

**TOYOTA FINANCE AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES**  
**ABN 48 002 435 181**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED 31 MARCH 2023**

## FINANCIAL REPORT

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## DIRECTORS' REPORT

The directors present their report on Toyota Finance Australia Limited ("the company" or "Company") and the entities it controlled (together referred to as the "consolidated entity" or "Consolidated") at the end of, or during, the year ended 31 March 2023.

### 1. Directors

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

#### Current Directors

E. Tsirogiannis, a director since 2017; appointed as Managing Director on 1 July 2020  
B. I. Knight, a director since 2014  
G. McGrath, a director since 2016  
M. J. Callachor, a director since 2017  
M. Templin, a director since 2018  
J. Pappas, a director since 2022  
H. Ito, a director since 1 January 2023

#### Former Directors

S. Kadena resigned as a director on 2 January 2023

### 2. Principal Activities

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

- finance the acquisition of motor vehicles by retail and commercial 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 purchases, finance leases or operating leases) and fleet management services to corporate customers and government;
- sell retail insurance policies underwritten by third party insurers as agents; and
- to provide for car sharing services.

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:

	Cents per share	Payment date	\$'000
31 March 2022	76.05	30/06/2022	91,264
31 March 2022	8.52	31/08/2022	10,228

## **DIRECTORS' REPORT (continued)**

### **4. Review of operations**

The net profit of the consolidated entity for the year ended 31 March 2023 was \$14,890,000 (2022: \$314,996,000) after deducting income tax expense of \$122,000 (2022: \$130,507,000).

The Reserve Bank of Australia has embarked upon monetary tightening measures with increased focus on curtailing inflation by means of interest rate rises. The resultant increased cost of funds, coupled with supply disruptions resulting in stock delays has led to reductions in margins across the product segments. This has been offset by strong residual value gains driven by continued strength in used vehicle prices.

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

### **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. Changes to the presentation of financial statements**

In compliance with the Australian Securities and Investments Commission's ("ASIC") financial reporting framework for Australian Financial Services licensees, the financial statements are presented to include the financial statements for both the consolidated entity and the company, along with the corresponding comparatives for the previous year.

### **7. Environmental regulation**

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

### **8. Matters subsequent to the end of the financial year**

The directors are not aware of any other matter or circumstance not otherwise dealt within the report or the financial statements 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.

Matters subsequent to the balance sheet date are disclosed in detail in note 32 to the financial statements. Directors consider management view to be appropriate under the current circumstances around these events.

### **9. Likely developments and expected results of operations**

The consolidated entity expects its underlying operations to operate profitably in the financial year ending 31 March 2024, although fluctuations in the fair value and translation of some financial instruments resulting in unrealised gains or losses recognised through the statements of comprehensive income may produce anomalous results.

## **DIRECTORS' REPORT (continued)**

### **9. Likely developments and expected results of operations (continued)**

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, as the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

### **10. Indemnity and insurance of directors and officers**

During the financial year, the company paid a premium of \$164,490 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 a deed of access and indemnity with each director and the company's responsible managers, whereby it has agreed to:

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

### **11. Indemnity of auditor**

The company has agreed to indemnify its auditor, 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.

### **12. 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.

### **13. 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 6.

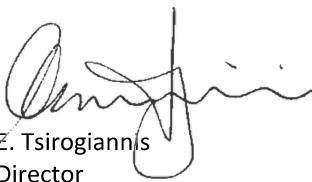
## DIRECTORS' REPORT (continued)

### 14. Rounding of amounts

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


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

For and on behalf of the Board,



E. Tsirogiannis  
Director

Sydney  
28 June 2023



H. Ito  
Director

Sydney  
28 June 2023



## Auditor's Independence Declaration

As lead auditor for the audit of Toyota Finance Australia Limited for the year ended 31 March 2023, 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.

A handwritten signature in blue ink, appearing to read 'David R Cox'.

David R Cox  
Partner  
PricewaterhouseCoopers

Sydney  
28 June 2023

**STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2023**

	Note	Consolidated		Company	
		2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Interest revenue	3a	998,153	738,758	883,945	678,638
Rental income on motor vehicles under operating lease		440,162	412,764	440,162	412,764
Fee income	3b	54,015	49,563	48,854	46,393
<b>Financing and similar revenue</b>		<b>1,492,330</b>	<b>1,201,085</b>	<b>1,372,961</b>	<b>1,137,795</b>
Interest expense and similar charges	3a	(933,184)	(261,370)	(1,105,080)	(382,900)
Depreciation expense on motor vehicles under operating lease		(368,282)	(350,223)	(368,282)	(350,223)
<b>Financing expense and similar charges</b>		<b>(1,301,466)</b>	<b>(611,593)</b>	<b>(1,473,362)</b>	<b>(733,123)</b>
<b>Net financing and similar revenue</b>		<b>190,864</b>	<b>589,492</b>	<b>(100,401)</b>	<b>404,672</b>
Other revenue	4	92,788	87,613	255,970	214,319
<b>Net operating income</b>		<b>283,652</b>	<b>677,105</b>	<b>155,569</b>	<b>618,991</b>
Credit impairment (loss)/reversal	9b	(15,640)	21,982	(7,674)	22,321
Non-credit impairment reversal	8d	21,086	22,024	21,086	22,024
Employee benefits expense		(177,220)	(165,212)	(177,220)	(165,212)
Depreciation, write-off and amortisation	5	(29,034)	(24,674)	(29,034)	(24,674)
IT and communication expense		(41,334)	(58,428)	(41,334)	(58,428)
Sales and marketing expense		(9,765)	(8,000)	(9,765)	(8,000)
Other expenses		(32,783)	(30,077)	(32,968)	(30,186)
Share of overhead expenses as related to subsidiaries		-	-	39,519	32,307
Share of net profits of associate accounted for using the equity method	25	16,050	10,783	-	-
<b>Profit/(loss) before income tax</b>		<b>15,012</b>	<b>445,503</b>	<b>(81,821)</b>	<b>409,143</b>
Income tax (expense)/credit	6	(122)	(130,507)	1,472	(128,865)
<b>Profit/(loss) attributable to owners of Toyota Finance Australia Limited</b>		<b>14,890</b>	<b>314,996</b>	<b>(80,349)</b>	<b>280,278</b>
<b>Other comprehensive income</b>					
<i>Items that may be reclassified to profit or loss</i>					
Exchange differences on translation of foreign operations	15	828	1,109	-	-
<b>Total comprehensive income/(loss) attributable to owners of Toyota Finance Australia Limited</b>		<b>15,718</b>	<b>316,105</b>	<b>(80,349)</b>	<b>280,278</b>

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



**STATEMENTS OF FINANCIAL POSITION  
AS AT 31 MARCH 2023**

		Consolidated		Company	
	Note	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
<b>Assets</b>					
Cash and cash equivalents	21	2,104,066	2,197,444	2,104,066	2,197,444
Loans and receivables	8a	22,252,676	20,586,182	19,194,809	18,313,002
Motor vehicles under operating lease	8b	1,864,213	1,686,331	1,864,213	1,686,331
Derivative financial instruments	17	515,314	330,107	491,183	391,673
Investment accounted for using the equity method	25	102,972	96,322	4,284	4,284
Intangible assets	28	55,156	29,076	55,156	29,076
Property, plant and equipment	26	17,532	20,665	17,532	20,665
Right-of-use assets	27	21,865	27,830	21,865	27,830
Deferred tax assets	29	5,723	4,558	4,590	2,158
Other assets	23	128,112	213,534	4,463,091	3,432,476
<b>Total assets</b>		<b>27,067,629</b>	<b>25,192,049</b>	<b>28,220,789</b>	<b>26,104,939</b>
<b>Liabilities</b>					
Due to banks and other financial institutions	10	7,140,674	4,757,304	2,281,887	1,234,009
Bonds and commercial paper	11	16,788,751	16,379,643	16,788,751	16,379,643
Related party liabilities - Special purpose vehicles		-	-	6,105,182	4,445,872
Derivative financial instruments	17	623,947	1,251,824	623,947	1,251,824
Other liabilities	24a	449,212	654,801	454,213	647,283
Contract liabilities	24b	125,300	116,261	125,300	116,261
Lease liabilities	27	29,034	35,731	29,034	35,731
<b>Total liabilities</b>		<b>25,156,918</b>	<b>23,195,564</b>	<b>26,408,314</b>	<b>24,110,623</b>
<b>Net assets</b>		<b>1,910,711</b>	<b>1,996,485</b>	<b>1,812,475</b>	<b>1,994,316</b>
<b>Equity</b>					
Contributed equity	14	120,000	120,000	120,000	120,000
Reserves	15	4,957	4,129	-	-
Retained earnings	16	1,785,754	1,872,356	1,692,475	1,874,316
<b>Total equity</b>		<b>1,910,711</b>	<b>1,996,485</b>	<b>1,812,475</b>	<b>1,994,316</b>

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

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2023**

Consolidated		Contributed equity	Reserves	Retained earnings	Total equity
	Note	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 April 2021</b>		120,000	3,020	1,620,834	1,743,854
Profit for the year		-	-	314,996	314,996
Other comprehensive income	15	-	1,109	-	1,109
Total comprehensive income for the year		-	<b>1,109</b>	<b>314,996</b>	<b>316,105</b>
Dividend paid	16	-	-	(63,474)	(63,474)
<b>Balance at 31 March 2022</b>		<b>120,000</b>	<b>4,129</b>	<b>1,872,356</b>	<b>1,996,485</b>
Profit for the year		-	-	14,890	14,890
Other comprehensive income	15	-	828	-	828
Total comprehensive income for the year		-	<b>828</b>	<b>14,890</b>	<b>15,718</b>
Dividend paid	16	-	-	(101,492)	(101,492)
<b>Balance at 31 March 2023</b>		<b>120,000</b>	<b>4,957</b>	<b>1,785,754</b>	<b>1,910,711</b>

Company		Contributed equity	Reserves	Retained earnings	Total equity
	Note	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 April 2021</b>		120,000	-	1,657,512	1,777,512
Profit for the year		-	-	280,278	280,278
Other comprehensive income	15	-	-	-	-
Total comprehensive income for the year		-	-	<b>280,278</b>	<b>280,278</b>
Dividend paid	16	-	-	(63,474)	(63,474)
<b>Balance at 31 March 2022</b>		<b>120,000</b>	-	<b>1,874,316</b>	<b>1,994,316</b>
Loss for the year		-	-	(80,349)	(80,349)
Other comprehensive income	15	-	-	-	-
Total comprehensive income for the year		-	-	<b>(80,349)</b>	<b>(80,349)</b>
Dividend paid	16	-	-	(101,492)	(101,492)
<b>Balance at 31 March 2023</b>		<b>120,000</b>	-	<b>1,692,475</b>	<b>1,812,475</b>

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

**STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2023**

		Consolidated		Company	
	Note	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
<b>Cash flows from operating activities</b>					
Net cash outflow from lending and other operating activities		(2,310,352)	(2,916,400)	(2,001,127)	(2,719,033)
Interest received		1,171,307	916,572	1,033,977	840,735
Short term lease payments		(254)	(246)	(254)	(246)
Rental income received		440,162	412,764	440,162	412,764
Interest paid		(551,049)	(306,649)	(722,944)	(428,179)
Term deposit withdrawn		-	554,000	-	554,000
Income taxes paid		(170,730)	(111,426)	(170,730)	(111,426)
<b>Net cash outflow from operating activities</b>	22a	<b>(1,420,916)</b>	<b>(1,451,385)</b>	<b>(1,420,916)</b>	<b>(1,451,385)</b>
<b>Cash flows from investing activities</b>					
Payments for intangible assets		(33,996)	(30,040)	(33,996)	(30,040)
Payments for property, plant and equipment		(4,455)	(6,178)	(4,455)	(6,178)
Proceeds from sale of non-leased property, plant and equipment		3,659	4,591	3,659	4,591
Dividends received from associate		10,228	11,209	10,228	11,209
<b>Net cash outflow from investing activities</b>		<b>(24,564)</b>	<b>(20,418)</b>	<b>(24,564)</b>	<b>(20,418)</b>
<b>Cash flows from financing activities</b>					
Proceeds from borrowings		31,296,359	21,873,908	31,296,359	21,873,908
Repayments of borrowings		(29,834,898)	(21,605,710)	(29,834,898)	(21,605,710)
Principal lease payments		(7,867)	(6,505)	(7,867)	(6,505)
Dividends paid to parent		(101,492)	(63,474)	(101,492)	(63,474)
<b>Net cash inflow from financing activities</b>		<b>1,352,102</b>	<b>198,219</b>	<b>1,352,102</b>	<b>198,219</b>
Net decrease in cash and cash equivalents		(93,378)	(1,273,584)	(93,378)	(1,273,584)
Cash and cash equivalents at beginning of period		2,197,444	3,471,028	2,197,444	3,471,028
<b>Cash and cash equivalents at end of period</b>	21	<b>2,104,066</b>	<b>2,197,444</b>	<b>2,104,066</b>	<b>2,197,444</b>

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

## **BASIS OF PREPARATION**

### **1. Corporate information**

These financial statements cover Toyota Finance Australia Limited (hereinafter “the company” or “Company”) and the entities it controlled (together referred to as the “consolidated entity” or “Consolidated”) which includes:

- Toyota Finance Australia Limited
- Australian Alliance Automotive Finance Pty Limited
- Securitisation trust entities:
  - Southern Cross Toyota 2009-1 Trust
  - King Koala TFA 2012-1 Trust

Toyota Finance Australia Limited is 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, New South Wales, 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 28 June 2023. 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.

#### **(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. The consolidated entity is a for-profit entity for the purpose of preparing the financial statements.

The financial statements for the previous period were general purpose financial statements for the consolidated entity. Comparatives have been presented for the year ended 31 March 2022 to conform with the current year’s presentation.

In compliance with the Australian Securities and Investments Commission’s financial reporting requirement, effective for periods ended 31 March 2023, the presentation format of these consolidated financial statements has been revised to include parent entity financial information (“the company”). The prior period comparatives for the parent entity’s financial information are unaudited as this is the initial adoption period.

From time to time, the group may reclassify certain comparative financial information to conform with the presentation in the current year. No material reclassifications were made in the current year.

## BASIS OF PREPARATION (continued)

### 2. Summary of significant accounting policies (continued)

#### *Compliance with International Financial Reporting Standards*

The financial statements of the consolidated entity comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

#### *New accounting standards, amendments and interpretations that are not yet effective*

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and amendments are either not relevant to the consolidated entity's operations or are not expected to have significant impact on consolidated entity's financial statements other than certain additional disclosures.

	Effective from accounting period beginning on or after
<i>Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates [AASB 7, AASB 101, AASB 108, AASB 134 &amp; AASB Practice Statement 2]</i>	1 January 2023
<i>AASB 17 – Insurance Contracts</i>	1 January 2023

#### *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 the statements of comprehensive income (derivatives).

#### *Going concern*

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

### (b) Principles of consolidation

#### *(i) Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Toyota Finance Australia Limited as at 31 March 2023, 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 company.

## **BASIS OF PREPARATION (continued)**

### **2. Summary of significant accounting policies (continued)**

#### ***(ii) Associates***

Associates are entities over which the company 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's and company's 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 by the consolidated entity in the statements of comprehensive income, 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 received from associates are recognised in the consolidated financial statements as a reduction against the carrying amount of the investment. The company recognises dividends received or receivable from associates in the statements of comprehensive income.

When the company's share of losses in an associate equal 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.

#### **(c) Foreign currency translation**

##### ***(i) Functional and presentation currency***

Items included in the financial statements of the consolidated entity are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated entity's 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 the statements of comprehensive income.

Foreign exchange gains and losses that relate to borrowings are presented in the statements of comprehensive income, within "interest expense and similar charges". All other foreign exchange gains and losses are presented in the statements of comprehensive income on a net basis within "other revenue" 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.

## BASIS OF PREPARATION (continued)

### 2. Summary of significant accounting policies (continued)

#### (e) Prior year comparatives

Where relevant, comparatives in the consolidated entity's financial report have been restated to conform to the current year presentation.

Information on restatements of prior year comparatives for the company's financial information is set out in note 2(a).

## RESULTS FOR THE YEAR

This section provides information and accounting policies on individual line items in the statements of comprehensive income, including:

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

### 3. Financing revenue, expense and similar charges

	Consolidated		Company	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
<b>(a) Interest revenue and expense</b>				
<b>Interest revenue</b>				
Interest revenue	1,175,631	915,870	1,038,301	840,033
Fee income recognised using the effective interest rate method	90,014	81,118	79,315	74,868
Fee expense recognised using the effective interest rate method	(267,492)	(258,230)	(233,671)	(236,263)
<b>Total interest revenue</b>	<b>998,153</b>	<b>738,758</b>	<b>883,945</b>	<b>678,638</b>
<b>Interest expense and similar charges</b>				
Interest expense	510,731	243,354	682,627	364,884
Net loss/(gain) on translation of foreign currency debt	1,207,576	(126,324)	1,207,576	(126,324)
Fair value (gain)/loss on derivative financial instruments at fair value through statements of comprehensive income	(813,928)	117,540	(813,928)	117,540
Transaction costs	27,869	25,897	27,869	25,897
Interest on lease liabilities	936	903	936	903
<b>Total interest expense and similar charges</b>	<b>933,184</b>	<b>261,370</b>	<b>1,105,080</b>	<b>382,900</b>
<b>(b) Fee income earned on originated assets</b>				
Administration and management fee	51,966	46,790	47,179	43,870
Other fees	2,049	2,773	1,675	2,523
<b>Total fee income</b>	<b>54,015</b>	<b>49,563</b>	<b>48,854</b>	<b>46,393</b>

## RESULTS FOR THE YEAR (continued)

### 3. Financing revenue, 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 recognise revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the consolidated 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. Interest income derived from term loans and term purchase 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. Interest income derived from finance leases is included in "interest revenue".

##### (b) Operating leases

Lease rental receivables 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 vehicles under operating lease". Operating leases have an average term of 50 months in the current period (2022: 48 months).

#### (iii) Fee income and expense

Fee income (establishment fee and termination fee) are recognised over the period of the contracts using the effective interest rate method.

Fee expense (holdback commission and performance bonus) are recognised over the period of the contracts using the effective interest rate method.

Revenue from administration and management fees is recognised over time, as the services are provided while other fees are recognised at the point in time when the transaction takes place.

### 4. Other revenue

	Consolidated		Company	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Net gain on disposal of leased and fixed assets	60,561	56,643	60,561	56,643
Net insurance distribution revenue	14,104	15,520	13,475	15,049
Net maintenance revenue	15,098	13,919	15,098	13,919
Other income *	3,025	1,531	166,836	128,708
<b>Total other revenue</b>	<b>92,788</b>	<b>87,613</b>	<b>255,970</b>	<b>214,319</b>

\* Other income for the company includes residual income from the securitisation trust entities (refer to note 33 Subsidiaries) amounting to \$153.5 million (2022: \$115.9 million).



## RESULTS FOR THE YEAR (continued)

### 4. Other revenue (continued)

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 consolidated entity acts as an agent and as such presents the revenue received net of associated costs in the statements 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 24b.

### 5. Depreciation, write-off and amortisation

	Consolidated		Company	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
<b>Profit before income tax includes the following specific expenses:</b>				
<i>Depreciation on property, plant and equipment</i>				
Right-of-use assets	7,135	7,184	7,135	7,184
Leasehold improvements	2,304	2,321	2,304	2,321
Plant and equipment	635	1,589	635	1,589
Motor vehicles	2,092	1,889	2,092	1,889
Write-off on property, plant and equipment	13	-	13	-
<b>Total depreciation and write-off</b>	<b>12,179</b>	<b>12,983</b>	<b>12,179</b>	<b>12,983</b>
<b>Amortisation</b>				
Computer software development *	16,855	11,691	16,855	11,691
<b>Total amortisation</b>	<b>16,855</b>	<b>11,691</b>	<b>16,855</b>	<b>11,691</b>
<b>Total depreciation, write-off and amortisation</b>	<b>29,034</b>	<b>24,674</b>	<b>29,034</b>	<b>24,674</b>

\* The amortisation of computer software development as at 31 March 2023 includes amortisation of software as a service arrangements amounting to \$5,116,000 (2022: nil).

Assets that are subject to depreciation, write-off and amortisation 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 that are largely independent of the cash inflows from other asset groups (cash generating units).

Refer to notes 26 to 28 for further information on depreciation, write-off and amortisation.

## RESULTS FOR THE YEAR (continued)

### 6. Income tax expense

	Consolidated		Company	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Current tax	-	122,299	-	120,657
Deferred tax	(1,165)	6,967	(2,432)	6,967
Under provision in prior year	1,287	1,241	960	1,241
<b>Income tax expense/(credit) attributable to continuing operations</b>	<b>122</b>	<b>130,507</b>	<b>(1,472)</b>	<b>128,865</b>
<i>Deferred income tax expense included in income tax expense comprises:</i>				
Increase in deferred tax assets	14,575	6,290	15,842	6,290
(Increase) in deferred tax liabilities	(13,410)	(13,257)	(13,410)	(13,257)
	<b>1,165</b>	<b>(6,967)</b>	<b>2,432</b>	<b>(6,967)</b>
<i>Numerical reconciliation of income tax expense to prima facie tax payable:</i>				
Profit/(loss) from continuing operations before income tax expense	15,012	445,503	(81,821)	409,143
Prima facie tax payable/(receivable) @ 30%	<b>4,504</b>	<b>133,651</b>	<b>(24,546)</b>	<b>122,743</b>
<i>Tax effect of amounts which are not deductible (taxable) in calculating taxable income:</i>				
Tax on securitisation trusts' net income	-	-	25,709	9,394
Dividend income from associate	-	-	(3,068)	(3,363)
Share of net profit of associate	(4,815)	(3,235)	-	-
Sundry items	451	42	451	42
	<b>140</b>	<b>130,458</b>	<b>(1,454)</b>	<b>128,816</b>
Deferred income tax (credit) relating to prior years	(1,305)	(1,192)	(978)	(1,192)
Under provision in prior year	1,287	1,241	960	1,241
<b>Income tax expense/(credit) attributable to continuing operations</b>	<b>122</b>	<b>130,507</b>	<b>(1,472)</b>	<b>128,865</b>
<i>Numerical reconciliation of income tax expense to prima facie tax payable on other comprehensive income:</i>				
Other comprehensive income	828	1,109	-	-
Prima facie tax payable/(receivable) @ 30%	<b>248</b>	<b>333</b>	-	-
<i>Tax effect of amounts which are not deductible (taxable) in calculating taxable income:</i>				
Exchange differences on translation of foreign operations	(248)	(333)	-	-
	-	-	-	-

The income tax expense or credit for the period is the tax payable or receivable on the current period's 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.

## **RESULTS FOR THE YEAR (continued)**

### **6. Income tax expense (continued)**

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

- Taxable profits of other members of the income tax consolidated group, to which the Australian members of the consolidated entity belong are, or will be, available to utilise against the losses either in the fiscal year or a future fiscal year; and/or
- Future taxable profits of the consolidated entity will be available against which the benefits of the deferred tax asset can be utilised.

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 consolidated 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.

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 consolidated 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.

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

The consolidated entity has also entered into an income tax funding agreement under which the consolidated entity fully compensates the head entity of the income tax consolidated group for any current income tax payable 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 or payable under the income tax funding agreement is due upon receipt of the funding advice from the head entity of the income tax consolidated group, 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 entity 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 comprised of loans and leases to consumer and commercial customers, including wholesale finance consisting of loans and bailment facilities to motor vehicle dealerships. Fleet segment comprised of loans and leases to small businesses and fleet customers. Fleet customers include medium to large commercial clients and government bodies. The consolidated entity's business segments operate in Australia.

Consolidated	31 March 2023			
	Retail \$'000	Fleet \$'000	Unallocated * \$'000	Total \$'000
Net financing revenue (excluding fee income)	341,868	83,474	(288,493)	136,849
Fee income				
Fee income recognised over a period of time	36,941	15,025	-	51,966
Fee income/(expense) recognised at a point in time	3,630	(1,608)	27	2,049
Other revenue				
Other revenue recognised at a point in time	14,093	15,490	2,644	32,227
Net gain on disposal of leased and fixed assets	-	59,650	911	60,561
Net operating income/(loss)	396,532	172,031	(284,911)	283,652
Total reporting segment operating profit	163,717	116,249	-	279,966

Consolidated	31 March 2022			
	Retail \$'000	Fleet \$'000	Unallocated * \$'000	Total \$'000
Net financing revenue (excluding fee income)	319,219	71,633	149,077	539,929
Fee income				
Fee income recognised over a period of time	33,197	13,593	-	46,790
Fee income/(expense) recognised at a point in time	3,751	(917)	(61)	2,773
Other revenue				
Other revenue recognised at a point in time	15,434	14,656	880	30,970
Net gain on disposal of leased and fixed assets	-	56,136	507	56,643
Net operating income	371,601	155,101	150,403	677,105
Total reporting segment operating profit	238,222	105,254	-	343,476

Assets	31 March 2023			
	Retail \$'000	Fleet \$'000	Unallocated * \$'000	Total \$'000
Segment assets	19,530,926	4,585,962	2,950,741	27,067,629

Assets	31 March 2022			
	Retail \$'000	Fleet \$'000	Unallocated * \$'000	Total \$'000
Segment assets	18,208,897	4,063,617	2,919,535	25,192,049

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

## RESULTS FOR THE YEAR (continued)

### 7. Segment results (continued)

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

#### Consolidated

	2023 \$'000	2022 \$'000
Total reporting segment operating profit	279,966	343,476
Share of net profits of associate accounted for using the equity method	16,050	10,783
Fair value (loss)/gain	(335,519)	60,551
Other unallocated net income	54,515	30,693
<b>Profit before income tax</b>	<b>15,012</b>	<b>445,503</b>
Income tax expense	(122)	(130,507)
<b>Profit attributable to owners of Toyota Finance Australia Limited</b>	<b>14,890</b>	<b>314,996</b>

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.

## 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 and motor vehicles under operating lease

#### (a) Loans and receivables

Note	Consolidated		Company	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Finance leases	1,113,333	988,592	1,113,333	988,592
Unearned income on finance leases	(73,228)	(51,177)	(73,228)	(51,177)
<b>Finance leases - Net</b>	<b>1,040,105</b>	<b>937,415</b>	<b>1,040,105</b>	<b>937,415</b>
Bailment stock	2,921,785	2,504,099	2,199,431	2,026,670
Term loans - Net	17,816,838	16,709,871	15,468,104	14,906,120
Term purchase - Net	614,915	596,247	614,915	596,247
<b>Net loans and receivables (net of unearned income)</b>	<b>22,393,643</b>	<b>20,747,632</b>	<b>19,322,555</b>	<b>18,466,452</b>
Provision for impairment of loans and receivables	9a (140,967)	(161,450)	(127,746)	(153,450)
<b>Net loans and receivables</b>	<b>22,252,676</b>	<b>20,586,182</b>	<b>19,194,809</b>	<b>18,313,002</b>
<b>Maturity analysis (net of unearned income)</b>				
<i>Current</i>				
Net loans and receivables maturing within 12 months	8,014,206	7,593,144	6,736,877	6,479,261
<i>Non-current</i>				
Net loans and receivables maturing beyond 12 months	14,379,437	13,154,488	12,585,678	11,987,191
	<b>22,393,643</b>	<b>20,747,632</b>	<b>19,322,555</b>	<b>18,466,452</b>

## LENDING (continued)

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

#### Future minimum lease receipts under finance leases

Consolidated and Company	31 March 2023			31 March 2022		
	Gross investment in finance lease receivables \$'000	Unearned income \$'000	Present value of minimum lease payments receivables \$'000	Gross investment in finance lease receivables \$'000	Unearned income \$'000	Present value of minimum lease payments receivables \$'000
Not later than one year	331,748	(29,151)	302,597	292,659	(21,087)	271,572
One to two years	286,792	(20,602)	266,190	251,210	(14,506)	236,704
Two to three years	231,792	(13,059)	218,733	205,575	(8,883)	196,692
Three to four years	164,312	(6,762)	157,550	149,716	(4,382)	145,334
Four to five years	66,208	(2,586)	63,622	59,976	(1,651)	58,325
Over five years	32,481	(1,068)	31,413	29,456	(668)	28,788
Total	1,113,333	(73,228)	1,040,105	988,592	(51,177)	937,415

#### 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.

#### Recognition and derecognition

Financing assets are recognised on transaction settlement date, which is the date 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 the statements of comprehensive income. 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 represents 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.

**Solely Payments of Principal and Interest ("SPPI"):** For the purpose 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, the credit risk associated with the principal amount outstanding during a particular period of time, profit margin, and for other basic lending risks and costs (e.g., liquidity risk and administrative costs).

## LENDING (continued)

### 8. Financing assets and motor vehicles under operating lease (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, 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.

While 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 statements of financial position.

#### *(ii) Term loans*

A term loan is a 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) Term purchase*

A term purchase is a financing 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.

#### *(iv) 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.

### 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 statements of financial position. 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 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; and
- insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

## LENDING (continued)

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

If the terms are substantially different, the consolidated entity derecognises the original financial asset, recognises a new asset 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 derecognition.

#### 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 derecognition under AASB9 and are therefore recognised on the consolidated entity's statements of financial position. AASB10 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 company bears control over the special purpose vehicles requiring consolidation in the financial statements.

The company has no financial guarantee in relation to the securitisation of loans and receivables.

As at the end of the reporting period, the carrying amount of transferred assets held by the special purpose entities under securitisation was \$6,105,182,000 (2022: \$4,445,872,000).

#### (b) Motor vehicles under operating lease

	Consolidated		Company	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Operating lease - At cost	3,069,879	2,749,030	3,069,879	2,749,030
Provision for residual value impairment loss	(8,750)	(30,350)	(8,750)	(30,350)
Accumulated depreciation	(1,196,916)	(1,032,349)	(1,196,916)	(1,032,349)
<b>Total motor vehicles under operating lease</b>	<b>1,864,213</b>	<b>1,686,331</b>	<b>1,864,213</b>	<b>1,686,331</b>
<b>Provision for non-credit impairment loss on motor vehicles under operating lease</b>				
Opening balance	30,350	52,750	30,350	52,750
Decrease in impairment loss provision	(21,600)	(22,400)	(21,600)	(22,400)
<b>Closing balance</b>	<b>8,750</b>	<b>30,350</b>	<b>8,750</b>	<b>30,350</b>
<b>Non-credit impairment loss</b>				
Impairment reversal	514	376	514	376
Decrease in impairment loss provision	(21,600)	(22,400)	(21,600)	(22,400)
<b>Total impairment reversal</b>	<b>(21,086)</b>	<b>(22,024)</b>	<b>(21,086)</b>	<b>(22,024)</b>
<b>Future minimum lease receipts under operating leases</b>				
Not later than one year	338,226	300,137	338,226	300,137
One to two years	213,162	191,575	213,162	191,575
Two to three years	138,755	128,240	138,755	128,240
Three to four years	70,169	60,986	70,169	60,986
Four to five years	26,348	26,120	26,348	26,120
Over five years	13,105	11,430	13,105	11,430
	<b>799,765</b>	<b>718,488</b>	<b>799,765</b>	<b>718,488</b>



## LENDING (continued)

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

	Consolidated		Company	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
<b>Movements in cost, accumulated depreciation, and reserves</b>				
Balance at beginning of period, net of residual value	1,686,331	1,597,285	1,686,331	1,597,285
Additions	752,007	634,947	752,007	634,947
Disposals	(227,443)	(218,078)	(227,443)	(218,078)
Depreciation expense	(368,282)	(350,223)	(368,282)	(350,223)
Impairment reversal	21,600	22,400	21,600	22,400
<b>Balance at end of period, net of residual value</b>	<b>1,864,213</b>	<b>1,686,331</b>	<b>1,864,213</b>	<b>1,686,331</b>

Motor vehicles under operating leases are lease agreements with individuals and businesses, 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 which amounted to \$16,714,000 as at 31 March 2023 (2022: \$12,324,000).

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.

### 9. Impairment of financing assets

	Consolidated		Company	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
<b>(a) Provision for credit impairment of loans and receivables</b>				
Opening balance	161,450	197,150	153,450	189,150
Decrease in impairment loss provision	(20,483)	(35,700)	(25,704)	(35,700)
<b>Closing balance*</b>	<b>140,967</b>	<b>161,450</b>	<b>127,746</b>	<b>153,450</b>
<b>(b) Credit impairment loss</b>				
Bad debts written off	59,412	34,929	56,403	34,498
Recovery of bad debts written off	(23,289)	(21,211)	(23,025)	(21,119)
Decrease in impairment loss provision	(20,483)	(35,700)	(25,704)	(35,700)
<b>Total impairment (gain)/loss</b>	<b>15,640</b>	<b>(21,982)</b>	<b>7,674</b>	<b>(22,321)</b>

\* The balance as at 31 March 2023 includes provision on guaranteed future value of \$2,200,000 (2022: \$400,000) which is calculated under AASB 16.

The contractual amount outstanding on financial assets that were written off during the year ended 31 March 2023 and that are still subject to enforcement activity was \$51,518,000 (2022: \$31,792,000).

## LENDING (continued)

### 9. Impairment of financing assets (continued)

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 during the period;
- Impact on the measurement of ECL due to changes in probability of default, exposure at default and loss given default during the period, arising from regular refreshing of inputs to models;
- Discounts unwind within ECL due to the passage of time, as ECL is measured on a present value basis; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

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 a repayment plan with the consolidated entity; or
- The debtor has been placed under liquidation; or
- The debtor has entered bankruptcy proceedings, and the consolidated entity 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-offs.

Further information on the consolidated entity’s financial risk management framework and credit risk can be found in note 20.

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 and Wholesale)

Consolidated	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
	\$'000	\$'000	\$'000	\$'000
Opening balance at 1 April 2021	104,128	35,754	16,418	156,300
<i>Changes due to financial assets recognised in the opening balance:</i>				
- Transfers between stages	(4,706)	5,117	(411)	-
- Remeasurement	(50,879)	(7,921)	28,919	(29,881)
Closing ECL of new financial assets originated	57,208	5,196	2,222	64,626
Financial assets derecognised during the period other than write-offs	(15,491)	(6,450)	(2,185)	(24,126)
Write-offs	-	-	(33,520)	(33,520)
<b>Balance at 31 March 2022</b>	<b>90,260</b>	<b>31,696</b>	<b>11,443</b>	<b>133,399</b>
<i>Changes due to financial assets recognised in the opening balance:</i>				
- Transfers between stages	7,763	(4,688)	(3,075)	-
- Remeasurement	(46,280)	10,416	62,389	26,525
Closing ECL of new financial assets originated	32,853	6,048	3,461	42,362
Financial assets derecognised during the period other than write-offs	(14,722)	(9,530)	(2,713)	(26,965)
Write-offs	-	-	(57,098)	(57,098)
<b>Balance at 31 March 2023</b>	<b>69,874</b>	<b>33,942</b>	<b>14,407</b>	<b>118,223</b>

## LENDING (continued)

### 9. Impairment of financing assets (continued)

#### General approach (Retail and Wholesale)

Company	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
	\$'000	\$'000	\$'000	\$'000
Opening balance at 1 April 2021	98,797	33,924	15,578	148,299
<i>Changes due to financial assets recognised in the opening balance:</i>				
- Transfers between stages	(4,569)	5,016	(447)	-
- Remeasurement	(45,734)	(5,081)	29,693	(21,122)
Closing ECL of new financial assets originated	48,135	4,579	1,945	54,659
Financial assets derecognised during the period other than write-offs	(14,729)	(6,443)	(2,176)	(23,348)
Write-offs	-	-	(33,089)	(33,089)
<b>Balance at 31 March 2022</b>	<b>81,900</b>	<b>31,995</b>	<b>11,504</b>	<b>125,399</b>
<i>Changes due to financial assets recognised in the opening balance:</i>				
- Transfers between stages	7,775	(4,823)	(2,952)	-
- Remeasurement	(43,518)	7,913	58,537	22,932
Closing ECL of new financial assets originated	28,019	5,205	3,270	36,494
Financial assets derecognised during the period other than write-offs	(13,765)	(9,328)	(2,641)	(25,734)
Write-offs	-	-	(54,089)	(54,089)
<b>Balance at 31 March 2023</b>	<b>60,411</b>	<b>30,962</b>	<b>13,629</b>	<b>105,002</b>

#### Simplified approach (Fleet)

Consolidated and Company	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
	\$'000	\$'000	\$'000
Opening balance at 1 April 2021	27,797	3,653	31,450
<i>Changes due to financial assets recognised in the opening balance:</i>			
- Transfers between stages	944	(944)	-
- Remeasurement	(21,299)	235	(21,064)
Closing ECL of new financial assets originated	20,968	466	21,434
Financial assets derecognised during the period other than write-offs	(2,198)	(562)	(2,760)
Write-offs	-	(1,409)	(1,409)
<b>Balance at 31 March 2022</b>	<b>26,212</b>	<b>1,439</b>	<b>27,651</b>
<i>Changes due to financial assets recognised in the opening balance:</i>			
- Transfers between stages	840	(840)	-
- Remeasurement	(50,681)	861	(49,820)
Closing ECL of new financial assets originated	11,463	147	11,610
Financial assets derecognised during the period other than write-offs	31,975	1,442	33,417
Write-offs	-	(2,314)	(2,314)
<b>Balance at 31 March 2023</b>	<b>19,809</b>	<b>735</b>	<b>20,544</b>

## LENDING (continued)

### 9. Impairment of financing assets (continued)

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

<b>Retail and Wholesale receivables</b>				
<b>Consolidated</b>	<b>12-month ECL</b>	<b>Lifetime ECL not credit- impaired</b>	<b>Lifetime ECL credit- impaired</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Gross carrying amount at 1 April 2021	15,734,472	483,808	43,393	16,261,673
<i>Changes due to financial assets recognised in the opening balance:</i>				
- Transfers between stages	(266,106)	218,397	47,709	-
- Change in balance	(2,103,292)	(100,876)	9,872	(2,194,296)
Closing ECL of new financial assets originated	7,004,151	42,451	6,502	7,053,104
Financial assets derecognised during the period other than write-offs	(2,648,079)	(89,540)	(6,646)	(2,744,265)
Write-offs	-	-	(33,520)	(33,520)
<b>Balance at 31 March 2022</b>	<b>17,721,146</b>	<b>554,240</b>	<b>67,310</b>	<b>18,342,696</b>
<i>Changes due to financial assets recognised in the opening balance:</i>				
- Transfers between stages	(191,871)	170,669	21,202	-
- Change in balance	(2,398,975)	(116,151)	23,831	(2,491,295)
Closing ECL of new financial assets originated	6,487,363	48,059	9,673	6,545,095
Financial assets derecognised during the period other than write-offs	(2,541,616)	(135,044)	(11,389)	(2,688,049)
Write-offs	-	-	(57,098)	(57,098)
<b>Balance at 31 March 2023</b>	<b>19,076,047</b>	<b>521,773</b>	<b>53,529</b>	<b>19,651,349</b>

<b>Retail and Wholesale receivables</b>				
<b>Company</b>	<b>12-month ECL</b>	<b>Lifetime ECL not credit- impaired</b>	<b>Lifetime ECL credit- impaired</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Gross carrying amount at 1 April 2021	14,480,633	445,255	39,936	14,965,824
<i>Changes due to financial assets recognised in the opening balance:</i>				
- Transfers between stages	(256,579)	210,063	46,516	-
- Change in balance	(2,181,152)	(73,662)	11,425	(2,243,389)
Closing ECL of new financial assets originated	5,972,957	37,762	5,729	6,016,448
Financial assets derecognised during the period other than write-offs	(2,548,237)	(89,442)	(6,599)	(2,644,278)
Write-offs	-	-	(33,089)	(33,089)
<b>Balance at 31 March 2022</b>	<b>15,467,622</b>	<b>529,976</b>	<b>63,918</b>	<b>16,061,516</b>
<i>Changes due to financial assets recognised in the opening balance:</i>				
- Transfers between stages	(172,582)	152,997	19,585	-
- Change in balance	(2,449,244)	(114,530)	21,674	(2,542,100)
Closing ECL of new financial assets originated	5,608,629	35,140	9,136	5,652,905
Financial assets derecognised during the period other than write-offs	(2,393,604)	(133,205)	(11,162)	(2,537,971)
Write-offs	-	-	(54,089)	(54,089)
<b>Balance at 31 March 2023</b>	<b>16,060,821</b>	<b>470,378</b>	<b>49,062</b>	<b>16,580,261</b>

## LENDING (continued)

### 9. Impairment of financing assets (continued)

#### Fleet receivables

Consolidated and Company	Lifetime ECL not credit- impaired \$'000	Lifetime ECL credit- impaired \$'000	Total \$'000
Gross carrying amount at 1 April 2021	1,975,684	12,345	1,988,029
<i>Changes due to financial assets recognised in the opening balance:</i>			
- Transfers between stages	(4,632)	4,632	-
- Change in balance	(382,272)	(1,942)	(384,214)
Closing ECL of new financial assets originated	1,251,264	3,769	1,255,033
Financial assets derecognised during the period other than write-offs	(449,740)	(2,763)	(452,503)
Write-offs	-	(1,409)	(1,409)
<b>Balance at 31 March 2022</b>	<b>2,390,304</b>	<b>14,632</b>	<b>2,404,936</b>
<i>Changes due to financial assets recognised in the opening balance:</i>			
- Transfers between stages	(4,740)	4,740	-
- Change in balance	(2,838,806)	(16,259)	(2,855,065)
Closing ECL of new financial assets originated	1,271,798	2,022	1,273,820
Financial assets derecognised during the period other than write-offs	1,910,122	10,795	1,920,917
Write-offs	-	(2,314)	(2,314)
<b>Balance at 31 March 2023</b>	<b>2,728,678</b>	<b>13,616</b>	<b>2,742,294</b>

#### 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 recognises a loss allowance for such losses at each reporting date. The consolidated entity uses complex models and significant assumptions about future economic conditions and credit behaviour (e.g., the likelihood of customers defaulting and resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 20. A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

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

#### Measurement of expected credit loss

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions, forecasts of future economic conditions, including the continued Ukraine crisis.

Additionally, further information on how the consolidated entity manages credit risk can be found in note 20.

## 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		Company	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Banks and other financial institutions	7,140,674	4,757,304	2,281,887	1,234,009
<b>Total due to banks and other financial institutions</b>	<b>7,140,674</b>	<b>4,757,304</b>	<b>2,281,887</b>	<b>1,234,009</b>
<b>Maturity analysis</b>				
<i>Current</i>				
Banks and other financial institutions	3,112,508	1,825,097	1,034,595	199,931
<i>Non-current</i>				
Banks and other financial institutions	4,028,166	2,932,207	1,247,292	1,034,078
	<b>7,140,674</b>	<b>4,757,304</b>	<b>2,281,887</b>	<b>1,234,009</b>

Included in the “due to banks and other financial institutions” is securitised debt 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 amounted to \$4,858,787,000 as at 31 March 2023 (2022: \$3,523,295,000). The company holds the balance of the special purpose entities notes of \$1,246,394,000 as at 31 March 2023 (2022: \$922,577,000). Loans and receivables amounting to \$6,105,182,000 as at 31 March 2023 (2022: \$4,445,872,000) are pledged as collateral for the senior notes under securitisation. Contractual maturities of the securitised debt are 19 October 2028 and 20 March 2029. Rates for these are reset with a monthly variable interest rate. The current average rate is 4.49%.

The interest payable on the secured notes as at 31 March 2023 amounted to \$7,180,000 (2022: \$788,000) and is included in “accrued interest payable”.

### 11. Bonds and commercial paper

	Consolidated		Company	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Commercial paper	4,566,655	4,268,914	4,566,655	4,268,914
Medium-term notes	12,222,096	12,110,729	12,222,096	12,110,729
<b>Total bonds and commercial paper</b>	<b>16,788,751</b>	<b>16,379,643</b>	<b>16,788,751</b>	<b>16,379,643</b>
<b>Maturity analysis</b>				
<i>Current</i>				
Bonds and commercial paper	7,494,918	7,139,956	7,494,918	7,139,956
<i>Non-current</i>				
Bonds and commercial paper	9,293,833	9,239,687	9,293,833	9,239,687
	<b>16,788,751</b>	<b>16,379,643</b>	<b>16,788,751</b>	<b>16,379,643</b>

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. Interest rates range from 0.06% to 5.26% on these papers and notes.

## FUNDING (continued)

### 11. Bonds and commercial paper (continued)

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, other investment securities and commercial paper summarised in the tables above have the benefit of Credit Support Agreements governed by Japanese law. These agreements are between Toyota Motor Corporation ("TMC") and Toyota Financial Services Corporation ("TFSC") dated 14 July 2000, and between TFSC 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. These transfers do not give rise to derecognition of those financial assets for the consolidated entity.

#### Securitisation

Term loans securitised under the company's securitisation programs are equitably assigned to bankruptcy remote special purpose entities. 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 special purpose entities and the company, such that the company retains exposure to the variability in cash flows from the transferred term loans, the loans will continue to be recognised on the company's statement of financial position. The investors have full recourse only to the term loans segregated into the special purpose entities.

The company has obtained no financial guarantee in relation to the securitisation of loans and receivables.

#### Consolidated

	2023	2022
	\$'000	\$'000
Carrying amount of transferred assets	6,105,182	4,445,872
Carrying amount of associated liabilities	4,858,787	3,523,295
<b>Net position for carrying amount</b>	<b>1,246,395</b>	<b>922,577</b>
Fair value of transferred assets	6,003,550	4,760,640
Fair value of associated liabilities	4,905,738	3,548,540
<b>Net position for fair value amount</b>	<b>1,097,812</b>	<b>1,212,100</b>

## FUNDING (continued)

### 13. Credit facilities

	Consolidated		Company	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
<b>Amount available:</b>				
Bonds, commercial paper, term loans and other short-term borrowings	42,250,748	38,655,658	42,250,748	38,655,658
Bank overdraft	15,000	15,000	15,000	15,000
Securitisation				
-Senior note	6,440,000	4,590,000	6,440,000	4,590,000
-Mezzanine note	1,693,000	1,210,000	1,693,000	1,210,000
<b>Amount utilised:</b>				
Bonds, commercial paper, term loans and other short-term borrowings	19,159,040	17,655,896	19,159,040	17,655,896
Bank overdraft	-	-	-	-
Securitisation				
-Senior note	4,858,787	3,523,295	4,858,787	3,523,295
-Mezzanine note	1,246,394	922,577	1,246,394	922,577
<b>Amount not utilised:</b>				
Bonds, commercial paper, term loans and other short-term borrowings	23,091,708	20,999,762	23,091,708	20,999,762
Bank overdraft	15,000	15,000	15,000	15,000
Securitisation				
-Senior note	1,581,213	1,066,705	1,581,213	1,066,705
-Mezzanine note	446,606	287,423	446,606	287,423

#### Medium-term note, commercial paper programs, term loans and other short-term borrowings

Medium-term notes 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 \$34,308,648,000 (2022: \$31,884,097,000).

The company has access to \$2,735,000,000 (2022: \$1,685,000,000) of uncommitted facilities and \$200,000,000 (2022: \$400,000,000) of committed facilities from various banks. The company also has a \$1,494,657,000 (2022: \$1,335,203,000) facility available with Toyota Motor Credit Corporation and a \$3,512,443,000 (2022: \$3,351,359,000) facility available as part of Toyota Group Master Credit Facility as at 31 March 2023.

#### Credit support agreements

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

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.



## FUNDING (continued)

### 13. Credit facilities (continued)

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.

#### Master credit facility

##### *364-Day Credit Agreement, Three-Year Credit Agreement and Five-Year Credit Agreement*

The master credit facility between the company and other Toyota affiliates was renegotiated in November 2022, in which a US\$5.0 billion 364-day syndicated bank credit facility, expiring in November 2022 was renewed. The US\$5.0 billion three-year syndicated bank credit facility and the US\$5.0 billion five-year syndicated bank credit facility, expiring in November 2023 and 2025, 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 was drawn upon as at 31 March 2023. The company is in compliance with the covenants and conditions of the credit agreements described above.

#### Bank overdraft

The bank overdraft is an unsecured \$15,000,000 facility as at 31 March 2023 (2022: \$15,000,000). 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 and Company

	2023	2022
	\$'000	\$'000
Contributed equity	120,000	120,000

At 31 March 2023, 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.

## CAPITAL MANAGEMENT (continued)

### 15. Reserves

	Consolidated		Company	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
<b>Foreign currency translation reserve</b>				
Balance at 1 April	4,129	3,020	-	-
Net exchange differences on translation of foreign associate entity	828	1,109	-	-
<b>Balance at 31 March</b>	<b>4,957</b>	<b>4,129</b>	<b>-</b>	<b>-</b>

#### 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 the statements of comprehensive income when the net investment is disposed of.

### 16. Retained earnings

	Consolidated		Company	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Balance at 1 April	1,872,356	1,620,834	1,874,316	1,657,512
<b>Profit/(loss) attributable to owners of Toyota Finance Australia Limited</b>	14,890	314,996	(80,349)	280,278
Dividend paid	(101,492)	(63,474)	(101,492)	(63,474)
<b>Balance at 31 March</b>	<b>1,785,754</b>	<b>1,872,356</b>	<b>1,692,475</b>	<b>1,874,316</b>
<b>Dividends</b>				
Fully franked dividends totalling 84.57cents per fully paid share paid in year ended 31 March 2023 (31 March 2022: 52.89 cents per share)	101,492	63,474	101,492	63,474
<b>Total dividends paid</b>	<b>101,492</b>	<b>63,474</b>	<b>101,492</b>	<b>63,474</b>

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 in the year ended 31 March 2023 and 31 March 2022 were fully franked.

Provision is made for any dividend declared on or before the end of the year, and 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		Company	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
<b>Assets</b>				
Interest rate swap contracts	356,163	319,315	332,032	380,881
Cross currency swap contracts	46,781	8,453	46,781	8,453
Forward foreign exchange contracts	113,899	-	113,899	-
<b>Derivative financial instrument assets</b>	<b>516,843</b>	<b>327,768</b>	<b>492,712</b>	<b>389,334</b>
Add/(less): Bilateral credit valuation adjustments	(1,529)	2,339	(1,529)	2,339
<b>Total derivative financial instrument assets - measured at fair value</b>	<b>515,314</b>	<b>330,107</b>	<b>491,183</b>	<b>391,673</b>
<b>Liabilities</b>				
Interest rate swap contracts	101,949	72,454	101,949	72,454
Cross currency swap contracts	511,944	1,046,691	511,944	1,046,691
Forward foreign exchange contracts	10,054	132,679	10,054	132,679
<b>Total derivative financial instrument liabilities - measured at fair value</b>	<b>623,947</b>	<b>1,251,824</b>	<b>623,947</b>	<b>1,251,824</b>
<b>Current derivative financial instruments</b>				
Derivative financial assets - Current	204,493	18,495	204,492	18,494
Derivative financial liabilities - Current	25,616	356,230	25,616	356,230
Derivative financial assets - Non-current	310,821	311,612	286,691	373,179
Derivative financial liabilities - Non-current	598,331	895,594	598,331	895,594

### 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 the statements of comprehensive income as "interest expense and similar charges". This may, to the extent that they are not offset by the translation of the items economically hedged, introduce volatility in the consolidated entity's statements of comprehensive income and produce anomalous results.

### Fair value estimation

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

## **FINANCIAL INSTRUMENTS AND RISK (continued)**

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

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

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

#### **Bilateral credit valuation adjustments**

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

#### **Accounting estimates**

The consolidated entity applies accounting estimates and assumptions to make reasonable judgements on carrying amounts of assets and liabilities. One area that involves some 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); and

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.

## FINANCIAL INSTRUMENTS AND RISK (continued)

### 17. Derivative financial instruments (continued)

Consolidated 31 March 2023	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Derivative financial assets through statements of comprehensive income</b>				
Derivatives used for economic hedging				
Foreign exchange contracts	-	113,899	-	113,899
Interest rate swap contracts	-	356,163	-	356,163
Cross currency swap contracts	-	46,781	-	46,781
Less: Bilateral credit valuation adjustments	-	(1,529)	-	(1,529)
<b>Total financial assets</b>	-	<b>515,314</b>	-	<b>515,314</b>
<b>Derivative financial liabilities through statements of comprehensive income</b>				
Derivatives used for economic hedging				
Foreign exchange contracts	-	10,054	-	10,054
Interest rate swap contracts	-	101,949	-	101,949
Cross currency swap contracts	-	511,944	-	511,944
<b>Total financial liabilities</b>	-	<b>623,947</b>	-	<b>623,947</b>
Company 31 March 2023	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Derivative financial assets through statements of comprehensive income</b>				
Derivatives used for economic hedging				
Foreign exchange contracts	-	113,899	-	113,899
Interest rate swap contracts	-	332,032	-	332,032
Cross currency swap contracts	-	46,781	-	46,781
Less: Bilateral credit valuation adjustments	-	(1,529)	-	(1,529)
<b>Total financial assets</b>	-	<b>491,183</b>	-	<b>491,183</b>
<b>Derivative financial liabilities through statements of comprehensive income</b>				
Derivatives used for economic hedging				
Foreign exchange contracts	-	10,054	-	10,054
Interest rate swap contracts	-	101,949	-	101,949
Cross currency swap contracts	-	511,944	-	511,944
<b>Total financial liabilities</b>	-	<b>623,947</b>	-	<b>623,947</b>

## FINANCIAL INSTRUMENTS AND RISK (continued)

### 17. Derivative financial instruments (continued)

Consolidated	Level 1	Level 2	Level 3	Total
31 March 2022	\$'000	\$'000	\$'000	\$'000
<b>Derivative financial assets through statements of comprehensive income</b>				
Derivatives used for economic hedging				
Foreign exchange contracts	-	-	-	-
Interest rate swap contracts	-	319,315	-	319,315
Cross currency swap contracts	-	8,453	-	8,453
Add: Bilateral credit valuation adjustments	-	2,339	-	2,339
<b>Total financial assets</b>	<b>-</b>	<b>330,107</b>	<b>-</b>	<b>330,107</b>
<b>Derivative financial liabilities through statements of comprehensive income</b>				
Derivatives used for economic hedging				
Foreign exchange contracts	-	132,679	-	132,679
Interest rate swap contracts	-	72,454	-	72,454
Cross currency swap contracts	-	1,046,691	-	1,046,691
<b>Total financial liabilities</b>	<b>-</b>	<b>1,251,824</b>	<b>-</b>	<b>1,251,824</b>

Company	Level 1	Level 2	Level 3	Total
31 March 2022	\$'000	\$'000	\$'000	\$'000
<b>Derivative financial assets through statements of comprehensive income</b>				
Derivatives used for economic hedging				
Foreign exchange contracts	-	-	-	-
Interest rate swap contracts	-	380,881	-	380,881
Cross currency swap contracts	-	8,453	-	8,453
Add: Bilateral credit valuation adjustments	-	2,339	-	2,339
<b>Total financial assets</b>	<b>-</b>	<b>391,673</b>	<b>-</b>	<b>391,673</b>
<b>Derivative financial liabilities through statements of comprehensive income</b>				
Derivatives used for economic hedging				
Foreign exchange contracts	-	132,679	-	132,679
Interest rate swap contracts	-	72,454	-	72,454
Cross currency swap contracts	-	1,046,691	-	1,046,691
<b>Total financial liabilities</b>	<b>-</b>	<b>1,251,824</b>	<b>-</b>	<b>1,251,824</b>

## FINANCIAL INSTRUMENTS AND RISK (continued)

### 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 statements of financial position at fair value.

Consolidated	31 March 2023		31 March 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>				
Loans and receivables	22,252,676	23,845,099	20,586,182	20,457,928
	<b>22,252,676</b>	<b>23,845,099</b>	<b>20,586,182</b>	<b>20,457,928</b>
<b>Financial liabilities</b>				
Due to banks and other financial institutions	7,140,674	7,222,893	4,757,304	4,797,654
Bonds and commercial paper	16,788,751	16,573,094	16,379,643	16,471,913
	<b>23,929,425</b>	<b>23,795,987</b>	<b>21,136,947</b>	<b>21,269,567</b>

Company	31 March 2023		31 March 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>				
Loans and receivables	19,194,809	20,557,656	18,313,002	19,740,935
	<b>19,194,809</b>	<b>20,557,656</b>	<b>18,313,002</b>	<b>19,740,935</b>
<b>Financial liabilities</b>				
Due to banks and other financial institutions	2,281,887	2,317,155	1,234,009	1,249,114
Bonds and commercial paper	16,788,751	16,573,094	16,379,643	16,471,913
	<b>19,070,638</b>	<b>18,890,249</b>	<b>17,613,652</b>	<b>17,721,027</b>

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

## FINANCIAL INSTRUMENTS AND RISK (continued)

### 19. Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset, and the net amount reported in the statements 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 does 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 2023. The column 'net amount' shows the impact on the statements of financial position if set-off rights were exercised.

Consolidated	Effects of offsetting on the statement of financial position			Related amounts not offset		
	Gross amounts	Gross amounts set off in the statement of financial position	Net amounts presented in the statement of financial position	Amounts subject to master netting arrangements	Cash collateral	Net amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2023</b>						
<b>Financial assets</b>						
Cash and cash equivalents (b)	2,104,066	-	2,104,066	-	-	2,104,066
Loans and receivables	22,252,676	-	22,252,676	-	-	22,252,676
Derivative financial instruments (b)	515,314	-	515,314	(187,808)	(162,700)	164,806
Other assets (a)	163,882	(35,770)	128,112	-	(69,500)	58,612
<b>Total</b>	<b>25,035,938</b>	<b>(35,770)</b>	<b>25,000,168</b>	<b>(187,808)</b>	<b>(232,200)</b>	<b>24,580,160</b>
<b>Financial liabilities</b>						
Due to banks and other financial institutions (b)	7,140,674	-	7,140,674	-	-	7,140,674
Derivative financial instruments (b)	623,947	-	623,947	(187,808)	(69,500)	366,639
Other liabilities (a)	484,982	(35,770)	449,212	-	(162,700)	286,512
<b>Total</b>	<b>8,249,603</b>	<b>(35,770)</b>	<b>8,213,833</b>	<b>(187,808)</b>	<b>(232,200)</b>	<b>7,793,825</b>



## FINANCIAL INSTRUMENTS AND RISK (continued)

### 19. Offsetting financial assets and financial liabilities (continued)

Company	Effects of offsetting on the statement of financial position			Related amounts not offset		
	Gross amounts	Gross amounts set off in the statement of financial position	Net amounts presented in the statement of financial position	Amounts subject to master netting arrangements	Cash collateral	Net amount
2023	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>						
Cash and cash equivalents (b)	2,104,066	-	2,104,066	-	-	2,104,066
Loans and receivables	19,194,809	-	19,194,809	-	-	19,194,809
Derivative financial instruments (b)	491,183	-	491,183	(187,808)	(162,700)	140,675
Other assets (a)	4,491,536	(28,445)	4,463,091	-	(69,500)	4,393,591
<b>Total</b>	<b>26,281,594</b>	<b>(28,445)</b>	<b>26,253,149</b>	<b>(187,808)</b>	<b>(232,200)</b>	<b>25,833,141</b>
<b>Financial liabilities</b>						
Due to banks and other financial institutions (b)	2,281,887	-	2,281,887	-	-	2,281,887
Derivative financial instruments (b)	623,947	-	623,947	(187,808)	(69,500)	366,639
Other liabilities (a)	482,658	(28,445)	454,213	-	(162,700)	291,513
<b>Total</b>	<b>3,388,492</b>	<b>(28,455)</b>	<b>3,360,047</b>	<b>(187,808)</b>	<b>(232,200)</b>	<b>2,940,039</b>

Consolidated	Effects of offsetting on the statement of financial position			Related amounts not offset		
	Gross amounts	Gross amounts set off in the statement of financial position	Net amounts presented in the statement of financial position	Amounts subject to master netting arrangements	Cash collateral	Net amount
2022	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>						
Cash and cash equivalents (b)	2,197,444	-	2,197,444	-	-	2,197,444
Loans and receivables	20,586,182	-	20,586,182	-	-	20,586,182
Derivative financial instruments (b)	330,107	-	330,107	(238,044)	(169,000)	(76,937)
Other assets (a)	234,053	(20,519)	213,534	-	(162,100)	51,434
<b>Total</b>	<b>23,347,786</b>	<b>(20,519)</b>	<b>23,327,267</b>	<b>(238,044)</b>	<b>(331,100)</b>	<b>22,758,123</b>
<b>Financial liabilities</b>						
Due to banks and other financial institutions (b)	4,757,304	-	4,757,304	-	-	4,757,304
Derivative financial instruments (b)	1,251,824	-	1,251,824	(238,044)	(162,100)	851,680
Other liabilities (a)	675,320	(20,519)	654,801	-	(169,000)	485,801
<b>Total</b>	<b>6,684,448</b>	<b>(20,519)</b>	<b>6,663,929</b>	<b>(238,044)</b>	<b>(331,100)</b>	<b>6,094,785</b>

## FINANCIAL INSTRUMENTS AND RISK (continued)

### 19. Offsetting financial assets and financial liabilities (continued)

Company	Effects of offsetting on the statement of financial position			Related amounts not offset		
	Gross amounts	Gross amounts set-off in the statement of financial position	Net amounts presented in the statement of financial position	Amounts subject to master netting arrangements	Cash collateral	Net amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2022</b>						
<b>Financial assets</b>						
Cash and cash equivalents (b)	2,197,444	-	2,197,444	-	-	2,197,444
Loans and receivables	18,313,002	-	18,313,002	-	-	18,313,002
Derivative financial instruments (b)	391,673	-	391,673	(238,044)	(169,000)	(15,371)
Other assets (a)	3,448,344	(15,868)	3,432,476	-	(162,100)	3,270,376
<b>Total</b>	<b>24,350,463</b>	<b>(15,868)</b>	<b>24,334,595</b>	<b>(238,044)</b>	<b>(331,100)</b>	<b>23,765,451</b>
<b>Financial liabilities</b>						
Due to banks and other financial institutions (b)	1,234,009	-	1,234,009	-	-	1,234,009
Derivative financial instruments (b)	1,251,824	-	1,251,824	(238,044)	(162,100)	851,680
Other liabilities (a)	663,151	(15,868)	647,283	-	(169,000)	478,283
<b>Total</b>	<b>3,148,984</b>	<b>(15,868)</b>	<b>3,133,116</b>	<b>(238,044)</b>	<b>(331,100)</b>	<b>2,563,972</b>

#### (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 statements of financial position.

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

Derivative transactions with counterparties are covered by the International Swaps and Derivatives Association agreements; whereas term loans, term deposits 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 statements 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, such as 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 the financial markets and used vehicle markets and seeks to manage potential adverse effects on the financial performance of the consolidated entity.

## **FINANCIAL INSTRUMENTS AND RISK (continued)**

### **20. Financial risk management (continued)**

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 overseen by various committees and departments based on charters approved by the senior executive team ("SET") in accordance with the Enterprise Risk Management framework. These include:

#### **Enterprise Risk Management Committee**

The Enterprise Risk Management Committee's purpose is to drive an appropriate risk culture by defining and overseeing the risk appetite for key enterprise risks determined and set by the Board of Directors.

#### **Asset, Liability & Pricing Committee**

The Asset, Liability & Pricing Committee's purpose is to:

- provide oversight of senior management's identification of material financial risks facing the consolidated entity and to set the internal treasury funds transfer price;
- oversee the consolidated entity's investment portfolio, review the consolidated entity's asset and liability performance;
- provide oversight to ensure the consolidated entity's pricing strategy is in line with the governance frameworks; and
- set the benchmark prices for the consolidated entity's products.

#### **Credit risk committees**

The credit risk committees comprise of the Retail Credit Committee and the Commercial Credit Risk Committee.

The Retail Credit Committee's purpose is to manage retail credit risk (including application fraud) in line with the risk appetite set by the Board of Directors. The Retail Credit Committee provides regular and timely updates to the Board of Directors and SET.

The Commercial Credit Risk Committee's purpose is to manage wholesale and commercial credit risk as they relate to dealer and fleet products.

Both the Retail Credit Committee and Commercial Credit Risk Committee play a key role in setting and fostering the credit risk culture of the consolidated entity and is a key component of the Enterprise Risk Management framework.

#### **Asset Risk Committee**

The Asset Risk Committee's purpose is to:

- act independently to set operating lease residual values at no greater than the forecast break-even position to ensure the consolidated entity is protected from future residual value losses;
- act independently to set guaranteed future values at no greater than the forecast break-even position to ensure the consolidated entity is protected from future guaranteed future value losses; and
- provide regular and timely updates to the SET.

## **FINANCIAL INSTRUMENTS AND RISK (continued)**

### **20. Financial risk management (continued)**

#### **Audit Committee**

The Audit Committee's purpose is to assist the Board of Directors and management in fulfilling its oversight responsibilities for the integrity of the financial statements, systems of internal control, effectiveness and efficiency of audit activities, as well as ensuring an open and ongoing communication between the committee, board, management, internal audit and external audit.

#### **Compliance Committee**

The Compliance Committee's purpose is to uphold the brand, reputation and values of the consolidated entity by ensuring the business and its employees comply with all applicable laws, codes, regulations and license requirements. The Compliance Committee also provides regular and timely updates to the Board of Directors and SET.

#### **Internal Audit**

Internal Audit provides independent, objective assurance and consulting services to the Board of Directors and the Audit Committee.

The purpose of internal audit is to:

- assist the consolidated entity in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes;
- carries out reviews based on the approved plan and reports its activities to the Audit Committee; and
- enhance and protect the organisational value by providing risk-based and objective assurance, advice, and insight.

#### **(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 a currency that is not the consolidated 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 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 commercial paper.

The consolidated entity's net exposure to foreign currency risk at the end of the reporting period ended 31 March 2023 is immaterial. There has been no change in this position when compared to the reporting period ended 31 March 2022.

## FINANCIAL INSTRUMENTS AND RISK (continued)

### 20. Financial risk management (continued)

#### (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 due to 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 lend 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 interest rate to floating interest rate;
- 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 interest rate to floating interest rate; and
- Cross currency swaps to manage the foreign currency and interest rate risk associated with foreign currency denominated medium-term notes, 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, 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)

Consolidated 2023	Variable interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
<b>Operating lease receivables</b>	-	1,872,963	-	1,872,963
<b>Financial assets</b>				
Cash and liquid assets	2,104,066	-	-	2,104,066
Loans and receivables	5,130,243	17,263,400	-	22,393,643
Interest rate swaps	15,934,500	(15,934,500)	-	-
Other assets	69,500	-	58,612	128,112
<b>Total financial assets</b>	<b>23,238,309</b>	<b>3,201,863</b>	<b>58,612</b>	<b>26,498,784</b>
<b>Financial liabilities</b>				
Banks and other financial institutions	7,140,674	-	-	7,140,674
Commercial papers	4,566,655	-	-	4,566,655
Medium-term notes	1,224,362	10,997,734	-	12,222,096
Cross currency swaps	8,812,123	(8,812,123)	-	-
Interest rate swaps	2,572,411	(2,572,411)	-	-
Other liabilities	162,700	-	286,512	449,212
Lease liabilities	-	29,034	-	29,034
<b>Total financial liabilities</b>	<b>24,478,925</b>	<b>(357,766)</b>	<b>286,512</b>	<b>24,407,671</b>
<b>Net financial assets/(liabilities)</b>	<b>(1,240,616)</b>	<b>3,559,629</b>	<b>(227,900)</b>	<b>2,091,113</b>
<b>Consolidated 2022</b>	<b>Variable interest rate \$'000</b>	<b>Fixed interest rate \$'000</b>	<b>Non-interest bearing \$'000</b>	<b>Total \$'000</b>
<b>Operating lease receivables</b>	-	1,716,681	-	1,716,681
<b>Financial assets</b>				
Cash and liquid assets	2,197,444	-	-	2,197,444
Loans and receivables	4,575,525	16,172,107	-	20,747,632
Interest rate swaps	12,921,500	(12,921,500)	-	-
Other assets	162,100	-	51,434	213,534
<b>Total financial assets</b>	<b>19,856,569</b>	<b>4,967,288</b>	<b>51,434</b>	<b>24,875,291</b>
<b>Financial liabilities</b>				
Banks and other financial institutions	4,757,304	-	-	4,757,304
Commercial papers	4,268,914	-	-	4,268,914
Medium-term notes	1,223,796	10,886,933	-	12,110,729
Cross currency swaps	9,184,803	(9,184,803)	-	-
Interest rate swaps	2,567,096	(2,567,096)	-	-
Other liabilities	169,000	-	485,801	654,801
Lease liabilities	-	35,731	-	35,731
<b>Total financial liabilities</b>	<b>22,170,913</b>	<b>(829,235)</b>	<b>485,801</b>	<b>21,827,479</b>
<b>Net financial assets/(liabilities)</b>	<b>(2,314,344)</b>	<b>5,796,523</b>	<b>(434,367)</b>	<b>3,047,812</b>

## FINANCIAL INSTRUMENTS AND RISK (continued)

### 20. Financial risk management (continued)

#### (iii) Interest rate benchmark reform

The reform of interest rate benchmarks has meant that interbank offered rates, such as the London Interbank Offered Rate ("LIBOR"), will transition to more observable, risk-free alternative reference rates. On 5 March 2021, the UK regulator, the Financial Conduct Authority announced LIBOR cessation dates. The cessation date for all tenors of British pound sterling, euro, Swiss franc, Japanese yen, and 1-week and 2-month tenors for United States dollar LIBOR was 31 December 2021. The cessation date for the remaining United States dollar LIBOR benchmarks is 30 June 2023.

The consolidated entity has not been exposed to the reform as the consolidated entity does not hold any floating rate foreign currency debt, nor hold any cross currency swaps, which reference LIBOR benchmark rates as at 31 March 2023. However, the consolidated entity has changed its valuation, from LIBOR to risk free rate discounting, to reflect current market practices as benchmark reform has affected the availability of certain reference interest rate curves.

#### (iv) Sensitivity

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

Consolidated	2023	2022
	\$'000	\$'000
Decrease in pre-tax profits	(601)	(2,300)

#### (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 mainly use the number of days past due 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 days past due. Additional criteria are also considered, such as changes in intrinsic risk, non-cured from default, and non-cured from hardship assist.

For non-retail facilities, internally derived credit ratings have been identified as representing the best available determinant of credit risk. For wholesale facilities, the consolidated entity has adopted the Global Master Grading Model, which was initially developed by Toyota Financial Services Corporation and calibrated to the Australian market. For fleet facilities, the consolidated entity has adopted a new Grading Model, developed by the company based on empirical defaults locally. Both grading models comprise of 11 grading levels for instruments not in default (1 to 11) and one default class (12). 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.

## FINANCIAL INSTRUMENTS AND RISK (continued)

### 20. Financial risk management (continued)

#### *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 consists of:

- retail loans and non-rated fleet loans which are contractually 90 days past due; and/or
- credit exposures when it becomes obvious that the customers are no longer able to meet their financial obligations as they fall due.

#### *Calculation of expected credit loss*

Expected credit losses are calculated using three main components: probability of default, exposure at default and loss given default. These parameters are generally derived from internally developed statistical models combined with historical, current, forward-looking customer and macro-economic data.

For accounting purposes, probability of default represents the expected point-in-time probability of a default over the next 12 months and remaining lifetime of the financial instrument. This is based on conditions existing at the balance sheet date and future economic conditions that affect credit risk. The loss given default represents expected loss conditional on default, considering the mitigating effect of collateral, its expected value when realised and the time value of money.

The exposure at default represents the expected exposure, taking into consideration 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 12 months of monthly probability of default multiplied by loss given default and exposure at default inputs. Lifetime ECL is calculated using the discounted sum of monthly probability of default over the full remaining life multiplied by loss given default and exposure at default inputs.

#### *Incorporation of forward-looking information*

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

The consolidated entity engages Moody's Analytics to obtain their forecasts for the following macro-economic variables used by the Z-score model.

Inputs considered in the Z-score are:

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

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



## FINANCIAL INSTRUMENTS AND RISK (continued)

### 20. Financial risk management (continued)

Incorporation of forward-looking information increases the degree of judgement required as to how changes in these macro-economic factors will affect ECLs. For the ECL calculation as at 31 March 2023, the consolidated entity has considered three forward-looking scenarios:

#### *Base Scenario at 50% weighting*

Under this scenario, Australia's GDP growth will weaken through CY2023 and inflation peaking in Q4 CY2022 but remaining high in CY2023.

Macro-economic factors incorporated in this scenario includes:

- Full-year GDP growth is estimated at 1.25% in CY2023, followed by a 2% growth in CY2024;
- Unemployment rate at 3.78% on average in CY2023; and
- Consumer Price Index ("CPI") to rise to 5.1% on average in CY2023.

#### *Upside Scenario at 5% weighting*

Under this scenario, the supply chain issues will diminish more quickly than anticipated, reducing goods shortages, and easing inflation pressures. This acceleration in global activity will strengthen the Australian economy and as a result, unemployment rate drops below historic lows.

Macro-economic factors incorporated in this scenario includes:

- Real GDP expands to 2.8% in CY2023 and grows 2.7% in CY2024;
- Unemployment rate at 3.2% on average in CY2023; and
- CPI to rise 4.8% on average in CY2023.

#### *Recession Scenario at 45% weighting*

Under this scenario, economic sentiment is low due to the continued military conflict in Ukraine and concerns about major interruptions to global commodity supplies pushes prices even higher. Households will pull back considerably on spending.

Macro-economic factors incorporated in this scenario includes:

- Real GDP will contract by 1% in CY2023 and remains close to 0.2% in CY2024;
- Unemployment rate at 5% on average in CY2023; and
- CPI to rise to 5.9% on average in CY2023.

As at 31 March 2023, the ECL under the Base, Upside and Recession scenarios would be \$99,901,000, \$79,844,000 and \$144,736,000 respectively (2022: 84,076,000, \$65,690,000 and \$229,957,000). The consolidated entity has also applied overlays of approximately \$19,693,000 (2022: \$12,197,000). The ECL recognised as at 31 March 2023 was \$138,767,000 (2022: \$161,050,000).

#### *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.

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.

## FINANCIAL INSTRUMENTS AND RISK (continued)

### 20. Financial risk management (continued)

#### (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 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 estimate 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 consolidated entity to a dealer, and the consolidated entity retains ownership of each vehicle until the dealer sells it to a customer; or
- A charge plan facility, under which the consolidated entity provides finance to a dealer for purchase of motor vehicles which are charged to the consolidated entity 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 operating segments is reflected in note 7.

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

The table below shows 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

## FINANCIAL INSTRUMENTS AND RISK (continued)

### 20. Financial risk management (continued)

#### Retail (general approach)

	Loans and receivables			Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
	\$'000	\$'000	\$'000	
<b>Consolidated 2023</b>				
Equal to and less than 30 days	13,896,099	94,547	-	13,990,646
31-60 days	-	209,147	-	209,147
61-90 days	-	32,382	-	32,382
Over 90 days (credit impaired)	-	-	53,529	53,529
<b>Total</b>	<b>13,896,099</b>	<b>336,076</b>	<b>53,529</b>	<b>14,285,704</b>

<b>Company 2023</b>				
Equal to and less than 30 days	11,991,199	84,651	-	12,075,850
31-60 days	-	186,034	-	186,034
61-90 days	-	29,037	-	29,037
Over 90 days (credit impaired)	-	-	49,062	49,062
<b>Total</b>	<b>11,991,199</b>	<b>299,722</b>	<b>49,062</b>	<b>12,339,983</b>

	Loans and receivables			Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
	\$'000	\$'000	\$'000	
<b>Consolidated 2022</b>				
Equal to and less than 30 days	13,165,058	77,866	-	13,242,924
31-60 days	-	178,194	-	178,194
61-90 days	-	31,140	-	31,140
Over 90 days (credit impaired)	-	-	67,310	67,310
<b>Total</b>	<b>13,165,058</b>	<b>287,200</b>	<b>67,310</b>	<b>13,519,568</b>

<b>Company 2022</b>				
Equal to and less than 30 days	11,691,628	73,481	-	11,765,109
31-60 days	-	166,942	-	166,942
61-90 days	-	29,327	-	29,327
Over 90 days (credit impaired)	-	-	63,918	63,918
<b>Total</b>	<b>11,691,628</b>	<b>269,750</b>	<b>63,918</b>	<b>12,025,296</b>

## FINANCIAL INSTRUMENTS AND RISK (continued)

### 20. Financial risk management (continued)

#### Wholesale (general approach)

	Loans and receivables			Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
	\$'000	\$'000	\$'000	
<b>Consolidated 2023</b>				
Grade 1-7 Normal Risk	5,179,948	184,791	-	5,364,739
Grade 8-11 Watchlist	-	906	-	906
Grade 12 Default (credit impaired)	-	-	-	-
<b>Total</b>	<b>5,179,948</b>	<b>185,697</b>	<b>-</b>	<b>5,365,645</b>

<b>Company 2023</b>				
Grade 1-7 Normal Risk	4,069,622	169,776	-	4,239,398
Grade 8-11 Watchlist	-	880	-	880
Grade 12 Default (credit impaired)	-	-	-	-
<b>Total</b>	<b>4,069,622</b>	<b>170,656</b>	<b>-</b>	<b>4,240,278</b>

	Loans and receivables			Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
	\$'000	\$'000	\$'000	
<b>Consolidated 2022</b>				
Grade 1-7 Normal Risk	4,556,088	238,746	-	4,794,834
Grade 8-11 Watchlist	-	28,294	-	28,294
Grade 12 Default (credit impaired)	-	-	-	-
<b>Total</b>	<b>4,556,088</b>	<b>267,040</b>	<b>-</b>	<b>4,823,128</b>

<b>Company 2022</b>				
Grade 1-7 Normal Risk	3,775,994	232,497	-	4,008,491
Grade 8-11 Watchlist	-	27,729	-	27,729
Grade 12 Default (credit impaired)	-	-	-	-
<b>Total</b>	<b>3,775,994</b>	<b>260,226</b>	<b>-</b>	<b>4,036,220</b>

## FINANCIAL INSTRUMENTS AND RISK (continued)

### 20. Financial risk management (continued)

#### Fleet non-graded customer (simplified approach)

	Lease and loans		
	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	\$'000	\$'000	\$'000
<b>Consolidated 2023</b>			
Equal to and less than 30 days	549,778	-	549,778
31-60 days	9,615	-	9,615
61-90 days	6,326	-	6,326
Over 90 days (credit impaired)	-	13,616	13,616
<b>Total</b>	<b>565,719</b>	<b>13,616</b>	<b>579,335</b>

<b>Company 2023</b>			
Equal to and less than 30 days	549,778	-	549,778
31-60 days	9,615	-	9,615
61-90 days	6,326	-	6,326
Over 90 days (credit impaired)	-	13,616	13,616
<b>Total</b>	<b>565,719</b>	<b>13,616</b>	<b>579,335</b>

	Lease and loans		
	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	\$'000	\$'000	\$'000
<b>Consolidated 2022</b>			
Equal to and less than 30 days	501,395	-	501,395
31-60 days	15,442	-	15,442
61-90 days	5,187	-	5,187
Over 90 days (credit impaired)	-	14,524	14,524
<b>Total</b>	<b>522,024</b>	<b>14,524</b>	<b>536,548</b>

<b>Company 2022</b>			
Equal to and less than 30 days	501,395	-	501,395
31-60 days	15,442	-	15,442
61-90 days	5,187	-	5,187
Over 90 days (credit impaired)	-	14,524	14,524
<b>Total</b>	<b>522,024</b>	<b>14,524</b>	<b>536,548</b>

## FINANCIAL INSTRUMENTS AND RISK (continued)

### 20. Financial risk management (continued)

#### Fleet graded customer (simplified approach)

	Lease and loans		
	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	\$'000	\$'000	\$'000
<b>Consolidated 2023</b>			
Grade 1-7 Normal Risk	2,098,861	-	2,098,861
Grade 8-11 Watchlist	64,098	-	64,098
Grade 12 Default (credit impaired)	-	-	-
<b>Total</b>	<b>2,162,959</b>	<b>-</b>	<b>2,162,959</b>

<b>Company 2023</b>			
Grade 1-7 Normal Risk	2,098,861	-	2,098,861
Grade 8-11 Watchlist	64,098	-	64,098
Grade 12 Default (credit impaired)	-	-	-
<b>Total</b>	<b>2,162,959</b>	<b>-</b>	<b>2,162,959</b>

	Lease and loans		
	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	\$'000	\$'000	\$'000
<b>Consolidated 2022</b>			
Grade 1-7 Normal Risk	1,809,090	-	1,809,090
Grade 8-11 Watchlist	59,190	-	59,190
Grade 12 Default (credit impaired)	-	108	108
<b>Total</b>	<b>1,868,280</b>	<b>108</b>	<b>1,868,388</b>

<b>Company 2022</b>			
Grade 1-7 Normal Risk	1,809,090	-	1,809,090
Grade 8-11 Watchlist	59,190	-	59,190
Grade 12 Default (credit impaired)	-	108	108
<b>Total</b>	<b>1,868,280</b>	<b>108</b>	<b>1,868,388</b>

## FINANCIAL INSTRUMENTS AND RISK (continued)

### 20. Financial risk management (continued)

#### (iv) Funding activities

The consolidated entity manages credit risk through the use of external ratings, 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.

Consolidated	2023	2022
Rating	%	%
AA-	21	8
A+	1	1
A	78	91
A-	-	-
	<b>100</b>	<b>100</b>

The maximum exposure to credit risk at the end of the reporting period, without considering 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 statements of financial position.

#### (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 consequences 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 consolidated entity includes:

- Day-to-day funding managed by monitoring existing and future cash flows to ensure that financial requirements can be met. This includes planning the replenishment of funds before they mature and/or are borrowed by customers. The consolidated entity maintains an active presence in the 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 analyse 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.

## FINANCIAL INSTRUMENTS AND RISK (continued)

### 20. Financial risk management (continued)

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.

Consolidated 2023	< 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Non-derivatives</b>						
Banks and other financial institutions	276,178	406,558	2,690,448	4,178,006	-	7,551,190
Bonds and commercial paper	2,039,187	2,303,167	3,781,559	9,600,883	-	17,724,796
Other liabilities	330,122	37,249	39,722	42,119	-	449,212
Lease liabilities	715	1,432	6,610	17,686	4,850	31,293
<b>Total non-derivatives</b>	<b>2,646,202</b>	<b>2,748,406</b>	<b>6,518,339</b>	<b>13,838,694</b>	<b>4,850</b>	<b>25,756,491</b>
<b>Derivatives</b>						
Forward foreign exchange contracts						
- Bought currency	(522,713)	(1,792,312)	(1,497,136)	-	-	(3,812,161)
- Sold currency	346,962	1,671,663	716,849	-	-	2,735,474
Interest rate swaps	(565)	10,671	27,226	23,431	-	60,763
Cross currency swaps						
- Pay leg	875,785	33,869	996,660	8,048,322	-	9,954,636
- Receive leg	(826,613)	(33,264)	(816,380)	(7,728,375)	-	(9,404,632)
<b>Total derivatives</b>	<b>(127,144)</b>	<b>(109,373)</b>	<b>(572,781)</b>	<b>343,378</b>	<b>-</b>	<b>(465,920)</b>
<b>Total</b>	<b>2,519,058</b>	<b>2,639,033</b>	<b>5,945,558</b>	<b>14,182,072</b>	<b>4,850</b>	<b>25,290,571</b>

Consolidated 2022	<1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Non-derivatives</b>						
Banks and other financial institutions	214,244	290,460	1,384,575	3,023,975	-	4,913,254
Bonds and commercial paper	1,797,259	3,312,295	2,140,006	8,059,517	1,501,518	16,810,595
Other liabilities	557,152	10,161	45,132	42,356	-	654,801
Lease liabilities	726	1,440	6,345	22,066	8,235	38,812
<b>Total non-derivatives</b>	<b>2,569,381</b>	<b>3,614,356</b>	<b>3,576,058</b>	<b>11,147,914</b>	<b>1,509,753</b>	<b>22,417,462</b>
<b>Derivatives</b>						
Forward foreign exchange contracts						
- Bought currency	(381,674)	(2,303,126)	(368,862)	-	-	(3,053,662)
- Sold currency	401,323	2,381,768	402,960	-	-	3,186,051
Interest rate swaps	(510)	(5,513)	(2,000)	51,733	-	43,710
Cross currency swaps						
- Pay leg	1,352,032	126,367	852,743	6,052,187	1,733,659	10,116,988
- Receive leg	(1,136,289)	(124,720)	(786,589)	(5,097,407)	(1,501,518)	(8,646,523)
<b>Total derivatives</b>	<b>234,882</b>	<b>74,776</b>	<b>98,252</b>	<b>1,006,513</b>	<b>232,141</b>	<b>1,646,564</b>
<b>Total</b>	<b>2,804,263</b>	<b>3,689,132</b>	<b>3,674,310</b>	<b>12,154,427</b>	<b>1,741,894</b>	<b>24,064,026</b>



## 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 expense payable.

### 21. Cash and cash equivalents and term deposits

#### Cash and cash equivalents

	Consolidated		Company	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Cash in bank	334,066	116,444	334,066	116,444
Deposits at call	1,770,000	2,081,000	1,770,000	2,081,000
	<b>2,104,066</b>	<b>2,197,444</b>	<b>2,104,066</b>	<b>2,197,444</b>

As at 31 March 2023, the consolidated entity held cash and deposits at call of \$292,349,000 (2022: \$232,623,000), which represents cash collections on securitised assets transferred to special purpose entities.

#### Recognition and measurement

Cash and cash equivalents include 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 statements of comprehensive income 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 outflow from operating activities

	Consolidated		Company	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
<b>Profit/(loss) attributable to owners of Toyota Finance Australia Limited</b>	14,890	314,996	(80,349)	280,278
Share of profit of associate	(16,050)	(10,783)	-	-
Dividend from associate	-	-	(10,228)	(11,209)
Depreciation, write-off and amortisation	23,918	24,674	23,918	24,674
Amortisation - upfront receipts	1,749	2,298	1,749	2,298
Amortisation - prepaid expenses	20,534	19,891	20,534	19,891
Net (gain) on sale or derecognition of non-current assets	(60,561)	(56,643)	(60,561)	(56,643)
Net (gain)/loss on translation of foreign currency transactions	2,128,557	(455,620)	2,128,557	(455,620)
Changes in fair value of financial instruments	(581,825)	269,115	(581,825)	269,115
<i>Movements in operating assets and liabilities:</i>				
(Decrease) in provision for impairment of receivable	(20,483)	(35,700)	(25,704)	(35,700)
(Decrease) in provision for impairment on residual value	(21,600)	(22,400)	(21,600)	(22,400)
(Increase) in loans and receivables	(1,646,011)	(2,497,930)	(856,103)	(1,512,601)
(Increase) in assets under net operating lease (net of accumulated depreciation)	(96,836)	(11,372)	(96,836)	(11,372)
(Increase)/decrease in deferred tax asset	(1,165)	6,967	(2,432)	6,967
(Decrease)/increase in other, contract and lease liabilities	(27,109)	156,919	(14,261)	152,584
Decrease/(increase) in other assets	81,600	(92,833)	(1,034,437)	(1,252,307)
(Decrease)/increase in income tax payable	(169,443)	12,114	(169,769)	10,472
(Decrease)/increase in derivative financial instruments at fair value through profit or loss	(1,051,081)	370,922	(965,386)	402,236
Increase in related party liabilities	-	-	323,817	183,952
Decrease in term deposits	-	554,000	-	554,000
<b>Net cash outflow from operating activities</b>	<b>(1,420,916)</b>	<b>(1,451,385)</b>	<b>(1,420,916)</b>	<b>(1,451,385)</b>

## OPERATING ASSETS AND LIABILITIES (continued)

### 22. Cash flow information (continued)

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

	Opening at 1 April 2021	Cash flows	Non-cash changes			Closing at 31 March 2022
			Foreign exchange	Amortisation	Additions/ derecognition of lease liabilities	
Consolidated	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Borrowings	20,966,643	268,198	(125,954)	28,060	-	21,136,947
Lease liabilities	41,950	(6,505)	-	-	286	35,731

	Opening at 1 April 2022	Cash flows	Foreign exchange	Amortisation	Additions/ Derecognition of lease liabilities	Closing at 31 March 2023
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Borrowings	21,136,947	1,461,461	1,211,212	119,805	-	23,929,425
Lease liabilities	35,731	(7,867)	-	-	1,170	29,034

	Opening at 1 April 2021	Cash flows	Non-cash changes			Closing at 31 March 2022
			Foreign exchange	Amortisation	Additions/ derecognition of lease liabilities	
Company	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Borrowings	18,085,743	(374,197)	(125,954)	28,060	-	17,613,652
Lease liabilities	41,950	(6,505)	-	-	286	35,731

	Opening at 1 April 2022	Cash flows	Foreign exchange	Amortisation	Additions/ derecognition of lease liabilities	Closing at 31 March 2023
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Borrowings	17,613,652	125,969	1,211,212	119,805	-	19,070,638
Lease liabilities	35,731	(7,867)	-	-	1,170	29,034

## OPERATING ASSETS AND LIABILITIES (continued)

### 23. Other assets

	Consolidated		Company	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Prepayments	45,874	40,981	45,874	40,981
Other debtors	77,764	172,403	4,412,743	3,391,345
Accrued interest receivable	4,474	150	4,474	150
	<b>128,112</b>	<b>213,534</b>	<b>4,463,091</b>	<b>3,432,476</b>
Other assets expected to be recovered within 12 months	115,961	202,778	3,204,541	2,499,143
Other assets expected to be recovered after more than 12 months	12,151	10,756	1,258,550	933,333
	<b>128,112</b>	<b>213,534</b>	<b>4,463,091</b>	<b>3,432,476</b>

### 24. Other liabilities and contract liabilities

#### (a) Other liabilities

	Consolidated		Company	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Employee entitlements	18,479	16,684	18,479	16,684
Accrued interest payable	87,920	63,586	87,920	63,586
Amounts payable to related entities	121,977	196,454	121,977	196,454
Accounts payable	106,287	258,880	117,396	256,632
Accrued expenses (including related parties)	93,826	91,992	87,787	86,775
Other	20,723	27,205	20,654	27,152
	<b>449,212</b>	<b>654,801</b>	<b>454,213</b>	<b>647,283</b>
Other liabilities expected to be settled within 12 months	407,093	612,445	412,094	604,927
Other liabilities expected to be settled in more than 12 months	42,119	42,356	42,119	42,356
	<b>449,212</b>	<b>654,801</b>	<b>454,213</b>	<b>647,283</b>

#### (b) Contract liabilities

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

	Consolidated		Company	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Contract liabilities	125,300	116,261	125,300	116,261

Of the above amount, \$83,533,000 (2022: \$73,428,000) is expected to be settled within 12 months of the balance date.

## OPERATING ASSETS AND LIABILITIES (continued)

### 24. Other liabilities and contract liabilities (continued)

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

	Consolidated		Company	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Revenue recognised that was included in the contract liability balance at the beginning of the period	75,803	71,332	75,803	71,332

As permitted under AASB15, the transaction price allocated to (partially) unsatisfied performance obligations as of 31 March 2023 and 31 March 2022 is not disclosed.

#### Employee entitlements

##### (i) 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. Liability for non-accumulated sick leave is recognised when the leave is taken and measured at actual rate paid or payable.

##### (ii) 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.

##### (iii) 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, plant and equipment;
- Right-of-use assets;
- Intangible assets; and
- Deferred tax asset.

### **25. Investment accounted for using the equity method**

Name of entity	Consolidated		Ownership interest	
	2023 \$'000	2022 \$'000	2023 %	2022 %
<b>(a) Movement in carrying amount</b>				
Unlisted				
Toyota Finance New Zealand Limited				
Carrying amount at 1 April	96,322	95,639	45.45	45.45
Share of profits after income tax	16,050	10,783		
Dividend received	(10,228)	(11,209)		
Net exchange differences on translation of foreign associate entity	828	1,109		
<b>Carrying amount at 31 March</b>	<b>102,972</b>	<b>96,322</b>		

Name of entity	Company		Ownership interest	
	2023 \$'000	2022 \$'000	2023 %	2022 %
Unlisted				
Toyota Finance New Zealand Limited				
Investment at cost at 31 March	4,284	4,284	45.45	45.45

The principal activities of Toyota Finance New Zealand Limited during the period were:

- finance the acquisition of motor vehicles by retail and commercial 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 purchases, finance leases or operating leases) and fleet management services to corporate customers;
- the provision of retail finance and related products for pleasure boats;
- sell retail insurance policies underwritten by third party insurers as agents; and
- to provide for car sharing services.

## NON-OPERATING ASSETS (continued)

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

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

Consolidated	2023 \$'000	2022 \$'000
<b>(b) Share of associate's profits</b>		
Profit before income tax	22,390	14,890
Income tax expense	(6,340)	(4,107)
<b>Profit after income tax</b>	<b>16,050</b>	<b>10,783</b>

### (c) Summarised financial information of associates

	Assets \$'000	Liabilities \$'000	Revenues \$'000	Profit \$'000
<b>Consolidated 2023</b>				
Toyota Finance New Zealand Limited	1,369,688	1,138,521	139,905	35,313
<b>Consolidated 2022</b>				
Toyota Finance New Zealand Limited	1,247,434	1,030,926	124,917	23,725

## 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's and company's 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 received from associates are recognised in the consolidated's and company's financial statements as a reduction against the carrying amount of the investment.

When the consolidated entity's share of losses in an associate equal 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.

## NON-OPERATING ASSETS (continued)

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

#### Foreign currency translation

##### (a) Functional and presentation currency

Items included in the financial statements of the consolidated entity 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".

##### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date 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 2023	Cost \$'000	Accumulated depreciation \$'000	Carrying value \$'000
Leasehold improvements	17,311	8,289	9,022
Plant and equipment	6,667	5,898	769
Motor vehicles	10,518	2,777	7,741
	<b>34,496</b>	<b>16,964</b>	<b>17,532</b>

Company 2023	Cost \$'000	Accumulated depreciation \$'000	Carrying value \$'000
Leasehold improvements	17,311	8,289	9,022
Plant and equipment	6,667	5,898	769
Motor vehicles	10,518	2,777	7,741
	<b>34,496</b>	<b>16,964</b>	<b>17,532</b>



## NON-OPERATING ASSETS (continued)

### 26. Property, plant and equipment (continued)

Consolidated 2022	Cost	Accumulated depreciation	Carrying value
	\$'000	\$'000	\$'000
Leasehold improvements	17,136	5,985	11,151
Plant and equipment	6,535	5,369	1,166
Motor vehicles	10,185	1,837	8,348
	<b>33,856</b>	<b>13,191</b>	<b>20,665</b>

Company 2022	Cost	Accumulated depreciation	Carrying value
	\$'000	\$'000	\$'000
Leasehold improvements	17,136	5,985	11,151
Plant and equipment	6,535	5,369	1,166
Motor vehicles	10,185	1,837	8,348
	<b>33,856</b>	<b>13,191</b>	<b>20,665</b>

Consolidated	Leasehold improvements	Plant and equipment	Motor vehicles	Totals
	\$'000	\$'000	\$'000	\$'000
Carrying value at 1 April 2021	13,472	2,499	7,537	23,508
Additions	-	256	5,922	6,178
Disposals	-	-	(3,222)	(3,222)
Depreciation	(2,321)	(1,589)	(1,889)	(5,799)
<b>Carrying value at 31 March 2022</b>	<b>11,151</b>	<b>1,166</b>	<b>8,348</b>	<b>20,665</b>
Additions	175	251	4,029	4,455
Disposals	-	-	(2,544)	(2,544)
Depreciation	(2,304)	(635)	(2,092)	(5,031)
Write-off	-	(13)	-	(13)
<b>Carrying value at 31 March 2023</b>	<b>9,022</b>	<b>769</b>	<b>7,741</b>	<b>17,532</b>

## NON-OPERATING ASSETS (continued)

### 26. Property, plant and equipment (continued)

Company	Leasehold improvements	Plant and equipment	Motor vehicles	Totals
	\$'000	\$'000	\$'000	\$'000
Carrying value at 1 April 2021	13,472	2,499	7,537	23,508
Additions	-	256	5,922	6,178
Disposals	-	-	(3,222)	(3,222)
Depreciation	(2,321)	(1,589)	(1,889)	(5,799)
<b>Carrying value at 31 March 2022</b>	<b>11,151</b>	<b>1,166</b>	<b>8,348</b>	<b>20,665</b>
Additions	175	251	4,029	4,455
Disposals	-	-	(2,544)	(2,544)
Depreciation	(2,304)	(635)	(2,092)	(5,031)
Write-off	-	(13)	-	(13)
<b>Carrying value at 31 March 2023</b>	<b>9,022</b>	<b>769</b>	<b>7,741</b>	<b>17,532</b>

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

#### Recognition and measurement

Property, plant 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, plant 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. Right-of-use assets and lease liabilities

The statements of financial position shows the following amounts relating to leases:

	Consolidated		Company	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Properties	21,865	27,830	21,865	27,830
<b>Total right-of-use assets</b>	<b>21,865</b>	<b>27,830</b>	<b>21,865</b>	<b>27,830</b>
Lease liabilities	29,034	35,731	29,034	35,731
<b>Total lease liabilities</b>	<b>29,034</b>	<b>35,731</b>	<b>29,034</b>	<b>35,731</b>
<b>Maturity analysis</b>				
<i>Current</i>				
Lease liabilities - Current	8,018	7,609	8,018	7,609
<i>Non-current</i>				
Lease liabilities - Non-current	21,016	28,122	21,016	28,122
	<b>29,034</b>	<b>35,731</b>	<b>29,034</b>	<b>35,731</b>

The statements of comprehensive income shows the following amounts relating to leases:

	Note	Consolidated		Company	
		2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Depreciation charge of right-of-use assets - Properties	5	7,135	7,184	7,135	7,184
Interest expense (included in interest expense and similar charges)	3a	936	903	936	903
Expense relating to short-term leases (included in other expense)		254	246	254	246

The total cash outflow for leases (excluding short term leases) during the financial year was \$8,803,000 (2022: \$7,300,000).

#### (a) The consolidated entity's leasing activities and how these are accounted for

The consolidated entity leases various offices. Rental contracts are typically made for fixed periods of 3 to 10 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain different terms and conditions.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the consolidated entity. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments, less any lease incentives receivable, and
- variable lease payment that are based on an index or a rate.

## **NON-OPERATING ASSETS (continued)**

### **27. Right-of-use assets and lease liabilities (continued)**

The lease payments are discounted using the incremental borrowing rate, being the rate that the consolidated entity would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received, and
- any initial direct costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

#### **(b) Extension option**

Extension option is included in a number of property leases across the consolidated entity. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension options held are exercisable only by the consolidated entity and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options, or periods after termination options, are only included in the lease term if the lease is reasonably certain to be extended, or not terminated.

### **28. Intangible assets**

#### **Recognition and measurement**

Capitalised computer software and development costs are 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.

Implementation costs, including costs to configure or customise the software as a service ("SaaS") provider's application are recognised as operating expenses when the services are received.

For SaaS arrangements, where the supplier provides both configuration and customisation services, judgement has been applied to determine whether each of the services are distinct or not from the underlying use of the SaaS application. Distinct configuration and customisation costs are expensed as incurred as the software is configured or customised (i.e., upfront).

For non-distinct customisation activities that significantly enhance or modify a SaaS cloud-based application, judgement has been applied in determining whether the degree of customisation and modification of the SaaS application is significant or not. Non-distinct configuration and customisation costs are considered as prepaid expenses and are expensed over the SaaS contract term.

## NON-OPERATING ASSETS (continued)

### 28. Intangible assets (continued)

#### Impairment of assets

Intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amounts 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).

	Consolidated		Company	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
<b>Software</b>				
Cost	95,462	62,758	95,462	62,758
Amortisation	40,306	33,682	40,306	33,682
<b>Carrying Value</b>	<b>55,156</b>	<b>29,076</b>	<b>55,156</b>	<b>29,076</b>

	Consolidated		Company	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Carrying value at 1 April	29,076	42,664	29,076	42,664
Additions	33,995	30,041	33,995	30,041
Amortisation expense	(11,739)	(11,691)	(11,739)	(11,691)
Transfer	3,824	(31,938)	3,824	(31,938)
<b>Carrying value at 31 March</b>	<b>55,156</b>	<b>29,076</b>	<b>55,156</b>	<b>29,076</b>

## NON-OPERATING ASSETS (continued)

### 29. Deferred tax assets

Refer to note 6 income tax expense for further information on income tax.

	Consolidated		Company	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
<b>Deferred tax asset balances comprise temporary differences attributable to:</b>				
<i>Amounts recognised in statement of financial position</i>				
Tax losses	45,631	-	49,335	-
Provision for impairment of loans and advances	44,915	57,540	40,949	55,140
Financial instruments	(4,525)	16,920	(4,525)	16,920
Accrued expenses	47,017	45,466	46,146	45,466
Sundry items	17,323	15,860	17,323	15,860
<b>Total amount recognised in statement of financial position</b>	<b>150,361</b>	<b>135,786</b>	<b>149,228</b>	<b>133,386</b>
<b>Deferred tax liability balances comprise temporary differences attributable to:</b>				
<i>Amounts recognised in statement of financial position</i>				
Assets financed under lease	139,485	126,085	139,485	126,085
Sundry items	5,153	5,143	5,153	5,143
<b>Total amount recognised in statement of financial position</b>	<b>144,638</b>	<b>131,228</b>	<b>144,638</b>	<b>131,228</b>
<b>Net deferred tax assets</b>	<b>5,723</b>	<b>4,558</b>	<b>4,590</b>	<b>2,158</b>
Gross deferred tax assets opening balance	135,786	129,496	133,386	127,096
<i>Movement in temporary differences during the year</i>				
Tax losses	45,631	-	49,335	-
Provision for impairment of loans and advances	(12,625)	(17,430)	(14,191)	(17,430)
Financial instruments	(21,445)	13,114	(21,445)	13,114
Accrued expenses	1,551	3,022	680	3,022
Sundry items	1,463	7,584	1,463	7,584
<b>Gross deferred tax assets closing balance</b>	<b>150,361</b>	<b>135,786</b>	<b>149,228</b>	<b>133,386</b>
Gross deferred tax liabilities opening balance	131,228	117,971	131,228	117,971
<i>Movement in temporary differences during the year</i>				
Assets financed under lease	13,400	13,680	13,400	13,680
Sundry items	10	(423)	10	(423)
<b>Gross deferred tax liabilities closing balance</b>	<b>144,638</b>	<b>131,228</b>	<b>144,638</b>	<b>131,228</b>
<b>Net deferred tax assets</b>	<b>5,723</b>	<b>4,558</b>	<b>4,590</b>	<b>2,158</b>

## **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.

### **30. Contingent liabilities**

The consolidated entity, as members of the Toyota Motor Corporation Australia Limited GST Group ("GST Group"), are jointly and severally liable for 100% of the goods and services tax ("GST") payable by the GST Group. The GST Group had a net GST payable as at 31 March 2023 of \$47,373,000 (2022: \$82,145,000).

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

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

### **31. Commitments**

	Consolidated		Company	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Capital commitments	-	-	-	-

### **32. Subsequent events**

Inflation and rising interest rates present a challenge to the Australian households, with impacts felt across various sectors of the economy. As a result of the macro-economic environment, management continues to monitor bad debts, loans and lease delinquencies. To date, no material escalation in the default trends has been observed.

Other than as set out above, the directors are not aware of any other matters or circumstances that has occurred since 31 March 2023 that has significantly affected or may significantly affect the operations of the consolidated entity, the results of these operations or the state of affairs of the consolidated entity in subsequent financial periods.

## **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, company information and other statutory disclosures.

### **33. Subsidiaries**

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

Name of entity	Country of Incorporation	Class of shares	Ownership interest	
			2023	2022
			%	%
Australian Alliance Automotive Finance Pty Limited*	Australia	Ordinary	100	100

*\* Investment value of \$2 has been rounded to nil. 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.*

## OTHER DISCLOSURE MATTERS (continued)

### 33. Subsidiaries (continued)

Name of trust	Units owned	
	2023	2022
	%	%
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.

### 34. Related party transactions

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 consolidated entity.

#### (a) Entities in the wholly owned group

Toyota Finance Australia Limited, referred in these accounts as “Company”, is a wholly owned subsidiary of Toyota Financial Services Corporation, which in turn 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 33.

#### (c) Associates

Investments in associates are set out in note 25.

#### (d) Key management personnel

##### (i) Key management personnel compensation

	Consolidated and Company	
	2023	2022
	\$	\$
Short-term employee benefits, post-employment, other long-term and termination benefits	2,229,631	1,812,635

##### (ii) Equity instrument disclosures relating to key management personnel

There were no issued ordinary shares of the ultimate parent entity, being Toyota Motor Corporation Japan, under option to key management personnel as at 31 March 2023 and 31 March 2022.

##### (iii) Loans to key management personnel

No loans to key management personnel were recognised as at 31 March 2023 and 31 March 2022.



## OTHER DISCLOSURE MATTERS (continued)

### 34. 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 statements of comprehensive income and statements of financial position for the period.

	Consolidated		Company	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
<b>Net financing income</b>				
Affiliate finance income	11,872	12,376	11,872	12,376
Interest on lease liabilities to affiliated entity	(111)	(123)	(111)	(123)
Credit support fees paid to parent entity	(19,965)	(19,765)	(19,965)	(19,765)
Debt issuance fees paid to affiliated entity	(176)	(250)	(176)	(250)
Debt issuance fees paid to parent entity	(232)	(211)	(232)	(211)
<b>Expenses</b>				
Security shared services and licence fee	5,510	2,457	5,510	2,457
<b>Assets</b>				
Loans and receivables				
Deferred finance income from affiliates*	(11,794)	(20,498)	(11,794)	(20,498)
Other assets				
Accounts receivable from affiliates*	105,443	4,247	105,443	4,247
<b>Liabilities</b>				
Non-interest bearing loans payable to affiliates	24,079	26,428	24,079	26,428
Accounts payable to affiliates*	97,898	170,026	97,898	170,026
Lease liabilities to affiliates	3,887	4,374	3,887	4,374
Accrued expenses payable to parent entity*	10,169	9,875	10,169	9,875
Accrued expenses payable to affiliates	-	104	-	104

\* Non-interest bearing

No bad debts expense and allowance for doubtful debts were recognised in relation to any receivable due from related parties as at 31 March 2023 and 31 March 2022.

## 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 company, its related practices and non-related audit firms:

	Consolidated		Company	
	2023	2022	2023	2022
	\$	\$	\$	\$
<b>PricewaterhouseCoopers - Australian firm</b>				
Audit or review of the financial reports	902,885	884,742	902,885	884,742
Other statutory assurance services	235,253	405,751	235,253	405,751
Other assurance services	320,243	330,243	320,243	330,243
<b>Total audit and other assurance services</b>	<b>1,458,381</b>	<b>1,620,736</b>	<b>1,458,381</b>	<b>1,620,736</b>
Taxation	13,559	16,137	13,559	16,137
<b>Total remuneration</b>	<b>1,471,940</b>	<b>1,636,873</b>	<b>1,471,940</b>	<b>1,636,873</b>
<b>Related practices of PricewaterhouseCoopers- Australian firm (including overseas PricewaterhouseCoopers firms)</b>				
Other assurance services	131,031	97,141	131,031	97,141

### 36. Deed of cross guarantee

Toyota Finance Australia Limited and Australian Alliance Automotive Finance Pty Limited are parties to a deed of cross guarantee in which each entity guarantees the debts of the other. By entering 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".

Set out below are the statements of financial position and statements of comprehensive income of the closed group for the year ended 31 March 2023.

## OTHER DISCLOSURE MATTERS (continued)

### 36. Deed of cross guarantee (continued)

#### Consolidated and Company statements of financial position

	2023 \$'000	2022 \$'000
<b>Assets</b>		
Cash and cash equivalents	2,104,066	2,197,444
Loans and receivables	22,252,676	20,586,182
Motor vehicles under operating lease	1,864,213	1,686,331
Derivative financial instruments	491,184	391,673
Investment accounted for using the equity method	102,972	96,322
Intangible assets	55,156	29,076
Property, plant and equipment	17,532	20,665
Right-of-use assets	21,865	27,830
Deferred tax assets	5,723	4,558
Other assets	1,374,506	1,136,112
<b>Total assets</b>	<b>28,289,893</b>	<b>26,176,193</b>
<b>Liabilities</b>		
Due to banks and other financial institutions	2,281,887	1,234,009
Bonds and commercial paper	16,788,751	16,379,643
Related party liabilities – Special purpose vehicles	6,105,182	4,445,872
Derivative financial instruments	623,946	1,251,824
Other liabilities	449,212	654,801
Contract liabilities	125,300	116,261
Lease liabilities	29,034	35,731
<b>Total liabilities</b>	<b>26,403,312</b>	<b>24,118,141</b>
<b>Net assets</b>	<b>1,886,581</b>	<b>2,058,052</b>
<b>Equity</b>		
Contributed equity	120,000	120,000
Reserves	4,957	4,129
Retained earnings	1,761,624	1,933,923
<b>Total equity</b>	<b>1,886,581</b>	<b>2,058,052</b>

## OTHER DISCLOSURE MATTERS (continued)

### 36. Deed of cross guarantee (continued)

#### Consolidated and Company statements of comprehensive income

	2023	2022
	\$'000	\$'000
Interest revenue	998,153	738,758
Rental income on motor vehicles under operating lease	440,162	412,764
Fee income	54,015	49,563
<b>Financing and similar revenue</b>	<b>1,492,330</b>	<b>1,201,085</b>
Interest expense and similar charges	(1,172,464)	(408,652)
Depreciation expense on motor vehicles under operating lease	(368,282)	(350,223)
<b>Financing expense and similar charges</b>	<b>(1,540,746)</b>	<b>(758,875)</b>
<b>Net financing and similar revenue</b>	<b>(48,416)</b>	<b>442,210</b>
Other revenue	246,371	203,582
<b>Net operating income</b>	<b>197,955</b>	<b>645,792</b>
Credit impairment reversal/(loss)	(15,640)	21,982
Non-credit impairment reversal	21,086	22,024
Employee benefits expense	(177,220)	(165,212)
Depreciation, write-off and amortisation	(29,034)	(24,674)
IT and communication expense	(41,334)	(58,428)
Sales and marketing expense	(9,765)	(8,000)
Other expenses	(32,783)	(30,077)
Share of net profits of associates accounted for using the equity method	16,050	10,783
<b>Profit/(loss) before income tax</b>	<b>(70,685)</b>	<b>414,190</b>
Income tax expense	(122)	(130,507)
<b>Profit/(loss) attributable to owners of Toyota Finance Australia Limited</b>	<b>(70,807)</b>	<b>283,683</b>
<b>Other comprehensive income</b>		
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	828	1,109
<b>Total comprehensive income/(loss) attributable to owners of Toyota Finance Australia Limited</b>	<b>(69,979)</b>	<b>284,792</b>

## DIRECTORS' DECLARATION

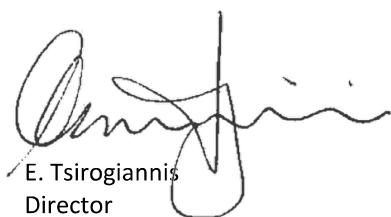
In the directors' opinion:

- (a) the financial statements and notes set out on pages 7 to 75 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 2023 and of its performance for the year ended on that date; and
  - (iii) in compliance with Section 989B of the *Corporations Act 2001* (the Act), the financial statements for the current period includes separate financial statements for Toyota Finance Australia Limited ("Company") as an individual entity and the consolidated entity consisting of the company and the entities it controlled ("Consolidated"). Comparatives have been presented for the year ended 31 March 2022 to conform with the current year's presentation.
- (b) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable; 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 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,



E. Tsirogiannis  
Director



H. Ito  
Director

Sydney  
28 June 2023

Sydney  
28 June 2023



## Independent auditor's report

To the members of Toyota Finance Australia Limited

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### 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 Company's and Group's financial position as at 31 March 2023 and of their financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### *What we have audited*

The Company and Group financial report comprises:

- the Consolidated and Company statements of financial position as at 31 March 2023
- the Consolidated and Company statements of comprehensive income for the year then ended
- the Consolidated and Company statements of changes in equity for the year then ended
- the Consolidated and Company statements of cash flows for the year then ended
- the notes to the financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

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

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### Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 March 2023, 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.

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#### **Other matter: prior period financial report not audited for the Company**

Toyota Finance Australia Limited, as parent entity, was not required to prepare or lodge an audited financial report for the year ended 31 March 2022. The comparative amounts included in this financial report for Toyota Finance Australia Limited are therefore unaudited.

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#### **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 Company and 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 Company or the Group or to cease operations, or have no realistic alternative but to do so.

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#### **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](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf). This description forms part of our auditor's report.

A blue ink signature, likely of a representative of PricewaterhouseCoopers, written in a cursive style.

PricewaterhouseCoopers

A blue ink signature, likely of David R Cox, written in a cursive style.

David R Cox  
Partner

Sydney  
28 June 2023