihood of customers defaulting and resulting losses).

A number of significant judgements are applied in the accounting requirements for measuring ECL, such as:

- determining the criteria for a significant increase in credit risk;
- choosing appropriate models and assumptions for the measurement of ECL; and
- establishing the number and relative weightings of forward-looking scenarios for each type of portfolio and the associated ECL.

Incorporation of forward-looking factors and macroeconomic factors considered in the measurement of ECL

The consolidated entity has considered a range of relevant forward-looking Australian macroeconomic scenarios and assumptions, for the determination of unbiased economic forecasts and industry adjustment, that support the calculation of probability weighted expected loss.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and

4. Impairment of financing assets (continued)

- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions, forecasts of future economic conditions, including the continued Ukraine crisis.

The consolidated entity engages Moody's Analytics to obtain forecasts of the Australian macroeconomic variables, which are applied in the Z-score model. Inputs considered in the Z-score model are:

- real gross domestic product (GDP) growth rate;
- unemployment rate;
- cash rate;
- house price index;
- AUD/USD exchange rate; and
- stock market index.

These inputs reflect reasonable and supportable forecasts of future macroeconomic conditions that includes, but are not limited to, unemployment, interest rates, gross domestic product, house price index, and require evaluations of both the current and forecast direction of the macroeconomic cycle.

Incorporation of forward-looking information increases the degree of judgement required as to how changes in these macroeconomic factors will affect expected credit losses. For the half year reporting period, the consolidated entity has considered three forward-looking scenarios in the calculation of ECL:

Upside scenario at 5% weighting: Under this scenario, the economic impacts of the Russian war in Ukraine and the Hamas-Israel conflict resolve much faster than anticipated and that pandemic fears subside. The acceleration in global activity helps push Australia's output above its potential level and all GDP components contribute to growth.

Macroeconomic factors incorporated in this scenario includes:

- Real GDP will expand by 1.41% in calendar year (CY) 2024 and 3.93% in CY2025;
- Unemployment rate at 3.86% on average in CY2024; and 3.53% in CY2025; and
- Consumer Price Index (CPI) at 3.95% on average in CY2024 and 3.90% in CY2025.

Base scenario at 50% weighting: Under this scenario, Russia's war in Ukraine continues but does not escalate beyond Ukraine and the war in Gaza does not broaden to a regional conflict. Inflation remains higher than expected pushing hopes of a rate cut back to early next year keeping pressure on households and businesses. Labour market will weaken, and the strong population growth will moderate. The uncertainty in the Geopolitical landscape could weaken business and consumer confidence and result in weaker-than-anticipated growth.

Macroeconomic factors incorporated in this scenario includes:

- Full-year GDP growth is estimated at 0.95% in CY2024 and 2.05% in CY2025;
- Unemployment rate to increase to 4.15% by the end of 2024 and 4.48% by the end of 2025; and
- CPI at 3.59% on average in CY2024 and 2.92% in CY2025.

Recession scenario at 45% weighting: Under this scenario, sentiment falls sharply amid increasing concerns about global growth. Geopolitical tensions rise on fears that the war in Ukraine and the Hamas-Israel conflict will broaden and the Political tensions between the U.S. and China worsen. The global economy falls into recession in 2024, causing oil prices to fall below the baseline.

Macroeconomic factors incorporated in this scenario includes:

- GDP will expand only by 0.31% in CY2024 and a contraction of 1.01 is expected CY2025;
- Unemployment rate to increase to 4.51% by the end of 2024 and 6.69% in CY2025; and
- CPI at 2.89% on average in CY2024 and 1.13% in CY2025.

4. Impairment of financing assets (continued)

The table below shows the reported provision for ECL based on the probability weighted scenarios and what the provisions for ECL would be assuming a 100% weighting to the base case scenario, to the upside scenario and to the recession scenario for the consolidated entity on the expected range of possible future loss outcomes as noted above.

$	30 September 2024	31 March 2024
Base	132,619,000	125,404,000
Upside	105,658,000	101,847,000
Recession	198,813,000	183,944,000

The consolidated entity has also applied an overlay of approximately $9,077,000 (2024: $9,622,000). The ECL recognised by the consolidated entity as at 30 September 2024 is $170,167,000 (2024: $160,167,000).

5. Depreciation, write-off and amortisation

	30 September 2024 $'000	30 September 2023 $'000
Depreciation on property, plant and equipment		
Right-of-use assets	5,192	3,453
Leasehold improvements	1,324	1,152
Plant and equipment	195	204
Motor vehicles	1,252	1,068
Write-off property, plant and equipment	-	17
Total depreciation and write-off	**7,963**	**5,894**
Amortisation of intangible assets		
Computer software development*	13,472	8,419
Total amortisation and write-off	**13,472**	**8,419**
Total depreciation, write-off and amortisation	**21,435**	**14,313**

** The amortisation of computer software development as at 30 September 2024 includes amortisation of software as a service arrangements amounting to $3,506,000 (2023: $3,109,000).*

6. Segment results

Management has determined the operating segments based on reports reviewed by the board of directors that are used to make strategic decisions. It categorises the operations of the business into two main business streams, Retail and Fleet. Retail segment comprises of loans and leases to personal and commercial customers, including wholesale finance consisting of loans and bailment facilities to motor vehicle dealerships. Fleet segment comprises of loans and leases to small business and Fleet customers. Fleet customers include medium to large commercial clients and government bodies. The company's business segments operate in Australia.

	30 September 2024			
	Retail	**Fleet**	**Unallocated***	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Net financing revenue (excluding fee income)	228,607	52,560	159,811	440,978
Fee income				
Fee income recognised over a period of time	21,479	9,327	-	30,806
Fee income/(expense) recognised at a point in time	2,167	(791)	(47)	1,329
Other revenue				
Other revenue recognised at a point in time	11,775	15,558	2,867	30,200
Net gain on disposal of leased and fixed assets	-	39,470	336	39,806
Net operating income	264,028	116,124	162,967	543,119
Total reporting segment operating profit	91,687	51,177		142,864

	30 September 2023			
	Retail	**Fleet**	**Unallocated***	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Net financing revenue (excluding fee income)	192,551	45,741	48,905	287,197
Fee income				
Fee income recognised over a period of time	19,599	8,333	-	27,932
Fee income/(expense) recognised at a point in time	1,874	(685)	(30)	1,159
Other revenue				
Other revenue recognised at a point in time	7,464	10,107	6,892	24,463
Net gain on disposal of leased and fixed assets	-	28,662	170	28,832
Net operating income	221,488	92,158	55,937	369,583
Total reporting segment operating profit	71,016	39,447	-	110,463

	30 September 2024			
Assets	**Retail**	**Fleet**	**Unallocated**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Segment assets	23,826,784	5,495,623	3,123,829	32,446,237

	31 March 2024			
Assets	**Retail**	**Fleet**	**Unallocated**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Segment assets	23,228,757	5,223,097	3,889,863	32,341,717

** Unallocated includes the activities undertaken by the centralised treasury and ancillary support functions.*

6. Segment results (continued)

The consolidated entity’s segment operating profit reconciles to consolidated profit attributable to owners as presented in the condensed consolidated statement of comprehensive income as follows:

	30 September 2024 $'000	30 September 2023 $'000
Total reporting segment operating profit	142,864	110,463
Share of net profits of associates accounted for using the equity method	4,101	6,051
Fair value gain/(loss)	128,727	36,220
Other unallocated net income	57,996	46,152
Profit before income tax	**333,688**	**198,886**
Income tax expense	(98,874)	(57,851)
Profit attributable to owners of Toyota Finance Australia Limited	**234,814**	**141,035**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker who is responsible for allocating resources and assessing performance of the operating segments has been identified as the board of directors.

In July 2024, the IASB issued the IFRS Interpretations Committee's final agenda decision on disclosures of revenues and expenses for reportable segments. The consolidated entity is in the process of assessing the impacts of the agenda decision on its segment information.

7. Financing assets and motor vehicles under operating lease

(a) Loans and receivables

	Note	30 September 2024 $'000	31 March 2024 $'000
Finance leases		1,423,308	1,355,239
Unearned income on finance leases		(143,103)	(127,552)
Finance leases - net		1,280,205	1,227,687
Bailment stock		4,443,436	4,611,151
Term loans		20,701,673	19,956,935
Term purchases		592,086	574,592
Net loans and receivables (net of unearned income)		27,017,400	26,370,365
Provision for impairment of loans and receivables and Guaranteed future value	4a & b	(170,867)	(160,867)
Net loans and receivables		**26,846,533**	**26,209,498**

	30 September 2024 $'000	31 March 2024 $'000
Maturity analysis (net of unearned income)		
Current		
Net loans and receivables maturing within 12 months	10,355,937	10,336,623
Non-current		
Net loans and receivables maturing beyond 12 months	16,661,463	16,033,742
	27,017,400	**26,370,365**

Future minimum lease receipts under finance leases

	30 September 2024			31 March 2024		
	Gross investment in finance lease receivables $'000	Unearned income $'000	Present value of minimum lease payment receivables $'000	Gross investment in finance lease receivables $'000	Unearned income $'000	Present value of minimum lease payment receivables $'000
Not later than one year	421,892	(56,023)	365,869	399,128	(49,944)	349,184
One to two years	361,279	(40,557)	320,722	345,900	(35,917)	309,983
Two to three years	293,241	(26,157)	267,084	276,713	(23,302)	253,411
Three to four years	218,163	(13,284)	204,879	210,592	(12,107)	198,485
Four to five years	85,409	(5,023)	80,386	82,739	(4,486)	78,253
Over five years	43,324	(2,059)	41,265	40,167	(1,796)	38,371
Total	**1,423,308**	**(143,103)**	**1,280,205**	**1,355,239**	**(127,552)**	**1,227,687**

7. Financing assets and motor vehicles under operating lease (continued)

(b) Motor vehicles under operating lease

	30 September 2024 $'000	31 March 2024 $'000
Operating lease - at cost	3,831,942	3,557,917
Provision for residual value impairment loss	(7,850)	(8,850)
Accumulated depreciation	(1,348,217)	(1,306,711)
Total motor vehicles under operating lease	**2,475,875**	**2,242,356**
Provision for non-credit impairment loss on motor vehicle under operating lease		
Opening balance	8,850	8,750
(Decrease)/increase in impairment loss provision	(1,000)	100
Closing balance	**7,850**	**8,850**

	30 September 2024 $'000	30 September 2023 $'000
Non-credit Impairment loss		
Write off	496	(63)
Decrease in impairment loss provision	(1000)	-
Total impairment (reversal)	**(504)**	**(63)**

	30 September 2024 $'000	31 March 2024 $'000
Future minimum lease receipts		
Not later than one year	475,570	410,170
One to two years	295,257	255,758
Two to three years	206,684	177,783
Three to four years	110,303	89,558
Four to five years	47,564	35,747
Over five years	12,657	11,228
	1,148,035	**980,244**
Movements in cost, accumulated depreciation and reserves		
Balance at beginning of period, net of residual value	2,242,356	1,864,213
Additions	676,052	1,122,501
Disposals	(205,725)	(321,517)
Depreciation expense	(237,808)	(422,741)
Impairment reversal/(provision)	1,000	(100)
Balance at end of period, net of residual value	**2,475,875**	**2,242,356**

8. Due to banks and other financial institutions

	30 September 2024 $'000	31 March 2024 $'000
Banks and other financial institutions	8,227,941	7,911,831
Total due to banks and other financial institutions	**8,227,941**	**7,911,831**
Maturity analysis		
Current		
Banks and other financial institutions	3,739,733	3,468,246
Non-current		
Banks and other financial institutions	4,488,208	4,443,585
	8,227,941	**7,911,831**

9. Bonds and commercial paper

	30 September 2024 $'000	31 March 2024 $'000
Commercial paper	4,854,938	4,757,864
Medium term note	15,553,863	16,213,797
Total bonds and commercial paper	**20,408,801**	**20,971,661**
Maturity analysis		
Current		
Bonds and commercial paper	7,802,948	9,661,538
Non-current		
Bonds and commercial paper	12,605,853	11,310,123
	20,408,801	**20,971,661**

Holders of any outstanding bonds, debentures, notes and other investment securities and commercial paper summarised in the tables above have the benefit of Credit Support Agreements governed by Japanese law.
These agreements are between the ultimate parent company, Toyota Motor Corporation (TMC) and the immediate parent entity, Toyota Financial Services Corporation (TFSC), dated 14 July 2000, and between TFSC and the company dated 7 August 2000.

10. Fair value measurement of financial instruments

Fair value measurements

The consolidated entity uses derivatives not designated in a qualifying hedging relationship, to manage its exposure to foreign currency and interest rate risks. Derivative financial assets and liabilities are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The derivatives have not been designated as hedging instruments. Consequently, changes in the fair value of derivatives are recognised immediately in the condensed consolidated statement of comprehensive income as “interest expense and similar charges”. This may, to the extent that they are not offset by the translation of the items economically hedged, introduce volatility in the entity’s condensed consolidated statement of comprehensive income and produce anomalous results.

Fair value estimation

The fair value of the financial instruments that are not traded in an active market (over-the-counter derivatives) is determined using valuation techniques. The fair value of interest rate swaps and cross currency swaps is calculated as the present value of the estimated future cash flows. The fair value of foreign exchange contracts is determined using the forward exchange rates at the end of the reporting period.

The following market inputs and methods are used to determine the fair value of financial instruments:

- Market mid rates, being the average of bid and ask prices, for interest and foreign exchange rates;
- Market rates are captured at Tokyo close on the last business day of the preceding month;
- Cash flows for interest rate and cross currency swaps are discounted at risk free rates, known as overnight index swaps rates;
- For variable interest rate instruments, future interest rate sets are estimated from interest rate swap curve of the same currency and interest rate period; and
- Forward revaluation approach is used for foreign exchange contracts, whereby;
    - Forward exchange rates are determined by combining spot exchange rates and forward points; and
    - Forward exchange rates are used to convert foreign currency cash flows to the reporting currency, to determine the value on settlement date, without discounting back to the valuation date.

Bilateral credit valuation adjustments

The credit valuation adjustment is an adjustment to the fair value of the derivative instruments to account for the counterparty credit risk. It is the credit spreads of both the consolidated entity and the counterparty, together with market factors, that drive the bilateral credit valuation adjustments.

Accounting estimates

The consolidated entity applies accounting estimates and assumptions to make reasonable judgements on carrying amounts of assets and liabilities. An area involving levels of estimates or complexity of assumptions is derivative financial instruments.

Fair value hierarchy

The table below analyses financial instruments carried at fair values, by valuation method. The different levels are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
Level 3: Inputs for the asset or liability that are not based on observable market data.

The consolidated entity’s financial instruments that are measured and recognised at fair value are derivative assets and derivative liabilities used for hedging (i.e., interest rate swaps, cross currency swaps and forward exchange contracts). While these instruments are used for economic hedging, the consolidated entity does not apply hedge accounting.

10. Fair value measurement of financial instruments (continued)

30 September 2024	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Derivative financial assets through profit or loss				
Derivatives used for economic hedging				
Foreign exchange contracts	-	13,921	-	13,921
Interest rate swap contracts	-	139,125	-	139,125
Cross currency swap contracts	-	70,427	-	70,427
Less: Bilateral credit valuation adjustments	-	(2,244)	-	(2,244)
Total financial assets	**-**	**221,229**	**-**	**221,229**
Derivative financial liabilities through profit or loss				
Derivatives used for economic hedging				
Foreign exchange contracts	-	107,885	-	107,885
Interest rate swap contracts	-	110,941	-	110,941
Cross currency swap contracts	-	472,263	-	472,263
Total financial liabilities	**-**	**691,089**	**-**	**691,089**

31 March 2024	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Derivative financial assets through profit or loss				
Derivatives used for economic hedging				
Foreign exchange contracts	-	56,706	-	56,706
Interest rate swap contracts	-	223,132	-	223,132
Cross currency swap contracts	-	172,068	-	172,068
Less: Bilateral credit valuation adjustments	-	(3,783)	-	(3,783)
Total financial assets	**-**	**448,123**	-	**448,123**
Derivative financial liabilities through profit or loss				
Derivatives used for economic hedging				
Foreign exchange contracts	-	7,089	-	7,089
Interest rate swap contracts	-	77,316	-	77,316
Cross currency swap contracts	-	330,200	-	330,200
Total financial liabilities	**-**	**414,605**	-	**414,605**

The consolidated entity did not measure any financial assets and financial liabilities at fair value on a non-recurring basis as at 30 September 2024.

10. Fair value measurement of financial instruments (continued)

	30 September 2024		31 March 2024	
	Carrying amount	Fair value	Carrying amount	Fair value
	$'000	$'000	$'000	$'000
Financial assets				
Loans and receivables*	26,846,533	27,099,744	26,209,498	26,191,855
	26,846,533	**27,099,744**	**26,209,498**	**26,191,855**
Financial liabilities				
Due to banks and other financial institutions	8,227,941	8,281,655	7,911,831	8,020,666
Bonds and commercial paper	20,408,801	20,787,286	20,971,661	21,028,751
	28,636,742	**29,068,941**	**28,883,492**	**29,049,417**

*Carrying amount balance excludes provision for impairment loss.

The carrying amounts of cash and cash equivalents, trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of the loans and receivables is estimated at portfolio level by discounting the contractual cash flows using current lending rates. The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the consolidated entity for similar financial instruments. All the non-derivative financial assets and liabilities are level 2 as per the valuation hierarchy, with the exception of securitised debt under “due to banks and other financial institutions” and loans and receivables which is classified as level 3.

11. Cash flow information

Reconciliation of profit for the half year to net cash outflow from operating activities

	30 September 2024 $'000	30 September 2023 $'000
Profit attributable to owners of Toyota Finance Australia Limited	234,814	141,035
Share of profit of associates	(4,101)	(6,051)
Depreciation, write-off and amortisation	17,929	11,237
Amortisation - upfront receipts	411	335
Amortisation - prepaid expenses	14,797	12,350
Net gain on sale or derecognition of non-current assets	(39,806)	(28,815)
Net (gain)/ loss on translation of foreign currency transactions	(669,888)	287,138
Changes in fair value of financial instruments	484,601	(95,074)
Provision for impairment of receivable	10,000	-
Reversal of impairment on residual value	(1,000)	-
Movements in operating assets and liabilities:		
Increase in loans and receivables	(647,035)	(2,348,388)
Increase in assets under net operating lease (net of accumulated depreciation)	(193,561)	(171,112)
Decrease in deferred tax asset	-	5,723
(Decrease)/increase in deferred tax liability	(5,860)	29,126
(Decrease)/increase in other, contract and lease liabilities	(157,292)	203,175
(Increase)/decrease in other assets	(48,126)	46,777
Increase in income tax payable	94,734	68,339
Increase in derivative financial instruments at fair value through profit or loss	153,965	88,324
Net cash outflow from operating activities	**(755,418)**	**(1,755,881)**

12. Events occurring after the balance sheet date

Inflation remains a challenge for Australian households, despite signs of moderation in recent months. Follow on effect of rising interest rates, implemented to manage inflation, continue to impact the cost of living and are felt across various sectors of the economy. In response to this macro-economic environment, management is closely monitoring bad debts, loans, and lease delinquencies. While pressures on household budgets persist, there has been no significant escalation in default trends thus far, but vigilance remains critical as economic conditions evolve.

No significant events have occurred since the balance sheet date, which would have an impact on the financial position of the consolidated entity disclosed in the condensed consolidated statement of financial position as at 30 September 2024 or on the results and cash flows of the consolidated entity for the half year period ended as at that date.

13. Contingent liabilities

Group GST liability

The consolidated entity, as members of the Toyota Motor Corporation Australia Limited GST Group ("GST Group"), are jointly and severally liable for 100% of the goods and services tax ("GST") payable by the GST Group. The GST Group had a net GST payable as at 30 September 2024 of $93,642,000 (31 March 2024: $79,627,000). The company had recorded a liability of $87,572,000 for it's share of GST payable as at 30 September 2024 (31 March 2024: $69,249,000)

The consolidated entity, in association with other Australian incorporated entities with a common owner, implemented the income tax consolidation legislation from 1 April 2003 with Toyota Motor Corporation Australia Limited (a wholly owned subsidiary of the ultimate parent entity) as the head entity of the income tax consolidated group. Under the income tax consolidation legislation, income tax consolidation entities are jointly and severally liable for the income tax liability of the consolidated income tax group unless an income tax sharing agreement has been entered into by member entities. At the date of signing this financial report, an income tax sharing agreement has been executed.

Class action

On 22 February 2024, Toyota Finance Australia Limited was served with a class action lawsuit claiming that between 2010 and 2018 there was an undisclosed flex commission arrangement between Toyota Finance Australia Limited (TFA) and its dealerships that encouraged those dealerships to vary the interest rates on loans arranged for their customers. TFA is defending the claim and cannot predict the eventual scope, duration or outcome at this time. As a result, TFA is unable to estimate the amount or range of any potential loss arising from the class action. Also, there is currently an application to extend the flex commission claim to include add on insurance arrangements which TFA is defending. Any amendment must be approved by the court.

Other

From time to time, there may be litigation or regulatory proceedings against the consolidated entity. The Board continues to monitor each of these actions or investigations. We are not aware of any pending litigation, proceedings, hearings or claims negotiations which may result in significant loss to the consolidated entity.

TOYOTA FINANCE AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES
ABN 48 002 435 181

DIRECTORS' DECLARATION

In the directors' opinion:

(a) the condensed consolidated interim financial statements and notes set out on pages 5 to 23:

  (i) complying with Accounting Standards and other mandatory professional reporting requirements; and

  (ii) giving a true and fair view of the consolidated entity's financial position as at 30 September 2024 and of its performance for the half year ended on that date; and

(b) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

For and on behalf of the Board

E. Tsirogiannis
Director

Sydney
11 December 2024

H. Ito
Director

Sydney
11 December 2024

Independent auditor's review report to the members of Toyota Finance Australia Limited

Report on the interim financial report

Conclusion

We have reviewed the interim financial report of Toyota Finance Australia Limited (the Company) and the entities it controlled during the half-year (together the Consolidated Entity), which comprises the Condensed consolidated statement of financial position as at 30 September 2024, the Condensed consolidated statement of comprehensive income, Condensed consolidated statement of changes in equity and Condensed consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the accompanying interim financial report of Toyota Finance Australia Limited does not present fairly, in all material respects, the Consolidated Entity's financial position as at 30 September 2024 and its financial performance and its cash flows for the half-year ended on that date, in accordance with the accounting policies as described in Note 1 to the financial statements.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the interim financial report* section of our report.

We are independent of the Consolidated Entity in accordance with the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the directors for the interim financial report

The directors of the Company are responsible for the preparation and fair presentation of the interim financial report in accordance with the accounting policies as described in Note 1 to the financial statements and for such internal control as management determines is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the interim financial report

Our responsibility is to express a conclusion on the interim financial report based on our review. ASRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial report does not present fairly, in all material respects, the financial position of the Consolidated Entity as at 30 September 2024 and of its financial performance and its cash flows for the half-year ended on that date in accordance with the accounting policies as described in Note 1 to the financial statements.

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A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

PricewaterhouseCoopers

David R Cox
Partner

Sydney
11 December 2024