21 November 2018

Toyota Finance Australia Limited ("*TFA*")

Half-Yearly Financial Report for the six months ended 30 September 2018

TFA (ABN 48 002 435 181), which was incorporated as a public company limited by shares in New South Wales, Australia on 18 June 1982, operates under the Corporations Act 2001 of Australia (the "***Corporations Act***") and is a wholly-owned subsidiary of Toyota Financial Services Corporation ("***TFS***") which is a wholly-owned subsidiary of Toyota Motor Corporation ("***TMC***"), presents its half-yearly financial report for the six months ended 30 September 2018.

In this document, all references to "TFA" are to Toyota Finance Australia Limited, and all references to the "Group" or "consolidated entity" are to TFA and its consolidated subsidiaries.

1. Management Report

(A) Summary of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements.

Unless otherwise indicated in this document, all references to "$" are to the lawful currency of the Commonwealth of Australia.

The Group's earnings are primarily impacted by the average level of earning assets, (comprising investments in finance receivables and operating leases), earning asset yields, outstanding borrowings and the related borrowing cost and the impact of credit losses and impairment of residual values.

The consolidated net profit after income tax of the Group for the six months ended 30 September 2018 was $78.5 million, compared to $93.9 million for the six months ended 30 September 2017. The results for the six months ended 30 September 2018 were primarily affected by the following factors:

(i) an increase in the employee benefits expenses due to growth in business and ongoing technology related projects;

(ii) higher finance revenue compared to last year driven by growth in portfolio; and

(iii) impact of the release of impairment provision in the prior year.

Total managed assets as at 30 September 2018 was $18,027 million, compared to a balance of $16,763 million as at 31 March 2018.

Provisions for impairment of financing assets represent 0.81% ($146.9 million) of gross loans and receivables (net of unearned income) as at 30 September 2018, compared to 0.99% ($168.0 million) as at 31 March 2018. TFA's level of credit losses is influenced primarily by two factors: the total number of contracts that default and loss per occurrence. TFA's provision for impairment of financing assets is established when there is objective evidence that TFA will not be able to collect all amounts according to the original terms of the contract. The allowance for credit losses is evaluated at each balance date, considering historical loss experience and other factors, and is considered adequate to cover expected credit losses as of 30 September 2018.

TFA maintains an Euro Medium Term Note ("***EMTN***") programme together with its affiliates Toyota Motor Finance (Netherlands) B.V., Toyota Credit Canada Inc. and Toyota Motor Credit Corporation (TFA and such affiliates, the "***EMTN Issuers***"), providing for the issuance of debt securities in the international capital markets. In September 2018, the EMTN Issuers renewed the EMTN programme for a one year period. The maximum aggregate principal amount of debt securities that may be issued by the EMTN Issuers and outstanding under the EMTN programme at any time is €50 billion, or the equivalent in other currencies, of which €21.9 billion was available for issuance at 30 September 2018.

On 9 November 2018, TFA and other Toyota affiliates entered into a US$5.0 billion 364 day syndicated bank credit facility pursuant to a 364 Day Credit Agreement, a US$5.0 billion three year syndicated bank credit facility pursuant to a Three Year Credit Agreement and a US$5.0 billion five year syndicated bank credit facility pursuant to a Five Year Credit Agreement. The ability to make drawdowns under the 364 Day Credit Agreement, the Three Year Credit Agreement and the Five Year Credit Agreement is subject to covenants and conditions customary in transactions of this nature, including negative pledge provisions, cross default provisions and limitations on consolidations, mergers and sales of assets. The 364 Day Credit Agreement, the Three Year Credit Agreement and the Five Year Credit Agreement may be used for general corporate purposes and were not drawn upon as of 30 November 2018. The 364 Day Credit Agreement, the Three Year Credit Agreement and the Five Year Credit Agreement, each dated as of 13 November 2017, terminated (in the case of the 364 Day Credit Agreement) or were terminated (in the case of the Three Year Credit Agreement and the Five Year Credit Agreement) on 9 November 2018.

(B) Risks and uncertainties for the remaining six months of the financial year

The principal activities of TFA, which are an integral part of the Toyota group's presence in Australia, are:

- financing the acquisition of motor vehicles by customers by way of commercial leases and consumer and commercial loans;
- providing bailment facilities and commercial loans to motor dealers;
- providing vehicle and equipment finance and fleet management services to government and corporate customers; and
- selling retail insurance policies underwritten by third party insurers.

Unless otherwise specified in this section, "TFS group" means TFS and its subsidiaries and affiliates and "Toyota" means TMC and its consolidated subsidiaries.

The Group, TFS and Toyota may be exposed to certain risks and uncertainties, summarised below, that could have a material adverse impact directly or indirectly on its results of operations and financial condition.

The TFS group's business, through its financial subsidiaries and affiliates, including the Group, is substantially dependent upon the sale of Toyota and Lexus vehicles and its ability to offer competitive financing. Factors which could affect the volume of sales of such vehicles by Toyota distributors, include changes resulting from governmental action, changes in regulation or trade policies, changes in consumer demand, new vehicle incentive programmes, recalls, the actual or perceived quality, safety or reliability of Toyota and Lexus vehicles, changes in economic conditions, increased competition, increases in the price of vehicles due to increased raw material costs, changes in import fees or tariffs due to changes to, or withdrawals from, trade agreements, currency fluctuations, fluctuations in interest rates, a significant and sustained increase in fuel prices, decreased or delayed vehicle production due to natural disasters, supply chain interruptions or other events, and the increased level of incentive programmes by other manufacturers. In turn, lower used vehicle values could affect return rates and amounts written off and depreciation on operating leases or lease residual value provisions.

The Group's results of operations and financial condition are affected by a variety of factors, including changes in the overall market for retail contracts, wholesale motor vehicle financing, leasing or dealer financing, the new and used vehicle market, changes in the level of sales of Toyota, Lexus or other vehicles in Australia, the rate of growth in the number and average balance of customer accounts, the Australian finance industry's regulatory environment, competition from other financiers, rate of default by its customers, the interest rates it is required to pay on the funding it requires to support its business, amounts of funding available to it, changes in the funding markets, its credit ratings, the success of efforts to expand its product lines, levels of operating expenses and general and administrative expenses (including, but not limited to, labour costs, technology costs and premises costs), general economic conditions, inflation, fiscal and monetary policies in Australia as well as Europe and other countries in which the Group issues debt. A downturn in the financial markets could adversely affect Toyota's ability to raise capital.

Further risks include changes to the senior long-term debt credit ratings of TMC and certain of its affiliates including the Group may result in higher borrowing costs as well as reduced access to the capital markets. Liquidity risk arising from the inability of the TFS group (including the Group) to maintain the capacity to fund assets and repay liabilities in a timely and cost-effective manner would have a negative impact on the Group's ability to refinance maturing debt and fund new asset growth. Increases in credit losses could adversely affect the Group's results of operations and financial condition. There is residual value risk that the estimated residual value at lease origination will not be recoverable at the end of the lease term. Changes in interest rates, foreign currency exchange rates and other relevant market parameters or prices cause volatility in the Group's results of operations, financial condition and cash flows. The failure of any of the financial institutions and other counterparties to which the Group has exposure, directly or indirectly, to perform their contractual obligations, and any losses resulting from that failure, may materially and adversely affect the Group's liquidity, results of operations and financial condition.

Further, inadequate or failed processes or systems or internal controls, models, estimates or assumptions, human error, employee misconduct, catastrophic events, external or internal security breaches, acts of vandalism, computer viruses, malware, ransomware, misplaced or lost data or other events could disrupt its normal operating procedures, damage its reputation and have an adverse effect on the Group's business, results of operations and financial condition. The Group's failure to prevent security breaches or cyber-attacks could subject it to liability, decrease its profitability and damage its reputation.

The worldwide automotive market is highly competitive and volatile and the worldwide financial services industry is also highly competitive. Toyota's future success depends on its ability to offer new, innovative and competitively priced products that meet customer demand on a timely basis. Toyota's ability to market and distribute effectively is an integral part of Toyota's successful sales. Toyota relies on suppliers for the provision of certain supplies including parts, components and raw materials. High prices of raw materials and strong pressure on Toyota's suppliers could negatively impact Toyota's profitability. Toyota may also be adversely affected by natural calamities, political and economic instability, fuel shortages or interruptions in social infrastructure, wars, terrorism and labour strikes.

In addition, changes to the laws, regulations or to the policies of governments (federal, state or local) of Australia or of any other national governments (federal, state or local) of any other jurisdiction in which the Group conducts its business or international organisations (and the actions flowing from such changes to policies) may have a negative impact on the Group's business or require significant expenditure by the Group, or significant changes to the Group's processes and procedures, to ensure compliance with those laws, regulations or policies so that it can effectively carry on its business. Changes to the application or interpretation of tax laws may adversely impact the Group's results of operations and financial condition. Toyota may also become subject to various legal proceedings.

The Group's principal risks and uncertainties for the remaining six months of the financial year have not changed since the issuance of the Group's 2018 Annual Financial Report. The detailed discussion of these risks and uncertainties and the Group's objectives, policies and processes for managing these risks and uncertainties were disclosed in the Management Report, as well as Note 20 in the Notes to the Financial Statements, in the Annual Financial Report of the Group for the financial year ended 31 March 2018.

2. Reviewed Condensed Financial Statements for the half-year ended 30 September 2018

TOYOTA FINANCE AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES
ABN 48 002 435 181
INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 SEPTEMBER 2018

Interim Financial Statements

Table of contents

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 2018.

1. DIRECTORS

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

Current Directors
J. R. Chandler, a director since 2007; Managing Director since June 2009
I. G. Ritchens, a director since 2010
B. I. Knight, a director since 2014
Y. Toura, a director since 2015
T. Mori, a director since 2016
G. McGrath, a director since 2016
M. J. Callachor, a director since 2017
E. Tsirogiannis, a director since 2017
M. Templin was appointed as a Director on 1 September 2018

Former Directors
Y Yomoda resigned as a Director on 31 August 2018
T Ishida ceased as Alternate Director for Y Yomoda on 31 August 2018

2. REVIEW OF OPERATIONS

The net profit of the consolidated entity for the half year ended 30 September 2018 was $78,462,000 (30 September 2017: $93,874,000) after deducting income tax expense of $31,883,000 (30 September 2017: $38,733,000).

3. AUDITORS' INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3.

4. ROUNDING OF AMOUNTS

The Company and its controlled entities is 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 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

J. R. Chandler
Director

Y.Toura 東浦義郎
Director

Sydney
15 November 2018

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Auditor's Independence Declaration

As lead auditor for the review of Toyota Finance Australia Limited for the half-year ended 30 September 2018, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) 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.

Joe Sheeran
Partner
PricewaterhouseCoopers

Sydney
15 November 2018

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Half Year 2018 $'000	Half Year 2017 $'000
Financing revenue and similar revenue	3	589,223	540,364
Financing expense and similar charges	3	(385,842)	(346,510)
Net financing revenue		**203,381**	**193,854**
Other income	4	25,496	26,174
Net operating income		**228,877**	**220,028**
Impairment of financing assets	5	(24,055)	(2,790)
Employee benefits expense		(61,629)	(51,007)
Depreciation, amortisation and write-off	6	(7,354)	(10,989)
IT and communication expense		(8,997)	(8,687)
Sales and marketing expense		(4,522)	(4,642)
Occupancy expense		(4,229)	(3,486)
Other expenses		(11,675)	(9,762)
Share of net profits of associates accounted for using the equity method		3,929	3,942
Profit before income tax		**110,345**	**132,607**
Income tax expense		(31,883)	(38,733)
Profit attributable to owners of Toyota Finance Australia Limited		**78,462**	**93,874**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		(1,773)	426
Total comprehensive income attributable to owners of Toyota Finance Australia Limited		**76,689**	**94,300**

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 September 2018 $'000	31 March 2018 $'000
Assets			
Cash and cash equivalents		1,260,450	1,282,624
Loans and receivables	8a	16,693,821	15,509,768
Motor vehicles under operating lease	8b	1,333,606	1,253,579
Derivative financial instruments		315,334	313,133
Investments accounted for using the equity method		69,487	67,331
Intangible assets		29,948	25,256
Property, plant and equipment		12,925	8,453
Deferred tax assets		5,526	16,248
Other assets		35,739	23,240
Contract assets		15,164	13,874
Total Assets		**19,772,000**	**18,513,506**
Liabilities			
Due to banks and other financial institutions	9	5,028,312	5,115,776
Bonds and commercial paper	10	12,696,481	11,414,000
Derivative financial instruments		77,981	135,265
Other liabilities		460,913	393,486
Contract liabilities/Deferred revenue	15	78,983	77,185
Total Liabilities		**18,342,670**	**17,135,712**
Net Assets		**1,429,330**	**1,377,794**
Equity			
Contributed equity		120,000	120,000
Reserves		3,501	5,274
Retained earnings		1,305,829	1,252,520
Total Equity		**1,429,330**	**1,377,794**

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of Toyota Finance Australia Limited			
		Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 April 2018		120,000	5,274	1,252,520	1,377,794
Change in accounting policy(Note 15)				16,884	16,884
Restated total equity at 1 April 2018		120,000	5,274	1,269,404	1,394,678
Profit for the year		-	-	78,462	78,462
Other comprehensive income		-	(1,773)		(1,773)
Total comprehensive income for the year		-	(1,773)	78,462	76,689
Transactions with owners in their capacity as owners:					
Dividend paid	11	-	-	(42,037)	(42,037)
Balance at 30 September 2018		**120,000**	**3,501**	**1,305,829**	**1,429,330**
Balance at 1 April 2017		120,000	3,425	1,111,352	1,234,777
Profit for the year		-	-	93,874	93,874
Other comprehensive income		-	426	-	426
Total comprehensive income for the year		-	426	93,874	94,300
Transactions with owners in their capacity as owners:					
Dividend paid	11	-	-	(6,891)	(6,891)
Balance at 30 September 2017		**120,000**	**3,851**	**1,198,335**	**1,322,186**

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Half Year 2018 $'000	Half Year 2017 $'000
Cash flows from operating activities		
Net cash outflow from lending and other operating activities	(1,262,500)	(1,256,572)
Interest received	482,627	441,415
Rental income received	175,125	171,011
Interest paid	(214,583)	(194,218)
Income taxes paid	(45,858)	(3,149)
Net cash outflow from operating activities	**(865,189)**	**(841,513)**
Cash flows from investing activities		
Payments for intangible assets	(10,016)	(2,460)
Payments for property,plant and equipment	(7,558)	(3,760)
Proceeds from sale of property,plant and equipment	1,071	1,494
Dividends received from associate	-	6,891
Net cash outflow from investing activities	**(16,503)**	**2,165**
Cash flows from financing activities		
Proceeds from borrowings	8,136,973	7,496,783
Repayments of borrowings	(7,235,418)	(6,946,020)
Dividends paid to parent	(42,037)	(6,891)
Net cash inflow from financing activities	**859,518**	**543,872**
Net increase/(decrease) in cash & cash equivalents	(22,174)	(295,476)
Cash & cash equivalents at beginning of period	1,282,624	1,268,572
Cash & cash equivalents at end of period	**1,260,450**	**973,096**

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

1. Basis of preparation of interim report

This consolidated financial report for the interim half-year reporting period ended 30 September 2018 has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting.* This financial report is a special purpose report prepared in accordance with management's internal requirements.

This 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 2018.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

2. New or revised accounting standards and interpretation

(a) New and revised accounting standards applicable during the current reporting period.

A number of new and revised standards came into effect during the current reporting period and the company has had to change its accounting policies and make retrospective adjustments where applicable.

- The AASB 9 *Financial Instruments*, and
- The AASB 15 *Revenue from Contracts with Customers.*

The impact of adoption of these standards is disclosed in note 15.

(b) New and revised accounting standards and interpretations not yet adopted.

The AASB 16 *Leases* - AASB 16 will primarily affect the accounting by lessees and will result in the recognition of almost all leases on the balance sheet. The standard removes the current distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for almost all lease contracts. The accounting by lessors, however, will not significantly change.

The new standard is required for mandatory application for the interim financial period commencing 1 April 2019. This standard is deemed to have minimal impact on the financial statements of the company. At this stage, the company does not intend to adopt the standard before its effective date. The company is reviewing and will determine the full impact in the coming periods.

3. Financing revenue and expense

	Half Year 2018 $'000	Half Year 2017 $'000
Financing revenue and similar revenue		
Interest revenue*	482,940	441,084
Rental income on motor vehicles under operating lease	175,125	171,011
Fee income	50,875	45,467
Fee expense*	(119,717)	(117,198)
Total financing revenue and similar revenue	**589,223**	**540,364**
Financing expense and similar charges		
Interest expense	204,868	182,641
Net loss/(gain) on translation of foreign currency debt	269,422	(45,529)
Fair value (gain)/loss on derivative financial instruments at fair value through profit or loss	(241,240)	61,661
Transaction costs	10,614	8,748
Depreciation expense on assets under operating lease	142,178	138,989
Total financing expense and similar charges	**385,842**	**346,510**

*These amounts in combination are interest revenue calculated using the effective interest rate method.

4. Other income

	Half Year 2018 $'000	Half Year 2017 $'000
Net gain on disposal of leased and fixed assets	6,597	6,831
Commission and other income	18,899	19,343
	25,496	**26,174**

5. Impairment of financing assets

	Half Year 2018 $'000	Half Year 2017 $'000
a. Provision for impairment of loans and receivables		
Opening balance	144,582	156,492
Change in accounting policy(Note 15)	(30,582)	-
Restated balance as at 1 April 2018	114,000	156,492
Bad debts written off	(28,756)	(32,021)
Increase in impairment loss provision	28,756	20,659
Closing balance	**114,000**	**145,130**
b. Provision for impairment of motor vehicles under operating lease		
Opening balance	23,418	33,433
Change in accounting policy(Note 15)	6,462	-
Restated balance as at 1 April 2018	29,880	33,433
Increase/(decrease) in impairment loss provision	3,000	(8,563)
Closing balance	**32,880**	**24,870**
c. Impairment loss		
Recovery of bad debts written off	(7,701)	(9,306)
Increase in impairment loss provision	31,756	12,096
Total impairment loss	**24,055**	**2,790**

6. Depreciation, amortisation and write-off

	Half Year 2018 $'000	Half Year 2017 $'000
Profit before income tax includes the following specific expenses:		
Depreciation on property, plant and equipment		
Leasehold improvements	187	241
Plant and equipment	890	587
Motor vehicles	953	738
Total depreciation	**2,030**	**1,566**
Amortisation and write-off		
Computer software amortisation	5,324	6,038
Computer software write-off	-	3,385
Total amortisation and write-off	**5,324**	**9,423**
Total depreciation, amortisation and write-off	**7,354**	**10,989**

7. 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 is comprised of loans and leases to personal and commercial customers including wholesale finance consisting of loans and bailment facilities to motor vehicle dealerships. Fleet segment is comprised of loans and leases to small business and fleet customers consisting of medium to large commercial clients and government bodies. The Company's business segments operate in Australia.

			2018	
Half Year	**Retail $'000**	**Fleet $'000**	**Unallocated $'000**	**Total $'000**
Net Financing Revenue	138,507	32,831	32,043	203,381
Segment operating profit	73,780	19,194		92,974

			2017	
Half Year	**Retail** $'000	**Fleet** $'000	**Unallocated** $'000	**Total** $'000
Net Financing Revenue	122,969	29,270	41,615	193,854
Segment operating profit	83,695	26,300		109,995

The consolidated entities segment operating profit reconciles to consolidated entities profit attributable to owners as presented in the financial statement as follows:

	Half Year 2018 $'000	**Half Year 2017 $'000**
Total reporting segment operating profit	92,974	109,995
Share of net profit of equity accounted investment	3,929	3,942
Fair value (loss)/gain	(10,436)	(1,226)
Other Unallocated net income (expense)/net income	23,878	19,897
Profit before income tax	110,345	132,607
Income tax expense	(31,883)	(38,733)
Profit attributable to owners of Toyota Finance Australia Limited	**78,462**	**93,874**

7. **Segment results** (continued)

Assets			**30 September 2018**	
	Retail	**Fleet**	**Unallocated**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Segment Assets	15,097,592	2,929,834	1,744,574	19,772,000

			31 March 2018	
	Retail	**Fleet**	**Unallocated**	**Total**
	$'000	$'000	$'000	$'000
Segment Assets	14,058,232	2,705,116	1,750,158	18,513,506

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.

Effective 1 April 2018, it has been decided to discontinue the allocation of the capital benefit to the business segments, as capital management is a centralised function. The comparative figures have been restated to reflect this change in allocation methodology, Retail segment profit has reduced from $100,793,000 to $83,695,000 and Fleet segment profit from $29,621,000 to $26,300,000.

8. Financing assets

	30 September 2018 $'000	31 March 2018 $'000
a. Loans and receivables		
Bailment stock	2,847,691	2,418,750
Term loans	14,007,711	13,282,984
Term purchase	632,866	591,704
Finance leases	683,824	685,442
Gross loans and receivables	**18,172,092**	**16,978,880**
Unearned income	(1,364,271)	(1,324,530)
Net loans and receivables (net of unearned income)	**16,807,821**	**15,654,350**
Provision for impairment of loans and receivables	(114,000)	(144,582)
Net loans and receivables	**16,693,821**	**15,509,768**
Maturity analysis (net of unearned income)		
Current		
Net loans and receivables maturing within 12 months	6,498,169	6,007,158
Non-Current		
Net loans and receivables maturing beyond 12 months	10,309,652	9,647,192
	16,807,821	**15,654,350**

Unearned income is comprised of the following balances:

	30 September 2018 $'000	31 March 2018 $'000
Net unamortised deferred revenue and expenses	(309,234)	(302,629)
Unearned interest income on finance leases	47,242	44,088
Unearned interest income on term loans	1,626,263	1,583,071
Total unearned income	**1,364,271**	**1,324,530**

	30 September 2018 $'000	31 March 2018 $'000
b. Motor vehicles under operating lease		
At cost	2,089,828	1,982,844
Provision for impairment loss	(32,880)	(23,418)
Accumulated depreciation	(723,342)	(705,847)
Total motor vehicles under operating lease	**1,333,606**	**1,253,579**
Future minimum lease receipts under non-cancellable operating leases		
Current		
Lease receipts due within 12 months	254,434	238,803
Non-Current		
Lease receipts beyond 12 months	361,501	341,345
	615,935	**580,148**
Movements in cost, accumulated depreciation and reserves		
Balance at the beginning of period, net of residual value	1,253,579	1,175,133
Additions	349,158	606,151
Disposals	(117,491)	(257,197)
Depreciation expense	(142,178)	(280,523)
Impairment (loss)/gain	(9,462)	10,015
Balance at end of period, net of residual value	**1,333,606**	**1,253,579**

9. Due to banks and other financial institutions

	30 September 2018 $'000	31 March 2018 $'000
Banks and other financial institutions	5,028,312	5,115,776
Affiliated entity	-	-
Total due to banks and other financial institutions	**5,028,312**	**5,115,776**
Maturity analysis		
Current		
Banks and other financial institutions	2,422,274	2,316,164
Affiliated entity	-	-
Total Current	**2,422,274**	**2,316,164**
Non-current		
Banks and other financial institutions	2,606,038	2,799,612
Total Non-current	**2,606,038**	**2,799,612**
Total due to banks and other financial institutions	**5,028,312**	**5,115,776**

10. Bonds and commercial papers

	30 September 2018 $'000	31 March 2018 $'000
Domestic commercial paper	1,036,584	1,134,721
Domestic medium term note	1,422,630	1,173,093
Euro commercial paper	1,561,639	1,358,699
Euro medium term note	7,351,171	6,307,222
US commercial paper	1,324,457	1,440,265
Total bonds and commercial papers	**12,696,481**	**11,414,000**
Maturity analysis		
Current		
Bonds and commercial papers	6,033,205	6,585,417
Non-current		
Bonds and commercial papers	6,663,276	4,828,583
Total bonds and commercial papers	**12,696,481**	**11,414,000**

Holders of any outstanding bonds, debentures, notes and other investment securities and commercial papers summarised in the tables above have the benefit of Credit Support Agreements governed by Japanese law, one between Toyota Motor Corporation and Toyota Financial Services Corporation dated 14 July 2000, and the other between Toyota Financial Services Corporation and the company dated 7 August 2000.

11. Dividends

	30 September 2018 $'000	31 March 2018 $'000
Fully franked interim dividends for the half year ended 30 September 2018 of 35 cents (30 September 2017: 5.7 cents)	42,037	6,891
Total dividend paid	**42,037**	**6,891**

12. Fair value measurement of financial instruments

a) Fair value estimation

The fair value of financial instruments traded in active markets (such as publicly traded derivatives) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial instruments held by the company is the mid-price.

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 are calculated as the present value of the estimated future cash flows. The fair value of foreign exchange contracts is determined using the forward exchange market rates at the end of the reporting period.

b) 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.

AS AT 30 SEPTEMBER 2018	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	-	23,811	-	23,811
Interest rate swaps	-	292,193	-	292,193
Less: Bilateral CVA	-	(670)	-	(670)
Total financial assets	-	315,334	-	315,334
Derivative financial liabilities through profit or loss				
Derivatives used for economic hedging				
Foreign exchange contracts	-	755	-	755
Interest rate swaps	-	77,226	-	77,226
Total financial liabilities	-	**77,981**	-	**77,981**

12. Fair value measurement of financial instruments (continued)

b) Fair value hierarchy (continued)

AS AT 31 March 2018	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	-	47,817	-	47,817
Interest rate swaps	-	265,483	-	265,483
Less: Bilateral CVA	-	(167)	-	(167)
Total financial assets	-	313,133	-	313,133
Derivative financial liabilities through profit or loss				
Derivatives used for economic hedging				
Foreign exchange contracts	-	796	-	796
Interest rate swaps	-	134,469	-	134,469
Total financial liabilities	-	135,265	-	135,265

The consolidated entity did not measure any financial assets and financial liabilities at fair value on a non-recurring basis as at 30 September 2018.

c) Fair value measurements

	30 September 2018		31 March 2018	
	Carrying Amount $'000	Fair Value $'000	Carrying Amount $'000	Fair Value $'000
Financial Assets				
Loans and receivables	18,027,427	19,603,954	16,763,347	18,171,841
Financial Liabilities				
Due to banks and other financial institutions	5,028,312	5,072,746	5,115,776	5,163,646
Bonds and commercial paper	12,696,481	12,832,208	11,414,000	11,528,502
	17,724,793	17,904,954	16,529,776	16,692,148

The carrying amounts of 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 group for similar financial instruments. The fair value of current borrowings approximates the carrying amount, as the impact of discounting is not significant.

13. Events occurring after the balance sheet date

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 consolidated statement of financial position as at 30 September 2018 or on the results and cash flows of the consolidated entity for the half year period ended as at that date.

14. Contingent liabilities

a) The Company, as a member of the Toyota Motor Corporation Australia Limited GST Group (GST Group), is 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 2018 of $51.2 million (31 March 2018: $59.4 million).

b) A regulatory body is currently conducting a car finance industry review. The company has been selected for the review. At the issuance of this report, this review remains ongoing. The financial impact, if any, relating to this matter is not currently determinable.

15. Changes in accounting policy

This note explains the impact of adoption of AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers on the group's financial statements and discloses the new accounting policies that have been applied from 1 April 2018, where they are different to those applied in prior periods.

a) Impact on financial statements

Adoption of AASB 15 did not result in any retrospective adjustments. However, with effect from 1 April 2018 the Group reclassified deferred revenue to contract liabilities.

As explained in note 15(b) below, AASB 9 was adopted without restating comparative information and the adjustments arising from the new impairment requirements are only recognised in the opening balance sheet on 1 April 2018. The following table shows the adjustments recognised for each individual line item.

15. Changes in accounting policy (continued)

a) Impact on financial statements (continued)

	31 March 2018 As Originally Presented $'000	Adjustments $'000	1 April 2018 Restated $'000
Assets			
Cash and cash equivalents	1,282,624	-	1,282,624
Loans and receivables	15,509,768	30,582	15,540,350
Motor vehicles under operating lease	1,253,579	(6,462)	1,247,117
Derivative financial instruments	313,133	-	313,133
Investments accounted for using the equity method	67,331	-	67,331
Intangible assets	25,256	-	25,256
Property, plant and equipment	8,453	-	8,453
Deferred tax assets	16,248	(7,236)	9,012
Other assets	37,114	(13,874)	23,240
Contract assets	-	13,874	13,874
Total Assets	**18,513,506**	**16,884**	**18,530,390**
Liabilities			-
Due to banks and other financial institutions	5,115,776	-	5,115,776
Bonds and commercial paper	11,414,000	-	11,414,000
Derivative financial instruments	135,265	-	135,265
Other liabilities	470,671	(77,185)	393,486
Contract Liabilities	-	77,185	77,185
Total Liabilities	**17,135,712**	**-**	**17,135,712**
Net Assets	**1,377,794**	**16,884**	**1,394,678**
Equity			-
Contributed equity	120,000	-	120,000
Reserves	5,274	-	5,274
Retained earnings	1,252,520	16,884	1,269,404
Total Equity	**1,377,794**	**16,884**	**1,394,678**

b) AASB 9 Financial Instruments – Impact of adoption

AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement. It makes a number of changes to the previous guidance on the classification and measurement of financial assets and financial liabilities and introduces an expected credit loss model for impairment of financial assets.

The adoption of AASB 9 Financial Instruments from 1 April 2018 resulted in change in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions comparative figures have not been restated.

(i) Classification and measurement

On 1 April 2018 (the date of initial application of AASB 9), the Group assessed which business models apply to financial assets held and classified them into the appropriate AASB 9 category. They are held at amortised cost on the basis that the Group intends to hold these financial assets to collect contractual cash flows solely representing payments of principal and interest.

(ii) Impairment of financial assets

The Company has two types of financial assets that are subject to AASB 9

15. Changes in accounting policy (continued)

b) AASB 9 Financial Instruments – Impact of adoption (Continued)

- Retail receivables which are subject to the general impairment model
- Fleet receivables which are subject to the simplified impairment model

The Company was required to revise its impairment methodology for each of these classes of assets. The impact of the change in impairment methodology on the Company's retained earnings and equity is disclosed in Note 15(a).

While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

The Company applied AASB 9's simplified approach to measuring expected credit losses for fleet receivables. This approach recognises a lifetime expected loss allowance.

To measure the expected credit losses for the retail portfolio, under AASB 9 the group uses a "three-stage" model for impairment based on the changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in "Stage 1" and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to "Stage 2" but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to "Stage 3".
- Financial instruments in Stage 1 have their expected credit loss measured at an amount equal to the portion of lifetime expected losses that result from default events possible within the next 12 months. Instruments in Stage 2 and 3 have their expected credit loss measured on a lifetime basis.

The loss allowance as of 1 April 2018 is as follows:

	12 month expected loss $'000	Lifetime Expected Loss $'000	Total $'000
Retail receivables:			
Gross carrying amount	13,612,899	576,046	14,188,945
Loss allowance	43,828	43,172	87,000
Fleet receivables:			
Gross carrying amount	-	2,742,403	2,742,403
Loss allowance	-	29,000	29,000

The loss allowances for retail and fleet receivables as at 31 Mar 2018 reconcile to the opening loss allowances on 1 April 2018 as follows:

Provision for impairment	Retail Receivables $'000	Fleet Receivables $'000	Total $'000
As at 31 March 2018	121,713	18,407	140,120
Amounts restated through retained earnings	(34,713)	10,593	(24,120)
Restated as at 1 April 2018	**87,000**	**29,000**	**116,000**

The loss allowances increased by a further $3,000,000 for retail receivables during the six months to 30 September 2018. The loss allowances were unchanged for fleet receivables for six months to 30 September 2018.

15. Changes in accounting policy (continued)

b) AASB 9 Financial Instruments – Impact of adoption (Continued)

Retail and fleet receivables are written off when there is no reasonable expectation of recovery of debt. Indicators that there is no reasonable expectation of recovery include, but are not limited to the following:

- Failure of the debtor to engage with or enter in a repayment plan with the Company; or
- The debtor has been placed under liquidation; or
- The debtor has entered into bankruptcy proceedings, and the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flow to repay the amounts subject to write-off.

c) AASB 15 Contracts with customers – Accounting policies applied from 1 April 2018

On adoption of AASB 15, effective 1 April 2018, the Group considered revenue streams within the scope of AASB 15 and have concluded that there was no change to the amounts or timing of revenue recognised.

DIRECTORS' DECLARATION

In the directors' opinion:

(a) the financial statements and notes set out on pages 4 to 20 are in accordance with the *Corporations Act 2001*, including:

    (i) complying with Accounting Standards, the *Corporations Regulations 2001* 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 2018 and of its performance for the half year ended on that date; and

(b) there are reasonable grounds to believe that the Company 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

J. R. Chandler
Director

Y. Toura
Director

Sydney
15 November 2018

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Toyota Finance Australia Limited (the Company), which comprises the consolidated statement of financial position as at 30 September 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Toyota Finance Australia group. The group comprises the Company and the entities it controlled during that half-year (the consolidated entity).

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with the accounting policies as described in Note 1 to the financial statements and have determined that the accounting policies in Note 1, which form part of the financial report, are appropriate to meet the needs of the members and internal purposes. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not presented fairly, in all material respects, in accordance with the accounting policies as described in Note 1 to the financial statements. As the auditor of Toyota Finance Australia Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the half-year financial report to determine whether it contains any material inconsistencies with the half-year financial report. 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.

Independence

In conducting our review, we have complied with the independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants*.

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year 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 2018 and its

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performance for the half-year ended on that date, in accordance with the accounting policies as described in Note 1 to the financial statements.

PricewaterhouseCoopers

PricewaterhouseCoopers

Joe Sheeran
Partner

Sydney
15 November 2018

3. Responsibility Statement

The directors of TFA confirm that to the best of their knowledge:

(a) the financial statements and notes set out in "2. The Reviewed Condensed Financial Statements for the half-year ended 30 September 2018" are in accordance with the Corporations Act 2001 of Australia, including:

(i) complying with the Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the company's and consolidated entity's assets, liabilities, financial position and profit and loss as at 30 September 2018 and of its performance, as represented by the results of its operations and its cash flows, for the six months ended on that date;

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

(c) the management report set out in "1. Management Report" includes a fair review of the information required by DTR 4.2.7.