

TOYOTA FINANCE AUSTRALIA LIMITED AND CONTROLLED ENTITIES
ABN 48 002 435 181
FINANCIAL REPORT
FOR THE YEAR ENDED 31 MARCH 2014

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

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TOYOTA FINANCE AUSTRALIA LIMITED AND CONTROLLED ENTITIES
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DIRECTORS' REPORT

The directors present this report on the consolidated entity consisting of Toyota Finance Australia Limited ("the company") and the entities it controlled at the end of, or during, the year ended 31 March 2014.

1. DIRECTORS

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

Current Directors

J. R. Chandler, a director since 2007; Managing Director since June 2009
M. Yasuda, a director since 2007
I. Ritchens, a director since 2010
D. Miles, a director since 2011
Y. Yomoda, a director since 2012
A. Cramb, appointed director in May 2013
T. Saito, appointed director in February 2014
S. Abe, as alternate director to Y. Yomoda, appointed alternate director in February 2014
S. Watanabe, as alternate director to T. Saito, appointed alternate director in February 2014

Former Directors

A. Fujioka, resigned as a director in March 2014
E Hirano, resigned as a director in February 2014
N. Kojima, resigned as a director in February 2014
M. Callachor, resigned as a director in May 2013
S. Watanabe, ceased to be alternate director to N. Kojima in February 2014
M. Hachisuka, ceased to be alternate director to E. Hirano in February 2014
J. Zaitsu, ceased to be alternate director to Y. Yomoda in December 2013

2. PRINCIPAL ACTIVITIES

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

- To finance the acquisition of motor vehicles by customers in the form of leasing, term purchase, consumer and commercial loans;
- To provide bailment facilities and commercial loans to motor dealers;
- To provide operating lease and fleet management services to customers; and
- To sell retail insurance policies underwritten by third party insurers

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

3. DIVIDENDS

	2014	2013
	\$'000	\$'000
Final dividends for the year	23,641	39,039
Interim dividends for the year	5,349	7,229
	<u>28,990</u>	<u>46,268</u>

4. REVIEW OF OPERATIONS

The consolidated net profit of the consolidated entity for the year ended 31 March 2014 was \$154,226,000 (31 March 2013: \$101,602,000) after deducting income tax expense of \$61,044,000 (31 March 2013: \$39,906,000).

5. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

DIRECTORS' REPORT (continued)

6. ENVIRONMENTAL REGULATION

The operations of the company are not subject to any particular and significant environmental regulation.

7. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

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

8. LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The company expects its underlying operations to operate profitably in the financial year ending 31 March 2015, although, fluctuations in the fair value and translation of some financial instruments resulting in unrealised gains or losses recognised through the profit or loss may produce anomalous results.

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

9. SHARE OPTIONS GRANTED TO DIRECTORS AND THE MOST HIGHLY REMUNERATED OFFICERS

Options over issued ordinary shares of the ultimate chief entity, being Toyota Motor Corporation, Japan, granted during or since the end of the financial year to any directors or the five most highly remunerated officers of the company and consolidated entity as part of their remuneration are as follows:

	31 March 2014	31 March 2013
	Unexercised Options	Unexercised Options
<i>Directors</i>		
J. R. Chandler, Managing Director	20	20

The options were granted under the Toyota Motor Corporation Global Incentive Plan on 1 August 2008. An option has a right to acquire 100 common shares.

Shares under option

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

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

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

10. DIRECTORS AND OFFICERS INDEMNITIES AND INSURANCE

During the financial year, the company paid a premium of \$37,251 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).

DIRECTORS' REPORT (continued)

During the year, the company has entered into a deed of access and indemnity with each new director whereby it has agreed to:

- (i) the maximum extent permitted by law, to indemnify directors against any liability in connection with a director's act; legal costs incurred by a director in defending a claim or incurred in obtaining legal advice in relation to their performance of their functions and the discharge of their duties as an officer of the company; except where the liability arises in connection with an act which is fraudulent, criminal, dishonest or a wilful default of the director's duties as a director of the company;
- (ii) allow directors to have access to and take copies of the company books for the purpose of assisting them in relation to any claim; and
- (iii) maintain insurance against liabilities (other than excluded liabilities) incurred as a director or an officer of the company or a controlled entity.

11. PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

12. AUDITOR'S INDEPENDENCE DECLARATION

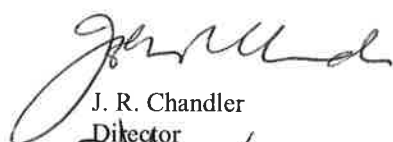
A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

13. ROUNDING OF AMOUNTS

The company and its controlled entities is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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

For and on behalf of the Board



J. R. Chandler
Director



D. Miles
Director

SYDNEY
30 JUNE 2014



Auditor's Independence Declaration

As lead auditor for the audit of Toyota Finance Australia Limited for the year ended 31 March 2014, 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 black ink, appearing to be 'J W Bennett', written over a horizontal line.

J W Bennett
Partner
PricewaterhouseCoopers

Sydney
30 June 2014

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

FINANCIAL STATEMENTS - 31 MARCH 2014

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

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

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

A description of the nature of the 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 30 June 2014. The company has the power to amend and reissue the financial statements.

TOYOTA FINANCE AUSTRALIA LIMITED AND CONTROLLED ENTITIES
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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2014

	Note	Consolidated 2014 \$'000	Consolidated 2013 \$'000
Interest and similar revenue	2	858,576	841,680
Interest expense and similar charges	2	<u>(503,551)</u>	<u>(555,699)</u>
Net financing income		355,025	285,981
Other income	3	<u>31,186</u>	<u>22,818</u>
Net operating income		386,211	308,799
Bad and doubtful debts expense	5	(42,987)	(53,664)
Employee benefits expense		(76,726)	(68,442)
Depreciation, amortisation and impairment expense	4	(18,075)	(13,136)
IT and communication expense		(9,461)	(8,418)
Sales and marketing expense		(10,705)	(9,182)
Occupancy		(5,992)	(5,482)
Other expenses		(16,736)	(16,005)
Share of net profits of associates accounted for using the equity method	10	<u>9,741</u>	<u>7,038</u>
Profit before income tax		215,270	141,508
Income tax expense	6	<u>(61,044)</u>	<u>(39,906)</u>
Profit attributable to owners of the parent		154,226	101,602
Other comprehensive income			
<i>Items that may be classified to profit or loss</i>			
Exchange differences on translation of foreign operations	19	<u>9,084</u>	<u>991</u>
Total comprehensive income attributable to the owners of the parent		<u>163,310</u>	<u>102,593</u>

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

TOYOTA FINANCE AUSTRALIA LIMITED AND CONTROLLED ENTITIES
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2014

	Note	Consolidated 2014 \$'000	Consolidated 2013 \$'000
Assets			
Cash and cash equivalents	7	676,353	298,863
Loans and receivables	8	13,094,887	12,528,096
Derivative financial instruments	9	129,785	48,835
Investments accounted for using the equity method	10	66,038	52,569
Intangible assets	11	43,429	36,433
Property, plant and equipment	12	18,259	10,372
Deferred tax assets	13	27,927	26,355
Other assets	14	40,370	21,049
Total Assets		14,097,048	13,022,572
Liabilities			
Due to banks and other financial institutions	15	6,417,491	6,006,769
Bonds and commercial paper	16	6,297,074	5,587,106
Derivative financial instruments	9	170,699	366,046
Other liabilities	17	322,048	307,235
Total Liabilities		13,207,312	12,267,156
Net Assets		889,736	755,416
Equity			
Contributed equity	18	120,000	120,000
Reserves	19	5,467	(3,617)
Retained earnings	20	764,269	639,033
Total Equity		889,736	755,416

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

TOYOTA FINANCE AUSTRALIA LIMITED AND CONTROLLED ENTITIES
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2014

Attributable to Owners of Toyota Finance Australia Ltd				
Note	Contributed Equity \$'000	Reserves \$'000	Retained Earnings \$'000	Total Equity \$'000
Balance at 1 April 2013	120,000	(3,617)	639,033	755,416
Profit for the year	-	-	154,226	154,226
Other comprehensive income	-	9,084	-	9,084
Total comprehensive income	-	9,084	154,226	163,310
Transactions with owners in their capacity as owners:				
Contributed equity	-	-	-	-
Dividends provided for or paid	20	-	(28,990)	(28,990)
Balance at 31 March 2014	<u>120,000</u>	<u>5,467</u>	<u>764,269</u>	<u>889,736</u>
Balance at 1 April 2012	120,000	(4,608)	583,699	699,091
Profit for the year	-	-	101,602	101,602
Other comprehensive income	-	991	-	991
Total comprehensive income	-	991	101,602	102,593
Transactions with owners in their capacity as owners:				
Contributed equity	-	-	-	-
Dividends provided for or paid	20	-	(46,268)	(46,268)
Balance at 31 March 2013	<u>120,000</u>	<u>(3,617)</u>	<u>639,033</u>	<u>755,416</u>

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

TOYOTA FINANCE AUSTRALIA LIMITED AND CONTROLLED ENTITIES
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CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2014

	Note	Consolidated 2014 \$'000	Restated Consolidated 2013 \$'000
Cash flows from operating activities			
Net cash outflow from lending and other operating activities		(522,173)	(2,102,154)
Interest received		967,763	929,526
Interest paid		(468,735)	(495,928)
Income taxes paid		(71,583)	(93,809)
<i>Net cash outflow from operating activities</i>	22	<u>(94,728)</u>	<u>(1,762,365)</u>
Cash flows from investing activities			
Payments of intangible assets		(19,950)	(11,950)
Payments of property and equipment		(15,985)	(7,647)
Proceeds from sale of property and equipment		3,104	2,807
Dividends received from associate		5,356	7,214
<i>Net cash outflow from investing activities</i>		<u>(27,475)</u>	<u>(9,576)</u>
Cash flows from financing activities			
Proceeds from borrowings		12,847,417	14,401,254
Repayments of borrowings		(12,318,734)	(12,463,382)
Dividends paid	20	(28,990)	(46,268)
<i>Net cash inflow from financing activities</i>		<u>499,693</u>	<u>1,891,604</u>
Net increase in cash & cash equivalents		377,490	119,663
Cash & cash equivalents at beginning of period		298,863	179,200
Cash & cash equivalents at end of period	7	<u>676,353</u>	<u>298,863</u>

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

1. 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. The financial statements are for the consolidated entity consisting of Toyota Finance Australia Limited and its subsidiaries.

(a) Basis of preparation

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

Compliance with IFRS

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

Historical cost convention

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

(b) Principles of consolidation

(i) *Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Toyota Finance Australia Limited ("company" or "parent entity") as at 31 March 2014 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 special purpose entities) over which the group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

1. Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

(ii) *Associates*

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

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

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

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

(c) Foreign currency translation

(i) *Functional and presentation currency*

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

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

(ii) *Transactions and balances*

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

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

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

1. Summary of significant accounting policies (continued)

(d) Revenue recognition (continued)

(i) *Term Loans*

Interest income arising from term loans is recognised over the period of the term loan using the effective interest rate method. Income derived from term loans is included in "other loans and receivables" within "interest and similar income"

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

Finance Leases

Interest income derived from finance leases is recognised over the period of the contract using the effective interest rate method. Income derived from finance leases is included in "lease income" within "interest and similar income".

Operating Leases

Lease rentals receivable on operating leases are recognised on a systematic basis over the effective lease term. Income derived from operating leases is included in "lease income" within "interest and similar income".

Term Purchase

Interest income derived from term purchase agreements is recognised over the period of the contract using the effective interest rate method. Income derived from term purchase agreements is included in "term purchase" within "interest and similar income".

(iii) *Fee and commission income and expense*

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

Other fee and commission income including payment method fee and service maintenance fee are recognised as the related services are performed.

Other fee and commission expense relate to transaction and service fees and are recognised as expense in the period the services are received.

(e) **Income tax**

The income tax expense or revenue for the period is the tax payable 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.

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

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

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 tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

1. Summary of significant accounting policies (continued)

(e) Income tax (continued)

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.

As a consequence, the company is no longer subject to income tax and does not recognise any current tax balances in its own financial statements unless the Head Entity (Toyota Motor Corporation Australia Limited) is in default of its obligations, or a default is probable, under the tax consolidation legislation, or the tax amounts relate to taxable income incurred prior to the implementation of the tax consolidation regime. Deferred tax balances are recognised in the consolidated financial statements in accordance with UIG 1052 *Tax Consolidation Accounting*. Amounts receivable or payable under a tax funding agreement with the Head Entity are recognised in accordance with the terms and conditions of the agreement as tax-related amounts receivable and payable.

(f) Leased assets where the consolidated entity is the lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(g) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, 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 for the purpose of the cash flow statement.

(h) Financial instruments

Classification

The consolidated entity classifies its financial instruments in the following categories: financial assets or financial liabilities at fair value through profit or loss, loans and receivables, and held-to-maturity investments. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

(i) *Financial assets or financial liabilities at fair value through profit or loss*

This category consists of financial assets or financial liabilities at fair value through profit or loss, representing the consolidated entity's outstanding derivatives balances. Derivatives are categorised as financial assets or financial liabilities at fair value through profit or loss. Refer to note 1(k) for details of accounting policy.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the consolidated entity provides money, goods or services directly to a debtor with no intention of selling the loans and receivables. Retail and wholesale finance receivables are included in loans and receivables in the balance sheet. Refer also to note 1(i).

The consolidated entity holds no financial instrument that it classifies as held-to-maturity nor available-for-sale financial assets.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

1. Summary of significant accounting policies (continued)

(h) Financial instruments (continued)

Recognition and derecognition

Purchases and sales of financial instruments are recognised on settlement date – the date on which the consolidated entity settles the purchase or sale of the asset. Financial instruments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets or financial liabilities carried at fair value through profit and loss are initially recognised at fair value and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised when the obligations specified in the contracts are discharged, cancelled or expired.

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in profit or loss in the period in which they arise.

Fair value

The fair values of quoted investments are based on current bid/offer prices. If the market for a financial asset is not active (and for unlisted securities), the consolidated entity establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same or discounted cash flow analysis.

(i) Loans and receivables

(i) *Term Loans*

Unearned finance income is the portion of charges written into finance receivable agreements which will be earned in the future.

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

Finance Leases

Finance leases, in which the consolidated entity is the lessor, are included in 'loans and receivables' in the statement of financial position. These are leases in which the terms of the lease agreement substantially transfer the risks and rewards incidental to ownership of an asset from the lessor to the lessee.

Unearned finance income is the portion of charges written into finance receivable agreements which will be earned in the future.

Operating Leases

Operating leases, in which the consolidated entity is the lessor, are included in loans and receivables. These are leases in which the terms of the lease agreement do not substantially transfer the risks and rewards incidental to ownership of an asset to the lessee.

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 lease income and within 'interest and similar revenue'.

Term Purchase

Term purchase agreements are included in 'loans and receivables' in the statement of financial position. These are agreements 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

1. Summary of significant accounting policies (continued)

(h) Financial instruments (continued)

(iii) *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.

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

(iv) *Securitisation*

The "Loans and receivables" includes a portion of the consolidated entity's term loans under securitisation within special purpose vehicles. The terms of the transfer of these loans do not meet the criteria for derecognition under AASB 139 and are therefore recognised on the consolidated entity's statement of financial position. AASB 127 and UIG-Interpretation 112 define various indicators of control, such as activities, decision-making, benefits, and risks which require the parent entity to consolidate the securitisation special purpose vehicle should specific conditions be met.

(j) Provision for impairment of loans and receivables

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

(k) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The derivatives have not been designated as hedging instruments; consequently, changes in the fair value of derivatives are recognised immediately in profit or loss as interest expense and similar charges. This may, to the extent that they are not offset by the translation of the items economically hedged, introduce volatility in the consolidated entity's profit or loss and produce anomalous results.

(l) Fair value estimation

The fair value of financial assets and liabilities are estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments traded in active markets (such as publicly traded derivatives) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial instruments held by the company is the mid price.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

1. Summary of significant accounting policies (continued)

(m) Property, plant and equipment

Property, plant and equipment are stated at historical cost less 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	Useful Life
Plant and equipment	Straight-line	3-5 years
Motor vehicles	Straight-line	1- 3 years

Leasehold improvements

Leasehold improvements are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the improvement to the consolidated entity, whichever is the shorter.

The assets' 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.

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

(n) Intangible assets

Computer software development

Capitalised computer software development is recognised when it is probable that the project (i) will be completed considering its commercial and technical feasibility, (ii) will contribute to future period financial benefits through revenue generation and/or cost reductions; and (iii) its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services and direct labour. Capitalised computer software development is amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, which varies from 4 to 5 years.

(o) Impairment of assets

Assets that are subject to 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 which are largely independent of the cash inflows from other asset groups (cash generating units).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

1. Summary of significant accounting policies (continued)

(p) Bonds and commercial paper

Bonds and commercial paper are initially recognised at fair value, net of transaction costs incurred. Bonds and commercial paper 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.

(q) Financial instrument transaction costs

Transaction costs that are directly attributable to the acquisition or issue of a financial asset or financial liability are included in the initial recognition of the financial instruments. Transaction costs of financial assets carried at fair value through the profit or loss are expensed in profit or loss.

(r) Employee benefits

(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. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at rates 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.

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

(iii) Retirement benefit obligations

All employees of the consolidated entity are entitled to benefits on retirement, disability or death from 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.

(s) Dividends

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

(t) Segment reporting

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

1. Summary of significant accounting policies (continued)

(u) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(v) Critical accounting estimates and judgements

The preparation of the financial report requires the making of estimations and assumptions that affect the recognised amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are :

(i) Impairment of loans and receivables – refer to Note 1(j)

(ii) Derivatives

The fair value of derivative financial assets and liabilities are estimated using valuation techniques with inputs other than quoted prices included within level 1 fair value hierarchy that are observable for the asset or liability, either directly or indirectly.

(w) Rounding of amounts

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the “rounding off” of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(x) Parent entity financial information

The financial information for the parent entity, Toyota Finance Australia Limited, disclosed in note 32 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries and associates

Investments in subsidiaries and associates are accounted for at cost in the financial statements of Toyota Finance Australia Limited. Dividends received from associates are recognised in the parent entity's profit or loss when its right to receive the dividend is established.

(ii) Financial guarantees

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries and associates for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

1. Summary of significant accounting policies (continued)

(y) New and revised accounting standards and interpretations adopted

The consolidated entity has adopted the following standards and amendments for the first time in annual reporting period ending 31 March 2014:

- AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13*. The impact to the financial statements is immaterial and is disclosed in Note 9.
- AASB 2012-2 *Disclosures-Offsetting Financial Assets and Financial Liabilities*. New disclosures are set out in Note 35.
- AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, revised AASB 127 *Separate Financial Statements*, AASB 128 *Investments in Associates and Joint Ventures*, AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements*. This has no impact to the consolidated entity's financial statements.
- AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements*. This amendment does not apply to the consolidated entity as disclosures are on aggregate basis.
- AASB 119 *Employee Benefits* and AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) from July 2012*. The impact to the financial statements is immaterial and is disclosed in Note 17.

(z) New and revised accounting standards and interpretations not yet adopted

Certain new or revised standards and interpretations have been published that are not mandatory for the 31 March 2014 financial year. The company's assessment of the impact of the relevant new standard and interpretations is set out below.

- AASB 9 *Financial Instruments* was first issued in December 2009 and subsequently revised in:
 - December 2010 to include the recognition and measurement of financial liabilities
 - September 2012 to change the mandatory effective date, modify the relief from restating prior periods and require additional disclosures on transition, and
 - December 2013 to add new rules on hedging

The mandatory application date of this standard is on January 2017. The consolidated entity does not intend to adopt the new standard before its operative date. It has to review and determine its impact to the financial statements.

- AASB 2012-3 *Amendments to Australian Accounting Standard - Offsetting Financial Assets and Financial Liabilities*. This defines the criterion on when to set-off and settle on net basis. This is applicable starting 1 January 2014. The consolidated entity will adopt this standard effective 1 April 2014.

(aa) Changes to presentation – classification of statement of cash flows and Note 22

The company decided in the current financial year to change the classification of certain balances in the above sections to provide relevant information to the stakeholders. The comparative information has been reclassified accordingly.

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NOTES TO THE FINANCIAL STATEMENTS
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	Consolidated 2014 \$'000	Consolidated 2013 \$'000
2. Interest and similar revenue and interest expense and similar charges		
Interest and similar revenue		
Cash and cash equivalents	15,895	14,330
Lease income	136,179	133,735
Term purchase	72,989	92,359
Other loans and receivables	742,828	688,766
Interest revenue	<u>967,891</u>	<u>929,190</u>
Fee income	77,833	70,843
Fee expense	<u>(187,148)</u>	<u>(158,353)</u>
Interest and similar revenue	<u>858,576</u>	<u>841,680</u>
Interest expense and similar charges		
Due to banks and other financial institutions	174,536	193,793
Bonds and commercial paper	210,783	183,494
Borrowings from affiliated entities	728	1,775
Net loss (gain) on translation of foreign currency debt	544,200	(64,459)
Fair value (gain) loss on derivative financial instruments at fair value through profit or loss	(439,958)	230,131
Transaction costs	<u>13,262</u>	<u>10,965</u>
Interest expense and similar charges	<u>503,551</u>	<u>555,699</u>

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	Consolidated 2014 \$'000	Consolidated 2013 \$'000
3. Other income		
Net gain on disposal of leased and fixed assets	9,613	6,571
Commission and other income	21,573	16,247
	<u>31,186</u>	<u>22,818</u>
4. Depreciation, amortisation & impairment expenses		
Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Leasehold improvements	787	695
Plant and equipment	1,307	1,042
Motor vehicles	3,027	1,371
Total depreciation	<u>5,121</u>	<u>3,108</u>
<i>Amortisation</i>		
Computer software development	<u>11,233</u>	<u>10,028</u>
<i>Impairment losses</i>		
Computer software development	<u>1,721</u>	<u>-</u>
Total depreciation, amortisation & impairment expenses	<u>18,075</u>	<u>13,136</u>

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	Consolidated 2014 \$'000	Consolidated 2013 \$'000
5. Impairment of loans and receivables		
(i) Provision for impairment of loans and receivables		
Opening balance	168,485	145,859
Bad debts written off	(44,870)	(36,708)
Increase in provision	49,660	59,334
Closing balance	<u>173,275</u>	<u>168,485</u>
(ii) Bad and doubtful debts expense		
Recovery of bad debts written off	(6,673)	(5,670)
Increase in provision	49,660	59,334
Total bad and doubtful debts expense	<u>42,987</u>	<u>53,664</u>
6. Income tax expense		
a) Current tax	63,216	47,620
Deferred tax	(1,570)	(7,756)
(Over)/Under provision in prior year	(602)	42
Income tax expense attributable to continuing operations	<u>61,044</u>	<u>39,906</u>
Deferred income tax expense included in income tax expense comprises:		
Decrease/(Increase) in deferred tax assets	3,500	(4,507)
(Decrease) in deferred tax liabilities	(5,070)	(3,249)
	<u>(1,570)</u>	<u>(7,756)</u>
b) Numerical reconciliation of income tax expense to prima facie tax payable:		
Profit from continuing operations before income tax expense	215,270	141,505
Prima facie tax payable @ 30%	<u>64,581</u>	<u>42,451</u>
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share of net profit of associate	(2,922)	(2,111)
Sundry items	(13)	(476)
	<u>61,646</u>	<u>39,864</u>
(Over)/Under provision in prior years	(602)	42
Income tax expense attributable to continuing operations	<u>61,044</u>	<u>39,906</u>

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6. Income tax expense (continued)

(c) Tax consolidation legislation

The company and its wholly-owned Australian controlled entities (the 'consolidated entity') have implemented the income tax consolidation legislation from 1 April 2003 in association with other Australian incorporated entities with a common ownership. The accounting policy in relation to this legislation is set out in note 1(e).

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.

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

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

7. Cash and cash equivalents

	Consolidated 2014 \$'000	Consolidated 2013 \$'000
Cash on hand	3	3
Cash in bank	3,350	11,860
Deposits at call	673,000	287,000
	<u>676,353</u>	<u>298,863</u>

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	Consolidated 2014 \$'000	Consolidated 2013 \$'000
8. Loans and Receivables		
Bailment stock	1,917,975	2,126,846
Motor vehicles under operating lease*	1,625,323	1,463,141
Term loans**	9,604,717	8,631,018
Term purchase**	1,030,076	1,182,126
Finance leases	934,826	1,047,077
Gross loans and receivables	15,112,917	14,450,208
Accumulated depreciation on motor vehicles under operating lease	(587,363)	(499,189)
Unearned income***	(1,257,392)	(1,254,438)
Net loans and receivables (net of unearned income)	13,268,162	12,696,581
Provision for impairment of loans and receivables	(173,275)	(168,485)
Net loans and receivables	13,094,887	12,528,096
Maturity analysis (net of unearned income)		
Loans and receivables maturing within 12 months	5,335,657	5,201,727
Loans and receivables maturing beyond 12 months	7,932,505	7,494,854
	13,268,162	12,696,581

Concentration of exposures

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

* Motor vehicles under operating lease is inclusive of carrying value of vehicles which ceased to be rented and are held for sale amounting to \$15.4 million as at 31 March 2014 (2013: \$9.4 million).

** As at 31 March 2014 the special purpose entities held \$3,520.5 million (2013: \$2,876.8 million) of the consolidated entity's term loans and term purchase under securitisation. Such securitised loans have varied maturity dates ranging from one month to five years.

Securitised loans maturing within one year amounted to \$1,264.9 million as at 31 March 2014 (2013: \$961.0 million).

*** Unearned income as at 31 March 2014 is inclusive of net unamortised deferred revenue and expenses amounting to \$213.5 million (31 March 2013: \$153.2 million), unearned finance income on finance leases amounting to \$86.9 million (31 March 2013: \$108.2 million) and unearned finance income on term loans and term purchase amounting to \$1,383.9 million (31 March 2013: \$1,299.4 million). There is no unearned income on bailment stock.

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	Consolidated 2014 \$'000	Consolidated 2013 \$'000
9. Derivative financial instruments		
Assets		
Interest rate swap contracts	5,781	20,262
Cross currency swap contracts	125,843	27,770
Forward foreign exchange contracts	47	803
Derivative financial instrument assets	<u>131,671</u>	<u>48,835</u>
Less: Bilateral credit valuation adjustment	<u>1,886</u>	<u>-</u>
Total derivative financial instrument assets - held at fair value	<u>129,785</u>	<u>48,835</u>
Liabilities		
Interest rate swap contracts	48,591	82,973
Cross currency swap contracts	90,312	213,130
Forward foreign exchange contracts	<u>31,796</u>	<u>69,943</u>
Total derivative financial instrument liabilities - held at fair value	<u>170,699</u>	<u>366,046</u>
<i>Current Derivative Financial Instruments</i>		
Derivative Financial Assets	18,954	24,983
Derivative Financial Liabilities	58,984	162,351
<i>Non-current Derivative Financial Instruments</i>		
Derivative Financial Assets	112,717	23,852
Derivative Financial Liabilities	111,715	203,695

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NOTES TO THE FINANCIAL STATEMENTS
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10. Investments in Associates

Name of entity	Country of incorporation	Consolidated		Ownership interest	
		2014 \$'000	2013 \$'000	2014 %	2013 %
(a) Movement in carrying amount					
<i>Unlisted</i>					
Toyota Finance New Zealand Limited	New Zealand				
Carrying amount at 1 April		52,569	51,754	45.45	45.45
Share of profits after income tax		9,741	7,038		
Dividends received		(5,356)	(7,214)		
Net exchange differences on translation of foreign associate entity		9,084	991		
Carrying amount at 31 March		66,038	52,569		

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

- to finance motor vehicle acquisitions in the form of leasing, term purchase, consumer and commercial loans;
- to provide bailment facilities and commercial loans to Toyota dealers;
- the marketing of vehicle and finance related insurance products;
- the provision of retail finance and related products for pleasure boats; and
- the provision unsecured personal loans.

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

(b) Share of associates' profits

Profit before income tax	12,061	10,165
Income tax expense	(2,320)	(3,127)
Profit after income tax	<u>9,741</u>	<u>7,038</u>

(c) Summarised financial information of associates

	Consolidated entity's share of:			
	Assets \$'000	Liabilities \$'000	Revenues \$'000	Profit \$'000
Consolidated 2014				
Toyota Finance New Zealand Limited	<u>489,151</u>	<u>422,449</u>	<u>57,971</u>	<u>9,741</u>
Consolidated 2013				
Toyota Finance New Zealand Limited	<u>381,575</u>	<u>328,343</u>	<u>49,422</u>	<u>7,038</u>

	Consolidated	
	2014 \$'000	2013 \$'000
(d) Share of associates expenditure commitments		
Lease commitments	<u>884</u>	<u>1,028</u>

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11. Intangible assets

Software*	Cost \$'000	Consolidated Amortisation \$'000	Carrying Value \$'000
Consolidated 2014	111,262	67,833	43,429
Consolidated 2013	93,033	56,600	36,433

	Consolidated 2014 \$'000	Consolidated 2013 \$'000
Carrying value at 1 April	36,433	34,531
Additions	19,950	11,950
Amortisation expense	(11,233)	(10,028)
Impairment loss	(1,721)	(20)
Carrying value at 31 March	<u>43,429</u>	<u>36,433</u>

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

NOTES TO THE FINANCIAL STATEMENTS
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12. Property, plant and equipment

	Cost	Depreciation	Carrying Value
	Consolidated	Consolidated	Consolidated
	2014	2014	2014
	\$'000	\$'000	\$'000
Leasehold improvements	7,208	4,333	2,875
Plant and equipment	20,261	16,936	3,325
Motor vehicles	14,622	2,563	12,059
	<u>42,091</u>	<u>23,832</u>	<u>18,259</u>

	Cost	Depreciation	Carrying Value
	Consolidated	Consolidated	Consolidated
	2013	2013	2013
	\$'000	\$'000	\$'000
Leasehold improvements	5,679	3,546	2,133
Plant and equipment	19,273	15,629	3,644
Motor vehicles	5,415	820	4,595
	<u>30,367</u>	<u>19,995</u>	<u>10,372</u>

	Leasehold improvements	Plant and equipment	Motor vehicles	Totals
	\$'000	\$'000	\$'000	\$'000
Consolidated 2014				
Carrying value at 1 April	2,133	3,644	4,595	10,372
Additions	1,529	988	13,468	15,985
Disposals	-	-	(2,977)	(2,977)
Depreciation	(787)	(1,307)	(3,027)	(5,121)
Carrying value at 31 March	<u>2,875</u>	<u>3,325</u>	<u>12,059</u>	<u>18,259</u>

	Leasehold improvements	Plant and equipment	Motor vehicles	Totals
	\$'000	\$'000	\$'000	\$'000
Consolidated 2013				
Carrying value at 1 April	2,344	2,223	4,255	8,822
Additions	484	2,463	4,700	7,647
Disposals	-	-	(2,990)	(2,990)
Depreciation	(695)	(1,042)	(1,370)	(3,107)
Carrying value at 31 March	<u>2,133</u>	<u>3,644</u>	<u>4,595</u>	<u>10,372</u>

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	Consolidated 2014 \$'000	Consolidated 2013 \$'000
13. Deferred tax assets		
The balance comprises temporary differences attributable to:		
<i>Amounts recognised in profit or loss</i>		
Provision for impairment of loans and advances	51,982	50,545
Employee entitlements	2,671	2,369
Financial instruments	12,247	14,256
Deferred origination fees	3,877	6,377
Manufacturer's subvention	3,685	7,393
Accrued expenses	22,585	19,298
Sundry items	2,435	2,741
Total deferred tax assets	<u>99,482</u>	<u>102,980</u>
Set-off of deferred tax liabilities pursuant to set-off provisions (Note 1e)		
<i>Amounts recognised in profit or loss</i>		
Deferred fees and commissions	(17,090)	(29,340)
Investments accounted for using the equity method	(1,091)	(1,116)
Assets financed under lease	(49,898)	(41,648)
Sundry items	(3,476)	(4,521)
Total deferred tax liabilities	<u>(71,555)</u>	<u>(76,625)</u>
Net deferred tax assets	<u>27,927</u>	<u>26,355</u>
Deferred tax (liabilities) expected to be settled within 12 months	(4,504)	(2,633)
Deferred tax assets expected to be settled after more than 12 months	<u>32,431</u>	<u>28,988</u>
	<u>27,927</u>	<u>26,355</u>
14. Other assets		
Other debtors and prepayments	39,630	20,437
Accrued interest receivable on cash and cash equivalents	740	612
	<u>40,370</u>	<u>21,049</u>
Other assets expected to be recovered within 12 months	32,132	17,140
Other assets expected to be recovered after more than 12 months	8,238	3,909
	<u>40,370</u>	<u>21,049</u>

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	Consolidated 2014 \$'000	Consolidated 2013 \$'000
15. Due to banks and other financial institutions		
Banks and other financial institutions	6,200,818	5,670,973
Affiliated entity	216,673	335,796
Total banks and financial institution borrowings	6,417,491	6,006,769
Maturity analysis		
<i>Current</i>		
Banks and other financial institutions	1,856,853	1,935,754
Affiliated entity	216,673	335,796
Total Current	2,073,526	2,271,550
<i>Non-current</i>		
Banks and other financial institutions	4,343,965	3,735,219
Total banks and financial institution borrowings	6,417,491	6,006,769

Included in the "Due to banks and other financial institutions" is securitised debt of \$3,486.0 million as at 31 March 2014 (2013: \$2,828.1 million) representing the value of term loans held by the special purpose entities. The special purpose entities issued interest bearing senior and subordinated notes amounting to \$2,956.3 million and \$529.7 million, respectively as at 31 March 2014 (2013: \$2,391.1 million and \$437.0 million, respectively). The term loans are pledged as collateral for the senior and subordinated notes. The company provides an unconditional and irrevocable guarantee over payments on the subordinated notes.

The interest payable on the secured notes as at 31 March 2014 amounted to \$4.6 million (2013: \$4.8 million) and is included in "Accrued Interest Payable".

	Consolidated 2014 \$'000	Consolidated 2013 \$'000
16. Bonds and commercial papers		
Domestic commercial paper	598,260	597,696
Domestic medium term note	299,570	299,460
Euro commercial paper	1,402,800	1,259,266
Euro medium term note	3,996,444	3,430,684
Total bonds and commercial papers	6,297,074	5,587,106
Maturity analysis		
<i>Current</i>		
Domestic commercial paper	598,260	597,696
Euro commercial paper	1,402,800	1,259,266
Euro medium term note	468,630	1,173,564
Total current bonds and commercial papers	2,469,690	3,030,526
<i>Non-current</i>		
Domestic medium term note	299,570	299,460
Euro medium term note	3,527,814	2,257,120
Total non-current bonds and commercial papers	3,827,384	2,556,580

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16. Bonds and commercial papers (continued)

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

	Consolidated 2014 \$'000	Consolidated 2013 \$'000
17. Other liabilities		
Unearned warranty revenue	2,026	1,885
Employee entitlements	8,902	7,897
Accrued interest payable	49,262	45,597
Amounts payable to related entities	134,329	137,846
Accounts payable & accrued expenses	124,330	111,759
Other	3,199	2,251
	<u>322,048</u>	<u>307,235</u>
Other liabilities expected to be settled within 12 months	253,030	232,036
Other liabilities expected to be settled in more than 12 months	69,018	75,199
	<u>322,048</u>	<u>307,235</u>
Number of employees at end of reporting period	565	516

	Consolidated 2014 \$'000	Consolidated 2013 \$'000
18. Contributed equity		
Ordinary shares fully paid	<u>120,000</u>	<u>120,000</u>

(a) Ordinary shares

At 31 March 2014 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 company 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.

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	Consolidated 2014 \$'000	Consolidated 2013 \$'000
19. Reserves		
Foreign currency translation reserve		
Balance at 1 April	(3,617)	(4,608)
Net exchange differences on translation of foreign associate entity	9,084	991
Balance at 31 March	<u>5,467</u>	<u>(3,617)</u>

(a) Foreign currency translation reserve

Exchange differences arising on translation of the foreign entity accounted for using the equity method are taken to the foreign currency translation reserve, as described in note 1(c). The reserve is recognised in profit and loss when the net investment is disposed of.

	Consolidated 2014 \$'000	Consolidated 2013 \$'000
20. Retained profits		
Balance at 1 April	639,033	583,699
Profit attributable to owners of the parent	<u>154,226</u>	<u>101,602</u>
Total available for appropriation to owners of the parent	793,259	685,301
Dividends provided for or paid	<u>(28,990)</u>	<u>(46,268)</u>
Balance at 31 March	<u>764,269</u>	<u>639,033</u>

Dividends

Final dividend for the year ended 31 March 2013 of 19.7 cents (31 March 2012: 32.5 cents) per fully paid share.

Fully franked based on tax paid at @ 30% 23,641 39,039

Interim dividend for the half year ended 30 September 2013 of 4.5 cents (30 September 2012: 6.0 cents) per fully paid share.

Fully franked based on tax paid at @ 30% 5,349 7,229

Total dividends provided for or paid 28,990 46,268

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

The income tax consolidation rules do permit the company to pay a franked dividend to its shareholder with the Head Entity's franking account bearing a reduction for the franking credit attached to the dividend. Dividends paid during the year ended 31 March 2014 were fully franked.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

	Consolidated 2014 \$	Consolidated 2013 \$
21. Auditor's remuneration		
During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:		
PricewaterhouseCoopers - Australian firm		
Audit or review of the financial reports	640,967	420,972
Other audit-related work	211,861	242,355
Other assurance services	281,164	-
Total audit and other assurance services	1,133,992	663,327
Taxation	17,627	19,801
Advisory Services	56,300	-
Total remuneration	1,207,919	683,128
Related practices of PricewaterhouseCoopers-Australian firm (including overseas PricewaterhouseCoopers firms)		
Other assurance services	289,294	368,891

22. Cash flow information

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

	Consolidated 2014 \$'000	Restated Consolidated 2013 \$'000
Profit attributable to owners of the parent	154,226	101,602
Share of profit of associates	(9,741)	(7,038)
Depreciation and amortisation	16,354	13,137
Impairment losses	1,721	20
Amortisation - upfront receipts	3,733	8,767
Amortisation - prepaid expenses	17,128	12,508
Net gain on sale of non-current assets	(9,613)	(6,571)
Net loss(gain) on translation of foreign currency transactions	859,984	(166,625)
Changes in fair value of financial instruments	(304,635)	133,703
<i>Movements in operating assets and liabilities:</i>		
(Increase)/decrease in loans and receivables	(562,097)	(1,853,705)
(Increase)/decrease in deferred tax asset	(1,572)	(7,755)
Increase/(decrease) in provision for doubtful debts	4,790	22,626
Increase/(decrease) in current liabilities	23,781	(14,635)
(Increase)/decrease in current assets	(19,321)	9,361
(Decrease)/increase in income tax payable	(8,967)	(46,147)
(Decrease)/increase in derivative liabilities at fair value through profit or loss	(260,499)	38,387
Net cash outflow from operating activities	(94,728)	(1,762,365)

NOTES TO THE FINANCIAL STATEMENTS
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	Consolidated 2014 \$'000	Consolidated 2013 \$'000
23. Lease commitments		
Operating leases		
Aggregate amount contracted but not provided for in the accounts are as follows:		
- Premises	21,030	11,624
Lease commitments expected to be settled in 12 months	4,296	4,391
Lease commitments expected to be settled in more than 12 months	16,734	7,233
	21,030	11,624

The company leases various offices under non-cancellable operating leases expiring within one to six years. The leases have varying terms, escalations clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

24. Capital Commitments

	Consolidated 2014 \$'000	Consolidated 2013 \$'000
Expenditures contracted for at the end of each reporting period but not recognised as liabilities is as follows:		
Intangible assets	-	-

25. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities, and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity	Country of incorporation	Class of shares	Ownership interest	
			2014 %	2013 %
TFA (Wholesale) Pty. Limited*	Australia	Ordinary	100	100
Southern Cross Toyota 2009-1 Trust**	Australia	Ordinary	100	100
Southern Cross Toyota 2011-1 Trust**	Australia	Ordinary	100	100
King Koala TFA 2012-1 Trust**	Australia	Ordinary	100	100
Southern Cross Toyota 2012-1 Trust**	Australia	Ordinary	100	100

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

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

*This subsidiary has been granted relief from the necessity to prepare financial statements in accordance with Class Order 98/1418 issued by the Australian Securities and Investment Commission. For further information refer to note 33.

The proportion of the ownership interest is equal to the proportion of voting power held.

NOTES TO THE FINANCIAL STATEMENTS
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26. Related party transactions

(a) Entities in the wholly owned group

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

(b) Subsidiaries

Interests in subsidiaries are set out in note 25.

(c) Associates

Investments in associates are set out in note 10.

(d) Key management personnel

Key management personnel compensation

	Consolidated 2014 \$	Consolidated 2013 \$
Short-term employee benefits	5,350,835	4,887,052

Loans to key management personnel

Details of loans made to directors and other key management personnel of the company are set out below.

At 31 March	Amount	Outstanding Balance	Terms	Average Rate	Security
2014	\$2,603,024	\$2,576,441	30 years, variable	4.92%	Secured by 1st mortgages over the loan property
2013	\$2,603,024	\$2,587,961	30 years, variable	5.73%	Secured by 1st mortgages over the loan property

No write-downs or allowance for doubtful debts were recognised on the key management personnel loans as at 31 March 2014 and 2013.

(e) Transactions and balances with related parties

Transactions with related parties are set out below. These are included in the company's Consolidated Statement of Comprehensive Income and Consolidated Statement of Financial Position for the period.

	Consolidated 2014 \$'000	Consolidated 2013 \$'000
<i>Net Financing Margin</i>		
Affiliate finance income	55,770	51,475
Interest expense on loans from affiliated entity	(728)	(1,775)
Credit support fees paid to parent entity	(7,731)	(5,828)
<i>Expenses</i>		
Marketing expenses paid to affiliates	2,000	1,500

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

26. Related party transactions (continued)

(e) Transactions and balances with related parties (continued)

	Consolidated 2014 \$'000	Consolidated 2013 \$'000
<i>Assets</i>		
<i>Loans and receivables</i>		
Deferred retail subvention income from affiliates*	(71,740)	(94,942)
<i>Other assets</i>		
Accounts receivable from affiliates*	29,028	35,430
<i>Liabilities</i>		
Interest bearing loans payable to affiliates	216,673	335,796
Non-interest bearing loans payable to affiliates	39,017	32,548
Accounts payable to affiliates*	91,255	102,100
Accrued interest payable to affiliates	21	77
Accounts payable to parent entity*	4,056	3,198

No bad debts expense and allowance for doubtful debts were recognised in relation to any receivable due from related parties in 31 March 2014 and 2013.

* Non-interest bearing

27. Financial Risk Management

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

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

Pricing Committee

The Pricing Committee meets to actively assess new business margins in connection with volume and interest rate requirements, and a changing interest rate and competitor environment.

Asset and Liability Committee

The Asset and Liability Committee meets to proactively and collaboratively manage and monitor the interest rate and liquidity risks of the consolidated entity. The consolidated entity's Treasury department identifies, evaluates and hedges financial risks. The Treasury department implements the consolidated entity's policies to manage the consolidated entity's foreign currency risk, interest rate risk, credit risk with banks and other financial intermediaries, and liquidity risk.

Credit Risk Committee

The Credit Risk Committee is responsible for the risk assessment, ongoing management, collection, enforcement and write-off of monies lent by the company. The committee ensures that the core credit operations of the company are aligned with the corporate goals and objectives. Its focus is on the credit risk assessment and an ongoing evaluation of credit granted to dealer wholesale and fleet credit.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

27. Financial Risk Management (continued)

Retail Credit Risk Committee

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

Residual Value Committee

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

Audit Committee

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

Compliance Committee

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

Internal Audit

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

(a) Market risk

(i) Foreign exchange risk

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

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

Management has set up a policy requiring the consolidated entity to manage its foreign exchange risk against their functional currency. The consolidated entity is required to 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.

The consolidated entity's net exposure to foreign currency risk at the end of the reporting period ending 31 March 2014 is immaterial. There has been no change in this position when compared to the reporting period ending 31 March 2013.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

27. Financial Risk Management (continued)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk

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

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

Under the interest rate swaps, the consolidated entity agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates, and floating rate interest amounts calculated by reference to the agreed notional principal amounts. Under the cross currency swaps, the consolidated entity agrees with other parties to exchange, at specified intervals, foreign currency principal and fixed 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 functional currency at floating rate, using interest rate swaps or cross currency swaps to achieve this when necessary. The consolidated entity's policy is to maintain between 20% and 50% of its loans and receivables funded at floating rate, using interest rate 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.

31 March 2014	Weighted Average Interest Rate %	Variable Interest Rate \$'000	Fixed Interest Rate			Non Interest Bearing \$'000	Total \$'000
			Less than 1 year \$'000	1 to 5 years \$'000	Over 5 years \$'000		
Financial Assets							
Cash and liquid assets	2.7%	676,353	-	-	-	-	676,353
Loans and receivables	7.6%	3,041,645	3,110,965	6,870,865	244,689	-	13,268,164
Hedge swaps		8,292,250	(3,394,000)	(4,893,250)	(5,000)	-	-
Other assets		-	-	-	-	40,370	40,370
Total financial assets		12,010,248	(283,035)	1,977,615	239,689	40,370	13,984,887
Financial Liabilities							
Banks & other financial institutions	3.3%	6,200,818	-	-	-	-	6,200,818
Loans from related company	2.6%	216,673	-	-	-	-	216,673
Commercial papers	2.6%	2,001,060	-	-	-	-	2,001,060
Medium term notes	3.3%	-	468,631	3,827,383	-	-	4,296,014
Cross currency swaps		1,513,837	(208,074)	(1,305,764)	-	-	(1)
Interest rate swaps		2,401,100	(241,400)	(2,159,700)	-	-	-
Other liabilities		-	-	-	-	322,048	322,048
Total financial liabilities		12,333,488	19,157	361,919	-	322,048	13,036,612
Net Financial Assets		(323,240)	(302,192)	1,615,696	239,689	(281,678)	948,275

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

27. Financial Risk Management (continued)

(a) Market risk (continued)

31 March 2013	Weighted Average Interest Rate %	Variable Interest Rate \$'000	Fixed Interest Rate			Non Interest Bearing \$'000	Total \$'000
			Less than 1 year \$'000	1 to 5 years \$'000	Over 5 years \$'000		
Financial Assets							
Cash and liquid assets	3.5%	298,862	-	-	-	-	298,862
Loans and receivables	10.0%	3,164,125	2,796,724	6,511,698	224,035	-	12,696,582
Hedge swaps		8,142,000	(3,104,000)	(5,038,000)	-	-	-
Other assets		-	-	-	-	21,049	21,049
Total financial assets		11,604,987	(307,276)	1,473,698	224,035	21,049	13,016,493
Financial Liabilities							
Banks & other financial institutions	3.7%	5,670,973	-	-	-	-	5,670,973
Loans from related company	3.1%	335,796	-	-	-	-	335,796
Commercial papers	3.1%	1,856,963	-	-	-	-	1,856,963
Medium term notes	3.6%	-	1,173,565	2,519,510	37,069	-	3,730,144
Cross currency swaps		1,216,515	(323,965)	(852,409)	(40,141)	-	-
Interest rate swaps	-	2,536,700	(830,400)	(1,706,300)	-	-	-
Other liabilities		-	-	-	-	305,351	305,351
Total financial liabilities		11,616,947	19,200	(39,199)	(3,072)	305,351	11,899,227
Net Financial Assets		(11,960)	(326,476)	1,512,897	227,107	(284,302)	1,117,266

(iii) Value at risk

The consolidated entity applies a 'value at risk' methodology (VAR) to its portfolio, to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The consolidated entity's shareholder sets limits on the value of risk that may be accepted.

VAR is a statistically based estimate of the potential losses on the current portfolio from adverse market movements. It expresses the 'maximum' amount the consolidated entity may lose, but only to a certain level of confidence (95%). The VAR model assumes a certain 'holding period' until positions can be closed (30 days). It also assumes that market moves occurring over this holding period will follow a similar pattern to those that have occurred over a 1 year (365 day) period in the past. The consolidated entity's assessment of past movements is based on daily market data for the past 1 year. The consolidated entity applies these historical changes in rates directly to its current positions – a deterministic method called parametric VAR.

The use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

The following table summarises the consolidated entity's value at risk as a percentage of equity.

	12 months to 31 March 2014			12 months to 31 March 2013		
	Average	High	Low	Average	High	Low
Interest rate risk	3.40	3.92	2.91	3.95	4.51	3.53

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

27. Financial Risk Management (continued)

(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 in lending activities that lead to loans and receivables, and treasury funding activities such as cash and cash equivalents, deposits with banks and financial institutions and derivative financial instruments.

(i) Loans and receivables

The consolidated entity's loans and receivables portfolio is 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 from small business to fleet business consisting of medium to large commercial clients and government bodies. It also includes novated leasing customers.

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

- In the case of term purchase and finance lease products, title of the leased vehicle is retained until final settlement under the terms of the agreement;
- Charges over vehicles or real estate property in the case of loan products.

Repossessed vehicles are sold using various channels as soon as practicable, with the proceeds used to reduce the outstanding indebtedness.

The following table shows the past due exposure on loans and receivables which includes unimpaired and impaired amounts.

	Consolidated 2014 \$'000	Consolidated 2013 \$'000
Retail past due exposure		
30 days and below	318,161	206,108
31-60 days	94,212	64,861
61-90 days	34,097	19,443
over 90 days	45,677	25,086
	<u>492,147</u>	<u>315,498</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

27. Financial Risk Management (continued)

(b) Credit risk (continued)

	Consolidated 2014 \$'000	Consolidated 2013 \$'000
Fleet past due exposure		
30 days and below	112,801	126,860
31-60 days	30,164	7,091
61-90 days	10,930	6,679
over 90 days	12,400	25,690
	<u>166,295</u>	<u>166,319</u>
Total past due exposure	<u>658,442</u>	<u>481,817</u>
Impaired loans and receivables:		
Retail	111,970	105,596
Fleet	35,295	36,403
Total impaired loans and receivables	<u>147,265</u>	<u>141,999</u>

Wholesale

The wholesale portfolio includes floor plan finance for new and used motor vehicles to approved motor vehicle dealers under either:

- Bailment facilities, where motor vehicles are bailed and in the possession for sale to a motor vehicle dealer by TFA who retains ownership of the motor vehicles until sold to a customer; or a
- Revolving Line of Credit, whereby motor vehicles held for resale by a motor vehicle dealer are secured by TFA under a General Security Agreement.

In addition to the floor plan facilities, the wholesale portfolio also represents loans for dealership properties and premises along with working capital loans with these loans typically secured by real estate mortgages and general security agreements.

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

The concentration of credit risk in relation to the two operating segments is reflected in the note 28.

(ii) Treasury funding activities

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

27. Financial Risk Management (continued)

(b) Credit risk (continued)

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

Rating	Consolidated 2014 %	Restated Consolidated 2013 %
AA-	40	39
A+	41	34
A-	7	10
A	12	17
	<u>100</u>	<u>100</u>

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

FY2013 has been restated due to misclassification between AA and AA- ratings.

(c) Liquidity risk

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

The liquidity management process carried out by Treasury includes:

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

The consolidated entity utilises the following financing arrangements to meet liquidity requirements and therefore manage liquidity risk. The table below illustrates the commercial paper, medium term notes and bank facilities to which the consolidated entity had access at the end of each reporting period.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

27. Financial Risk Management (continued)

(c) Liquidity risk (continued)

	Consolidated 2014 \$'000	Consolidated 2013 \$'000
Entities in the consolidated entity have access to commercial paper, medium term notes, bank loan facilities and related party loans:		
Total facilities	14,248,141	12,890,272
- amount of facilities used	9,275,992	8,808,166
- amount of facilities unused	4,972,149	4,082,106

Bank overdraft

The bank overdraft is an unsecured \$4 million (2013: \$4 million) facility. Interest is charged at prevailing market rates. Bank overdraft is payable on demand and subject to annual review.

Money Market facilities

The company has access to both \$0.95 billion committed and \$0.66 billion uncommitted money market facilities totalling \$1.61 billion (2013: \$1.43 billion) provided by various financial institutions.

Uncommitted facilities

Financial institutions providing uncommitted money market facilities are not obligated to extend funds to the company. Funds extended under the terms of uncommitted facilities may be recalled by the financial institution on demand.

Committed facilities

Committed money market facilities may be utilised on demand where the terms of the facility agreement are satisfied. Financial institutions may recall funds only on maturity of the instrument issued under the terms of the committed facility.

Interest on money market facilities is charged at prevailing rates. The weighted average interest rate as at 31 March 2014 is nil% (2013: nil%) as no draw down is made in this facility.

All money market facilities are subject to annual review.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

27. Financial Risk Management (continued)

(c) Liquidity risk (continued)

Medium term note and commercial paper programs

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 \$10.4 billion (2013: \$9.0 billion). Subject to meeting conditions prescribed in the program documentation, the company can issue commercial paper and medium term notes to purchasers at any time.

Medium term notes and commercial paper are issued at prevailing market rates. The weighted average interest rate after swap as at 31 March 2014 for medium term notes is 3.3% (2013: 3.6%) and for commercial paper is 2.6% (2013: 3.1%).

Credit support agreement

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

Securities with respect to which a Trustee is appointed

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

Securities with respect to which a Trustee is not appointed

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

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

The directors are not aware of any instances of 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

27. Financial Risk Management (continued)

(c) Liquidity risk (continued)

The table below presents the consolidated entity's financial liabilities, net and gross settled derivative financial instruments into relevant maturity groupings based on the remaining period at reporting date to the contractual maturity. The amounts disclosed in the table are the contractual undiscounted cash flows. For interest rate swaps the cash flows have been estimated using the forward interest rates applicable at the end of each reporting period.

31 March 2014	<1 Month \$'000	1-3 Months \$'000	3-12 Months \$'000	1-5 Years \$'000	Over 5 Years \$'000	Total \$'000
Non-derivatives						
Banks & other financial institutions	13,923	575,087	1,658,040	4,570,646	-	6,817,696
Bonds & commercial paper	988,954	1,194,687	1,433,272	2,812,222	-	6,429,135
Other liabilities	172,134	24,179	56,716	69,019	-	322,048
Total non derivatives	1,175,011	1,793,953	3,148,028	7,451,887	-	13,568,879
Derivatives						
Forward Foreign Exchange Contracts						
- bought currency	(585,346)	(533,019)	-	-	-	(1,118,365)
- sold currency	605,228	548,128	-	-	-	1,153,356
Interest Rate Swaps	3,894	(3,990)	(13,007)	17,598	-	4,495
Cross Currency Swaps						
- Pay leg	7,028	56,858	424,959	2,592,690	-	3,081,535
- Receive leg	(662)	(47,905)	(401,649)	(2,603,816)	-	(3,054,032)
Total derivatives	30,142	20,072	10,303	6,472	-	66,989
Total	1,205,153	1,814,025	3,158,331	7,458,359	-	13,635,868

31 March 2013	<1 Month \$'000	1-3 Months \$'000	3-12 Months \$'000	1-5 Years \$'000	Over 5 Years \$'000	Total \$'000
Non-derivatives						
Banks & other financial institutions	16,851	719,604	1,728,359	4,117,529	-	6,582,343
Bonds & commercial paper	540,464	1,209,633	1,433,272	2,812,222	38,552	6,034,143
Other liabilities	96,682	33,376	101,976	75,201	-	307,235
Total non derivatives	653,997	1,962,613	3,263,607	7,004,952	38,552	12,923,721
Derivatives						
Forward Foreign Exchange Contracts						
- bought currency	(168,465)	(1,091,390)	(141,821)	-	-	(1,401,676)
- sold currency	175,708	1,152,453	148,213	-	-	1,476,374
Interest Rate Swaps	3,232	(1,798)	(15,567)	13,664	-	(469)
Cross Currency Swaps						
- Pay leg	3,996	161,378	666,666	1,712,458	41,005	2,585,503
- Receive leg	(126)	(127,308)	(607,865)	(1,557,409)	(38,552)	(2,331,260)
Total derivatives	14,345	93,335	49,626	168,713	2,453	328,472
Total	668,342	2,055,948	3,313,233	7,173,665	41,005	13,252,193

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

27. Financial Risk Management (continued)

(c) Liquidity risk (continued)

Securitisation

	Consolidated 2014 \$'000	Consolidated 2013 \$'000
Entities in the consolidated entity have access to securitisation facilities:		
Total facilities	4,350,000	4,000,000
- amount of facilities used	3,486,006	2,828,130
- amount of facilities unused	863,994	1,171,870

The company transfers specific term loans to consolidated special purpose entities in the form of a securitisation transaction. As at 31 March 2014 the consolidated special purpose entities issued \$2,956.3 million and \$529.7 million in senior and subordinated notes, respectively (2013: \$2,391.1m and \$437.0m respectively). The company provides a guarantee and indemnity on the subordinated notes.

(d) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The consolidated entity uses methods and makes assumptions that are based on market conditions existing at the end of the reporting period. Estimated discounted cash flows are used to determine fair value for financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the end of each reporting period.

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

	Consolidated		Consolidated	
	2014 Carrying Amount \$'000	2014 Fair Value \$'000	2013 Carrying Amount \$'000	2013 Fair Value \$'000
Financial Assets				
Loans and receivables	13,094,887	14,560,381	12,528,096	13,966,676
	<u>13,094,887</u>	<u>14,560,381</u>	<u>12,528,096</u>	<u>13,966,676</u>
Financial Liabilities				
Due to banks and other financial institutions	6,417,491	6,514,292	6,006,769	6,141,832
Bonds and commercial papers	6,297,074	6,413,105	5,587,106	5,679,878
	<u>12,714,565</u>	<u>12,927,397</u>	<u>11,593,875</u>	<u>11,821,710</u>

The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to their short term nature. The fair value of the loans and advances is estimated at portfolio level by discounting the contractual cash flows using current lending rate (level 3). The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments (level 2). The fair value of current borrowings approximates the carrying amount, as the impact of discounting is not significant.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

27. Financial Risk Management (continued)

(e) Fair value hierarchy

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data

The consolidated entity's financial instruments that are measured and recognised at fair value are derivative assets and derivative liabilities used for hedging (i.e., interest rate swaps, cross currency swaps and forward exchange contracts).

The following table presents the consolidated entity's financial asset and liabilities measured at fair value at 31 March 2014 and 31 March 2013.

At 31 March 2014	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total Balance \$'000
Derivative financial assets through profit or loss				
Derivative used for economic hedging	-	129,785	-	129,785
Derivative financial liabilities through profit or loss				
Derivative used for economic hedging	-	170,699	-	170,699
At 31 March 2013	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total Balance \$'000
Derivative financial assets through profit or loss				
Derivative used for economic hedging	-	48,835	-	48,835
Derivative financial liabilities through profit or loss				
Derivative used for economic hedging	-	366,046	-	366,046

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

28. Segment Reporting

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

	Retail		Fleet		Consolidated	
	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue						
Segment revenue from external customers	681,291	663,572	208,472	200,926	889,763	864,498
Total revenue					889,763	864,498
Result						
Segment result	182,079	152,156	70,768	55,883	252,847	208,039
Share of net profit of equity accounted investments					9,741	7,038
Unallocated net expenses					(47,318)	(73,569)
Profit before income tax					215,270	141,508
Income tax expense					(61,044)	(39,906)
Profit attributable to owners of the parent					154,226	101,602
Net profit arrived at after charging the following items:						
- Depreciation	1,538	1,249	3,583	1,859	5,121	3,108
- Amortisation	3,646	3,028	7,587	7,000	11,233	10,028
- Impairment of loans and advances	45,843	45,657	3,817	13,677	49,660	59,334
- Other non-cash expenses	53,001	47,993	-	-	53,001	47,993

	Retail		Fleet		Consolidated	
	2014	2013	2014	2013	2014	2013
	\$000	\$000	\$000	\$000	\$000	\$000
Assets						
Segment assets	10,721,346	10,171,824	2,566,016	2,542,357	13,287,362	12,714,181
Equity accounted investments					66,038	52,569
Unallocated assets					743,648	255,822
Total assets					14,097,048	13,022,572
Liabilities						
Segment liabilities	10,259,301	9,275,666	2,455,432	2,318,370	12,714,733	11,594,036
Unallocated liabilities					492,579	673,120
Total liabilities					13,207,312	12,267,156
Acquisitions of non-current assets	11,059	17,154	16,004	2,443	27,063	19,597
Unallocated					8,872	-
Total acquisitions of non-current assets					35,935	19,597

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

29. Subsequent events

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

30. Financial Guarantee

In relation to the securitisation of term receivables, the company has provided a financial guarantee in respect of the subordinated notes issued by each special purpose vehicle. The financial guarantees are unsecured.

Exposure to a loss in the event of non-performance by a special purpose vehicle is limited to amounts payable under the subordinated notes and the governing facility agreement.

No provision was recognised by the company on the financial guarantees as at the end of the reporting period as the likelihood of a claim under a guarantee is remote.

31. Contingent liabilities

The company, as a member of the Toyota Motor Corporation Australia Limited GST Group (GST Group), is jointly and severally liable for 100% of the goods and services tax (GST) payable by the GST Group. The GST Group had a net GST payable as at 31 March 2014 of \$49.3 million (31 March 2013: \$42.3 million).

The company, in association with other Australian incorporated entities with a common owner, implemented the income tax consolidation legislation from 1 April 2003 with Toyota Motor Corporation Australia Limited as the Head Entity. Under the income tax consolidation legislation, income tax consolidation entities are jointly and severally liable for the income tax liability of the consolidated income tax group unless an income tax sharing agreement has been entered into by member entities. At the date of signing this financial report an income tax sharing agreement has been executed. The directors believe the assets of the Head Entity are sufficient to meet the income tax liabilities as they fall due.

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

A fully maintained operating lease is offered under the company's current portfolio of products. Fully maintained operating leases require the company to provide agreed services at the company's expense. Monthly rental includes a pre-determined charge for such services. The actual cost of such services is expensed periodically during the term of the leases and recognised in the income statement in reference to the stage of completion method.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

32. Parent entity financial information

(a) Financial information

TOYOTA FINANCE AUSTRALIA LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2014

	Parent 2014 \$'000	Parent 2013 \$'000
Assets		
Cash and cash equivalents	676,353	298,863
Loans and receivables	13,094,887	12,528,096
Derivative financial instruments	129,785	48,835
Investments in associates	4,284	4,284
Intangible assets	43,429	36,433
Property, plant and equipment	18,259	10,372
Deferred tax assets	27,927	26,356
Other assets	74,875	69,274
Total Assets	14,069,799	13,022,513
Liabilities		
Due to banks and other financial institutions	2,714,811	2,842,844
Bonds and commercial paper	6,297,074	5,587,106
Related party liabilities	3,737,186	3,212,555
Derivative financial instruments	151,834	309,219
Other liabilities	322,198	306,885
Total Liabilities	13,223,103	12,258,609
Net Assets	846,696	763,904
Equity		
Contributed equity	120,000	120,000
Retained earnings	726,696	643,904
Total Equity	846,696	763,904

As at 31 March 2014, current assets and current liabilities amounted to \$6,044,999,000 and \$4,861,036,000 respectively (2013 : \$5,542,685,000 and 5,692,622,000 respectively).

TOYOTA FINANCE AUSTRALIA LIMITED AND CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

32. Parent entity financial information (continued)

(a) Financial information

TOYOTA FINANCE AUSTRALIA LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2014

	Parent 2014 \$'000	Parent 2013 \$'000
Interest and similar revenue	858,576	841,680
Interest expense and similar charges	<u>(697,487)</u>	<u>(598,622)</u>
Net financing income	161,089	243,058
Other income	<u>192,824</u>	<u>157,692</u>
Net operating income	353,913	400,750
Bad and doubtful debts expense	(42,987)	(53,664)
Employee benefits expense	(76,726)	(68,442)
Depreciation, amortisation and impairment expense	(18,075)	(13,136)
IT and communication expense	(9,461)	(8,418)
Sales and marketing expense	(10,705)	(9,182)
Occupancy	(5,992)	(5,482)
Other expenses	<u>(16,736)</u>	<u>(16,005)</u>
Profit before income tax	173,231	226,421
Income tax expense	<u>(61,044)</u>	<u>(39,906)</u>
Profit after income tax	<u>112,187</u>	<u>186,515</u>

FY2013 was restated to adjust for the dividends provided for or paid previously included in the profit for the period balance.

(b) Guarantees entered into by the parent entity

Refer to Note 30 - Financial guarantee

(c) Contingent liabilities of the parent entity

Refer to Note 31 - Contingent liabilities

(d) Contractual commitments by the parent entity

Refer to Note 24 - Capital commitments

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

33. Deed of cross guarantee

Toyota Finance Australia Limited and TFA (Wholesale) Pty Limited are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and a directors' report under Class Order 98/1418 (as amended by Class Order 98/2017, 00/0321, 01/1087, 02/0248 and 02/1017) issued by the Australian Securities and Investments Commission.

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

The consolidated financial statements cover the entities which are parties to the deed of cross guarantee. Consequently, the consolidated financial statements reflect the consolidated statement of comprehensive income and consolidated balance sheet, comprising the company and the controlled entities which are a party to the Deed, after eliminating all transactions between the parties to the Deed of Cross Guarantee, at 31 March 2014.

34. Offsetting financial assets and financial liabilities

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

The following table presents the recognised financial instruments that are offset, or subject to enforceable master netting arrangements but not offset, as at 31 March 2014 and 31 March 2013. The column 'net amount' shows the impact on the consolidated entity's statement of financial position if set-off rights were exercised.

TOYOTA FINANCE AUSTRALIA LIMITED AND CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

34. Offsetting financial assets and financial liabilities (continued)

	Effects of offsetting on the statement of financial position			Related amounts not offset	
	Gross amounts \$'000	Gross amounts set- off in the statement of financial position \$'000	Net amounts presented in the statement of financial position \$'000	Amounts subject to master netting arrangements \$'000	Net amount \$'000
2014					
Financial assets					
Cash and cash equivalents (b)	676,353	-	676,353	(350,000)	326,353
Loans and receivables (a.i.)	13,128,589	(33,702)	13,094,887	-	13,094,887
Derivative financial instruments (b)	129,785	-	129,785	(78,310)	51,475
Other assets (a.ii)	54,869	(14,499)	40,370	-	40,370
Total	13,989,596	(48,201)	13,941,395	(428,310)	13,513,085
Financial liabilities					
Due to banks & other FI (b)	6,417,491	-	6,417,491	(1,400,000)	5,017,491
Derivative financial instruments (b)	170,699	-	170,699	(88,308)	82,391
Other liabilities (a.i., a.ii)	370,249	(48,201)	322,048	-	322,048
Total	6,958,439	(48,201)	6,910,238	(1,488,308)	5,421,930
2013					
Financial assets					
Cash and cash equivalents (b)	298,863	-	298,863	(280,000)	18,863
Loans and receivables (a.i.)	12,558,685	(30,589)	12,528,096	-	12,528,096
Derivative financial instruments (b)	48,835	-	48,835	(21,400)	27,435
Other assets (a.ii)	39,098	(18,049)	21,049	-	21,049
Total	12,945,481	(48,638)	12,896,843	(301,400)	12,595,443
Financial liabilities					
Due to banks & other FI (b)	6,006,769	-	6,006,769	(1,690,000)	4,316,769
Derivative financial instruments (b)	366,046	-	366,046	(205,715)	160,331
Other liabilities (a.i., a.ii)	355,873	(48,638)	307,235	-	307,235
Total	6,728,688	(48,638)	6,680,050	(1,895,715)	4,784,335

(a) Offsetting arrangements

(i) Bailment receivables

An offset facility is extended to dealerships where dealer's surplus funds are accepted by Toyota Finance Australia Limited for purposes of reducing bailment charges by offsetting the interest accrued on the offset account against the bailment charges. The bailment receivables are presented net of the offset account in the statement of financial position.

(ii) 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 net amounts are settled and presented net in the statement of financial position.

(b) Master netting arrangements – not currently enforceable

Derivative transactions with counterparties are covered by ISDA agreements. Under the terms of these arrangements, only upon an event of default or ratings downgrade to a certain level, the net position owing/receivable to a select counterparty in the same currency will be taken as owing and all the relevant arrangements terminated. As the consolidated entity does not presently have a legally enforceable right of set-off, these amounts have not been offset in the statement of financial position, but have been presented separately in the table above.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

DIRECTORS' DECLARATION

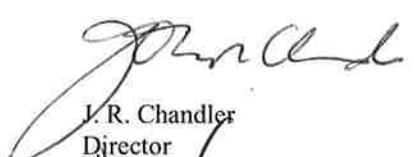
In the directors' opinion:

- (a) the financial statements and notes set out on pages 6 to 54 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 2014 and of its performance for the year ended on that date; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 33 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 33.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

For and on behalf of the Board



J. R. Chandler
Director



D. Mills
Director

SYDNEY
30 JUNE 2014



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

Report on the financial report

We have audited the accompanying financial report of Toyota Finance Australia Limited (the company), which comprises the statement of financial position as at 31 March 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Toyota Finance Australia Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility 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 is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.



Auditor's opinion

In our opinion:

- (a) the financial report of Toyota Finance Australia Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 March 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

A handwritten signature in dark ink, appearing to read "PwC", written over the printed name "PricewaterhouseCoopers".

PricewaterhouseCoopers

A handwritten signature in dark ink, appearing to read "J W Bennett", written over the printed name "J W Bennett".

J W Bennett
Partner

Sydney
30 June 2014