25 June 2019

Toyota Finance Australia Limited ("TFA")

Annual Financial Report for the financial year ended 31 March 2019

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**"). TFA presents its annual financial report for the financial year ended 31 March 2019.

In this document, all references to "TFA" or "Parent Entity" are to Toyota Finance Australia Limited and all references to the "Group" or "consolidated entity" are to the economic entity comprising TFA, the entities it controls, and special purpose securitisation trusts which it consolidates.

On 21 January 2019, TFA announced that Australian Alliance Automotive Finance Pty Limited, a wholly owned subsidiary of TFA, has entered into a strategic alliance with Mazda Australia Pty Limited to provide financial services to Mazda dealers and customers.

1. Management Report

(A) Review of the development and performance of the Group's business during the financial year and the position of TFA and the undertakings included in the consolidation taken as a whole at the end of the financial year

References herein to "fiscal 2019" denote the year ended 31 March 2019 and references herein to "fiscal 2018" denote the year ended 31 March 2018.

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

Totals in certain tables in this Management Report may differ from the sum of the individual items in such tables due to rounding.

Profit from ordinary activities

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 following table summarises the Group's profit before income tax by operating segment for fiscal 2019 and fiscal 2018.

	12 Months Ended 31 March	
	2019	**2018**
	(A$ in Thousands)	
Net financing revenue		
- Retail [1]	275,475	253,817
- Fleet [2]	67,754	62,190
- Unallocated	83,059	45,895
Total revenue [4]	426,288	361,902
Segment operating profit		
- Retail[1 & 5]	113,051	163,998
- Fleet[2 & 5]	33,120	48,057
Share of net profit of equity accounted investments	8,459	7,934
Fair value gain/(loss)	1,360	(38,611)
Other unallocated net income[3]	47,536	28,047
Profit before income tax	**203,526**	**209,425**
Income tax expense	(59,567)	(61,366)
Profit attributable to owners of TFA	**143,959**	**148,059**

Notes

1. Retail comprises loans and leases to personal and commercial customers, including wholesale finance, which comprises loans and bailment to motor vehicle dealerships.
2. Fleet comprises loans and leases to small business and fleet customers consisting of medium to large commercial clients and government bodies.
3. Other unallocated net income comprises those revenues/expenses which cannot be allocated to either retail or fleet segment on a reasonable basis.
4. For the year ended 31 March 2019, the presentation of financing revenue and similar revenue has been changed to align with the requirements of the new and revised accounting standards which came into effect during the current reporting period. The comparative information for the year ended 31 March 2018 has been reclassified accordingly.
5. 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 $199,576 thousand to $163,998 thousand and Fleet segment profit has reduced from $54,981 thousand to $48,057 thousand.

Retail net financing revenue increased by 8.5% in fiscal 2019 compared to fiscal 2018. Primarily, this was due to the increase in portfolio size ($15.3 billion in fiscal 2019 compared to $14.1 billion in fiscal 2018).

Retail operating profit before income tax decreased by 31.1% in fiscal 2019 compared to fiscal 2018. Primarily, this was due to the increase in impairment loss provision as a result of the adoption of a new model in accordance with AASB 9, contributed by the deterioration of forward looking economic conditions and higher overhead costs.

Fleet net financing revenue increased by 8.9% in fiscal 2019 compared to fiscal 2018. Primarily, this was due to the increase in portfolio size ($3.2 billion in fiscal 2019 compared to $2.7 billion in fiscal 2018).

Fleet operating profit before income tax decreased by 31.1% in fiscal 2019 compared to fiscal 2018. Primarily, this was due to an increase in impairment loss provision as a result of the adoption of a new model in accordance with AASB 9, and the deterioration of forward looking economic conditions and higher overhead costs also contributed to such decrease.

Financing assets

Loans and receivables	**31 March 2019**	**31 March 2018**
	(A$ in Thousands)	
Bailment stock	2,814,456	2,418,750
Term loans	14,328,808	13,282,984
Term purchase	655,749	591,704
Finance leases	749,856	685,442
Gross loans and receivables	**18,548,869**	**16,978,880**
Unearned income	(1,348,857)	(1,324,530)
Net loans and receivables (net of unearned income)	**17,200,012**	**15,654,350**
Provision for impairment of loans and receivables	(124,000)	(144,582)
Net loans and receivables	**17,076,012**	**15,509,768**

Motor vehicles under operating lease	**31 March 2019**	**31 March 2018**
	(A$ in Thousands)	
At cost	2,192,013	1,982,844
Provision for impairment loss	(39,880)	(23,418)
Accumulated depreciation	(737,646)	(705,847)
Total motor vehicles under operating lease	**1,414,487**	**1,253,579**

There was growth of 10.1% in net loans and receivables (net of provision for impairment) in fiscal 2019 compared to fiscal 2018. This is a reflection of: (i) Toyota's continued number one position in the Australian motor vehicle market; (ii) TFA's competitive advantage in obtaining funding as a result of existing credit support arrangements involving TMC and TFS; and (iii) continued new business origination precipitated by joint sales and marketing activities with the distributor and dealers.

Bailment stock, comprising motor vehicles financed by the Group on behalf of dealerships, increased by 16.4% in fiscal 2019 compared to fiscal 2018. The level of bailment stock is influenced by seasonality and economic conditions.

Term loans increased by 7.9% in fiscal 2019 compared to fiscal 2018. Primarily, this was due to growth across the portfolio of products offered. There was an increase in unearned income of 1.8% over the equivalent period.

Term purchase increased by 10.8% in fiscal 2019 compared to fiscal 2018. Primarily, this was due to growth across the portfolio of products offered.

Finance leases increased by 9.4% in fiscal 2019 compared to fiscal 2018. The increase in finance leases reflects an increase in popularity of the product in the market.

Motor vehicles under operating lease increased by 12.8% in fiscal 2019 compared to fiscal 2018. The increase reflects Toyota Fleet Management's focus on expanding its business through the acquisition of new customers.

Provision for impairment as a percentage of gross loans and receivables (net of unearned income) was 0.88% in fiscal 2019 compared to 0.99% in fiscal 2018.

A maturity analysis of financing assets follows:

Net Loans and receivables	31 March 2019	31 March 2018
	(A$ in Thousands)	
Not longer than 12 months	6,732,816	6,007,158
Beyond 12 months	10,467,196	9,647,192
Total	**17,200,012**	**15,654,350**

Motor vehicles under operating lease	31 March 2019	31 March 2018
	(A$ in Thousands)	
Future minimum lease receipts under non-cancellable operating leases		
Not longer than 12 months	268,870	238,803
Beyond 12 months	393,606	341,345
Total	**662,476**	**580,148**

Net financing income

	12 Months Ended 31 March	
	2019	**2018**
	(A$ in Thousands)	
Financing and similar revenue	1,197,385	1,098,831
Financing expense and similar charges	(771,097)	(736,929)
Net financing revenue	**426,288**	**361,902**

The following table shows the amounts of each of the Group's major categories of financing revenue and financing expense:

	12 Months Ended 31 March	
	2019	**2018**
	(A$ in Thousands)	
Financing and similar revenue		
Interest revenue	977,401	895,693
Fee income recognised using the effective interest rate method	66,710	61,548
Fee expense recognised using the effective interest rate method	(244,678)	(237,757)
Total financing and similar revenue	**799,433**	**719,484**
Interest expense and similar charges		
Interest expense	421,378	374,576
Net loss on translation of foreign currency debt	361,325	116,783
Fair value gain on derivative financial instruments at fair value through profit or loss	(323,788)	(53,142)
Transaction costs	21,486	18,189
Total interest expense and similar charges	**480,401**	**456,406**

Financing and similar revenue increased by 11.1% in fiscal 2019 compared to fiscal 2018. Primarily, this was due to an increase in portfolio size.

Fee income recognised using the effective interest rate method increased by 8.4% in fiscal 2019 compared to fiscal 2018. Primarily, this was due to higher establishment fee income as a result of increased new business and portfolio size.

Fee expense recognised using the effective interest rate method increased by 2.9% in fiscal 2019 compared to fiscal 2018. Primarily, this was due to higher incentive payments to encourage growth.

Total interest expense and similar charges increased by 5.3% in fiscal 2019 compared to fiscal 2018. Primarily, this was due to an increase in interest expense, net loss on translation of foreign currency debt, offset by a fair value gain on derivative financial instruments in fiscal 2019. The Group continues to use derivative contracts as part of its interest rate and currency risk management programme.

Depreciation, amortisation and write-off

	12 Months Ended 31 March	
	2019	**2018**
	(A$ in Thousands)	
Depreciation on property, plant and equipment		
Leasehold improvements	432	389
Plant and equipment	1,838	1,179
Motor vehicles	1,781	1,664
Total depreciation	**4,051**	**3,232**
Amortisation and write-off		
Computer software amortisation	12,193	12,363
Computer software write-off	-	3,385
Total amortisation and write-off	**12,193**	**15,748**
Total depreciation, amortisation and write-off	**16,244**	**18,980**

Impairment of financing assets

The Group's level of credit losses is influenced primarily by two factors: the total number of contracts that default and loss per occurrence. The Group maintains an allowance for credit losses to cover probable losses. The following table provides information related to the Group's credit loss experience.

	As at	
	31 March 2019	**31 March 2018**
	(A$ in Thousands)	
Provision for credit impairment of loans and receivables		
Opening balance	144,582	156,492
Change in accounting policy (Note 37 of the Primary Statements)	(24,120)	-
Restated balance at 1 April 2018	120,462	156,492
Bad debts written off	(57,809)	(57,348)
Increase in impairment loss provision	61,347	45,438
Closing balance	**124,000**	**144,582**

	As at	
	31 March 2019	**31 March 2018**
	(A$ in Thousands)	
Credit impairment loss		
Recovery of bad debts written off	(16,341)	(21,780)
Increase in impairment loss provision	61,347	45,438
Total impairment loss	**45,006**	**23,658**

	As at	
	31 March 2019	**31 March 2018**
	(A$ in Thousands)	
Non-credit impairment loss on motor vehicles under operating lease		
Opening balance	23,418	33,433
Increase/(decrease) in impairment loss provision	16,462	(10,015)
Closing balance	**39,880**	**23,418**

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.

Due to adoption of AASB 9, a onetime adjustment is made for $24.1 million to reduce the opening provision balance for loans and receivables. This adjustment reflects TFA's revised impairment methodology.

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

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

The increase in impairment loss provision for the year ended 31 March 2019 is as per AASB 9 and not comparable with previous year figures as they are not restated.

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

Cash flows

Abridged Statement of Cash flows

	12 Months Ended 31 March	
	2019	**2018**
	(A$ in Thousands)	
Cash flows from operating activities		
Net cash outflow from lending and other operating activities	(1,870,623)	(2,144,998)
Interest received	977,251	895,573
Rental income received	358,461	343,766
Interest paid	(447,702)	(394,350)
Income taxes paid	(62,531)	(6,320)
Net cash outflow from operating activities	(1,045,144)	(1,306,329)
Net cash outflow from investing activities	(25,964)	(3,757)
Net cash inflow from financing activities	1,205,087	1,324,138
Net increase in cash and cash equivalents	133,979	14,052

Cash flows provided by operating, investing and financing activities have been used primarily to support asset growth.

In fiscal 2019 an inflow of funds from financing activities of $1,205 million and a net inflow of $888.0 million from interest and rental income were used to finance increased lending and other operating activities of $1,871 million. There was a $133.9 million increase in the Group's net cash position during the year.

In fiscal 2018 an inflow of funds from financing activities of $1,324 million and a net inflow of $845.0 million from interest and rental income were used to finance increased lending and other operating activities of $2,145 million. There was a $14.0 million increase in the Group's net cash position during the year.

The Group believes that cash provided by operating and financing activities as well as access to domestic and international capital markets and the issuance of commercial paper will provide sufficient liquidity to meet future funding requirements.

Parent Entity Financial Information

Statement of Financial Position – Parent Entity

	As at	
	31 March 2019	**31 March 2018**
	(A$ in Thousands)	
Assets		
Cash and cash equivalents	1,416,603	1,282,624
Loans and receivables	17,076,012	15,509,768
Motor vehicles under operating lease	1,414,487	1,253,579
Derivative financial instruments	343,139	360,648
Investments in associates	4,284	4,284
Intangible assets	30,333	25,256
Property, plant and equipment	13,046	8,453
Deferred tax assets	-	16,248
Other assets	908,852	849,796
Total Assets	**21,206,756**	**19,310,656**

	As at	
	31 March 2019	31 March 2018
	(A$ in Thousands)	
Liabilities		
Due to banks and other financial institutions	1,834,625	2,037,157
Bonds and commercial paper	13,106,166	11,414,000
Related party liabilities	4,102,375	3,891,300
Derivative financial instruments	143,422	135,265
Deferred tax liabilities	5,622	-
Other liabilities	443,261	470,671
Contract liabilities	80,830	-
Total Liabilities	**19,716,301**	**17,948,394**
Net Assets	**1,490,455**	**1,362,262**
Equity		
Contributed equity	120,000	120,000
Reserves	-	-
Retained earnings	1,370,455	1,242,262
Total Equity	**1,490,455**	**1,362,262**

As at 31 March 2019, current assets and current liabilities amounted to $8,947 million and $8,998 million, respectively (2018: $8,147 million and $9,766 million, respectively).

Statement of Comprehensive Income – Parent Entity

	12 Months Ended 31 March	
	2019	2018
	(A$ in Thousands)	
Interest revenue	799,433	719,484
Rental income on motor vehicles under operating lease	358,461	343,766
Fee income	39,491	35,517
Financing and similar revenue	**1,197,385**	**1,098,767**
Interest expense and similar charges	(612,687)	(617,547)
Depreciation expense on motor vehicles under operating lease	(290,696)	(280,523)
Financing expense and similar charges	**(903,383)**	**(898,070)**
Net Financing revenue	294,002	200,697
Other revenue	195,484	206,171
Net operating income	**489,486**	**406,868**
Credit impairment losses	(45,006)	(23,658)
Non-credit impairment losses	(16,462)	10,015
Employee benefits expense	(133,803)	(111,018)
Depreciation, amortisation and write-off	(16,244)	(18,980)
IT and communication expense	(19,460)	(17,349)
Sales and marketing expense	(11,429)	(11,254)
Occupancy	(9,347)	(7,227)
Other expenses	(24,822)	(26,190)
Profit before income tax	**212,913**	**201,206**
Income tax expense	(59,567)	(61,366)
Profit after income tax	**153,346**	**139,840**

Derivatives and Hedging Activities

The consolidated entity's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk, liquidity risk and residual value risk. The consolidated entity's overall risk management programme focuses on the unpredictability of financial markets and used vehicle markets and seeks to manage potential adverse effects on the financial performance of the consolidated entity. The consolidated entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. Derivative financial instruments are used to manage the consolidated entity's exposure to currency risk and interest rate risk. The residual value risk of the consolidated entity arises mainly from receivables under operating lease and loans with guaranteed future value.

Risk management is carried out by various committees and departments based on charters approved by the senior management in accordance with TFA's Enterprise Risk Management Framework.

Asset & Liability and Pricing Committee

An Asset & Liability and Pricing Committee meets to proactively and collaboratively manage and monitor the interest rate and liquidity risks of the consolidated entity and actively assess new business margins in connection with volume and interest rate requirements, and a changing interest rate and competitor environment. The consolidated entity's treasury department identifies, evaluates and hedges financial risks. The treasury department implements the consolidated entity's policies to manage the consolidated entity's foreign currency risk, interest rate risk, credit risk with banks and other financial intermediaries and liquidity risk.

Compliance Committee

The Compliance Committee is responsible for the establishment, publication and maintenance of the Compliance Framework to manage the consolidated entity's compliance with all the laws, regulations and codes of practice that apply to the business and the conditions of the Group's Australian Credit Licences and Australian Financial Services Licences.

Foreign exchange risk

The consolidated entity operates in international capital markets to obtain debt funding to support its earning assets. Transactions may be denominated in foreign currencies, exposing the consolidated entity to foreign exchange risk arising from various currency exposures.

Foreign exchange risk arises from recognised assets and liabilities denominated in currency that is not the entity's functional currency and net investments in foreign operations. The risk is measured using debt maturity analysis.

Management has set up a policy requiring the consolidated entity to manage its foreign exchange risk against their functional currency. The consolidated entity is required to economically hedge 100% of its foreign exchange risk at the time of debt issuances.

Derivative financial instruments are entered into by the consolidated entity to hedge its exposure to foreign currency risk, including:

- forward foreign exchange contracts to hedge the foreign currency risk arising on the issue of commercial paper in foreign currencies and affiliated entity loans; and
- cross currency swaps to manage the foreign currency and interest rate risk associated with foreign currency denominated medium term notes and floating rate US commercial paper.

The consolidated entity's exposure to foreign currency risk at the reporting period ending 31 March 2019 is immaterial. There has been no change in this position when compared to the reporting period ending 31 March 2018.

Cash flow and fair value interest rate risk

Cash flow and fair value interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The consolidated entity is exposed to the effects of fluctuations in the prevailing levels of market interest rates as it borrows and lends funds at both floating and fixed interest rates. Derivative financial instruments are entered into by the consolidated entity to economically hedge its exposure to cash flow and fair value interest rate risk, including:

- fixed-to-floating interest rate swaps to manage the interest rate risk generated by the consolidated entity's earning assets. Such interest rate swaps have the economic effect of converting loans and receivables from fixed rates to floating rates;
- fixed-to-floating interest rate swaps to manage the interest rate risk generated by the consolidated entity's functional currency denominated fixed rate medium term notes. Such interest rate swaps have the economic effect of converting borrowings from fixed rates to floating rates; and
- cross currency swaps to manage the foreign currency and interest rate risk associated with foreign currency denominated medium term notes, floating rate US commercial paper and bank loans. Such cross currency swaps have the economic effect of converting borrowings from foreign denominated fixed rates to functional currency floating rates.

Under the interest rate swaps, the consolidated entity agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts. Under the cross currency swaps, the consolidated entity agrees with other parties to exchange, at specified intervals, foreign currency principal and fixed rate interest amounts and functional currency principal and floating rate interest amounts calculated with reference to the agreed functional currency principal amount.

The consolidated entity's policy is to maintain most of its debt exposure in its functional currency at floating rate, using interest rate swaps or cross currency swaps to achieve this when necessary.

The following table details the Group's exposure to interest rate risk as at the end of the reporting period:

2019 Consolidated	Variable Interest Rate $'000	Fixed Interest Rate $'000	Non-Interest Bearing $'000	Total $'000
Operating Lease receivable	-	1,454,367	-	1,454,367
Financial Assets				
Cash and liquid assets	1,416,603	-	-	1,416,603
Loans and receivables	4,475,417	12,724,595	-	17,200,012
Interest rate swaps	11,070,000	(11,070,000)	-	-
Other assets	-	-	56,732	56,732
Total financial assets	16,962,020	3,108,962	56,732	20,127,714
Financial Liabilities				
Banks and other financial institutions	5,084,879	-	-	5,084,879
Commercial paper	4,329,317	-	-	4,329,317
Medium term notes	829,090	7,947,759	-	8,776,849
Cross currency swaps	3,520,046	(3,520,046)	-	-
Interest rate swaps	4,351,900	(4,351,900)	-	-
Other liabilities	-	-	443,261	443,261
Contract liabilities	-	-	80,830	80,830
Total financial liabilities	18,115,232	75,813	524,091	18,715,136
Net Financial Assets/(Liabilities)	(1,153,212)	3,033,149	(467,359)	1,412,578

2018 Consolidated	Variable Interest Rate $'000	Fixed Interest Rate $'000	Non-Interest Bearing $'000	Total $'000
Operating Lease receivable	-	1,276,997	-	1,276,997
Financial Assets				
Cash and liquid assets	1,282,624	-	-	1,282,624
Loans and receivables	3,880,659	11,773,693	-	15,654,352
Interest rate swaps	10,200,250	(10,200,250)	-	-
Other assets	-	-	37,114	37,114
Total financial assets	15,363,533	2,850,440	37,114	18,251,087
Financial Liabilities				
Banks and other financial institutions	5,115,776	-	-	5,115,776
Commercial paper	3,933,686	-	-	3,933,686
Medium term notes	897,525	6,582,789	-	7,480,314
Cross currency swaps	2,272,601	(2,272,601)	-	-
Interest rate swaps	4,235,900	(4,235,900)	-	-
Other liabilities	-	-	470,671	470,671
Total financial liabilities	16,455,488	74,288	470,671	17,000,447
Net Financial Assets/(Liabilities)	(1,091,955)	2,776,152	(433,557)	1,250,640

Credit Risk

The consolidated entity's treasury manages credit risk through the use of external ratings such as Standard & Poor's ratings or equivalent, counterparty diversification, monitoring of counterparty financial condition and master netting agreements in place with all derivative counterparties.

The below table shows the percentage of the consolidated entity's money market deposits and derivatives relating to treasury funding activities, based on the Standard & Poor's rating.

Rating	Consolidated 2019 %	Consolidated 2018 %
AA-	8	10
A+	2	0
A	90	90
	100	100

The Group does not currently anticipate non-performance by any of its counterparties and has no reserves related to non-performance as of 31 March 2019. The Group has not experienced any counterparty default during the 12 months ended 31 March 2019.

Liquidity and Capital Resources

The Group requires, in the normal course of business, substantial funding to support the level of its earning assets. Significant reliance is placed upon the Group's ability to obtain debt funding in the capital markets and from other sources in addition to funding provided by earning asset liquidations and cash provided by operating activities.

Commercial Paper

Commercial paper issuances are used to meet short-term funding needs.

Domestic commercial paper issued by TFA ranged from approximately $728 million to $1,138 million during the year ended 31 March 2019, with an average outstanding balance of approximately $985 million.

Euro commercial paper issued by TFA ranged from the equivalent of approximately $1,189 million to the equivalent of approximately $2,428 million during the year ended 31 March 2019, with an average outstanding balance of the equivalent of approximately $1,777 million.

US commercial paper issued by TFA ranged from the equivalent of approximately $988 million to the equivalent of approximately $1,767 million during the year ended 31 March 2019, with an average outstanding balance of the equivalent of approximately $1,382 million.

Medium Term Notes

Long term funding requirements are met through, among other things, the issuance of a variety of debt instruments in both the Australian and international capital markets. Domestic and Euro medium term notes ("**MTNs**") have provided TFA with significant sources of funding in years prior to fiscal 2019. During the year ended 31 March 2019, TFA issued $1,197 million of Domestic MTNs and the equivalent of approximately $2,612 million of Euro MTNs all of which had original maturities of one year or more.

For the year ended 31 March 2019, TFA had the equivalent of $8,832 million of MTNs outstanding of which the equivalent of approximately $3,855 million was denominated in foreign currencies. The original tenors of all MTNs outstanding as at 31 March 2019 ranged from 1 year to 5 years.

TFA anticipates continued use of MTNs. The Programmes under which MTNs are issued by TFA in the Australian and international capital markets may be expanded or updated from time to time to allow for the continued use of these sources of funding. In addition, TFA may issue notes in the Australian and international capital markets that are not issued under its MTN programmes.

Back Up Liquidity and Other Funding Sources

On 9 November 2018, TFA and other Toyota affiliates entered into a U.S.$ 5.0 billion 364 day syndicated bank credit facility pursuant to a 364 Day Credit Agreement, a U.S.$ 5.0 billion three year syndicated bank credit facility pursuant to a Three Year Credit Agreement and a U.S.$ 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 31 March 2019. The 364 Day Credit Agreement, the Three Year Credit Agreement and the Five Year Credit Agreement, each dated as of 13 November 2017, were terminated on 9 November 2018.

For additional liquidity purposes, TFA maintains the following bank facilities: an overdraft facility, committed banking facilities and uncommitted money market funding facilities which aggregated $1,335 million as at 31 March 2019. The average aggregate amount outstanding under these facilities during the year ended 31 March 2019 was $31 million.

In addition to funding obtained from bilateral bank loans entered into by TFA in years prior to the year ended 31 March 2019, TFA entered into bilateral bank loans during the year ended 31 March 2019 denominated in Australian dollars totalling $750 million. The original tenors of these bilateral bank loans ranged from one year to three years.

TFA also has a U.S.$ 1 billion revolving loan facility from Toyota Motor Credit Corporation ("**TMCC**") which is incorporated in California, United States of America. TMCC is wholly-owned by Toyota Financial Services International Corporation, a California corporation which is a wholly-owned subsidiary of TFS. The average amount outstanding under this facility during the year ended 31 March 2019 was approximately U.S.$0 million.

TFA also has two domestic securitisation programmes. Under each programme, vehicle finance receivables up to a specified maximum total amount may be sold into a special-purpose securitisation trust. TFA partially provides subordinated funding to each trust. The accounts of each trust are included in TFA's consolidated financial statements.

Details of each programme are as follows:

Date	Limit (A$ million)	Commitment	TFA funded Mezzanine Note*	Balance at 31 March 2019 (A$ million)
November 2009	$3,400	Uncommitted	25%	$1,775.73
March 2012	$1,800	Uncommitted	15%	$1,474.52

*TFA subordinated funding

Credit Ratings

The cost and availability of unsecured financing is influenced by credit ratings. Lower ratings generally result in higher borrowing costs as well as reduced access to capital markets. Credit ratings are not recommendations to buy, sell or hold securities and are subject to revision or withdrawal at any time by the assigning rating agency. Each rating agency may have different criteria for evaluating risk, and therefore ratings should be evaluated independently for each agency.

Contractual Obligations and Credit-Related Commitments

The Group has certain obligations to make future payments under contracts and credit-related financial instruments and commitments. Aggregate contractual obligations and credit-related commitments in existence at 31 March 2019 are summarised as follows:

	Commitments expiring within the following periods	
	Within 12 months	Beyond 12 months
	(A$ in Millions)	
Contractual Obligations:		
Premises occupied under lease	3.2	43.8
Total debt	8,191.9	9,999.1
Total	8,195.1	10,042.9

TFA, as a member of the Toyota Motor Corporation Australia Limited GST (goods and services tax) Group (the "**GST Group**"), is jointly and severally liable for 100% of the GST payable by the GST Group. The GST Group had a net GST payable as at 31 March 2019 of $50.4 million (2018: $59.4 million).

TFA, in association with other Australian incorporated entities with a common owner, implemented the income tax consolidation legislation from 1 April 2003 with TMCA as the Head Entity. 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. An income tax sharing agreement has been executed.

The range of Toyota Extra Care warranty contracts offered by TFA since August 2003, provide an extended warranty to the customer in exchange for an upfront premium payment. The risk of claims has been fully insured with third party insurers. TFA considers the insurance of risk is sufficient to meet any claims which may eventuate.

A fully maintained operating lease is offered under the Group's current portfolio of products. Fully maintained operating leases require the Group to pay for agreed services. Monthly rental includes a pre-determined charge for such services. The actual cost of such services is expensed periodically during the term of the leases and recognised in the income statement by measuring the progress towards complete satisfaction of the Group's performance obligation.

A regulatory body is currently conducting a car finance industry review. The Group has been selected for the review. At the issuance of this report, the review remains ongoing. The financial impact (if any) is not currently determinable and no provision has been made.

Employees

At 31 March 2019, the Group had 717.04 adjusted full-time equivalent employees. Adjusted full-time equivalent employees includes staff on maternity leave, outbound secondments and 20.04** part-time employees but does not include temporary or contractor staff.

**30 part-time employees equal 20.04 full-time equivalent employees

The number of employees by business cost centre as of 31 March 2019 is as follows:

Location	Adjusted FTE Employees	Temporary Staff	Contractor Staff
Executive	46.87	13.6	0
Corporate Services	35.7	15.23	0
Business Services	267.87	119.95	17
Risk Management	35	3	0
Retail, Finance and Insurance	139.8	6.4	0
Fleet Management	179.8	12	0
Marketing Distributor Liaison & Loyalty	12	2	0
Total	717.04	172.18	17

The average age of TFA's employees is 39.98 years. The average number of years of employment of TFA's employees is 5 years and 4 months and the annual average total remuneration (including bonuses) of TFA's employees was $127,500.

There has been an increase in staff numbers over the last 12 months.

As far as the Group is aware, no employees are members of the Finance Sector Union. TFA considers its employee relations to be satisfactory.

(B) Risks and Uncertainties facing the Group

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.

Each of the Group, TFS and Toyota may be exposed to certain risks and uncertainties that could have a material adverse impact directly or indirectly on its results of operations and financial condition. There may be additional risks and uncertainties not presently known to each of the Group, TFS and Toyota or that it currently considers immaterial that may also have a material adverse impact on its business, results of operations and financial condition:

General Business, Economic, Geopolitical and Market Conditions

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. Further, a significant and sustained increase in fuel prices could lead to lower new and used vehicle purchases. This could reduce the demand for motor vehicle retail, lease and wholesale financing. In turn, lower used vehicle values could affect return rates, amounts written off and depreciation on operating leases or lease residual value provisions.

Adverse economic conditions in Australia may lead to diminished consumer and business confidence, lower household incomes, increases in unemployment rates, higher consumer debt levels as well as higher consumer and commercial bankruptcy filings, any of which could adversely affect vehicle sales and discretionary consumer spending. These conditions may decrease the demand for the Group's financing products, as well as increase defaults and credit losses. In addition, as credit exposures of the Group are generally collateralised by vehicles, the severity of losses can be particularly affected by the decline in used vehicle values. Dealers are also affected by economic slowdowns which, in turn, increase the risk of default of certain dealers within the Group's dealer portfolio.

Market conditions are subject to periods of volatility which can have the effect of reducing activity in a range of consumer and industry sectors which can adversely impact the financial performance of the Group. Elevated levels of market disruption and volatility, such as in the United States, Europe and Asia, could increase the Group's cost of capital and adversely affect its ability to access the international capital markets and fund its business in a similar manner, and at a similar cost, to the funding raised in the past. These market conditions could also have an adverse effect on the results of operations and financial condition of the Group by diminishing the value of the Group's investment portfolios and increasing the Group's cost of funding. If, as a result, the

Group increases the rates the Group charges its customers and dealers, the Group's competitive position could be negatively affected. Challenging market conditions may result in less liquidity, greater volatility, widening of credit spreads and lack of price transparency in credit markets. Changes in investment markets, including changes in interest rates, exchange rates and returns from equity, property and other investments, will affect (directly or indirectly) the financial performance of the Group.

If there is a continued and sustained period of market disruption and volatility:

- there can be no assurance that the Group will continue to have access to the capital markets in a similar manner and at a similar cost as it has had in the past;

- issues of debt securities by the Group may be undertaken at spreads above benchmark rates that are greater than those on similar issuances undertaken during the prior several years;

- the Group may be subject to over-reliance on a particular funding source or a simultaneous increase in funding costs across a broad range of sources; and

- the ratio of the Group's short-term debt outstanding to total debt outstanding may increase if negative conditions in the debt markets lead the Group to replace some maturing long-term liabilities with short-term liabilities (for example, commercial paper).

Any of these developments could have an adverse effect on the Group's results of operations and financial condition.

Geopolitical conditions and other market events may also impact the Group's results of operations and financial condition. Restrictive exchange or import controls or other disruptive trade policies, disruption of operations as a result of systemic political or economic instability, outbreak of war or expansion of hostilities, and acts of terrorism, could each have a material adverse effect on the Group's results of operations and financial condition. Developments related to the United Kingdom's potential withdrawal from the European Union ("**Brexit**") have created significant political and economic uncertainty in the United Kingdom and in other European Union member states. While the Group does not operate in the United Kingdom, the global financial, trade, and legal implications of Brexit could lead to declines in market liquidity and activity levels, volatile market conditions, a contraction of available credit, fluctuations in interest rates, weaker economic growth, and reduced business confidence on an international level, each of which could have a material adverse effect on the Group's results of operations and financial condition.

Sales of Toyota and Lexus Vehicles

The Group provides a variety of finance and insurance products to authorised Toyota and Lexus dealers and their customers in Australia. Accordingly, the Group's business is substantially dependent upon the sale of Toyota and Lexus vehicles in Australia.

The Group's business is also substantially dependent upon its accredited Toyota and other vehicle dealership network introducing new finance and lease business to the

Group and, except in the case of the Group's business regulated under the Australian consumer credit laws or as otherwise agreed with the Group, such dealerships are free to introduce other financiers to their customers. Competition in respect of commission payments to Australian dealerships from other financiers, as well as changes in ownership or financial viability of such dealerships may adversely affect the results of operations and financial condition of the Group.

Toyota Motor Corporation Australia Limited (the "**Distributor**") is the primary distributor of Toyota and Lexus vehicles in Australia.

Changes in the volume of Distributor sales may result 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; and
- decreased or delayed vehicle production due to natural disasters, supply chain interruptions or other events.

In addition, many manufacturers have increased their level of incentive programmes on new vehicles in an attempt to maintain and grow market share; these incentives historically have included a combination of subsidy, price rebates as well as other incentives. Any negative impact on the volume of Distributor sales could have a material adverse effect on the Group's business, results of operations and financial condition.

While the Distributor conducts extensive market research before launching new or refreshed vehicles and introducing new services, many factors both within and outside the control of the Distributor affect the success of new or existing products and services in the market-place. Offering vehicles and services that customers want and value can mitigate the risks of increasing price competition and declining demand, but products and services that are perceived to be less desirable (whether in terms of product mix, price, quality, styling, safety, overall value, fuel efficiency, or other attributes) and the level of availability of products and services that are desirable can exacerbate these risks. With increased consumer interconnectedness through the internet, social media,

and other media, mere allegations relating to quality, safety, fuel efficiency, corporate social responsibility, or other key attributes can negatively impact the reputation of the Distributor or market acceptance of its products or services, even where such allegations prove to be inaccurate or unfounded.

In addition, the volume of Distributor sales may also be affected by Toyota's ability to successfully grow through investments in the area of emerging opportunities such as mobility and connected services, vehicle electrification, fuel cell technology and autonomy, which depends on many factors, including advancements in technology, regulatory changes and other factors that are difficult to predict.

The Group operates in a highly competitive environment and competes with other financial institutions and, to a lesser extent, other motor vehicle manufacturers' affiliated finance companies primarily through service, quality, the Group's relationship with the Distributor and financing rates.

Certain financing products offered by the Group may be subsidised by the Distributor. The Distributor sponsors special subsidies and incentives on certain new and used Toyota and Lexus vehicles that result in reduced monthly payments by qualified customers for finance products. Support amounts received from the Distributor in connection with these programmes approximate the amounts required by the Group to maintain yields and product profitability at levels consistent with standard products.

The Group's ability to offer competitive financing and insurance products in Australia depends in part on the level of the Distributor's sponsored subsidy, cash, and contractual residual value support incentive programme activity, which varies based on the Distributor's marketing strategies, economic conditions, and the volume of vehicle sales, among other factors. Any negative impact on the level of Distributor sponsored subsidy, cash, and contractual residual value support incentive programmes could in turn have a material adverse effect on the Group's business, results of operations and financial condition.

Changes in Consumer Behaviour

A number of trends are affecting the automotive industry. These include a market shift from cars to sport utility vehicles (SUVs) and trucks, high demand for incentives, the rise of mobility services such as vehicle sharing and ride hailing, the development of autonomous and alternative-energy vehicles, the impact of demographic shifts in attitudes and behaviours toward vehicle ownership and use, the development of flexible alternatives to traditional financing and leasing such as subscription service offerings, changing expectations around the vehicle buying experience, adjustments in the geographic distribution of new and used vehicle sales, and advancements in communications and technology. Any one or more of these trends could adversely affect the automotive industry, the Distributor and TMC, and could in turn have an adverse impact on the Group's business, results of operations and financial condition.

Recalls and Other Related Announcements

Certain members of the Toyota group of companies around the world, including the Distributor, periodically conduct vehicle recalls which could include temporary suspensions of sales and production of certain Toyota and Lexus models. Because the Group's business is substantially dependent upon the sale of Toyota and Lexus vehicles, such events could adversely affect the Group's business, results of operations and financial condition.

A decrease in the level of sales, including as a result of the actual or perceived quality, safety or reliability of Toyota and Lexus vehicles or a change in standards of regulatory bodies, will have a negative impact on the level of the Group's financing volume, insurance volume, earning assets, net financing revenues and insurance revenues. The credit performance of the Group's dealer and consumer portfolios may also be adversely affected. In addition, a decline in the values of used Toyota and Lexus vehicles would have a negative effect on residual values and return rates, which, in turn, could increase depreciation expenses and credit losses. Further, some members of the Toyota group of companies are or may become subject to litigation and governmental investigations, and have been or may become subject to fines or other penalties. These factors could affect sales of Toyota and Lexus vehicles and, accordingly, could have a negative effect on the Group's business, results of operations and financial condition.

Competition Risk

The worldwide financial services industry is highly competitive and neither the Group nor TFS has control over how Toyota dealers source financing for their customers. Competitors of the TFS group (including those of the Group) include commercial banks, credit unions and other financial institutions. To a lesser extent, the TFS group competes with other motor vehicle manufacturers' affiliated finance companies. In addition, online financing options provide consumers with alternative financing sources. Increases in competitive pressures could have an adverse impact on contract volume, market share, net financing revenues, insurance revenues and margins. Further, the financial condition and viability of competitors and peers of the TFS group may have an impact on the financial services industry in which the Group operates, resulting in changes in demand for their products and services. This could have an adverse impact on the volume of the Group's business and results of operations.

Controlling Shareholder – Credit Ratings and Credit Support

All of the outstanding capital stock and voting stock of TFA is owned directly by TFS. TFS is a wholly-owned holding company subsidiary of TMC.

As a result, TFS effectively controls TFA and is able to directly control the composition of the Board of Directors of TFA and direct the management and policies of TFA.

TFA raises most of the funding it requires to support its business from the domestic and international capital markets. The availability and cost of that funding is influenced by credit ratings. Lower credit ratings generally result in higher borrowing costs as well as reduced access to capital markets. Credit ratings are not recommendations to buy, sell, or hold securities and are subject to revision or withdrawal at any time by the assigning

nationally recognised statistical rating organisation ("**NRSRO**"). Each NRSRO may have different criteria for evaluating risk, and therefore ratings should be evaluated independently for each NRSRO.

The credit ratings for notes, bonds and commercial paper issued by TFA, depend, in large part, on the existence of the credit support arrangements with TFS and TMC and on the results of operations and financial condition of TMC and its consolidated subsidiaries. If these arrangements (or replacement arrangements acceptable to the rating agencies) are not available to TFA, or if the credit ratings of TMC and TFS as credit support providers were lowered, the credit ratings for notes, bonds and commercial paper issued by TFA would be adversely impacted.

Credit rating agencies which rate the credit of TMC and its affiliates, including TFS and TFA, may qualify or alter ratings at any time. Global economic conditions and other geopolitical factors may directly or indirectly affect such ratings. Any downgrade in the sovereign credit ratings of the United States or Japan may directly or indirectly have a negative effect on the ratings of TMC, TFS and TFA. Downgrades or placement on review for possible downgrades could result in an increase in borrowing costs as well as reduced access to the domestic and international capital markets. These factors would have a negative impact on the Group's competitive position, results of operations, liquidity and financial condition.

The credit support arrangements may be amended, provided that such amendment does not have any adverse effects upon any holder of any notes, bonds, commercial paper or certain other securities issued by TFA outstanding at the time of such amendment, and does not require the acceptance of the rating agencies. If TFA for any reason does not have the benefit of these arrangements, TFA would expect the credit ratings of notes, bonds and commercial paper issued by it to be substantially less than the current ratings of notes, bonds and commercial paper issued by it, leading to either significantly constrained access, or no access, to the domestic or international capital markets, substantially higher borrowing costs and potentially an inability to raise the volume of funding necessary for it to operate its business.

Liquidity Risk

Liquidity risk is the risk arising from the inability to meet obligations in a timely manner when they become due. The TFS group's liquidity strategy (including that of the Group) is to maintain the capacity to fund assets and repay liabilities in a timely and cost-effective manner even in adverse market conditions. Disruption in the Group's funding sources may adversely affect its ability to meet its obligations as they become due. An inability to meet obligations in a timely manner would have a negative impact on the Group's ability to refinance maturing debt and fund new asset growth and would have an adverse effect on its results of operations and financial condition.

Allowances for Credit Losses

The Group cannot assure that its allowance for credit losses will be adequate to cover future credit losses. Increases in credit losses could adversely affect the Group's results of operations and financial condition.

The Group maintains an allowance for credit losses to cover probable and estimable losses as of the balance sheet date resulting from the non-performance of its customers and dealers under their contractual obligations. The determination of the allowance involves significant assumptions, complex analyses, and management judgment and requires the Group to make significant estimates of current credit risks using existing qualitative and quantitative information. Actual results may differ from estimates or assumptions. For example, the Group reviews and analyses external factors, including changes in economic conditions, actual or perceived quality, safety and reliability of Toyota and Lexus vehicles, unemployment levels, the used vehicle market, and consumer behaviour, among other factors. Internal factors, such as purchase quality mix and operational changes are also considered. A change in any of these factors would cause a change in estimated probable losses. As a result, the Group's allowance for credit losses may not be adequate to cover its actual losses. In addition, changes in accounting rules and related guidance, new information regarding existing portfolios, and other factors, both within and outside of the Group's control, may require changes to the allowance for credit losses. A material increase in the Group's allowance for credit losses may adversely affect its results of operations and financial condition.

Use of Models, Estimates and Assumptions

The Group uses quantitative models, estimates and assumptions to price products and services, measure risk, estimate asset and liability values, assess liquidity, manage its balance sheet and otherwise conduct its business and operations. If the design, implementation, or use of any of these models is flawed or if actual results are different from the Group's estimates or assumptions, it may adversely affect the Group's results of operations and financial condition. In addition, to the extent that any inaccurate model outputs are used in reports to regulatory agencies or the public, the Group could be subjected to supervisory actions, litigation, and other proceedings that may adversely affect its business, results of operations and financial condition.

The Group's assumptions and estimates often involve matters that are inherently difficult to predict and are beyond the Group's control (for example, macro-economic conditions). In addition, such estimates and assumptions often involve complex interactions between a number of dependent and independent variables, factors, and other assumptions. As a result, the Group's actual experience may differ materially from these estimates and assumptions. A material difference between the estimates and assumptions and the actual experience may adversely affect the Group's results of operations and financial condition.

Fluctuations in the Valuation of Investment Securities or Investment Market Prices

Investment market prices, in general, are subject to fluctuation, which may result from perceived changes in the underlying characteristics of the investment, the relative price of alternative investments, geopolitical conditions, or general market conditions. Negative fluctuations in the fair value of equity investments and other-than-temporary impairment on available-for-sale debt securities may adversely affect the Group's net financing revenues and results of operations. Additionally, the amount realised in the subsequent sale of an investment may significantly differ from the reported market value and could negatively affect the net financing revenues and other revenues of the Group.

Impact of Changes to Accounting Standards

The audited consolidated financial statements for the year ended 31 March 2019 have been prepared in accordance with the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("**AASB**") as well as the Corporations Act and comply with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**").

The IASB is continuing its programme to develop new accounting standards where it perceives they are required and to rewrite existing standards where it perceives they can be improved. In particular, the IASB and the Financial Accounting Standards Board in the United States continue to work together to harmonise the accounting standards of the United States and IFRS. Any future change in IFRS adopted by the AASB may have a beneficial or detrimental impact on the reported earnings of the Group.

Residual Value and Guaranteed Future Value Risk

Residual value represents an estimate of the end of term market value of a leased asset. Residual value risk is the risk that the estimated residual value at lease origination will not be recoverable at the end of the lease term. The Group is subject to residual value risk on lease products, where the customer may return the financed vehicle on termination of the lease agreement. The risk increases if the number of returned lease assets is higher than anticipated and/or the loss per unit is higher than anticipated. Fluctuations in the market value of leased assets subsequent to lease origination may introduce volatility in the Group's profitability, through residual value provisions, gains or losses on disposal of returned assets and/or increased depreciation expense.

TFA offers Guaranteed Future Value ("**GFV**") loan products which give customers a choice to retain their vehicle at the end of the term of the finance contract subject to payment of all money payable at the end of the term or to sell their vehicle back to the Group or its nominee for the agreed GFV. The GFV risk is the risk that the vehicle value at the end of the agreed lease term is less than the GFV. Fluctuations in the market value of these assets (vehicles) subsequent to loan origination may introduce volatility in the Group's profitability, through impairment provisions and/or losses on disposal of returned assets. There is no risk to the Group where the customer retains the vehicle at the end of the loan term and pays out the finance contract in full.

Factors which can impact the market value of vehicle assets include local, regional and national economic conditions, new vehicle pricing, new vehicle incentive programmes, new vehicle sales, the actual or perceived quality, safety or reliability of Toyota and Lexus vehicles, competitive actions and behaviour, product attributes of popular vehicles, the mix of used vehicle supply, current and projected used vehicle values, inventory levels and fuel prices. Differences between the actual sale price realised on returned vehicles and the Group's estimates of such values at a lease, loan, residual value and GFV origination could have a negative impact on its results of operations and financial condition. Actual return volumes may be higher than expected which can be impacted by higher contractual lease-end residual values relative to market values, a higher market supply of certain models of used vehicles, new vehicle incentive programmes and general economic conditions. The return of a higher number of leased

vehicles could also adversely affect the Group's results of operations and financial condition.

Credit Risk

Credit risk is the risk of loss arising from the failure of a customer or dealer to meet the terms of any retail, lease or dealer financing contract or other contract with the Group or otherwise fail to perform as agreed. An increase in credit risk would require a provision, or would increase the Group's provision, for credit losses, which would have a negative impact on the Group's results of operations and financial condition. There can be no assurance that the Group's monitoring of credit risk, the taking and perfection of collateral and its efforts to mitigate credit risk are, or will be, sufficient to prevent an adverse effect on its results of operations and financial condition.

The level of credit risk on the Group's consumer portfolio is influenced primarily by two factors: the total number of contracts that default and the amount of loss per occurrence, which in turn are influenced by various economic factors, the used vehicle market, purchase quality mix, contract term length and operational changes. The used vehicle market is impacted by the supply of, and demand for, used vehicles, interest rates, inflation, new vehicle incentive programmes, the manufacturer's actual or perceived reputation for quality, safety and reliability and the general economic outlook.

The level of credit risk on the Group's dealer portfolio is influenced primarily by the financial strength of dealers within that portfolio, dealer concentration, the quality and perfection of collateral and other economic factors. The financial strength of dealers within the Group's dealer portfolio is influenced by general macroeconomic conditions, the overall demand for new and used vehicles and the financial condition of motor vehicle manufacturers, among other factors.

A downturn in economic conditions in Australia, natural disasters and other factors would increase the risk that a customer or dealer may not meet the terms of a retail, lease or dealer financing contract with the Group or may otherwise fail to perform as agreed. A weaker economic environment evidenced by, among other things, unemployment, underemployment and consumer bankruptcy filings, may affect some of the Group's customers' or dealers' ability to make their scheduled payments.

Market Risk

Market risk is the risk that 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. An increase in interest rates could have an adverse effect on the Group's business, results of operations and financial condition by increasing the cost of capital and the rates it may charge its customers and dealers, which could, in turn, decrease financing volumes and market share, thereby resulting in a decline in the competitive position of the Group.

Derivative financial instruments are entered into by the Group to economically hedge or manage its exposure to market risk. However, changes in interest rates, foreign currency exchange rates and market prices cannot always be predicted or hedged.

In July 2017, the United Kingdom Financial Conduct Authority, which regulates the London Inter-bank Offered Rate ("**LIBOR**"), announced that it intends to stop compelling banks to submit rates for the calculation of LIBOR after calendar year 2021. It is not possible to predict whether LIBOR will cease to exist after calendar year 2021, whether additional reforms to LIBOR may be enacted, or whether alternative reference rates will gain market acceptance, and any of these outcomes could increase the Group's interest rate risk related to debt obligations, derivatives or other assets currently tied to LIBOR.

Changes in interest rates or foreign currency exchange rates could affect the Group's interest expense and the value of its derivative financial instruments, which could result in volatility in its results of operations, financial condition and cash flows.

Operational Risk

Operational risk is the risk of loss resulting from, among other factors, lack of established processes, inadequate or failed processes, systems or internal controls, the failure to perfect collateral, theft, fraud, natural disasters or other catastrophes (including without limitation, explosions, fires, floods, earthquakes, terrorist attacks, riots, civil disturbances and epidemics) that could affect the Group.

Operational risk can occur in many forms including, but not limited to, errors, business interruptions, failure of controls, failure of systems or other technology, deficiencies in the Group's insurance risk management programme, inappropriate behaviour or misconduct by employees of, or those contracted to perform services for, the Group and vendors that do not perform in accordance with their contractual agreements. The Group is also exposed to the risk of inappropriate or inadequate documentation of contractual relationships. These events can potentially result in financial losses or other damages to the Group, including damage to reputation.

The Group relies on a framework of internal controls designed to provide a sound and well-controlled operating environment. Due to the complex nature of the Group's business and the challenges inherent in implementing control structures across large organisations, problems may be identified in the future that could have a material effect on the Group's operations.

Risk of Failure or Interruption of the Information Systems

The Group relies on internal and third party information and technological systems to manage its operations which creates meaningful operational risk for the Group. Any failure or interruption of the Group's information systems or the third party information systems on which it relies as a result of inadequate or failed processes or systems, 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 the Group's normal operating procedures, damage its reputation and have an adverse effect on its business, results of operations and financial condition.

In addition, any upgrade or replacement of the Group's existing transaction systems and treasury systems could have a significant impact on its ability to conduct its core

business operations and increase the risk of loss resulting from disruptions of normal operating processes and procedures that may occur during and after the implementation of new systems. For example, the development and implementation of new systems and any future upgrades related thereto may require significant expenditure and divert management attention and other resources from the Group's core business operations. There are no assurances that such new systems will provide the Group with any of the anticipated benefits and efficiencies. There can also be no assurance that the time and resources management will need to devote to implementation and upgrades, potential delays in the implementation or upgrade or any resulting service interruptions, or any impact on the reliability of the Group's data from any upgrade of its legacy system, will not have a material adverse effect on its business, results of operations and financial condition.

Risk of a Security Breach or a Cyber-attack

The Group collects and stores certain personal and financial information from customers, employees and other third parties. Security breaches or cyber-attacks involving the Group's systems or facilities, or the systems or facilities of the Group's service providers, could expose the Group to a risk of loss of personally identifiable information of customers, employees and third parties or other confidential, proprietary or competitively sensitive information, business interruptions, regulatory scrutiny, actions and penalties, litigation, reputational harm, a loss of confidence and other financial and non-financial costs, all of which could potentially have an adverse impact on the Group's future business with current and potential customers, results of operations and financial condition.

The Group relies on encryption and other information security technologies licensed from third parties to provide security controls necessary to help in securing online transmission of confidential information pertaining to customers, employees and other aspects of the Group's business. Advances in information system capabilities, new discoveries in the field of cryptography or other events or developments may result in a compromise or breach of the technology that the Group uses to protect sensitive data. A party who is able to circumvent these security measures by methods such as hacking, fraud, trickery or other forms of deception could misappropriate proprietary information or cause interruption to the operations of the Group. The Group may be required to expend capital and other resources to protect against such security breaches or cyber-attacks or to remedy problems caused by such breaches or attacks. The Group's security measures are designed to protect against security breaches and cyber-attacks, but the Group's failure to prevent such security breaches and cyber-attacks could subject it to liability, decrease its profitability and damage its reputation. Even if a failure of, or interruption in, the systems or facilities of the Group is resolved in a timely manner or an attempted cyber incident or other security breach is successfully avoided or thwarted, it may require the Group to expend substantial resources or to take actions that could adversely affect customer satisfaction or behaviour and expose the Group to reputational harm.

The Group could also be subjected to cyber-attacks that could result in slow performance and loss or temporary unavailability of its information systems. Information security risks have increased because of new technologies, the use of the internet and telecommunications technologies (including mobile devices) to conduct

financial and other business transactions, and the increased sophistication and activities of organised crime, perpetrators of fraud, hackers, terrorists, and others. The Group may not be able to anticipate or implement effective preventative measures against all security breaches of these types, especially because the techniques used change frequently and because attacks can originate from a wide variety of sources. The occurrence of any of these events could have a material adverse effect on the Group's business, results of operations and financial condition.

Changes to Data Protection Regulations

The Group's enterprise data practices, including the collection, use, sharing, and security of personally identifiable and financial information of its customers and employees, are subject to increasingly complex, restrictive, and punitive regulations. Under these regulations, the failure to maintain compliant data practices could result in consumer complaints and regulatory inquiry, resulting in civil or criminal penalties, as well as brand impact or other harm to the Group's business. In addition, increased consumer sensitivity to real or perceived failures in maintaining acceptable data practices could damage the Group's reputation and deter current and potential customers from using its products and services. Recent, well-publicised allegations involving the misuse or inappropriate sharing of personal information have led to expanded governmental scrutiny of practices relating to the safeguarding of personal information and the use or sharing of personal data by companies in Australia and other countries. That scrutiny has in some cases resulted in, and could in the future lead to, the adoption of stricter laws and regulations relating to the use and sharing of personal information. These types of laws and regulations could prohibit or significantly restrict financial services providers such as the Group from sharing information among affiliates or with third parties such as vendors, and thereby increase compliance costs, or could restrict the Group's use of personal data when developing or offering products or services to customers. These restrictions could inhibit the Group's development or marketing of certain products or services, or increase the costs of offering them to customers. Because many of these laws are new, there is little clarity as to their interpretation, as well as a lack of precedent for the scope of enforcement. The cost of compliance with these laws and regulations will be high and is likely to increase in the future. Any failure or perceived failure to comply with applicable privacy or data protection laws and regulations could result in requirements to modify or cease certain operations or practices, significant liabilities or fines, penalties or other sanctions.

Counterparty Credit Risk

The Group has exposure to many different financial institutions and the Group routinely executes transactions with counterparties in the financial industry. The Group's debt, derivative and investment transactions, and its ability to borrow under committed and uncommitted credit facilities, could be adversely affected by the actions and commercial soundness of other financial institutions. The Group cannot guarantee that its ability to borrow under committed and uncommitted credit facilities will continue to be available on reasonable terms or at all. Deterioration of social, political, employment or economic conditions in a specific country or region may also adversely affect the ability of financial institutions, including the Group's derivative counterparties and lenders, to perform their contractual obligations. Financial institutions are interrelated as a result of trading, clearing, lending or other relationships and, as a result, financial and political

difficulties in one country or region may adversely affect financial institutions in other jurisdictions, including those with which the Group has relationships. 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.

Risk Relating to Non-Toyota Dealers

The Group provides financing for dealerships which sell products not distributed by the Distributor (or one of its affiliates). An adverse change, such as the closure, a restructuring or bankruptcy of automobile manufacturers other than Toyota may increase the risk that these dealers may be impacted financially and default on their loans with the Group.

Large Exposures

A large exposure refers to the degree of concentration in a loan portfolio or a segment of a loan portfolio. TFA has a large exposure to a number of dealerships and fleet customers. In particular, dealerships may have common ownership and TFA may make bailment and loan advances to those groups of dealerships. Failure of a dealership or fleet customer to which TFA has a large exposure may affect the results of operations and financial condition of TFA.

The Group's Assets are Subject to Prepayment Risk

Customers may terminate their finance and lease contracts early. As a result, the Group estimates the rate of early termination of finance contracts in its interest rate hedging activities. Consequently, changes in customer behaviour contrary to the Group's estimates may adversely affect its results of operations and financial condition.

Regulatory Risk

Regulatory risk is the risk to the Group arising from the failure or alleged failure to comply with applicable regulatory requirements and the risk of liability and other costs imposed under various laws and regulations, including changes in applicable law, regulation and regulatory guidance.

Changes to Laws, Regulations or Government Policies

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.

In Australia, the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (the "**Royal Commission**") was established by the

Australian Government in December 2017 and concluded on 1 February 2019. The Royal Commission inquired into the causes and responses to misconduct by financial services entities, conduct falling below community standards and expectations and held rounds of public hearings on a wide range of matters, including consumer and small-to medium-sized enterprise lending, financial advice, superannuation, insurance, culture, governance, remuneration, and the remits of regulators. The Royal Commission's final report was published on 4 February 2019 and contains 76 recommendations ("**Final Report**"). No findings were made by the Royal Commission in relation to TFA. There is broad bipartisan support on most of the recommendations contained in the Final Report. The Royal Commission's recommendations are likely to result in a range of legislative, regulatory and industry practice changes. Such changes may adversely impact TFA's business, operations, compliance costs, financial performance and prospects. TFA is closely monitoring the governmental, regulatory and industry responses to these recommendations and will participate in public and industry consultations as appropriate.

Compliance with applicable law is costly and can affect the Group's results of operations. Compliance requires forms, processes, procedures, controls and the infrastructure to support these requirements. Compliance may create operational constraints and place limits on pricing, as the laws and regulations in the financial services industry are designed primarily for the protection of consumers. Changes in regulation could restrict the Group's ability to operate its business as currently operated, could impose substantial additional costs or require the Group to implement new processes, which could adversely affect its business, prospects, financial performance or financial condition. The failure to comply could result in significant statutory civil and criminal fines, penalties, monetary damages, attorney or legal fees and costs, restrictions on the Group's ability to operate its business, possible revocation of licenses and damage to the Group's reputation, brand and valued customer relationships. Any such costs, restrictions, revocations or damage could adversely affect the Group's business, prospects, results of operations or financial condition.

Australian Taxation

The Group is subject to numerous tax laws and is required to remit many different types of tax revenues based on self-assessment and regulation. The Group interprets the tax legislation and accounts to the authorities based on its knowledge of the tax laws at the time of its assessment. Tax laws, or the interpretation thereof, are subject to change through legislation, tax rulings or court interpretation. Changes to the application or interpretation of tax laws may adversely impact the Group's results of operations and financial condition.

The Group may also be subject to an audit by tax authorities after its self-assessment. If the Group has not accounted correctly for its tax liabilities, this may adversely impact the Group's results of operations and financial condition.

Potential future Australian Government policy measures, including but not limited to potential future stimulus measures or potential new measures arising from Australian Government sponsored reviews of the Australian tax system or for any other reasons, may directly or indirectly impact the Group's net income. A later future modification or

cessation of such potential future measures may adversely impact the net income of the Group.

TFA's membership of the GST Group and an income tax consolidated group is discussed in *"Contractual Obligations and Credit-Related Commitments"* of *"1. Management Report"*. Transactions by other members of the GST Group and income tax consolidated group with external parties to those groups may be subject to review by the Australian tax authorities and would be dealt with by the representative member or head company of the relevant group. As such, TFA will generally either have no knowledge, or not have detailed knowledge, of any such review as they pertain to other members of the relevant group.

Legal Proceedings

The Group is and may be subject to various legal actions, governmental proceedings and other claims arising in the ordinary course of business. A negative outcome in one or more of these legal proceedings may adversely affect the Group's results of operations and financial condition.

Insolvency Laws

In the event that TFA becomes insolvent, insolvency proceedings (including, without limitation, administration under the Corporations Act) will be governed by the applicable laws in force in Australia or the law of another jurisdiction determined in accordance with Australian law. Those insolvency laws, as so applied and interpreted, may be different from the insolvency laws of certain other jurisdictions. If TFA becomes insolvent, the treatment and ranking of holders of medium term notes, bonds and commercial paper issued by TFA and TFA's other creditors and shareholders under the relevant governing law may be different from the treatment and ranking of those persons if TFA were subject to the bankruptcy or insolvency laws of another jurisdiction. In particular (a) the administration procedure under the Corporations Act, which provides for the potential re-organisation of an insolvent company, differs significantly from bankruptcy or similar provisions under the insolvency laws of other non-Australian jurisdictions, and (b) in Australia some statutory claims by shareholders for breach of statutory requirements can rank equally with claims of other creditors.

Industry and Business Risks - Toyota

The worldwide automotive market is highly competitive

The worldwide automotive market is highly competitive. Toyota faces intense competition from automotive manufacturers in the markets in which it operates. Competition in the automotive industry has further intensified amidst difficult overall market conditions. In addition, competition is likely to further intensify in light of further continuing globalisation in the worldwide automotive industry, possibly resulting in industry reorganisations. Factors affecting competition include product quality and features, safety, reliability, fuel economy, the amount of time required for innovation and development, pricing, customer service and financing terms. Increased competition may lead to lower vehicle unit sales, which may result in further downward price pressure and adversely affect Toyota's financial condition and results of

operations. Toyota's ability to adequately respond to the recent rapid changes in the automotive market and to maintain its competitiveness will be fundamental to its future success in existing and new markets and to maintain its market share. There can be no assurances that Toyota will be able to compete successfully in the future.

The worldwide automotive industry is highly volatile

Each of the markets in which Toyota competes has been subject to considerable volatility in demand. Demand for vehicles depends to a large extent on economic, social and political conditions in a given market and the introduction of new vehicles and technologies. As Toyota's revenues are derived from sales in markets worldwide, economic conditions in such markets are particularly important to Toyota.

Reviewing the general economic environment for the fiscal year ended 31 March 2019, although there were some weaknesses, the world economy, as a whole, showed moderate recovery. The Japanese economy has been on a moderate recovery due to improvements in employment and income conditions. For the automotive markets, although markets have progressed in a steady manner in developed countries, markets in China, which had experienced continued growth, and some resource-rich countries have slowed down.

The changes in demand for automobiles are continuing, and it is unclear how this situation will transition in the future. Toyota's financial condition and results of operations may be adversely affected if the changes in demand for automobiles continue or progress further. Demand may also be affected by factors directly impacting vehicle price or the cost of purchasing and operating vehicles such as sales and financing incentives, prices of raw materials and parts and components, cost of fuel and governmental regulations (including tariffs, import regulation and other taxes). Volatility in demand may lead to lower vehicle unit sales, which may result in downward price pressure and adversely affect Toyota's financial condition and results of operations.

Toyota's future success depends on its ability to offer new, innovative and competitively priced products that meet customer demand on a timely basis

Meeting customer demand by introducing attractive new vehicles and reducing the amount of time required for product development are critical to automotive manufacturers. In particular, it is critical to meet customer demand with respect to quality, safety and reliability. The timely introduction of new vehicle models, at competitive prices, meeting rapidly changing customer preferences and demand is more fundamental to Toyota's success than ever, as the automotive market is rapidly transforming in light of the changing global economy.

There is no assurance, however, that Toyota will adequately and appropriately respond to changing customer preferences and demand with respect to quality, safety, reliability, styling and other features in a timely manner. Even if Toyota succeeds in perceiving customer preferences and demand, there is no assurance that Toyota will be capable of developing and manufacturing new, price competitive products in a timely manner with its available technology, intellectual property, sources of raw materials and parts and components, and production capacity, including cost reduction capacity. Further, there

is no assurance that Toyota will be able to implement capital expenditures at the level and times planned by management. Toyota's inability to develop and offer products that meet customers' preferences and demand with respect to quality, safety, reliability, styling and other features in a timely manner could result in a lower market share and reduced sales volumes and margins, and may adversely affect Toyota's financial condition and results of operations.

Toyota's ability to market and distribute effectively is an integral part of Toyota's successful sales

Toyota's success in the sale of vehicles depends on its ability to market and distribute effectively based on distribution networks and sales techniques tailored to the needs of its customers. There is no assurance that Toyota will be able to develop sales techniques and distribution networks that effectively adapt to changing customer preferences or changes in the regulatory environment in the major markets in which it operates. Toyota's inability to maintain well-developed sales techniques and distribution networks may result in decreased sales and market share and may adversely affect its financial condition and results of operations.

Toyota's success is significantly impacted by its ability to maintain and develop its brand image

In the highly competitive automotive industry, it is critical to maintain and develop a brand image. In order to maintain and develop a brand image, it is necessary to further increase customers' confidence by providing safe, high quality products that meet customer preferences and demand. If Toyota is unable to effectively maintain and develop its brand image as a result of its inability to provide safe, high quality products or as a result of the failure to promptly implement safety measures such as recalls when necessary, vehicle unit sales and/or sale prices may decrease, and as a result revenues and profits may not increase as expected or may decrease, adversely affecting its financial condition and results of operations.

Toyota relies on suppliers for the provision of certain supplies including parts, components and raw materials

Toyota purchases supplies including parts, components and raw materials from a number of external suppliers located around the world. For some supplies, Toyota relies on a single supplier or a limited number of suppliers, whose replacement with another supplier may be difficult. Inability to obtain supplies from a single or limited source supplier may result in difficulty obtaining supplies and may restrict Toyota's ability to produce vehicles. Furthermore, even if Toyota were to rely on a large number of suppliers, first-tier suppliers with whom Toyota directly transacts may in turn rely on a single second-tier supplier or limited second-tier suppliers. Toyota's ability to continue to obtain supplies from its suppliers in a timely and cost-effective manner is subject to a number of factors, some of which are not within Toyota's control. These factors include the ability of Toyota's suppliers to provide a continued source of supply, and Toyota's ability to effectively compete and obtain competitive prices from suppliers. A loss of any single or limited source supplier or inability to obtain supplies from suppliers in a timely and cost-effective manner could lead to increased costs or

delays or suspensions in Toyota's production and deliveries, which could have an adverse effect on Toyota's financial condition and results of operations.

The worldwide financial services industry is highly competitive

The worldwide financial services industry is highly competitive. Increased competition in automobile financing may lead to decreased margins. A decline in Toyota's vehicle unit sales, an increase in residual value risk due to lower used vehicle prices, an increase in the ratio of credit losses and increased funding costs are additional factors which may impact Toyota's financial services operations. If Toyota is unable to adequately respond to the changes and competition in automobile financing, Toyota's financial services operations may adversely affect its financial condition and results of operations.

Toyota's operations and vehicles rely on various digital and information technologies

Toyota depends on various information technology networks and systems, some of which are managed by third parties, to process, transmit and store electronic information, including sensitive data, and to manage or support a variety of business processes and activities, including manufacturing, research and development, supply chain management, sales and accounting. In addition, Toyota's vehicles may rely on various digital and information technologies, including information service and driving assistance functions. Despite security measures, Toyota's digital and information technology networks and systems may be vulnerable to damage, disruptions, shutdowns due to unauthorised access or attacks by hackers, computer viruses, breaches due to unauthorised use, errors or malfeasance by employees and others who have or gain access to the networks and systems Toyota depends on, service failures or bankruptcy of third parties such as software development or cloud computing vendors, power shortages and outages, and utility failures or other catastrophic events like natural disasters. In particular, cyber-attacks or other intentional malfeasance are increasing in terms of intensity, sophistication and frequency, and Toyota may be the subject of such attacks. Such attacks could materially disrupt critical operations, disclose sensitive data, interfere with information services and driving assistance functions in Toyota's vehicles, and/or give rise to legal claims or proceedings, liability or regulatory penalties under applicable laws, which could have an adverse effect on Toyota's brand image and its financial condition and results of operations.

Financial Market and Economic Risks – Toyota

Toyota's operations are subject to currency and interest rate fluctuations

Toyota is sensitive to fluctuations in foreign currency exchange rates and is principally exposed to fluctuations in the value of the Japanese yen, the U.S. dollar and the euro and, to a lesser extent, the Australian dollar, the Russian ruble, the Canadian dollar and the British pound. Toyota's consolidated financial statements, which are presented in Japanese yen, are affected by foreign currency exchange fluctuations through translation risk, and changes in foreign currency exchange rates may also affect the price of products sold and materials purchased by Toyota in foreign currencies through transaction risk. In particular, strengthening of the Japanese yen against the U.S. dollar can have an adverse effect on Toyota's operating results.

Toyota believes that its use of certain derivative financial instruments including foreign exchange forward contracts and interest rate swaps and increased localised production of its products have reduced, but not eliminated, the effects of interest rate and foreign currency exchange rate fluctuations. Nonetheless, a negative impact resulting from fluctuations in foreign currency exchange rates and changes in interest rates may adversely affect Toyota's financial condition and results of operations.

High prices of raw materials and strong pressure on Toyota's suppliers could negatively impact Toyota's profitability

Increases in prices for raw materials that Toyota and Toyota's suppliers use in manufacturing their products or parts and components such as steel, precious metals, non-ferrous alloys including aluminium, and plastic parts, may lead to higher production costs for parts and components. This could, in turn, negatively impact Toyota's future profitability because Toyota may not be able to pass all those costs on to its customers or require its suppliers to absorb such costs.

A downturn in the financial markets could adversely affect Toyota's ability to raise capital

Should the world economy suddenly deteriorate, a number of financial institutions and investors will face difficulties in providing capital to the financial markets at levels corresponding to their own financial capacity, and, as a result, there is a risk that companies may not be able to raise capital under terms that they would expect to receive with their creditworthiness. If Toyota is unable to raise the necessary capital under appropriate conditions on a timely basis, Toyota's financial condition and results of operations may be adversely affected.

Regulatory, Legal, Political and Other Risks – Toyota

The automotive industry is subject to various governmental regulations and actions

The worldwide automotive industry is subject to various laws and governmental regulations including those related to vehicle safety and environmental matters such as emission levels, fuel economy, noise and pollution. In particular, automotive manufacturers such as Toyota are required to implement safety measures such as recalls for vehicles that do not or may not comply with the safety standards of laws and governmental regulations. In addition, Toyota may, in order to reassure its customers of the safety of Toyota's vehicles, decide to voluntarily implement recalls or other safety measures even if the vehicle complies with the safety standards of relevant laws and governmental regulations. If Toyota launches products that result in safety measures such as recalls, Toyota may incur various costs including significant costs for free repairs. Many governments also impose tariffs and other trade barriers, taxes and levies, or enact price or exchange controls. Toyota has incurred significant costs in response to governmental regulations and actions, including costs relating to changes in global trade dynamics and policies, and expects to incur such costs in the future. Furthermore, new legislation or regulations or changes in existing legislation or regulations may also subject Toyota to additional costs in the future. If Toyota incurs significant costs related to implementing safety measures or responding to laws,

regulations and governmental actions, Toyota's financial condition and results of operations may be adversely affected.

Toyota may become subject to various legal proceedings

As an automotive manufacturer, Toyota may become subject to legal proceedings in respect of various issues, including product liability and infringement of intellectual property. Toyota may also be subject to legal proceedings brought by its shareholders and governmental proceedings and investigations. Toyota is in fact currently subject to a number of pending legal proceedings and government investigations. A negative outcome in one or more of these pending legal proceedings could adversely affect Toyota's financial condition and results of operations.

Toyota may be adversely affected by natural calamities, political and economic instability, fuel shortages or interruptions in social infrastructure, wars, terrorism and labour strikes

Toyota is subject to various risks associated with conducting business worldwide. These risks include natural calamities, political and economic instability, fuel shortages, interruption in social infrastructure including energy supply, transportation systems, gas, water or communication systems resulting from natural hazards or technological hazards, wars, terrorism, labour strikes and work stoppages. Should the major markets in which Toyota purchases materials, parts and components and supplies for the manufacture of Toyota products or in which Toyota's products are produced, distributed or sold be affected by any of these events, it may result in disruptions and delays in the operations of Toyota's business. Should significant or prolonged disruptions or delays related to Toyota's business operations occur, it may adversely affect Toyota's financial condition and results of operations.

2. Annual Financial Report for the year ended 31 March 2019 and Auditor's Report

TOYOTA FINANCE AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES
ABN 48 002 435 181
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 31 MARCH 2019

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

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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 year ended 31 March 2019.

1. DIRECTORS

The directors of the company at any time during or since the end of the financial 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
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
S. Kadena was appointed as a director on 1 February 2019

Former directors

Y. Toura resigned as a director on 18 December 2018
Y. Yomoda resigned as a director on 31 August 2018
T. Ishida ceased as alternate director for Y. Yomoda on 31 August 2018

2. PRINCIPAL ACTIVITIES

During the year, the principal continuing activities of the consolidated entity were to:

- Finance the acquisition of motor vehicles by retail customers by way of consumer and commercial loans;
- Provide bailment facilities and commercial loans to motor dealers;
- Provide vehicle finance (by way of loans, term purchase, finance lease or operating lease) and fleet management services to corporate customers; and
- Sell retail insurance policies underwritten by third party insurers.

There were no significant changes in the nature of these activities during the period.

3. DIVIDENDS

The following fully franked dividends were paid by the company during the year on the fully paid shares

	Consolidated 2019 $'000	Consolidated 2018 $'000
Fully franked final dividend for the year ended 31 March 2019 of 35 cents (31 March 2018: 5.7 cents) per fully paid share.	42,037	6,891

DIRECTORS' REPORT (continued)

4. REVIEW OF OPERATIONS

The net profit of the consolidated entity for the year ended 31 March 2019 was $143,959,000 (2018: $148,059,000) after deducting income tax expense of $59,567,000 (2018: $61,366,000).

5. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year under review.

6. ENVIRONMENTAL REGULATION

The operations of the consolidated entity are not subject to any particular or significant environmental regulation.

7. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Since the end of the financial year, the directors are not aware of any matter or circumstance not otherwise dealt with in the report or the consolidated accounts that has or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial periods.

8. LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The company expects its underlying operations to operate profitably in the financial year ending 31 March 2020, although fluctuations in the fair value and translation of some financial instruments resulting in unrealised gains or losses recognised through the profit or loss may produce anomalous results.

Further information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

9. INDEMNITY AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, the company paid a premium of $66,976 to insure the officers of the company and its controlled entities including the directors, company secretaries, and other officers against allegations of wrongdoing (other than intentional wrongdoing).

The company has entered into a deed of access and indemnity with each director whereby it has agreed to:

(a) the maximum extent permitted by law, to indemnify directors against any liability in connection with a director's act; legal costs incurred by a director in defending a claim or incurred in obtaining legal advice in relation to their performance of their functions and the discharge of their duties as an officer of the company; except where the liability arises is in connection with an act which is fraudulent, criminal, dishonest or a wilful default of the director's duties as a director of the company;

(b) allow directors to have access to and take copies of the company books for the purpose of assisting them in relation to any claim; and

(c) maintain insurance against liabilities (other than excluded liabilities) incurred as a director or an officer of the company or a controlled entity.

DIRECTORS' REPORT (continued)

10. INDEMNITY OF AUDITORS

The company has agreed to indemnify its auditors, PricewaterhouseCoopers, to the extent permitted by law, against any claim by a third party arising from the company's breach of its agreement. The indemnity stipulates that the company will meet the full amount of any such liabilities incurred, including a reasonable amount of legal costs.

11. PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company and its controlled entities, or to intervene in any proceedings to which the company and its controlled entities is a party, for the purpose of taking responsibility on behalf of the company and its controlled entities for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company and its controlled entities with leave of the Court under section 237 of the *Corporations Act 2001*.

12. AUDITOR'S INDEPENDENCE DECLARATION

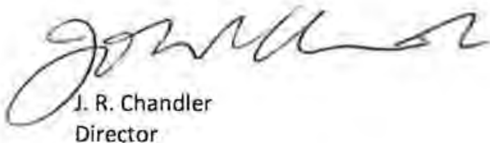
A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

13. 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

S. Kadena
Director

Sydney
05 June 2019

Auditor's Independence Declaration

As lead auditor for the audit of Toyota Finance Australia Limited for the year ended 31 March 2019, 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 audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Joe Sheeran
Partner
PricewaterhouseCoopers

Sydney
5 June 2019

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019

	Note	Consolidated 2019 $'000	Consolidated 2018 $'000
Interest revenue	3a	799,433	719,484
Rental income on motor vehicles under operating lease		358,461	343,765
Fee income	3b	39,491	35,582
Financing and similar revenue		**1,197,385**	**1,098,831**
Interest expense and similar charges	3a	(480,401)	(456,406)
Depreciation expense on motor vehicles under operating lease	8b	(290,696)	(280,523)
Financing expense and similar charges		**(771,097)**	**(736,929)**
Net financing revenue		**426,288**	**361,902**
Other revenue	4	45,353	45,250
Net operating income		**471,641**	**407,152**
Credit impairment losses	9b	(45,006)	(23,658)
Non-credit impairment (losses)/gains	9c	(16,462)	10,015
Employee benefits expense		(133,803)	(111,018)
Depreciation, amortisation and write-off	5	(16,244)	(18,980)
IT and communication expense		(19,460)	(17,349)
Sales and marketing expense		(11,429)	(11,254)
Occupancy expense		(9,347)	(7,227)
Other expenses		(24,823)	(26,190)
Share of net profits of associates accounted for using the equity method	25	8,459	7,934
Profit before income tax		**203,526**	**209,425**
Income tax expense	6	(59,567)	(61,366)
Profit attributable to owners of Toyota Finance Australia Limited		**143,959**	**148,059**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	15	1,535	1,849
Total comprehensive income attributable to owners of Toyota Finance Australia Limited		**145,494**	**149,908**

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
AS AT 31 MARCH 2019

	Note	Consolidated 2019 $'000	Consolidated 2018 $'000
Assets			
Cash and cash equivalents	21	1,416,603	1,282,624
Loans and receivables	8a	17,076,012	15,509,768
Motor vehicles under operating lease	8b	1,414,487	1,253,579
Derivative financial instruments	17	277,777	313,133
Investments accounted for using the equity method	25	77,325	67,331
Intangible assets	27	30,333	25,256
Property, plant and equipment	26	13,046	8,453
Deferred tax assets	28	-	16,248
Other assets	23	56,732	37,114
Total Assets		**20,362,315**	**18,513,506**
Liabilities			
Due to banks and other financial institutions	10	5,084,879	5,115,776
Bonds and commercial paper	11	13,106,166	11,414,000
Derivative financial instruments	17	143,422	135,265
Deferred tax liabilities	28	5,622	-
Other liabilities	24a	443,261	470,671
Contract liabilities	24b	80,830	-
Total Liabilities		**18,864,180**	**17,135,712**
Net Assets		**1,498,135**	**1,377,794**
Equity			
Contributed equity	14	120,000	120,000
Reserves	15	6,809	5,274
Retained earnings	16	1,371,326	1,252,520
Total Equity		**1,498,135**	**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
FOR THE YEAR ENDED 31 MARCH 2019

		Attributable to owners of Toyota Finance Australia Limited			
	Note	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 37)		-	-	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		-	-	143,959	143,959
Other comprehensive income		-	1,535	-	1,535
Total comprehensive income for the year		-	1,535	143,959	145,494
Transactions with owners in their capacity as owners:					
Dividend paid	16	-	-	(42,037)	(42,037)
Balance at 31 March 2019		**120,000**	**6,809**	**1,371,326**	**1,498,135**
Balance at 1 April 2017		120,000	3,425	1,111,352	1,234,777
Profit for the year		-	-	148,059	148,059
Other comprehensive income		-	1,849	-	1,849
Total comprehensive income for the year		-	1,849	148,059	149,908
Transactions with owners in their capacity as owners:					
Dividend paid	16	-	-	(6,891)	(6,891)
Balance at 31 March 2018		**120,000**	**5,274**	**1,252,520**	**1,377,794**

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
FOR THE YEAR ENDED 31 MARCH 2019

	Note	Consolidated 2019 $'000	Consolidated 2018 $'000
Cash flows from operating activities			
Net cash outflow from lending and other operating activities		(1,870,623)	(2,144,998)
Interest received		977,251	895,573
Rental income received		358,461	343,766
Interest paid		(447,702)	(394,350)
Income taxes paid		(62,531)	(6,320)
Net cash outflow from operating activities	22	**(1,045,144)**	**(1,306,329)**
Cash flows from investing activities			
Payments for intangible assets		(17,270)	(7,429)
Payments for property, plant and equipment		(13,085)	(8,120)
Proceeds from sale of property, plant and equipment		4,391	4,901
Dividends received from associate		-	6,891
Net cash outflow from investing activities		**(25,964)**	**(3,757)**
Cash flows from financing activities			
Proceeds from borrowings		16,724,397	14,369,734
Repayments of borrowings		(15,477,273)	(13,038,705)
Dividends paid to parent	16	(42,037)	(6,891)
Net cash inflow from financing activities		**1,205,087**	**1,324,138**
Net increase in cash and cash equivalents		133,979	14,052
Cash and cash equivalents at beginning of period		1,282,624	1,268,572
Cash and cash equivalents at end of period	21	**1,416,603**	**1,282,624**

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

Basis of preparation

This section describes the company's significant accounting policies that relate to the financial statements and notes of the accounts. If an accounting policy relates to a particular note, the applicable policy is contained within the relevant note. This section also shows new accounting standards, amendments and interpretations and whether they are effective in the current fiscal year or later years.

1. Corporate information

These financial statements cover the consolidated financial statements of the consolidated entity comprising Toyota Finance Australia Limited, as parent entity, and the entities it controlled at the end of, or during the financial year.

Toyota Finance Australia Limited ('the company') is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Toyota Finance Australia Limited
Level 9, 207 Pacific Highway
ST LEONARDS, NSW, 2065

A description of the nature of the consolidated entity's principal activities is included in the directors' report on page 2, which is not part of the financial statements.

The financial statements were authorised for issue by the directors on 5 June 2019. The company has the power to amend and reissue the financial statements.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. Where necessary, comparative information has been restated to conform to changes in presentation in the current year. The financial statements are for the consolidated entity consisting of Toyota Finance Australia Limited and its controlled entities.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Toyota Finance Australia Limited is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS
The consolidated financial statements of Toyota Finance Australia Limited and its controlled entities also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value through profit or loss (derivatives).

Basis of preparation (continued)

2. Summary of significant accounting policies (continued)

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Toyota Finance Australia Limited ("company" or "parent entity") as at 31 March 2019 and the results of all subsidiaries for the year then ended. Toyota Finance Australia Limited and its controlled entities together are referred to in the financial statements as the consolidated entity.

Subsidiaries are all entities (including structured entities) over which the company has control. The company controls an entity when the company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are deconsolidated from the date that the control ceases.

The acquisition method of accounting is used to account for business combinations by the company.

Intercompany transactions, balances and unrealised gains on transactions between consolidated entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the parent entity.

(ii) Associates

Associates are all entities over which the company entity has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost.

The company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the consolidated financial statements as a reduction against the carrying amount of the investment.

When the company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of its associate.

Unrealised gains on transactions between the company and its associates are eliminated to the extent of the consolidated entity's interest in associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

Basis of preparation (continued)

2. Summary of significant accounting policies (continued)

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the consolidated entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is the company's functional and presentation currency.

On consolidation, the exchange differences arising from the translation of the net investment in the foreign entity from functional to presentation currency is recognised in other comprehensive income.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relates to borrowings are presented in the income statement, within financing expense and similar charges. All other foreign exchange gains and losses are presented in the income statement on a net basis within other income or other expenses.

(d) Rounding of amounts

The company is of a kind referred to in ASIC Legislative Instrument 2016/191 relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with the Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

(e) New or revised accounting standards and interpretation

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 the adoption of these standards is disclosed in Note 37.

Basis of preparation (continued)

2. Summary of significant accounting policies (continued)

(f) New or revised accounting standards and interpretation not yet adopted

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 financial period commencing 1 April 2019.

The company has assessed the impact of the new standard. The company will recognise new assets and liabilities for the operating leases of its various office premises. The nature of the expenses related to these leases will change as AASB 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

As at 31 March 2019, the company's future minimum lease payments under non-cancellable operating leases amounted to $35,315,000 on a discounted basis, which the company estimates it will recognise as additional lease liabilities.

The company plans to apply AASB 16 initially on 1 April 2019, using a modified retrospective approach. Under this approach, the right-of-use asset is recognised at the date of initial application (1 April 2019) at an amount equal to the lease liability, using the entity's current incremental rate of borrowing with no restatement of comparative information.

Results for the year

This section provides further information and accounting policies about individual line items in the consolidated statement of comprehensive income, including:

- interest revenue and expense
- fee income on originated assets
- other revenue
- depreciation, amortisation and write-off
- income tax expenses
- segment results

3. Financing revenue and expense and similar charges

(a) Interest revenue and expense	Consolidated 2019 $'000	Consolidated 2018 $'000
Financing and similar revenue		
Interest revenue	977,401	895,693
Fee income recognised using the effective interest rate method	66,710	61,548
Fee expense recognised using the effective interest rate method	(244,678)	(237,757)
Total financing and similar revenue	**799,433**	**719,484**
Interest expense and similar charges		
Interest expense	421,378	374,576
Net loss on translation of foreign currency debt	361,325	116,783
Fair value gain on derivative financial instruments at fair value through profit or loss	(323,788)	(53,142)
Transaction costs	21,486	18,189
Total interest expense and similar charges	**480,401**	**456,406**

(b) Fee income earned on originated assets		
Administration and management fee	34,113	30,164
Other fees	5,378	5,418
Total fee income	**39,491**	**35,582**

Results for the year (continued)

3. Financing revenue and expense and similar charges (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of direct sales costs and taxes.

The consolidated entity recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met. Revenue is recognised for the major business activities as follows:

(i) Term loans and term purchase

Interest income arising from term loans and term purchase are recognised over the period of the contract using the effective interest rate method. Income derived from term loans and term purchases is included in "interest revenue".

(ii) Leased assets where the consolidated entity is the lessor

(a) Finance leases
Interest income derived from finance leases is recognised over the period of the contract using the effective interest rate method. Income derived from finance leases is included in "interest revenue".

(b) Operating leases
Lease rentals receivable on operating leases are recognised on a systematic basis over the effective lease term. Income derived from operating leases is included in "rental income on motor vehicle under operating lease". Operating leases had an average term of 43 months in the current period (2018: 43 months).

(iii) Fee income and expense

Fee income and expense are an integral part to the effective interest rate of the financial assets or liabilities and are included in the measurement of the effective interest rate (Note 3a).

Revenue from administration and management fees are recognised over time as the services are provided. Other fees are recognised at the point in time when the transaction takes place (Note 3b).

4. Other revenue

	Consolidated 2019 $'000	Consolidated 2018 $'000
Net gain on disposal of leased and fixed assets	15,246	12,494
Net insurance distribution revenue	16,882	19,333
Net maintenance revenue	11,664	12,630
Other income	1,561	793
	45,353	**45,250**

Net insurance distribution revenue and net maintenance revenue are recognised as the related services are performed. Net maintenance revenue represents net income received for facilitating the provision of maintenance services on fleet contracts. The revenue is recognised as those services are provided. The company

4. Other revenue (continued)

acts as an agent and as such presents the revenue received net of associated costs in the consolidated statement of comprehensive income. Revenue received in advance of the services being provided is presented as a contract liability until such point as the services have been provided. Further information in relation to contract liabilities is presented in Note 24(b).

5. Depreciation, amortisation and write-off

	Consolidated 2019 $'000	Consolidated 2018 $'000
Profit before income tax includes the following specific expenses:		
Depreciation on property, plant and equipment		
Leasehold improvements	432	389
Plant and equipment	1,838	1,179
Motor vehicles	1,781	1,664
Total depreciation	**4,051**	**3,232**
Amortisation and write-off		
Computer software amortisation	12,193	12,363
Computer software write-off	-	3,385
Total amortisation and write-off	**12,193**	**15,748**
Total depreciation, amortisation and write-off	**16,244**	**18,980**

Assets that are subject to depreciation, amortisation and write-off are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to resell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other asset groups (cash generating units).

Refer to Note 26 Property, plant and equipment & Note 27 Intangible assets for further information on depreciation and amortisation.

6. Income tax expense

The income tax expense or revenue for the period is the tax payable or receivable on the current periods taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Results for the year (continued)

6. Income tax expense (continued)

	Consolidated 2019 $'000	Consolidated 2018 $'000
Current tax	44,501	59,030
Deferred tax	14,634	1,726
Under provision in prior year	432	610
Income tax expense attributable to continuing operations	**59,567**	**61,366**
Deferred income tax expense included in income tax expense comprises:		
(Increase)/Decrease in deferred tax assets	(2,828)	9,404
Decrease in deferred tax liabilities	(19,042)	(11,130)
Decrease in deferred tax assets credited to equity	7,236	-
	(14,634)	**(1,726)**
Numerical reconciliation of income tax expense to prima facie tax payable:		
Profit from continuing operations before income tax expense	203,526	209,425
Prima facie tax payable @ 30%	61,058	62,828
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share of net profit of associate	(2,538)	(2,380)
Sundry items	615	308
	59,135	60,756
Under provision in prior years	432	610
Income tax expense attributable to continuing operations	**59,567**	**61,366**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Tax consolidation legislation

The company and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation from 1 April 2003 in association with other Australian incorporated entities with common ownership.

On adoption of the income tax consolidation legislation, the entities in the income tax consolidated group entered into an income tax sharing agreement which, in the opinion of the directors, limits the joint and several liability for income tax of the consolidated entity in the case of a default by the head entity, Toyota Motor Corporation Australia Limited.

Results for the year (continued)

6. Income tax expense (continued)

Tax consolidation legislation (continued)

As a consequence, the company is no longer subject to income tax and does not recognise any current tax balances in its own financial statements unless the head entity (Toyota Motor Corporation Australia Limited) is in default of its obligations, or a default is probable, under the tax consolidation legislation, or the tax amounts relate to taxable income incurred prior to the implementation of the tax consolidation regime.

The consolidated entity has also entered into an income tax funding agreement under which the consolidated entity fully compensates the head entity for any current income tax payable assumed and is compensated by the head entity for any current income tax receivable. The funding amounts are determined by reference to the amounts recognised in the consolidated entity's financial statements.

The amounts receivable/payable under the income tax funding agreement is due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay income tax instalments.

Deferred tax balances are recognised in the consolidated financial statements in accordance with UIG 1052 *Tax Consolidation Accounting*. Amounts receivable or payable under a tax funding agreement with the head entity are recognised in accordance with the terms and conditions of the agreement as tax-related amounts receivable and payable.

Results for the year (continued)

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 businesses and fleet customers consisting of medium to large commercial clients and government bodies. The company's business segments operate in Australia.

	2019			
Consolidated	**Retail** **$'000**	**Fleet** **$'000**	**Unallocated** **$'000**	**Total** **$'000**
Net financing revenue (excluding fee income)	246,611	57,127	83,059	386,797
Fee income				
Fee income recognised over a period of time	24,178	9,935	-	34,113
Fee income recognised at a point in time	4,686	692	-	5,378
Other revenue				
Other revenue recognised at a point in time	16,654	13,216	237	30,107
Net gain on disposal of leased and fixed assets	-	14,966	280	15,246
Net operating income	292,129	95,936	83,576	471,641
Segment operating profit	113,052	33,120	-	146,171

	2018			
Consolidated	**Retail** **$'000**	**Fleet** **$'000**	**Unallocated** **$'000**	**Total** **$'000**
Net operating income	272,800	88,422	45,930	407,152
Segment operating profit	163,998	48,057	-	212,055

	2019			
Assets	**Retail** **$'000**	**Fleet** **$'000**	**Unallocated** **$'000**	**Total** **$'000**
Segment assets	15,304,832	3,185,666	1,871,817	20,362,315

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

Results for the year (continued)

7. Segment results (continued)

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

	Consolidated 2019 $'000	Consolidated 2018 $'000
Total reporting segment operating profit	146,171	212,055
Share of net profit of equity accounted investment	8,459	7,934
Fair value gain/(loss)	1,360	(38,611)
Other unallocated net income	47,536	28,047
Profit before income tax	203,526	209,425
Income tax expense	(59,567)	(61,366)
Profit attributable to owners of Toyota Finance Australia Limited	**143,959**	**148,059**

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 $199,576,000 to $163,998,000 and Fleet segment profit from $54,981,000 to $48,057,000.

Lending

This section focuses on the lending assets of the consolidated entity. Further information is provided on the loans and receivables, and impairment relating to these financing assets.

8. Financing assets

	Consolidated 2019 $'000	Consolidated 2018 $'000
(a) Loans and receivables		
Bailment stock	2,814,456	2,418,750
Term loans	14,328,808	13,282,984
Term purchase	655,749	591,704
Finance leases	749,856	685,442
Gross loans and receivables	**18,548,869**	**16,978,880**
Unearned income	(1,348,857)	(1,324,530)
Net loans and receivables (net of unearned income)	**17,200,012**	**15,654,350**
Provision for impairment of loans and receivables	(124,000)	(144,582)
Net loans and receivables	**17,076,012**	**15,509,768**
Maturity analysis (net of unearned income)		
Current		
Net loans and receivables maturing within 12 months	6,732,816	6,007,158
Non-Current		
Net loans and receivables maturing beyond 12 months	10,467,196	9,647,192
	17,200,012	**15,654,350**

Concentration of exposures

The majority of the consolidated entity's loans and receivables are provided to finance the purchase of motor vehicles or motor dealership assets.

Lending (continued)

8. Financing assets (continued)

	Consolidated 2019 $'000	Consolidated 2018 $'000
(b) Motor vehicles under operating lease		
At cost	2,192,013	1,982,844
Provision for residual value impairment loss	(39,880)	(23,418)
Accumulated depreciation	(737,646)	(705,847)
Total motor vehicles under operating lease	**1,414,487**	**1,253,579**
Future minimum lease receipts under non-cancellable operating leases		
Current		
Lease receipts due within 12 months	268,870	238,803
Non-Current		
Lease receipts beyond 12 months	393,606	341,345
	662,476	**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	701,458	606,151
Disposals	(233,392)	(257,197)
Depreciation expense	(290,696)	(280,523)
Impairment (loss)/gain	(16,462)	10,015
Balance at end of period, net of residual value	**1,414,487**	**1,253,579**

Recognition and de-recognition

Financing assets are recognised on transaction settlement date – the date on which the consolidated entity becomes party to an irrevocable financing arrangement. Financing assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Classification and subsequent measurement

Classification

Loans and receivables are classified at amortised cost based on the following factors:

- Their contractual terms give rise to cash flows on specified dates, that represent solely payments of principal and interest (SPPI) on the principal amount outstanding; and
- They are held within a business model whose objective is achieved by holding them to collect contractual cash flows.

SPPI: For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

8. **Financing assets** (continued)

Classification and subsequent measurement (continued)

Classification (continued)

Business model: Factors considered by the consolidated entity in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel and how risks are assessed and managed.

The consolidated entity classifies its financing assets into the following categories:

(i) Bailment stock

The consolidated entity provides dealer floor plan finance arrangements to motor dealers under which vehicles are owned by the consolidated entity but held at the dealers' premises as bailment stock. There is no unearned income on bailment stock.

Whilst the legal form of the transactions is that the vehicles are owned by the consolidated entity, the substance of the transactions is that of secured loans to the dealers. Accordingly, the balances are disclosed as part of 'loans and receivables' in the statement of financial position.

(ii) Term Loans

A term loan is a retail financing agreement in which the terms of the agreement substantially transfer the risk and rewards incidental to the ownership of an asset to the customer. Unearned finance income is the portion of charges written into finance receivable agreements which will be earned in the future.

(iii) Leased assets where the consolidated entity is the lessor

Term Purchase
A term purchase is a lease agreement in which the terms of the agreement substantially transfer the risks and rewards incidental to ownership of an asset to the customer. Unearned finance income is the portion of charges written into term purchase receivable agreements which will be earned in the future.

Finance Lease
A finance lease is a lease agreement in which the terms of the agreement substantially transfer the risks and rewards incidental to ownership of an asset from the lessor to the lessee. Unearned finance income is the portion of charges written into finance receivable agreements which will be earned in the future.

Operating Lease
Motor vehicles under operating leases are included in financing assets. These are leases in which the terms of the lease agreement do not substantially transfer the risks and rewards incidental to ownership of an asset to the lessee.

Motor vehicles under operating lease is inclusive of the carrying value of vehicles which ceased to be rented and are held for sale amounting to $31.6 million as at 31 March 2019 (2018: $16.0 million).

Assets held under operating leases are depreciated on a systematic basis over the term of the lease to its estimated residual value. Depreciation expense is included within financing expense and similar charges.

Lending (continued)

8. Financing assets (continued)

Subsequent measurement

Loans and receivables are measured at amortised cost using the effective interest method. The effective interest method calculation includes the contractual terms of the loan, together with all fees and transaction costs.

Retail and wholesale finance receivables form part of the loans and receivables in the balance sheet. Unearned income is brought to account over the life of the contracts on an effective interest method.

Modification

The consolidated entity sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the consolidated entity assesses whether or not the new terms are substantially different to the original terms by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Significant change of the loan term and/or interest rates when the borrower is not in financial difficulty.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the consolidated entity derecognises the original financial asset and recognises a new assets at fair value and recalculates a new effective interest rate for the asset. If the terms are not substantially different, the renegotiation or modification does not result in de-recognition.

Concentration of exposures

The majority of the consolidated entity's loans and receivables are provided to finance the purchase or lease of motor vehicles or motor dealership assets.

Unearned income is comprised of the following balances:

	Consolidated 2019 $'000	Consolidated 2018 $'000
Net unamortised deferred revenue and expenses	(314,993)	(302,629)
Unearned interest income on finance leases	50,026	44,088
Unearned interest income on term loans	1,613,824	1,583,071
Total unearned income	**1,348,857**	**1,324,530**

8. Financing assets (continued)

Securitisation

Loans and receivables include a portion of the consolidated entity's term loans and term purchases under securitisation within special purpose entities. The terms of the transfer of these loans do not meet the criteria for de-recognition under AASB 9 and are therefore recognised on the consolidated entity's statement of financial position. AASB 10 defines control when an investor is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The parent entity bears control over the special purpose vehicles requiring consolidation in the financial statements.

As at the end of the reporting period, the carrying amount of transferred assets held by the special purpose entities under securitisation was $4,102.4 million (2018: $3,891.3 million).

9. Impairment of financing assets

	Consolidated	Consolidated
	2019	2018
	$'000	$'000
a. Provision for credit impairment of loans and receivables		
Opening balance	144,582	156,492
Change in accounting policy (Note 37)	(24,120)	-
Restated balance as at 1 April 2018	120,462	156,492
Bad debts written off	(57,809)	(57,348)
Increase in impairment loss provision	61,347	45,438
Closing balance	**124,000**	**144,582**
b. Credit impairment loss		
Recovery of bad debts written off	(16,341)	(21,780)
Increase in impairment loss provision	61,347	45,438
Total impairment loss	**45,006**	**23,658**
c. Non-credit impairment loss on motor vehicles under operating lease		
Opening balance	23,418	33,433
Increase/(decrease) in impairment loss provision	16,462	(10,015)
Closing balance	**39,880**	**23,418**

The contractual amount outstanding on financial assets that were written off during the year ended 31 March 2019 and that are still subject to enforcement activity is $53.78 million.

Lending (continued)

9. Impairment of financing assets (continued)

In addition to the information below further information on credit risk can be found in Note 20.

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit impaired in the period, and the consequent "step up" (or "step down") between 12 month and lifetime expected credit losses ("ECL");
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments derecognised in the period;
- Impact on the measurement of ECL due to changes in probability of default ("PD"), exposure at default ("EAD") and loss given default ("LGD") in the period, arising from regular refreshing of inputs to models;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

General approach (Retail & Wholesale)

	12 month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	$'000	$'000	$'000	$'000
Opening balance as at 1 April 2018 (calculated under AASB 9)	38,104	30,927	17,969	87,000
Changes due to financial assets recognised in the opening balance and during the year that have:				
-Transferred to 12 months ECL	(12,090)	(3,925)	(1,337)	(17,352)
-Transferred to Lifetime ECL not credit impaired	(1,506)	15,997	(1,112)	13,379
-Transferred to Lifetime ECL credit impaired	(526)	(1,530)	6,029	3,973
Remeasurement	(8,188)	5,568	11,124	8,504
Financial assets derecognised during the period other than write-offs	(4,293)	(3,172)	(2,626)	(10,091)
New financial assets originated or purchased	30,096	-	-	30,096
Write-offs	(701)	(3,692)	(10,116)	(14,509)
Balance at 31 March 2019	**40,896**	**40,173**	**19,931**	**101,000**

Lending (continued)

9. Impairment of financing assets (continued)

Simplified approach (Fleet)

	Lifetime ECL not credit-impaired $'000	Lifetime ECL credit-impaired $'000	Total $'000
Opening balance as at 1 April 2018 (calculated under AASB 9)	22,707	1,755	24,462
Changes due to financial assets recognised in the opening balance and during the year that have:			
-Transferred to Lifetime ECL not credit impaired	(2,255)	(367)	(2,622)
-Transferred to Lifetime ECL credit impaired	(96)	2,718	2,622
Remeasurement	(20,746)	(1,358)	(22,104)
Financial assets derecognised during the period other than write-offs	(1,434)	(208)	(1,642)
New financial assets originated or purchased	14,734	-	14,734
Write-offs	(121)	(329)	(450)
Balance at 31 March 2019	**12,789**	**2,211**	**15,000**

Retail, Wholesale 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 into 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.

Lending (continued)

9. Impairment of financing assets (continued)

Reconciliation of the gross carrying amount of receivables for which provision is made are as below:

Retail & Wholesale receivables

	12 month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	$'000	$'000	$'000	$'000
Gross carrying amount as at 1 April 2018	13,480,643	664,367	44,128	14,189,138
Transfers:				
Changes due to financial assets recognised in the opening balance and during the year that have:				
-Transferred to 12 months ECL	(74,838)	(103,955)	(3,554)	(182,347)
-Transferred to Lifetime ECL not credit impaired	(141,933)	316,427	(2,885)	171,609
-Transferred to Lifetime ECL credit impaired	(36,296)	(14,856)	61,890	10,738
Change in balance	(1,668,480)	(46,867)	(5,562)	(1,720,909)
New financial assets originated or purchased	5,045,037	-	-	5,045,037
Financial assets derecognised during the period other than write-offs	(1,911,532)	(71,213)	(7,289)	(1,990,034)
Write-offs	(52,802)	(29,792)	(26,806)	(109,400)
Balance at 31 March 2019	**14,639,799**	**714,111**	**59,922**	**15,413,832**

Fleet receivables

	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	$'000	$'000	$'000
Gross carrying amount as at 1 April 2018	1,462,220	2,993	1,465,213
Transfers:			
Changes due to financial assets recognised in the opening balance and during the year that have:			
-Transferred to Lifetime ECL not credit impaired	(10,510)	(955)	(11,465)
-Transferred to Lifetime ECL credit impaired	(2,291)	13,756	11,465
Change in balance	(276,061)	(400)	(276,461)
New financial assets originated or purchased	942,318	-	942,318
Financial assets derecognised during the period other than write-offs	(332,224)	(666)	(332,890)
Write-offs	(10,868)	(1,133)	(12,001)
Balance at 31 March 2019	**1,772,584**	**13,595**	**1,786,179**

9. Impairment of financing assets (continued)

Significant accounting estimate and judgement

The consolidated entity assesses, on a forward-looking basis, the ECL associated with its loan and receivable assets carried at amortised cost and motor vehicles under operating lease and recognises a loss allowance for such losses at each reporting date. 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
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Significant accounting estimate and judgement (FY2018)

The consolidated entity applies significant estimates and assumptions to make reasonable judgements on carrying amounts of financing assets. One area that involves a high level of judgements or complexity of estimates and assumptions is impairment of loans and receivables and motor vehicles under operating lease.

Collectability of financing assets is reviewed on an ongoing basis. Financing assets which are known to be uncollectable are written off. A provision for impairment of financing assets is established when there is objective evidence that the consolidated entity expects not to be able to collect all amounts due according to the original terms of the contract. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial assets original effective interest rate (i.e., the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss.

Funding

In this section, the focus is on debt funding of the consolidated entity. Further information is provided on debt issuance and credit facilities available to manage liquidity risk.

10. Due to banks and other financial institutions

	Consolidated 2019 $'000	Consolidated 2018 $'000
Banks and other financial institutions	5,084,879	5,115,776
Total due to banks and other financial institutions	**5,084,879**	**5,115,776**
Maturity analysis		
Current		
Banks and other financial institutions	2,389,257	2,316,164
Total current	**2,389,257**	**2,316,164**
Non-current		
Banks and other financial institutions	2,695,622	2,799,612
Total non-current	**2,695,622**	**2,799,612**
Total due to banks and other financial institutions	**5,084,879**	**5,115,776**

Included in the "Due to banks and other financial institutions" is securitised debt of $3,250.0 million as at 31 March 2019 (2018: $3,078.6 million) representing the value of term loans held by external parties in the special purpose entities. The special purpose entities issued interest-bearing notes to third parties amounting to $3,250.2 million as at 31 March 2019 (2018: $3,078.6 million). The company holds the balance of the special purpose entities of $852.1 million as at 31 March 2019 (2018: $812.7 million). $4,102.3 million loans and receivables are pledged as collateral for the senior notes under securitisation as at 31 March 2019 (2018: $3,891.3 million).

The interest payable on the secured notes as at 31 March 2019 amounted to $2.8 million (2018: $2.6 million) and is included in "accrued interest payable".

Funding (continued)

11. Bonds and commercial paper

	Consolidated 2019 $'000	Consolidated 2018 $'000
Domestic commercial paper	896,695	1,134,721
Domestic medium term note	2,017,940	1,173,093
Euro commercial paper	1,943,684	1,358,699
Euro medium term note	6,758,909	6,307,222
US commercial paper	1,488,938	1,440,265
Total bonds and commercial paper	**13,106,166**	**11,414,000**
Maturity analysis		
Current		
Bonds and commercial paper	5,802,656	6,585,417
Non-current		
Bonds and commercial paper	7,303,510	4,828,583
Total bonds and commercial paper	**13,106,166**	**11,414,000**

Bonds and commercial paper are initially recognised at fair value, net of transaction costs incurred, and are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the bonds or commercial paper using the effective interest method.

Transaction costs that are directly attributable to the acquisition or issue of a financial liability are included in the initial recognition of the financial instruments.

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.

12. Securitisation and transferred assets

In the normal course of business, the consolidated entity enters into transactions by which it transfers financial assets to Special Purpose Entities (SPE's). These transfers do not give rise to de-recognition of those financial assets for the consolidated entity.

Securitisation
Term loans securitised under the company's securitisation programs are equitably assigned to bankruptcy remote SPE's. The consolidated entity is entitled to any residual income of the securitisation program after all payments due to investors have been met. In addition, where derivatives are transacted between the SPE's and the parent, such that the parent retains exposure to the variability in cash flows from the transferred term loans, the loans will continue to be recognised on the parent's balance sheet. The investors have full recourse only to the term loans segregated into the SPE's.

Funding (continued)

12. Securitisation and transferred assets (continued)

	Consolidated 2019 $'000	Consolidated 2018 $'000
Carrying amount of transferred assets	4,102,374	3,891,300
Carrying amount of associated liabilities	3,250,254	3,078,619
Net position for carrying amount	**852,120**	**812,681**
Fair value of transferred assets	4,469,774	4,244,495
Fair value of associated liabilities	3,278,411	3,101,812
Net position for fair value amount	**1,191,363**	**1,142,683**

13. Credit facilities

	Consolidated 2019 $'000	Consolidated 2018 $'000
Amount available:		
Bonds, commercial paper and term loans	31,324,742	19,410,742
Money market	1,331,800	850,000
Bank overdraft	4,000	4,000
Securitisation		
-Senior Note	4,080,000	4,080,000
-Mezzanine Note	1,120,000	1,120,000
Amount utilised:		
Bonds, commercial paper and term loans	15,004,163	13,506,153
Money market	-	-
Bank overdraft	-	-
Securitisation		
-Senior Note	3,250,254	3,078,619
-Mezzanine Note	852,120	812,682
Amount not utilised:		
Bonds, commercial paper and term loans	16,320,580	5,904,590
Money market	1,331,800	850,000
Bank overdraft	4,000	4,000
Securitisation		
-Senior Note	829,746	1,001,381
-Mezzanine Note	267,880	307,318

Medium term note and commercial paper programs

Medium term note and commercial paper programs allow the company to issue medium term notes and commercial paper in either Australian or overseas markets up to a total of $24.8 billion (2018: $14.3 billion).

Funding (continued)

13. Credit facilities (continued)

Medium term note and commercial paper programs (continued)

In the current financial year, Toyota Financial Services Corporation allocated $4.0 billion domestic medium term note facility to the company (2018: $2.0 billion). Subject to meeting conditions prescribed in the program documentation, the company can issue commercial paper and medium term notes to purchasers at any time.

Credit support agreement

Holders of debt securities issued by the company may have the benefit of Credit Support Agreements governed by Japanese law, one between Toyota Motor Corporation ("TMC") and Toyota Financial Services Corporation ("TFSC") dated 14 July 2000, and the other between TFSC and the company dated 7 August 2000 (together, the "Credit Support Agreements").

Securities with respect to which a Trustee is appointed

The Trustee, Union Bank of California N.A., will have the right to claim in favour of the holders of such securities directly against TFSC and TMC to perform their respective obligations under the Credit Support Agreements by making a written claim together with a declaration to the effect that such holders will have recourse to the rights given under the Credit Support Agreements. If TFSC and/or TMC receive such a claim from the Trustee, TFSC and/or TMC shall indemnify, without further action or formality, the holders against any loss or damage resulting from the failure of TFSC and/or TMC to perform any of their respective obligations under the Credit Support Agreements. The Trustee may then enforce the indemnity directly against TFSC and/or TMC in favour of such holders. If the Trustee, having become bound to proceed directly against TFSC and/or TMC, fails to do so within a reasonable period thereafter to protect the interests of the holders of such securities, and such failure shall be continuing, the holders of such securities may themselves take the actions mentioned above.

Securities with respect to which a Trustee is not appointed

Holders of such securities will have the right to claim directly against TFSC and TMC to perform their respective obligations under the Credit Support Agreements by making a written claim together with a declaration to the effect that the holder will have recourse to rights given under the Credit Support Agreements. If TFSC and/or TMC receive such a claim from any holder of such securities, TFSC and/or TMC shall indemnify, without any further action or formality, the holder against any loss or damage resulting from the failure of TFSC and/or TMC to perform any of their respective obligations under the Credit Support Agreements. The holder of such securities who made the claim may then enforce the indemnity directly against TFSC and/or TMC.

In consideration for the Credit Support Agreements, a Credit Support Fee Agreement was entered into between TFSC and the company as at 30 March 2001. The Credit Support Fee Agreement provides that the company will pay to TFSC a fee equivalent to a percentage of the weighted average outstanding amount of the company's medium term notes and commercial paper that have the benefit of the Credit Support Agreements.

The directors are not aware of any instances of a written claim and declaration under the terms of the Credit Support Agreements, in connection with the company's outstanding medium term notes and commercial paper.

Money market facilities

The company has access to $0.97 billion of uncommitted and $0.3 billion of committed money market facilities as at 31 March 2019 (2018: $0.55 billion uncommitted and $0.3 billion committed) respectively provided by various financial institutions. The company also has access to a Master Credit Facility as disclosed below.

Funding (continued)

13. **Credit facilities** (continued)

Master credit facility (MCF)

364 Day Credit Agreement, Three Year Credit Agreement and Five Year Credit Agreement

The MCF between the company and other Toyota affiliates was renegotiated in November 2018 where a US$5.0 billion 364-day syndicated bank credit facility, a US$5.0 billion three year syndicated bank credit facility and a US$5.0 billion five year syndicated bank credit facility, expiring in November 2019, 2021, and 2023, respectively, were renewed.

The ability to make drawdowns is subject to covenants and conditions customary in transactions of this nature, including negative pledge provisions, cross-default provisions and limitations on certain consolidations, mergers and sales of assets. These agreements may be used for general corporate purposes and none were drawn upon as at 31 March 2019. The company is in compliance with the covenants and conditions of the credit agreements described above.

Bank overdraft

The bank overdraft is an unsecured $4.0 million facility as at 31 March 2019 (2018: $4.0 million). Interest is charged at prevailing market rates. The bank overdraft is payable on demand and subject to annual review.

Capital management

This section covers the capital structure of the consolidated entity.

14. Contributed equity

	Consolidated 2019 $'000	Consolidated 2018 $'000
Ordinary shares fully paid	120,000	120,000

At 31 March 2019 there were 120,000,000 ordinary shares fully paid.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the consolidated entity in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote and, upon a poll, each share is entitled to one vote.

15. Reserves

	Consolidated 2019 $'000	Consolidated 2018 $'000
Foreign currency translation reserve		
Balance at 1 April	5,274	3,425
Net exchange differences on translation of foreign	1,535	1,849
Balance at 31 March	**6,809**	**5,274**

Foreign currency translation reserve
Exchange differences arising on translation of investments accounted for using the equity method is taken to the foreign currency translation reserve. The reserve is subsequently recognised in profit and loss when the net investment is disposed of.

Capital management (continued)

16. Retained earnings

	Consolidated 2019 $'000	Consolidated 2018 $'000
Balance at 1 April	1,252,520	1,111,352
Change in accounting policy (Note 37)	16,884	-
Restated retained earnings at 1 April 2018	**1,269,404**	**1,111,352**
Profit attributable to owners of the parent	143,959	148,059
Total available for appropriation to owners of the parent	1,413,363	1,259,411
Dividends paid	(42,037)	(6,891)
Balance at the end of the period	**1,371,326**	**1,252,520**
Dividends		
Fully-franked final dividend for the year ended 31 March 2019 of 35 cents (31 March 2018: 5.7 cents) per fully paid share.	42,037	6,891
Total dividends paid	**42,037**	**6,891**

Under the income tax consolidation regime, the franking account balance of the company as at 1 April 2003 was permanently transferred to the head entity of the consolidated tax group. The company ceases to have a franking account during the time it remains a member of the consolidated group.

The income tax consolidation rules do permit the company to pay a franked dividend to its shareholder with the head entity's franking account bearing a reduction for the franking credit attached to the dividend. Dividends paid during the year ended 31 March 2019 were fully franked.

Provision is made for the amount of any dividend declared on or before the end of the year but not distributed at the end of each reporting period.

Financial instruments and risk

This section covers the financial instruments held by the consolidated entity including derivative and non-derivative financial instruments and financial risk management information.

17. Derivative financial instruments

	Consolidated 2019 $'000	Consolidated 2018 $'000
Assets		
Interest rate swap contracts	50,963	28,900
Cross currency swap contracts	205,449	236,583
Forward foreign exchange contracts	22,032	47,817
Derivative financial instrument assets	278,444	313,300
Less: Bilateral credit valuation adjustment	(667)	(167)
Total derivative financial instrument assets - measured at fair value	**277,777**	**313,133**
Liabilities		
Interest rate swap contracts	110,097	50,147
Cross currency swap contracts	24,113	84,322
Forward foreign exchange contracts	9,212	796
Total derivative financial instrument liabilities - measured at fair value	**143,422**	**135,265**
Current derivative financial Instruments		
Derivative financial assets	116,713	245,962
Derivative financial liabilities	20,867	32,231
Non-current derivative financial instruments		
Derivative financial assets	161,064	67,171
Derivative financial liabilities	122,555	103,034

Measurement

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 profit or loss 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 consolidated entity's profit or loss and produce anomalous results.

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 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 market rates at the end of the reporting period.

17. **Derivative financial instruments** (continued)

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 (CCR). It is the credit spreads of both the group and the counterparty, together with market factors, that drive the bilateral credit valuation adjustments.

Significant accounting estimates

The consolidated entity applies significant estimates and assumptions to make reasonable judgements on carrying amounts of assets and liabilities. One area that involves a high level 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.

AS AT 31 MARCH 2019	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	-	22,032	-	22,032
Interest rate swaps	-	256,412	-	256,412
Less: Bilateral CVA	-	(667)	-	(667)
Total financial assets	-	**277,777**	-	**277,777**
Derivative financial liabilities through profit or loss				
Derivatives used for economic hedging				
Foreign exchange contracts	-	9,212	-	9,212
Interest rate swaps	-	134,210	-	134,210
Total financial liabilities	-	**143,422**	-	**143,422**

Financial instruments and risk (continued)

17. Derivative financial instruments (continued)

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**

18. Non-derivative financial instruments

Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. Estimated discounted cash flows are used to determine fair value for financial instruments.

The table below summarises the carrying amounts and the fair values of those financial assets and liabilities not presented on the consolidated entity's balance sheet at fair value.

	Consolidated 2019		Consolidated 2018	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial assets				
Loans and receivables	18,490,499	20,028,983	16,763,347	18,171,841
Financial liabilities				
Due to banks and other financial institutions	5,084,879	5,133,473	5,115,776	5,163,646
Bonds and commercial paper	13,106,166	13,364,318	11,414,000	11,528,502
	18,191,045	18,497,791	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

Financial instruments and risk (continued)

18. Non-derivative financial instruments (continued)

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

19. Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where the consolidated entity currently has a legally enforceable right to offset the recognised amounts, and there is intention to settle on a net basis or realise the asset and settle the liability simultaneously. The consolidated entity has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as ratings downgrade or event of default.

The following table presents the recognised financial instruments that are offset, or subject to enforceable master netting arrangements but not offset, as at 31 March 2019. The column 'net amount' shows the impact on the consolidated entity's statement of financial position if set-off rights were exercised.

	Effects of offsetting on the statement of financial position			Related amounts not offset		
2019	**Gross amounts $'000**	**Gross amounts set-off in the statement of financial position $'000**	**Net amounts presented in the statement of financial position $'000**	**Amounts subject to master netting arrangements $'000**	**Cash Collateral $'000**	**Net amount $'000**
Financial assets						
Cash and cash equivalents (b)	1,416,603	-	1,416,603	-	-	1,416,603
Loans and receivables	17,076,012	-	17,076,012	-	-	17,076,012
Derivative financial instruments (b)	277,777	-	277,777	(129,073)	(25,000)	123,704
Other assets (a)	78,593	(21,861)	56,732	-	-	56,732
Total	**18,848,985**	**(21,861)**	**18,827,124**	**(129,073)**	**(25,000)**	**18,673,051**
Financial liabilities						
Due to banks & other FI (b)	5,084,879	-	5,084,879	-	-	5,084,879
Derivative financial instruments (b)	143,422	-	143,422	(129,073)	(16,900)	(2,551)
Other liabilities (a)	465,122	(21,861)	443,261	-	-	443,261
Total	**5,693,423**	**(21,861)**	**5,671,562**	**(129,073)**	(16,900)	**5,525,589**
2018						
Financial assets						
Cash and cash equivalents (b)	1,282,624	-	1,282,624	-	-	1,282,624
Loans and receivables	15,509,768	-	15,509,768	-	-	15,509,768
Derivative financial instruments (b)	313,133	-	313,133	(103,693)	(1,200)	208,240
Other assets (a)	56,808	(19,694)	37,114	-	-	37,114
Total	**17,162,333**	**(19,694)**	**17,142,639**	**(103,693)**	**(1,200)**	**17,037,746**
Financial liabilities						
Due to banks & other FI (b)	5,115,776	-	5,115,776	-	-	5,115,776
Derivative financial instruments (b)	135,265	-	135,265	(103,693)	(6,000)	25,572
Other liabilities (a)	490,365	(19,694)	470,671	-	-	470,671
Total	**5,741,406**	**(19,694)**	**5,721,712**	**(103,693)**	**(6,000)**	**5,612,019**

Financial instruments and risk (continued)

19. Offsetting financial assets and financial liabilities (continued)

(a) Offsetting arrangements

Other assets and liabilities
On the wholesale dealer statements, monthly financing and other receivables from dealerships are offset against monthly commissions and other payables to dealerships. The amounts are settled and presented net in the statement of financial position.

(b) Master netting arrangements and set-off arrangements – not currently enforceable

Derivative transactions with counterparties are covered by ISDA agreements; term loans and cash deposits are covered by standard agreements. Under the terms of these arrangements, upon an event of default, a ratings downgrade to a certain level or an early termination event, the net amount owing to or receivable from a counterparty in the same currency will be taken as due and the arrangement will be terminated. Since no such event subsists and the consolidated entity has no other legally enforceable right of set-off, these amounts have not been set off in the statement of financial position but have been presented separately in the table above. Collateral may be posted daily in respect of certain derivatives transacted with any counterparty covered by a Credit Support Annex for Variation Margin agreements.

20. Financial risk management

The consolidated entity's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk, liquidity risk and residual value risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and used vehicle markets and seeks to manage potential adverse effects on the financial performance of the consolidated entity.

The consolidated entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. Derivative financial instruments are used to manage the consolidated entity's exposure to currency risk and interest rate risk. The residual value risk of the consolidated entity arises mainly from receivables under operating lease and loans with guaranteed future value.

Risk management is carried out by various committees and departments based on charters approved by the senior management in accordance with the company's Enterprise Risk Management Framework. These include:

Enterprise Risk Management
Enterprise Risk Management process is established with the purpose of driving an appropriate risk culture across the enterprise and enabling the organisation to achieve its business goals. This function is discharged by the Senior Executive Team (SET).

Asset/Liability and Pricing Committee
The Asset/Liability and Pricing Committee meets to:

- proactively and collaboratively manage and monitor the interest rate and liquidity risks of the consolidated entity; and
- actively assess new business margins in connection with volume and interest rate requirements, and a changing interest rate and competitor environment.

The consolidated entity's treasury department identifies, evaluates and hedges financial risks. The treasury department implements the consolidated entity's policies to manage the consolidated entity's foreign currency risk, interest rate risk, liquidity risk and credit risk with banks and other financial intermediaries.

Financial instruments and risk (continued)

20. Financial risk management (continued)

Retail Credit Risk Committee

The Retail Credit Risk Committee is responsible for the risk assessment, ongoing management, collection, enforcement and write-off of monies lent by the company to retail customers. The committee ensures that the core credit operations of the company are aligned with the corporate goals and objectives.

Commercial Credit Transaction Forum

The Commercial Credit Transaction Forum is responsible for the review of high risk Dealer and Fleet accounts, review of portfolio Key Risk Indicators and acts as a forum for delegated authority holders to discuss funding requests.

Residual Value Committee

The Residual Value Committee undertakes to measure and assess residual values on assets based on best practice and critical variable information such as used car market dynamics, economic conditions, governmental policies/regulations, the credit market and the conditions of assets under lease/with guaranteed future value. It reports all matters with potential impact on residual value of assets and all other matters which would mitigate potential residual value risks to the consolidated entity.

Audit Committee

The Audit Committee is tasked to assist the Board of Directors of the company and management in the exercise of its oversight responsibilities over the systems of internal control, internal audit activities and ensuring a constant communication amongst the Audit Committee, management, external audit and internal audit.

Compliance Committee

The Compliance Committee is responsible for the establishment, publication and maintenance of the compliance framework to manage the consolidated entity's compliance with all the laws, regulations and codes of practice that apply to the business and the maintenance of the company's ACL and AFS Licenses.

Internal Audit

The internal audit department provides independent, objective assurance and consulting activities designed to add value and improve the consolidated entity's operations. It assists management in identifying and mitigating risks, and recognising kaizen opportunities through its review of business processes, systems, controls, environment and activities.

Product Committee

The Product Committee is established to review new and existing products and services including the development of the company's market place strategy for product and service development and roadmap considerations.

(a) Market risk

(i) Foreign exchange risk

The consolidated entity operates in international capital markets to obtain debt funding to support its earning assets. Transactions may be denominated in foreign currencies, exposing the consolidated entity to foreign exchange risk arising from various currency exposures.

Foreign exchange risk arises from recognised assets and liabilities denominated in currency that is not the entity's functional currency and net investments in foreign operations. The risk is measured using debt maturity analysis.

Financial instruments and risk (continued)

20. Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

Management has set up a policy requiring the consolidated entity to manage its foreign exchange risk against its functional currency. The consolidated entity is required to economically hedge 100% of its foreign exchange risk at the time of debt issuances. Derivative financial instruments are entered into by the consolidated entity to hedge its exposure to foreign currency risk, including:

- Forward exchange contracts to hedge the foreign currency risk arising on the issue of commercial paper in foreign currencies and affiliated entity loan; and
- Cross currency swaps to manage the foreign currency and interest rate risk associated with foreign currency denominated medium term notes, bank loans and US commercial paper.

The consolidated entity's net exposure to foreign currency risk at the end of the reporting period ended 31 March 2019 is immaterial. There has been no change in this position when compared to the reporting period ended 31 March 2018.

(ii) Cash flow and fair value interest rate risk

Cash flow and fair value interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The consolidated entity is exposed to the effects of fluctuations in the prevailing levels of market interest rates as it borrows and lends funds at both floating and fixed interest rates. Derivative financial instruments are entered into by the consolidated entity to economically hedge its exposure to cash flow and fair value interest rate risk, including:

- Fixed-to-floating interest rate swaps to manage the interest rate risk generated by the consolidated entity's earning assets. Such interest rate swaps have the economic effect of converting loans and receivables from fixed rates to floating rates;
- Fixed-to-floating interest rate swaps to manage the interest rate risk generated by the consolidated entity's functional currency denominated fixed rate medium term notes and bank loans. Such interest rate swaps have the economic effect of converting borrowings from fixed rates to floating rates; and
- Cross currency swaps to manage the foreign currency and interest rate risk associated with foreign currency denominated medium term notes, US commercial paper and bank loans. Such cross currency swaps have the economic effect of converting borrowings from foreign denominated fixed or floating rates to functional currency floating rates.

Under the interest rate swaps, the consolidated entity agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts. Under the cross currency swaps, the consolidated entity agrees with other parties to exchange, at specified intervals, foreign currency principal and fixed (or floating) rate interest amounts, and functional currency principal and floating rate interest amounts calculated with reference to the agreed functional currency principal amount.

The consolidated entity's policy is to maintain most of its debt exposure in its functional currency at floating rate, using interest rate swaps or cross currency swaps to achieve this when necessary.

The following table details the consolidated entity's exposure to interest rate risk as at the end of the reporting period.

Financial instruments and risk (continued)

20. Financial risk management (continued)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk (continued)

2019 Consolidated	Variable Interest Rate $'000	Fixed Interest Rate $'000	Non Interest Bearing $'000	Total $'000
Operating lease receivables	-	1,454,367	-	1,454,367
Financial assets				
Cash and liquid assets	1,416,603	-	-	1,416,603
Loans and receivables	4,475,417	12,724,595	-	17,200,012
Interest rate swaps	11,070,000	(11,070,000)	-	-
Other assets	-	-	56,732	56,732
Total financial assets	16,962,020	3,108,962	56,732	20,127,714
Financial liabilities				
Banks & other financial institutions	5,084,879	-	-	5,084,879
Commercial papers	4,329,317	-	-	4,329,317
Medium term notes	829,090	7,947,759	-	8,776,849
Cross currency swaps	3,520,046	(3,520,046)	-	-
Interest rate swaps	4,351,900	(4,351,900)	-	-
Other liabilities	-	-	443,261	443,261
Contract liabilities	-	-	80,830	80,830
Total financial liabilities	18,115,232	75,813	524,091	18,715,136
Net financial assets/(liabilities)	**(1,153,212)**	**3,033,149**	**(467,359)**	**1,412,578**

2018 Consolidated	Variable Interest Rate $'000	Fixed Interest Rate $'000	Non Interest Bearing $'000	Total $'000
Operating lease receivables	-	1,276,997	-	1,276,997
Financial assets				
Cash and liquid assets	1,282,624	-	-	1,282,624
Loans and receivables	3,880,659	11,773,693	-	15,654,352
Interest rate swaps	10,200,250	(10,200,250)	-	-
Other assets	-	-	37,114	37,114
Total financial assets	15,363,533	2,850,440	37,114	18,251,087
Financial liabilities				
Banks & other financial institutions	5,115,776	-	-	5,115,776
Commercial papers	3,933,686	-	-	3,933,686
Medium term notes	897,525	6,582,789	-	7,480,314
Cross currency swaps	2,272,601	(2,272,601)	-	-
Interest rate swaps	4,235,900	(4,235,900)	-	-
Other liabilities	-	-	470,671	470,671
Total financial liabilities	16,455,488	74,288	470,671	17,000,447
Net financial assets/(liabilities)	**(1,091,955)**	**2,776,152**	**(433,557)**	**1,250,640**

Financial instruments and risk (continued)

20. Financial risk management (continued)

(a) Market risk (continued)

(iii) Sensitivity

The consolidated entity's financial results are exposed to interest rate movements in the market. Shown below is the potential impact of a 1% increase in interest rate on the consolidated entity's pre-tax profits for the next twelve months. A 1% decrease in interest rate has an opposite impact of the same amount.

	Consolidated 2019 $'000	Consolidated 2018 $'000
Interest rates – increase by 100 basis points	373	(3,314)

(b) Credit risk

The consolidated entity takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss for the consolidated entity by failing to discharge an obligation. Credit exposures arise principally from lending activities for financing assets, funding activities such as cash and cash equivalents, deposits with banks and financial institutions and derivative financial instruments.

(i) Inputs, assumptions and estimation techniques used for ECL models

Assessment of significant increase in credit risk

When determining whether the risk of default has increased significantly since initial recognition, the consolidated entity considers both quantitative and qualitative information and analysis based on the consolidated entity's historical experience and expert credit risk assessment, including forward-looking information.

Retail facilities use the number of days past due (DPD) to determine significant increase in credit risk. The consolidated entity considers that significant increase in credit risk occurs when an asset is equal and more than 30 DPD.

For non-retail facilities, internally derived credit ratings have been identified as representing the best available determinant of credit risk. The consolidated entity has adopted the Global Master Grading Model, which was initially developed by Toyota Financial Services Corporation and calibrated to the Australia market. The grading model comprises 11 grading levels for instruments not in default (1 to 11) and one default class (12). The grading model is subject to annual validation and recalibration so that it reflects the latest projections in the light of all actually observed defaults. The consolidated entity assigns each facility a credit rating, at initial recognition based on available information about the borrower. Credit risk is deemed to have increased significantly if the credit rating has significantly deteriorated at the reporting date relative to the credit rating at the date of initial recognition.

Definition of Default

In assessing the impairment of financial assets under the expected credit loss model, the consolidated entity defines a receivable asset as credit impaired if a default rating is assigned to this asset in accordance with its credit policy and procedures. Credit impaired exposure under the expected credit loss model consist of

- Retail loans and non-rated fleet loans which are contractually past due 90 days.

Financial instruments and risk (continued)

20. Financial risk management (continued)

(b) Credit risk (continued)

Definition of Default (continued)

- Non-retail loans when it becomes obvious that the customer is no longer able to meet its financial obligations as they fall due.
- Impaired off-balance sheet credit exposures where current circumstances indicate that losses may be incurred.

Calculation of expected credit loss

Expected credit losses are calculated using three main components: PD, LGD and EAD. These parameters are generally derived from internally developed statistical models combined with historical, current and forward-looking customer and macro-economic data.

For accounting purpose, the 12 months and lifetime PD represent the expected point-in-time probability of a default over the next 12 months and remaining lifetime of the financial instrument, respectively, based on conditions existing at the balance sheet date and future economic conditions that affect credit risk. The LGD represents expected loss conditional on default, taking into account the mitigating effect of collateral, its expected value when realised and the time value of money.

The EAD represents the expected exposure at default, taking into account the repayment of principal and interest from the balance sheet date to the default event together with any expected drawdown of a facility. The 12 months ECL is equal to the discounted sum over the next 1 month of monthly PD multiplied by LGD and EAD. Lifetime ECL is calculated using the discounted sum of monthly PD over the full remaining life multiplied by LGD and EAD.

Incorporation of forward-looking information

The consolidated entity has considered a range of relevant forward-looking Australia macro-economic scenario and assumptions for the determination of unbiased economic forecast and industry adjustment, that support the calculation of probability weighted expected loss.

These reflect reasonable and supportable forecast of future macro-economic conditions that are not captured within the base ECL calculations. Macro-economic factors taken into consideration include, but are not limited to, unemployment, interest rates, gross domestic product and house price index, and require an evaluation of both the current and forecast direction of the macro-economic cycle.

Incorporate forward-looking information increases the degree of judgement required as to how changes in these macro-economic factors will affect ECLs. The methodologies and assumptions including the choice of future economic scenario are reviewed and determined by credit risk committee on a quarterly basis.

Nature and effect of modifications on the measurement of provision for doubtful debts

A loan that is renegotiated is derecognised if the existing contract is cancelled and a new agreement made on substantially different terms or if the terms of an existing agreement are modified such that the renegotiated loan is substantially a different instrument. Where such loans are derecognised, the renegotiated contract is a new loan and impairment is assessed in accordance with the consolidated entity's accounting policy.

Financial instruments and risk (continued)

20. Financial risk management (continued)

(b) Credit risk (continued)

Nature and effect of modifications on the measurement of provision for doubtful debts (continued)

When the renegotiated loans are not derecognised, impairment continues to be assessed for significant increases in credit risk compared to the initial origination credit risk rating.

(ii) *Credit quality and maximum exposure*

The consolidated entity's financing assets are exposed to three areas: retail, fleet and wholesale.

Retail
The retail portfolio is the largest area which comprises a range of loans and receivables from individual consumers and small business.

Fleet
The fleet portfolio comprises a range of loans and receivables and motor vehicles under operating lease from small to large commercial clients and government bodies. It also includes novated leasing customers.

Credit risk arising from individual consumers and small business is managed through the application of credit scoring and manual underwriting to identify and evaluate acceptable risks and portfolio diversification both demographically and geographically. Credit risk arising from fleet clients is managed by imposition and review (at a minimum annually) of credit limits to ensure fleet clients have the capacity to settle financial commitments. Collateral is also used to secure funds advanced.

The consolidated entity uses provisioning models to assess the credit quality of financing assets and estimates provision for amounts not collectible. Amounts not provided for are deemed collectible.

Wholesale
The wholesale portfolio includes floor-plan finance to motor dealers for new and used motor vehicle stock under either:

- A bailment facility, under which motor vehicles are bailed by the company to a dealer, and the company retains ownership of each vehicle until the dealer sells it to a customer; or
- A charge plan facility, under which the company provides finance to a dealer for purchase of motor vehicles which are charged to the company as security.

In addition to the floor-plan facilities, the wholesale portfolio also includes term loans to dealerships to finance property and premises, and revolving working capital loans. These loans are typically secured by general security agreements, real property mortgages and personal guarantees.

Due to the nature of these facilities there is a concentration in the motor vehicle dealership industry, with the risk spread across market locations throughout Australia. In addition to the collateral security obtained, credit risk is managed through regular auditing of the dealerships vehicle inventory, monthly monitoring of financial performance and ongoing annual reviews. The concentration of credit risk in relation to the two operating segments is reflected in Note 7.

Financial instruments and risk (continued)

20. Financial risk management (continued)

(b) Credit risk (continued)

(iii) Credit risk exposure by credit quality

The table below show the maximum exposure to credit risk by key class of financial assets, to which the expected credit loss model is applied, based on how the consolidated entity manages the credit risk:

- The days past due for retail and non-rated fleet.
- The risk grade for non-retail portfolio.

Retail (general approach)

	Loans and receivables			
	12 month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	$'000	$'000	$'000	$'000
Equal to and less than 30 days	10,568,810	-	-	10,568,810
31-60 days	-	207,672	-	207,672
61-90 days	-	44,823	-	44,823
Over 90 days (credit impaired)	-	-	59,922	59,922
Total	**10,568,810**	**252,495**	**59,922**	**10,881,227**

Wholesale (general approach)

	Loans and receivables and undrawn credit limit			
	12 month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	$'000	$'000	$'000	$'000
Grade 1-7 Normal Risk	4,070,988	214,384	-	4,285,372
Grade 8-11 Watchlist	-	247,233	-	247,233
Grade 12 Default (credit impaired)	-	-	-	-
Total	**4,070,988**	**461,617**	**-**	**4,532,605**

Fleet non-graded customer (simplified approach)

	Lease, loans and undrawn credit limits		
	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	$'000	$'000	$'000
Equal to and less than 30 days	373,242	-	373,242
31-60 days	5,411	-	5,411
61-90 days	2,312	-	2,312
Over 90 days (credit impaired)	-	3,209	3,209
Total	**380,965**	**3,209**	**384,174**

20. Financial risk management (continued)

(b) Credit risk (continued)

(iii) Credit risk exposure by credit quality (continued)

Fleet graded customer (simplified approach)

	Lease, loans and undrawn credit limits		
	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	$'000	$'000	$'000
Grade 1-7 Normal Risk	1,358,837	-	1,358,837
Grade 8-11 Watchlist	32,782	-	32,782
Grade 12 Default (credit impaired)	-	10,386	10,386
Total	**1,391,619**	**10,386**	**1,402,005**

(iv) Funding activities

The consolidated entity's treasury department manages credit risk through the use of external rating such as Standard and Poor's rating or equivalent, counterparty diversification, monitoring of counterparty financial condition and ensuring master netting agreements are in place with all derivative counterparties.

The below table shows the percentage of the consolidated entity's money market deposits and derivatives relating to funding activities, based on the Standard & Poor's rating.

Rating	Consolidated 2019	Consolidated 2018
	%	%
AA-	8	10
A+	2	0
A	90	90
	100	100

The maximum exposure to credit risk at the end of the reporting period, without taking into account collateral obtained, is the carrying amount, net of any allowance for doubtful debts or impairment, of each financial asset, including derivative financial instruments, in the statement of financial position.

20. Financial risk management (continued)

(c) Liquidity risk

Liquidity risk is the risk that the consolidated entity is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be failure to meet obligations to repay creditors and fulfil commitments to lend. The consolidated entity, in the normal course of business, requires substantial funding to support the level of its earning assets and working capital requirements, and consequently is exposed to liquidity risk.

The liquidity management processes carried out by the treasury department includes:

- Day-to-day funding managed by monitoring existing and future cash flows to ensure that requirements can be met. This includes planning replenishment of funds before they mature or/and borrowed by customers. The consolidated entity maintains an active presence in domestic and international capital markets to enable this to happen;
- Monitoring the concentration and profile of debt maturities; and
- Maintaining backup credit facilities.

(i) Financing arrangements

The consolidated entity utilises various financing arrangements such as commercial paper, medium term notes, bilateral bank loans and securitisation to meet liquidity requirements. It has access to a wide array of credit facilities to manage liquidity risk (refer to Note 13).

(ii) Maturity of financial liabilities

The tables below analyses the consolidated entity's financial liabilities into relevant maturity groupings based on their remaining contractual maturity as at the reporting period for all:

- non-derivative financial liabilities; and
- net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts in the tables are the contractual undiscounted cash flows. For interest rate swaps, the cash flows have been estimated using forward interest rates applicable at the end of the reporting period.

Financial instruments and risk (continued)

20. Financial risk management (continued)

(c) Liquidity risk (continued)

2019 Consolidated	<1 Month $'000	1-3 Months $'000	3-12 Months $'000	1-5 Years $'000	Total $'000
Non-derivatives					
Banks & other financial institutions	247,370	299,149	1,938,441	2,741,355	5,226,315
Bonds & commercial paper	806,067	2,164,180	3,052,238	7,672,664	13,695,149
Other liabilities	336,367	25,928	33,719	47,247	443,261
Contract liabilities	-	11,547	34,642	34,641	80,830
Total non-derivatives	1,389,804	2,500,804	5,059,040	10,495,907	19,445,555
Derivatives					
Forward foreign exchange contracts					
- Bought currency	(577,821)	(1,242,536)	(273,230)	-	(2,093,587)
- Sold currency	582,103	1,234,355	267,974	-	2,084,432
Interest rate swaps	1,878	43	(15,255)	(35,708)	(49,042)
Cross currency swaps					
- Pay leg	107,499	15,863	1,987,820	3,358,356	5,469,538
- Receive leg	(107,355)	(11,702)	(2,065,649)	(3,423,933)	(5,608,639)
Total derivatives	6,304	(3,977)	(98,340)	(101,285)	(197,298)
Total	**1,396,108**	**2,496,827**	**4,960,700**	**10,394,622**	**19,248,257**

2018 Consolidated	<1 Month $'000	1-3 Months $'000	3-12 Months $'000	1-5 Years $'000	Total $'000
Non-derivatives					
Banks & other financial institutions	169,211	402,776	1,848,700	2,868,428	5,289,115
Bonds & commercial paper	848,050	1,824,048	4,112,752	5,113,847	11,898,697
Other liabilities	296,022	31,449	62,590	80,610	470,671
Total non-derivatives	1,313,283	2,258,273	6,024,042	8,062,885	17,658,483
Derivatives					
Forward foreign exchange contracts					
- Bought currency	(163,131)	(562,949)	(604,673)	-	(1,330,753)
- Sold currency	151,777	542,395	594,481	-	1,288,653
Interest rate swaps	2,742	(1,685)	(11,629)	16,609	6,037
Cross currency swaps					
- Pay leg	374,586	440,921	2,621,784	1,632,963	5,070,254
- Receive leg	(397,700)	(451,873)	(2,751,754)	(1,643,158)	(5,244,485)
Total derivatives	(31,726)	(33,191)	(151,791)	6,414	(210,294)
Total	**1,281,557**	**2,225,082**	**5,872,251**	**8,069,299**	**17,448,189**

Operating assets and liabilities

This section covers the operating assets and liabilities of the consolidated entity including cash and cash equivalents, prepayments, accounts payable and accrued expenses payable.

21. Cash and cash equivalents

	Consolidated 2019 $'000	Consolidated 2018 $'000
Cash in bank	34,603	38,624
Deposits at call	1,382,000	1,244,000
	1,416,603	**1,282,624**

At the end of financial year, the company held $186.5 million (2018: $180.6 million) in cash and deposits at call representing cash collections on securitised assets transferred to special purpose entities.

Recognition and measurement
Cash and cash equivalents includes cash in bank, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Cash in bank and deposits at call earn interest at prevailing market rates. Interest is recognised in the income statement using the effective interest rate method.

Operating assets and liabilities (continued)

22. Cash flow information

(a) Reconciliation of profit for the year to net cash from operating activities

	Consolidated 2019 $'000	Consolidated 2018 $'000
Profit attributable to owners of the parent	**143,959**	**148,059**
Share of profit of associates	(8,459)	(7,934)
Depreciation and amortisation and write-off	16,244	18,980
Amortisation - upfront receipts	1,980	518
Amortisation - prepaid expenses	23,821	21,470
Net gain on sale of non-current assets	(15,246)	(12,494)
Net loss on translation of foreign currency transactions	668,172	188,745
Changes in fair value of financial instruments	(307,577)	(33,511)
Movements in operating assets and liabilities:		
Decrease in provision for impairment of receivable	(3,698)	(11,910)
Increase/(decrease) in provision for impairment on residual value	16,462	(10,015)
Increase in loans and receivables	(1,545,662)	(1,640,597)
Increase in assets under net operating lease (net of accumulated depreciation)	(162,074)	(55,571)
Decrease in deferred tax asset	16,248	1,726
Increase in deferred tax liability	5,622	-
Increase in current and contract liabilities	71,017	70,933
Increase in current assets	(19,612)	(2,098)
(Decrease)/increase in income tax payable	(17,598)	53,320
Increase/(decrease) in derivative financial instruments at fair value through profit or loss	71,257	(35,950)
Net cash outflow from operating activities	**(1,045,144)**	**(1,306,329)**

(b) Reconciliation of liabilities arising from financing activities

	Consolidated 2018	Cash flows	Non-cash changes		Consolidated 2019
			Foreign exchange	Amortisation	
	$'000	$'000	$'000	$'000	$'000
Borrowings	16,529,776	1,247,125	361,954	52,190	18,191,045

22. Cash flow information (continued)

(b) Reconciliation of liabilities arising from financing activities (continued)

	Consolidated 2017	Cash flows	Non-cash changes		Consolidated 2018
			Foreign exchange	Amortisation	
	$'000	$'000	$'000	$'000	$'000
Borrowings	15,033,273	1,331,029	116,624	48,850	16,529,776

23. Other assets

	Consolidated 2019 $'000	Consolidated 2018 $'000
Prepayments	20,190	18,432
Other debtors	35,088	17,378
Accrued interest receivable on cash and cash equivalents	1,454	1,304
	56,732	**37,114**
Other assets expected to be recovered within 12 months	56,045	36,586
Other assets expected to be recovered after more than 12 months	687	528
	56,732	**37,114**

24. Other liabilities and contract liabilities

(a) Other liabilities	Consolidated 2019 $'000	Consolidated 2018 $'000
Unearned warranty revenue	-	1,441
Employee entitlements	12,000	10,464
Accrued interest payable	60,089	51,838
Amounts payable to related entities	182,881	187,950
Accounts payable	107,312	74,559
Accrued expenses (including related parties)	64,224	130,399
Other	16,755	14,020
	443,261	**470,671**
Other liabilities expected to be settled within 12 months	396,014	390,061
Other liabilities expected to be settled in more than 12 months	47,247	80,610
	443,261	**470,671**

Operating assets and liabilities (continued)

24. Other liabilities and contract liabilities (continued)

(b) Contract liabilities

The consolidated entity has recognised the following revenue-related contract liabilities.

	Consolidated 2019 $'000	Consolidated 2018 $'000
Contract liabilities	80,830	-

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities. Note the amounts presented below are gross, while the amounts recognised in the consolidated statement of comprehensive income are presented net of related costs as the consolidated entity is acting as an agent.

Revenue recognised in relation to contract liabilities	Consolidated 2019 $'000
Revenue recognised that was included in the contract liability balance at the beginning of the period	58,089

As permitted under AASB 15, the transaction price allocated to (partially) unsatisfied performance obligations as of 31 March 2019 is not disclosed.

Operating assets and liabilities (continued)

24. Other liabilities and contract liabilities (continued)

	2019	2018
Number of employees at the end of the reporting period	798	717

Employee entitlements

(a) Short-term obligations
Liabilities for wages and salaries, including annual leave expected to be settled within 12 months of the end of each reporting period are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liability is settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at rates paid or payable.

(b) Other long-term employee benefit obligations
The liabilities for long service leave are not expected to be settled wholly within 12 months after the end of the period in which the employees rendered the related service. They are therefore recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of each reporting period. Consideration is given at expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash flows.

The obligations are presented as current liabilities in the balance sheet if the consolidated entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date regardless of when the actual settlement is expected to occur.

(c) Retirement benefit obligation
All employees of the consolidated entity are entitled to benefits on retirement, disability or death according to the consolidated entity's superannuation plan. The consolidated entity has a defined contribution plan. The defined contribution plan receives fixed contributions from the consolidated entity and the consolidated entity's legal and constructive obligation is limited to these contributions.

Contributions to the defined contribution fund are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that cash refund, or a reduction in the future payments is available.

Non-operating assets

This section outlines the non-operating assets of the consolidated entity. Included in this section are the following information:

- Investment accounted for using the equity method
- Property and equipment
- Deferred tax asset

25. Investment accounted for using the equity method

Name of entity	Country of incorporation	Consolidated		Ownership interest	
		2019	2018	2019	2018
		$'000	$'000	%	%
(a) Movement in carrying amount					
Unlisted					
Toyota Finance New Zealand Limited	New Zealand				
Carrying amount at 1 April		67,331	64,439	45.45	45.45
Share of profits after income tax		8,459	7,934		
Dividends received		-	(6,891)		
Net exchange differences on translation of foreign associate entity		1,535	1,849		
Carrying amount at 31 March		**77,325**	**67,331**		

The principal activities of Toyota Finance New Zealand Limited during the period were:
- to finance motor vehicle acquisitions in the form of leasing, term purchase, consumer and commercial loans;
- to provide bailment facilities and commercial loans to Toyota dealers;
- the marketing of vehicle and finance related insurance products;
- the provision of retail finance and related products for pleasure boats;
- the provision of unsecured personal loans;and
- to provide for car sharing services.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost.

	Consolidated 2019 $'000	Consolidated 2018 $'000
(b) Share of associates' profits		
Profit before income tax	11,845	11,094
Income tax expense	(3,386)	(3,160)
Profit after income tax	**8,459**	**7,934**

Non-operating assets (continued)

25. Investment accounted for using the equity method (continued)

(c) Summarised financial information of associates

	Consolidated entity's share of:			
	Assets	**Liabilities**	**Revenues**	**Profit**
	$'000	**$'000**	**$'000**	**$'000**
Consolidated 2019				
Toyota Finance New Zealand Limited	575,447	497,516	61,848	8,459
Consolidated 2018				
Toyota Finance New Zealand Limited	606,553	538,615	60,209	7,934

	Consolidated	
	2019	**2018**
	$'000	**$'000**
(d) Share of associates expenditure commitments		
Lease commitments	1,666	2,074

Principles of consolidation

Associates are all entities over which the consolidated entity has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost.

The consolidated entity's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the consolidated financial statements as a reduction against the carrying amount of the investment.

When the consolidated entity's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of its associate.

Unrealised gains on transactions between the consolidated entity and its associates are eliminated to the extent of the consolidated entity's interest in associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the consolidated entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is the company's functional and presentation currency.

On consolidation, the exchange differences arising from the translation of the net investment in the foreign entity from functional to presentation currency is recognised in other comprehensive income.

Non-operating assets (continued)

25. Investment accounted for using the equity method (continued)

Foreign currency translation (continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

26. Property, plant and equipment

Consolidated 2019	Cost $'000	Accumulated depreciation $'000	Carrying value $'000
Leasehold improvements	10,417	8,358	2,059
Plant and equipment	28,219	23,699	4,520
Motor vehicles	7,479	1,012	6,467
	46,115	**33,069**	**13,046**

Consolidated 2018	Cost $'000	Accumulated depreciation $'000	Carrying value $'000
Leasehold improvements	8,407	7,925	482
Plant and equipment	24,003	21,861	2,142
Motor vehicles	6,969	1,140	5,829
	39,379	**30,926**	**8,453**

Consolidated 2019	Leasehold improvements $'000	Plant and equipment $'000	Motor vehicles $'000	Totals $'000
Carrying value at 1 April	482	2,142	5,829	8,453
Additions	2,009	4,216	6,860	13,085
Disposals	-	-	(4,441)	(4,441)
Depreciation	(432)	(1,838)	(1,781)	(4,051)
Carrying value at 31 March	**2,059**	**4,520**	**6,467**	**13,046**

Consolidated 2018	Leasehold improvements $'000	Plant and equipment $'000	Motor vehicles $'000	Totals $'000
Carrying value at 1 April	868	2,050	5,913	8,831
Additions	3	1,271	6,481	7,755
Disposals	-	-	(4,901)	(4,902)
Depreciation	(389)	(1,179)	(1,664)	(3,232)
Carrying value at 31 March	**482**	**2,142**	**5,829**	**8,453**

Non-operating assets (continued)

26. Property, plant and equipment (continued)

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Recognition and measurement
Property and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation of property and equipment is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Asset class	Method	Estimated useful life
Plant and equipment	Straight line	3-5 years
Motor vehicles	Straight line	1-3 years
Leasehold improvements	Straight line	Unexpired portion of lease or useful life of asset whichever is shorter

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Non-operating assets (continued)

27. Intangible assets

Recognition and measurement
Software consists of capitalised IT development costs being internally generated intangible assets. These consist of system software purchased and customised to the needs of the entity as well as internally developed software projects.

Capitalised software is recognised when it is probable that the project (i) will be completed considering its commercial and technical feasibility, (ii) will contribute to future period financial benefits through revenue generation and/or cost reductions and (iii) its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services and direct labour. Capitalised computer software development is amortised from the point at which the asset is ready for use on a straight line basis over its useful life, which varies from 3 to 10 years.

Impairment of assets
Intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to resell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other asset groups (cash generating units).

Software	**Cost $'000**	**Amortisation $'000**	**Carrying value $'000**
Consolidated 2019	171,357	141,024	30,333
Consolidated 2018	154,087	128,831	25,256

	Consolidated 2019 $'000	**Consolidated 2018 $'000**
Carrying value at 1 April	25,256	33,575
Additions	17,270	7,429
Amortisation expense	(12,193)	(12,363)
Write-off	-	(3,385)
Carrying value at 31 March	**30,333**	**25,256**

Non-operating assets (continued)

28. Deferred tax assets

Refer to Note 6 Income tax expense for further information on income tax.

	Consolidated 2019 $'000	Consolidated 2018 $'000
Deferred tax asset balances comprise temporary differences attributable to:		
Amounts recognised in the balance sheet		
Provision for impairment of loans and advances	49,164	50,401
Financial instruments	6,125	10,910
Accrued expenses	32,301	30,456
Sundry items	5,819	4,471
Total amount recognised in the balance sheet	**93,409**	**96,238**
Deferred tax liability balances comprise temporary differences attributable to:		
Amounts recognised in the balance sheet		
Assets financed under lease	91,838	74,066
Sundry items	7,193	5,924
Total amount recognised in the balance sheet	**99,031**	**79,990**
Net deferred tax (liabilities)/assets	**(5,622)**	**16,248**
Gross deferred tax assets opening balance	96,238	86,833
Movement in temporary differences during the year		
Provision for impairment of loans and advances	(1,237)	(6,576)
Financial instruments	(4,785)	11,234
Accrued expenses	1,845	4,045
Sundry items	1,348	702
Gross deferred tax assets closing balance	**93,409**	**96,238**
Gross deferred tax liabilities opening balance	79,990	68,859
Movement in temporary differences during the year		
Assets financed under lease	17,772	9,825
Sundry items	1,269	1,306
Gross deferred tax liabilities closing balance	**99,031**	**79,990**
Net deferred tax (liabilities)/assets	**(5,622)**	**16,248**
Deferred tax liabilities expected to be settled within 12 months	(21,439)	(12,798)
Deferred tax asset expected to be settled beyond 12 months	15,817	29,046
	(5,622)	**16,248**

Unrecognised items

This section provides information about items that are not recognised in the financial statements as they do not satisfy the recognition criteria but are relevant for the understanding of the financial performance of the consolidated entity.

29. 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 31 March 2019 of $50.4 million (2018: $59.4 million).

The company, 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 as the Head Entity. 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.

(b) The range of Toyota Extra Care warranty contracts, offered by the company since August 2003, provide an extended warranty to the customer in exchange for an upfront premium payment. The risk of claims has been fully insured with third party insurers. The directors consider the insurance of risk is sufficient to meet any claims which may eventuate.

(c) A fully maintained operating lease is offered under the company's current portfolio of products. Fully maintained operating leases require the company pay for agreed services. Monthly rental includes a pre-determined charge for such services. The actual cost of such services is expensed periodically during the term of the leases and recognised in the income statement by measuring the progress towards complete satisfaction of the company's performance obligation.

(d) 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) is not currently determinable and no provision has been made.

30. Commitments

(a) Lease commitments	Consolidated 2019 $'000	Consolidated 2018 $'000
Operating leases		
Aggregate amount contracted but not provided for in the accounts are as follows:		
- Premises	47,042	13,831
Due within one year	3,223	4,328
Due after one year but no later than five years	22,735	5,166
Due after five years	21,084	4,337
	47,042	13,831

The company leases various offices under non-cancellable operating leases. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

Unrecognised items (continued)

30. Commitments (continued)

(b) Capital commitments	Consolidated 2019 $'000	Consolidated 2018 $'000
Expenditures contracted for at the end of each reporting period but not recognised as liabilities is as follows:		
Intangible assets	710	13,407

31. Subsequent events

The directors are not aware of any other matter or circumstance not otherwise dealt with in the report or financial statements that has significantly or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial years.

Other disclosure matters

This section covers other information that is not directly related to specific line items in the financial statements, including information about subsidiaries, related party transactions, parent entity information and other statutory disclosures.

32. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities, and results of the following subsidiaries in accordance with the accounting policy described in Note 2(b):

Name of entity	Country of incorporation	Class of shares	Ownership interest 2019 %	Ownership interest 2018 %
Australian Alliance Automotive Finance Pty Limited*	Australia	Ordinary	100	100

*Investment value of $2 has been rounded to nil. The subsidiary, previously known as TFA (Wholesale) Pty. Limited, was renamed to Australian Alliance Automotive Finance Pty Limited during the year. This subsidiary has been granted relief from the necessity to prepare financial statements in accordance with ASIC Instrument 2016/785 issued by the Australian Securities and Investment Commission. For further information, refer to Note 36. The proportion of the ownership interest is equal to the proportion of voting power held.

Name of trust	Units owned 2019 %	Units owned 2018 %
Southern Cross Toyota 2009-1 Trust**	100	100
King Koala TFA 2012-1 Trust**	100	100

**Investment value of $10 has been rounded to $nil.

33. Related party transaction

This note shows the extent of related party transactions that are undertaken by the consolidated entity and the impact they had on the financial performance and position of the entity.

(a) Entities in the wholly owned group

The ultimate Australian parent entity is Toyota Finance Australia Limited, a wholly owned subsidiary of Toyota Financial Services Corporation, which is a wholly owned subsidiary of the ultimate parent entity, Toyota Motor Corporation incorporated in Japan.

(b) Subsidiaries

Interests in subsidiaries are set out in Note 32.

(c) Associates

Investments in associates are set out in Note 25.

Other disclosure matters (continued)

33. Related party transaction (continued)

(d) Key management personnel

(i) Key management personnel compensation

	Consolidated 2019 $	Consolidated 2018 $
Short-term employee benefits	2,402,000	2,575,000

(ii) Equity instrument disclosures relating to key management personnel

Options over issued ordinary shares of the ultimate parent entity, being Toyota Motor Corporation, Japan, granted during or since the end of the financial year to any directors or the five most highly remunerated officers of the company and consolidated entity as part of their remuneration are enumerated below. These options were part of Toyota Motor Corporation Global Incentive Plan of 1 August 2008. An option has a right to acquire 100 common shares.

	31 March 2019 Unexercised options	31 March 2018 Unexercised options
Directors		
J. R. Chandler, Managing Director	**0**	**20**

Shares under option

Issued ordinary shares of the ultimate parent entity, being Toyota Motor Corporation, Japan under option at the date of this report are as follows:

Date options granted	Date exercisable	Expiry date	Issue price of shares	Balance at start of the period	Exercised during the period	Granted during the period	Balance at end of the period
2 Aug 2010	1 Aug 2012	31 Jul 2018	(A)	2,000	2000	-	

(A) The exercise price of options is based on the price equal to 1.025 times the closing price of Toyota Motor Corporation common shares on the Tokyo Stock Exchange as at the date the options were granted.

(iii) Loans to key management personnel

No loans to key management personnel were recognised as at 31 March 2019 and 2018.

Other disclosure matters (continued)

33. Related party transaction (continued)

(e) Transactions and balances with related parties

Transactions and balances with related parties are set out below. These are included in the consolidated entity's consolidated statement of comprehensive income and consolidated statement of financial position for the period.

	Consolidated 2019 $'000	Consolidated 2018 $'000
Net financing income		
Affiliate finance income	20,254	24,466
Interest expense on loans from affiliated entity	-	(773)
Credit support fees paid to parent entity	(15,365)	(12,917)
Debt issuance fees paid to affiliated entity	(101)	(117)
Debt issuance fees paid to parent entity	(229)	(187)
Service fee paid to affiliated entity	(351)	(448)
Expenses		
Marketing expenses paid to affiliated entity	847	1,102
Security shared services fee	84	810
Consulting expenses paid to parent entity	107	190
Assets		
Loans and receivables		
Deferred finance income from affiliates*	(26,916)	(38,586)
Other assets		
Accounts receivable from affiliates*	4,886	3,244
Accounts receivable from parent entity*	-	20
Liabilities		
Interest bearing loans payable to affiliates	-	-
Non-interest bearing loans payable to affiliates	35,454	35,454
Accounts payable to affiliates*	139,405	145,637
Accrued interest payable to affiliates	-	-
Accounts payable to parent entity*	8,022	6,859
Accrued expenses payable to affliates	-	489

No bad debts expense and allowance for doubtful debts were recognised in relation to any receivable due from related parties as at 31 March 2019 and 31 March 2018.

* Non-interest bearing

Other disclosure matters (continued)

34. Parent entity information

TOYOTA FINANCE AUSTRALIA LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

	Parent 2019 $'000	Parent 2018 $'000
Assets		
Cash and cash equivalents	1,416,603	1,282,624
Loans and receivables	17,076,012	15,509,768
Motor vehicles under operating lease	1,414,487	1,253,579
Derivative financial instruments	343,139	360,648
Investments in associates	4,284	4,284
Intangible assets	30,333	25,256
Property, plant and equipment	13,046	8,453
Deferred tax assets	-	16,248
Other assets	908,852	849,796
Total Assets	**21,206,756**	**19,310,656**
Liabilities		
Due to banks and other financial institutions	1,834,625	2,037,157
Bonds and commercial paper	13,106,166	11,414,000
Related party liabilities	4,102,375	3,891,300
Derivative financial instruments	143,422	135,265
Deferred tax liabilities	5,622	-
Other liabilities	443,261	470,671
Contract liabilities	80,830	-
Total Liabilities	**19,716,301**	**17,948,394**
Net Assets	**1,490,455**	**1,362,262**
Equity		
Contributed equity	120,000	120,000
Reserves	-	-
Retained earnings	1,370,455	1,242,262
Total Equity	**1,490,455**	**1,362,262**

As at 31 March 2019, current assets and current liabilities amounted to $8,947 million and $8,998 million respectively (2018: $8,147 million and $9,766 million respectively).

Other disclosure matters (continued)

34. Parent entity information (continued)

TOYOTA FINANCE AUSTRALIA LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019

	Parent 2019 $'000	Parent 2018 $'000
Interest revenue	799,433	719,484
Rental income on motor vehicles under operating lease	358,461	343,766
Fee income	39,491	35,517
Financing and similar revenue	**1,197,385**	**1,098,767**
Interest expense and similar charges	(612,687)	(617,547)
Depreciation expense on motor vehicles under operating lease	(290,696)	(280,523)
Financing expense and similar charges	**(903,383)**	**(898,070)**
Net financing revenue	294,002	200,697
Other revenue	195,484	206,171
Net operating income	**489,486**	**406,868**
Credit impairment losses	(45,006)	(23,658)
Non-credit impairment losses	(16,462)	10,015
Employee benefits expense	(133,803)	(111,018)
Depreciation, amortisation and write-off	(16,244)	(18,980)
IT and communication expense	(19,460)	(17,349)
Sales and marketing expense	(11,429)	(11,254)
Occupancy expense	(9,347)	(7,227)
Other expenses	(24,822)	(26,190)
Profit before income tax	**212,913**	**201,206**
Income tax expense	(59,567)	(61,366)
Profit after income tax	**153,346**	**139,840**

(a) Guarantees entered into by the parent entity
The company has no financial guarantee in relation to securitisation of loans and receivables.

(b) Contingent liabilities of the parent entity
Refer to Note 29 – Contingent liabilities

(c) Contractual commitments by the parent entity
Refer to Note 30 – Commitments

Other disclosure matters (continued)

35. Auditor's remuneration

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated 2019 $	Consolidated 2018 $
PricewaterhouseCoopers - Australian firm		
Audit or review of the financial reports	579,732	527,276
Other audit-related work	264,635	487,083
Other assurance services	339,961	298,853
Total audit and other assurance services	**1,184,328**	**1,313,212**
Taxation	33,828	44,833
Total remuneration	**1,218,156**	**1,358,044**
Related practices of PricewaterhouseCoopers-Australian firm (including overseas PricewaterhouseCoopers firms)		
Other assurance services	134,218	105,764

36. Deed of cross guarantee

Toyota Finance Australia Limited and Australian Alliance Automotive Finance Pty Limited are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and a directors' report under ASIC Instrument 2016/785 issued by the Australian Securities and Investments Commission.

The above companies represent a "Closed Group" for the purposes of the Legislative Instrument, and as there are no other parties to the Deed of Cross Guarantee that are controlled by Toyota Finance Australia Limited, they also represent the "Extended Closed Group".

The consolidated financial statements cover the entities which are parties to the deed of cross guarantee. Consequently, the consolidated financial statements reflect the consolidated statement of comprehensive income and consolidated balance sheet, comprising the company and the controlled entities which are a party to the Deed, after eliminating all transactions between the parties to the Deed of Cross Guarantee, at 31 March 2019.

Other disclosure matters (continued)

37. Changes in accounting policy

This note explains the impact of the adoption of AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* on the consolidated entity'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 the financial statements

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

As explained in Note 37(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 material adjustments presented in the table below relate to the adoption of AASB 9 and AASB 15.

	31 March 2018		1 April 2018
	As originally presented	Adjustments	Restated
	$'000	$'000	$'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	-	37,114
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**

Other disclosure matters (continued)

37. Changes in accounting policy (continued)

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 changes 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 consolidated entity assessed which business models apply to financial assets held and classified them into the appropriate AASB 9 category. Financial assets are held at amortised cost on the basis that the consolidated entity intends to hold them to collect contractual cash flows solely representing payments of principal and interest.

(ii) Impairment of financial assets

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

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

The consolidated entity was required to revise its impairment methodology for each of these classes of assets. The impact of the change in impairment methodology on the consolidated entities retained earnings and equity is disclosed in Note 37(a).

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

The consolidated entity 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 consolidated entity.
- 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.

Other disclosure matters (continued)

37. Changes in accounting policy (continued)

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

(ii) Impairment of financial assets

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

	12 month ECL $'000	Lifetime ECL $'000	Total $'000
Retail and Wholesale:			
Gross carrying amount	13,612,899	576,046	14,188,945
Loss allowance	43,828	43,172	87,000
Fleet:			
Gross carrying amount	-	2,742,403	2,742,403
Loss allowance	-	24,462	24,462

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

Provision for impairment	Retail and Wholesale $'000	Fleet $'000	Total $'000
As at 31 March 2018	121,713	13,869	135,582
Amounts restated through retained earnings	(34,713)	10,593	(24,120)
Restated as at 1 April 2018	**87,000**	**24,462**	**111,462**

c) AASB 15 Contracts with customers – Impact of adoption

On adoption of AASB 15, effective 1 April 2018, the consolidated entity 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 6 to 73 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 31 March 2019 and of its performance for the year ended on that date; and

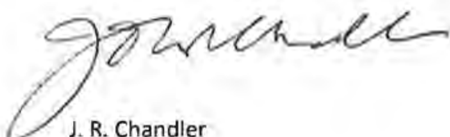
(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 36 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 36.

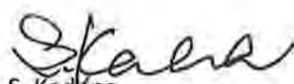
Note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

For and on behalf of the Board



J. R. Chandler
Director



S. Kadena
Director

Sydney
05 June 2019

Independent auditor's report

To the members of Toyota Finance Australia Limited

Our opinion

In our opinion:

The accompanying financial report of Toyota Finance Australia Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 March 2019 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 31 March 2019
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual financial report for the year ended 31 March 2019, but does not include the financial report and our auditor's report thereon.

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Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 the Australian Auditing Standards 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 the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:
http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers

Joe Sheeran
Partner

Sydney
5 June 2019

3. Responsibility Statement

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

(a) the financial statements and notes set out in the Annual Financial Report, have been prepared in accordance the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board as well as the Australian Corporations Act 2001. The Australian Accounting Standards incorporate International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board, and give a true and fair view of the assets, liabilities, financial position and profit or loss of TFA and the Group taken as a whole as at 31 March 2019 and for the year ended on that date;

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

(c) the management report set out on pages 1 to 35 includes a fair review of the development and performance of the business and the position of TFA and the Group taken as a whole, together with a description of the principal risks and uncertainties that they face.