

31 July 2009

## Toyota Finance Australia Limited

TFA presents its annual financial report for the financial year ended 31 March 2009. It was incorporated as a public company limited by shares in New South Wales, Australia on 18 June, 1982, operates under the Corporations Act 2001 of Australia and is a wholly-owned subsidiary of Toyota Financial Services Corporation ("TFSC"), a Japanese corporation which is a wholly owned subsidiary of Toyota Motor Corporation ("TMC"), a Japanese corporation.

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

### 1. Management Report

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

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

*References herein to "fiscal 2009" denote the year ended March 31, 2009 and references herein to "fiscal 2008" denote the year ended March 31, 2008.*

#### *Profit from ordinary activities*

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

The following table summarises the Group's profit before income tax by operating segment for the financial years ended 31 March 2009 and 31 March 2008.

	12 Months Ended 31 March	
	2009	2008
	(A\$ in Thousands)	
Revenue		
- Retail finance <sup>(1)</sup>	427,293	357,352
- Wholesale finance <sup>(2)</sup>	116,557	99,640
Total revenue	543,850	456,992
Profit before income tax		
- Retail finance <sup>(1)</sup>	59,519	74,860 <sup>(4)</sup>
- Wholesale finance <sup>(2)</sup>	11,066	14,628 <sup>(4)</sup>
Share of net profit of equity accounted investments	2,564	5,225
Unallocated corporate net (expense)/benefit <sup>(3)</sup>	(34,352)	(3,852) <sup>(4)</sup>
<b>Profit before income tax</b>	<b>38,797</b>	<b>90,861</b>

Income tax Expense	(11,289)	(26,334)
<b>Total Profit after income tax</b>	<b>27,508</b>	<b>64,527</b>

#### Note

1. Retail finance comprises loans and leases to personal and business customers;
2. Wholesale finance comprises loans and bailment facilities to motor vehicle dealers;
3. Unallocated corporate net benefit/(expenses) comprise those revenues/expenses which cannot be allocated to either retail or wholesale finance on a reasonable basis.
4. A change in the segment allocation method was made in the financial information for the year ended 31 March 2009. In line with this, the figures for the year ended 31 March 2008 were adjusted to be consistent and comparable with the financial information for the year ended 31 March 2009.

Retail finance revenue grew by 19.6% in fiscal 2009 compared to fiscal 2008. This reflects growth in retail loans and advances with new business written at higher portfolio yields.

Retail finance profit before tax decreased by 20.5% in fiscal 2009 compared to fiscal 2008. Retail finance profit before tax for fiscal 2009 was affected by the following factors: (i) growth in average earning assets in conjunction with an expanding finance margin; (ii) higher fee income generated primarily from growth in loans and advances; offset by (iii) deterioration in the recovery of residual values on the sale of motor vehicles under operating lease reflecting weakness in the secondary motor vehicle market; (iv) increased loans and advances net write-offs; (v) higher bad and doubtful debts expense arising from increases in retail provision and residual value provision requirements; and (vi) impairment losses in connection with the write-down of certain capitalised computer software.

Wholesale revenue grew by 17.0% in fiscal 2009 compared to fiscal 2008. The growth in wholesale revenue relative to the comparative period is consistent with both an increase in the average monthly outstanding wholesale loans and advances; and an increase in portfolio yield.

Wholesale finance profit before tax decreased by 24.4% in fiscal 2009 compared to fiscal 2008. The decrease in wholesale finance profit before tax for fiscal 2009 is attributable to (i) growth in average earning assets in conjunction with an expanding finance margin; offset by (ii) increased loans and advances write-offs relating to three motor vehicle dealerships.

Unallocated corporate net expense is \$34.4 million in fiscal 2009 compared to corporate net expense of \$3.9 million in fiscal 2008. The increase in corporate expenses by \$30.5 million is mainly attributable to a movement of \$28.2 million in other borrowing expenses from a net gain of \$23.0 million in fiscal 2008 to a loss of \$5.2 million in fiscal 2009 (see "*Other borrowing (revenue)/costs*" below for further commentary). Unallocated corporate net expense excluding the impact of other borrowing expenses resulted in a net increase in expenses of \$2.3 million. This was primarily due to a general increase in administration expenses.

#### *Loans and Advances*

	31 March 2009	31 March 2008
	(A\$ in Thousands)	
Bailment stock	1,034,282	1,043,156
Motor vehicles under operating lease	498,568	335,559
Term loans	5,116,550	4,465,190
Finance leases	744,807	657,073
<b>Gross loans and advances</b>	<b>7,394,207</b>	<b>6,500,978</b>
Accumulated depreciation on motor vehicles	(108,491)	(83,301)

Unearned income	(779,033)	(685,431)
<b>Net loans and advances (net of unearned income)</b>	<b>6,506,683</b>	<b>5,732,246</b>
Provision for impairment of loans and advances	(66,819)	(53,247)
<b>Net loans and advances</b>	<b>6,439,864</b>	<b>5,678,999</b>

Overall there was growth of 13.4% in net loans and advances in fiscal 2009 compared to fiscal 2008. This is a reflection of (i) the Group's capacity to lend to both retail and fleet customers throughout the year while the motor vehicle finance industry was undergoing significant structure change; and (ii) the Group winning motor vehicle dealership wholesale business in response to a number of competitors exiting the motor vehicle finance industry. There were increases in lending in all areas – consumer lending, commercial lending and wholesale lending – although bailment stock tempered growth with a decline as at 31 March 2009 relative to 31 March 2008.

Bailment stock, comprising motor vehicles financed by the Group on behalf of dealerships, decreased by 0.85% in fiscal 2009 compared to fiscal 2008. The number of dealerships serviced by the Group has increased during fiscal 2009. Bailment stock levels however are consistent with fiscal 2008 reflecting motor vehicle dealerships response to softening Australian motor vehicles sales by carrying lower floorplan. The Group continues to focus on maintaining strong relationships with its dealers. The bailment stock balance can be volatile as it is influenced by such factors as the timing of the importation of new vehicles into the country and hence delivery to dealership car yards, changes in the product mix of vehicles towards smaller, fuel efficient, lower value models', and run-off of older models' in anticipation of a new model, as well as seasonality and economic conditions.

Motor vehicles under operating lease increased by 48.6% on a gross basis in fiscal 2009 compared to fiscal 2008. On a net of accumulated depreciation basis, the balance likewise increased by 54.6% in fiscal 2009 compared to fiscal 2008. The increase reflects Toyota Fleet Management's focus on expanding its business through the acquisition of new customers.

Term Loans increased by 14.6% in fiscal 2009 compared to fiscal 2008. This is primarily due to strong growth in consumer and commercial lending over the period. There was similar growth in unearned income of 13.7% over the equivalent period. Unearned income has also been impacted by higher portfolio yields.

Finance leases increased by 13.4% in fiscal 2009 compared to fiscal 2008. This increase is primarily being driven through the fleet business' focus on finance lease products. The fleet business has acquired a number of new customers during fiscal 2009 resulting in growth of fleet lease products.

Provisions for impairment increased as a percentage of net loans and advances (net of unearned income) in fiscal 2009 compared to fiscal 2008 (see "*Impairment of Loans and Advances*" below for further commentary).

A maturity analysis of net loans and advances (net of unearned income) follows.

	31 March 2009	31 March 2008
	(A\$ in Thousands)	
At call	1,105,813	1,103,495
Not longer than 3 months	427,708	377,535
Longer than 3 months and not longer than 12 months	1,213,708	1,032,632
Longer than 1 year and not longer than 5 years	3,725,311	3,197,042
Longer than 5 years	34,143	21,542
<b>TOTAL</b>	<b>6,506,683</b>	<b>5,732,246</b>

The increase of 13.5% in the maturity analysis total in fiscal 2009 compared to fiscal 2008 has generally been reflected in the corresponding increase in the maturity bandings in fiscal 2009 compared to fiscal 2008.

*Net financing income*

	12 Months Ended 31 March	
	2009	2008
	(A\$ in Thousands)	
Interest and similar revenue	536,286	446,723 <sup>(1)</sup>
Interest expense and similar charges	(389,504)	(315,511)
<b>Net financing income</b>	<b>146,782</b>	<b>131,212 <sup>(1)</sup></b>

**Note**

1. A change in classification was made in one of the income accounts from "interest & similar income" to "other income" for the year ended 31 March 2009. In line with this, these figures for the year ended 31 March 2008 were adjusted to be consistent and comparable with the financial information for the year ended 31 March 2009.

The following table shows the average balance of each of the Group's major categories of interest-bearing assets and liabilities, the amounts of interest revenue or expense and the average interest rate. Daily averages have been used, as they are representative of the Group's operations during the relevant period.



12 Months  
Ended 31 March

	2009			2008		
	Average Balance (A\$ in Thousands)	Interest (A\$ in Thousands)	Average Rate (%)	Average Balance (A\$ in Thousands)	Interest (A\$ in Thousands)	Average Rate (%)
<b>Interest and similar revenue</b>						
Deposits with other financial institutions	251,174	11,483	4.6	68,736	4,059	5.9
Lease Income	930,063	83,077	8.9	776,558	64,702 <sup>(1)</sup>	8.3 <sup>(1)</sup>
Other Loans and Advances	5,272,982	472,385	9.0	4,582,725	402,445	8.8
Total interest revenue		566,945			471,206 <sup>(1)</sup>	
Fee income		35,047			33,202	
Fee expense		(65,706)			(57,685)	
Total interest and similar revenue		536,286			446,723 <sup>(1)</sup>	
<b>Interest expense and similar charges</b>						
Due to other financial institutions	95,851	5,390	5.6	69,920	4,246	6.1
Bonds and commercial papers	5,720,800	378,158	6.6	4,766,220	307,178	6.4
Borrowings from parent entity	475,827	359	4.3	-	-	0.0
Transaction costs		5,597		-	4,087	
Total expense and similar charges		389,504			315,511	

**Note**

1. A change in classification was made in one of the income accounts from "interest & similar income" to "other income" for the year ended 31 March 2009. In line with this, these figures for the year ended 31 March 2008 were adjusted to be consistent and comparable with the financial information for the year ended 31 March 2009.

Interest revenue increased by 20.3% in fiscal 2009 compared to fiscal 2008. This is influenced by the 11.4% growth in average loans and advances balances over the same period and also is a reflection of new business written at higher portfolio yields.

The Group's fee and commission income has increased by 5.6% in fiscal 2009 compared to fiscal 2008. This is due to growth in the loans and advances portfolio and efforts made to widen the customer fee paying base.

Fee and commission expense increase by 13.9% in fiscal 2009 compared to fiscal 2008, primarily due to growth in the average loans and advances portfolio over the same period.

Interest expense and similar charges (excluding transaction costs) increased by 23.3% in fiscal 2009 compared to fiscal 2008, primarily due to the following two factors, (i) an increase in average borrowing balances over the same period of 30.1% to fund the growth in loans and advances, and (ii) a rising interest rate environment in the first-half of the year. The Group uses derivative contracts as part of its interest rate risk management program.

## Expenses

	12 Months Ended 31 March	
	2009	2008
	(A\$ in Thousands)	
Employee benefits expense	39,007	37,218
Other expenses		
- Rental expense relating to operating leases	3,734	3,504
- Net loss/(gain) on disposal of leased and fixed assets	635	(3,643)
Impairment losses		
- Computer software development	6,617	-

Employee benefits expenses records the payroll expense of permanent and temporary staff along with the associated on costs such as pension costs, taxes, recruitment costs and training costs. The increase of 4.8% in fiscal 2009 compared to fiscal 2008 reflects an increase in payroll cost driven by pay increases, increased headcount throughout fiscal 2009 and other related costs.

Rental expense relating to operating lease records property rental expenses under non-cancellable operating leases. Rental expense increased by 6.6% in fiscal 2009 compared to fiscal 2008 reflecting market rental reviews during fiscal 2009.

The sale of assets has resulted in a net loss of \$0.6 million during fiscal 2009 from a gain of \$3.6 million in 2008. The Group managed to sell vehicles at higher prices in the first quarter of fiscal 2009 through heavy advertising programs and disposals of units with lower kilometerage. The secondary motor vehicle market during the remainder of fiscal 2009 was volatile reflecting variable dealer and consumer demand and product preferences.

### Other borrowing (revenue)/costs

	12 Months Ended 31 March	
	2009	2008
	(A\$ in Thousands)	
Other borrowing cost/(revenue)	5,223	(22,956)

This balance represents the unrealised fair value movement in derivatives outstanding, net of foreign currency gains/losses arising on translation of foreign currency loans, bonds and commercial paper for the period to balance date. Realised fair value movements in financial derivatives, in the form of actual cash settlements of interest coupons and accrued interest, are recorded in interest expense and similar charges.

The net unrealised fair value (gain)/loss is a reflection of the movement in interest rates, foreign exchange rates and the future cash flow profile of outstanding derivatives. The current year cost reflects unfavourable movement in these factors during fiscal 2009. Reference should be made to the Group's Financial Report regarding management's objectives and policies governing the use of

financial derivatives. Changes in fair value of derivatives to the extent that they are not offset by the translation of the items economically hedged may introduce volatility in the Group's profitability and produce anomalous results.

#### *Impairment of Loans and Advances*

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

	As at	
	31 March 2009	31 March 2008
	(A\$ in Thousands)	
<b>Provision for impairment of loans and advances</b>		
Opening balance	53,247	55,559
Bad debts written off	(26,392)	(15,124)
Charged to profit and loss	39,964	12,812
Closing balance	<u>66,819</u>	<u>53,247</u>

	12 months	
	Ended 31 March	
	2009	2008
	(A\$ in Thousands)	
<b>Bad and doubtful debts expense</b>		
Recovery of bad debts written off	(3,086)	(2,664)
Charge to profit and loss	39,964	12,812
Total bad and doubtful debts expense	<u>36,878</u>	<u>10,148</u>

Provisions for impairment of loans and advances are established when there is objective evidence that the Group is unlikely to collect all amounts due under the original terms of the contract and are considered adequate to cover expected credit losses as of 31 March 2009.

The total provision for impairment of loans and advances as at 31 March 2009 is \$66.8 million or 1.03% of net loans and advances before provisions compared to \$53.2 million or 0.93% of net loans and advances before provisions at 31 March 2008. The provision as a percentage of receivables has increased compared to the prior year. The increase in provision for impairment of loans and advances as a percentage of net loans and advances before provisions is a reflection of the impact that the global credit crisis has had on the Group's retail customer base and wholesale dealerships. The Group has been proactive in managing this issue, developing and implementing strategies to minimise the impact on its customer base and the Group's profitability.

The increase in bad and doubtful debt expense is attributable to (i) a general increase in net write-offs of consumer and commercial loans and loans to motor vehicle dealerships; and (ii) a growing loans and advances portfolio.

## *Cashflows*

### Abridged Statement of Cashflows

	12 Months Ended 31 March	
	2009	2008
	(A\$ in Thousands)	
Net cash outflow from lending and other operating activities	(937,615)	(538,657)
Interest received	565,779	473,560
Net income taxes paid	(13,037)	(22,066)
Interest paid	(378,624)	(299,075)
Net cash outflow from operating activities	(763,497)	(386,238)
Net cash outflow from investing activities	(12,230)	(3,239)
Net cash inflow from financing activities	1,886,922	394,317
Net (decrease)/increase in cash held	1,111,195	4,840

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

In fiscal 2009 an inflow of funds of \$1,886.9 million and a net interest inflow of \$187.2 million were used to finance increased lending of \$937.6 million. There was a \$1,111.2 million increase in the Group's net cash position during the year.

In fiscal 2008 an inflow of funds of \$394.3 million and a net interest inflow of \$174.5 million were used to finance increased lending of \$538.7 million. There was a \$4.8 million improvement in the Group's net cash position during the year.

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

### *Derivatives and Hedging Activities*

The consolidated entity's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise 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.

Risk management is carried out by various committees and departments based on charters or policies approved by senior management.

### *Asset and Liability Committee*

An Asset and Liability Committee, convened monthly, 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 financial intermediaries, and liquidity risk.

#### *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 foreign exchange contracts to hedge the foreign currency risk arising on the issue of commercial paper in foreign currencies; and
- Cross currency swaps to manage the foreign currency and interest rate risk associated with foreign currency denominated medium term notes and foreign currency denominated loans.

The consolidated entity's exposure to foreign currency risk at the reporting date is immaterial.

#### *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 manage its exposure to cash flow 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 advances 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 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 principle amounts. Under the cross currency swaps, the consolidated entity agrees with other parties to exchange, at specified intervals, foreign currency principle and fixed rate interest amounts, and functional currency principle and floating rate interest amounts calculated with reference to the agreed functional currency principle amount.

The consolidated entity's policy is to maintain 100% of its debt exposure in functional currency at floating rate (generally quarterly BBSW), 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 advances funded at floating rate (generally quarterly BBSW), using interest rate swaps to achieve this when necessary.

The following table details the Group's exposure to interest rate risk as at 31 March 2009 and 31 March 2008.

31 March 2009	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)		
<b>Financial Assets</b>						
Cash and liquid assets	4.6%	1,122,251	-	-	-	1,122,251
Loans and advances	7.7%	1,105,813	1,926,384	4,362,010	-	7,394,207
Total financial assets		2,228,064	1,926,384	4,362,010	-	8,516,458
<b>Financial Liabilities</b>						
Other liabilities	-	-	-	-	235,121	235,121
Bank overdrafts	4.6%	952,241	-	-	-	952,241
Commercial paper	3.8%	1,293,030	-	-	-	1,293,030
Medium term notes	3.3%	159,248	2,536,099	1,790,315	130,211	4,615,873
Employee entitlements	-	-	-	-	4,050	4,050
Interest rate swaps	-	247,486	(661,181)	506,690	(92,995)	-
Total financial liabilities		2,652,005	1,874,918	2,297,005	276,387	7,100,315
<b>Net financial assets</b>		(432,941)	51,466	2,065,005	(276,387)	1,416,143

31 March 2008	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)		
<b>Financial Assets</b>						
Cash and liquid assets	5.9%	11,056	-	-	-	11,056
Loans and advances	8.5%	1,103,495	1,657,857	3,739,626	-	6,500,978
Total financial assets		1,114,551	1,657,857	3,739,626	-	6,512,034
<b>Financial Liabilities</b>						
Other liabilities	-	-	-	-	221,111	221,111
Bank overdrafts	7.4%	-	18,000	-	-	18,000
Commercial paper	7.4%	664,503	-	-	-	664,503
Medium term notes	7.5%	4,999	898,433	3,349,221	-	4,252,653
Employee entitlements	-	-	-	-	3,761	3,761
Interest rate swaps	-	1,371,883	335,298	(1,707,181)	-	-

Total financial liabilities	2,041,385	1,251,731	1,642,040	224,872	5,160,028
Net financial assets	(926,834)	406,126	2,097,586	(224,872)	1,352,006

### *Credit Risk*

The consolidated entity's Treasury 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 master netting agreements in place with all derivative counterparties.

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

Rating	Consolidated 2009 %	Consolidated 2008 %
AAA	18	34
AA+	-	4
AA	23	21
AA-	35	27
A+	20	6
A-	-	4
A	4	4
	100	100

The Group does not currently anticipate non-performance by any of its counterparties and has no reserves related to non-performance as of 31 March 2009. The Group has not experienced any counterparty default during the 12 months ended 31 March 2009.

### **Liquidity and Capital Resources**

The Group requires, in the normal course of business, substantial funding to support the level of its earning assets. Significant reliance is placed upon the Group's ability to obtain debt funding in the capital markets in addition to funding provided by earning asset liquidations and cash provided by operating activities. Debt issuances have generally been in the form of domestic commercial paper, euro commercial paper, domestic medium term notes and euro medium term notes.

#### *Commercial Paper*

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

Domestic commercial paper issued by TFA and outstanding ranged from approximately A\$261 million to A\$600 million during the year ended 31 March 2009, with an average outstanding balance of approximately A\$462 million.

Euro commercial paper issued by TFA and outstanding ranged from the equivalent of approximately A\$197 million to the equivalent of approximately A\$1,315 million during the year ended 31 March 2009, with an average outstanding balance of the equivalent of approximately A\$608 million.

### *Medium Term Notes*

Long term funding requirements are met through the issuance of a variety of debt instruments in both the Australian and international capital markets. Domestic and Euro medium term notes ("MTNs") have provided TFA with significant sources of funding in years prior to fiscal 2009. During the year ended 31 March 2009, TFA issued approximately A\$1,134 million of Euro MTNs all of which had original maturities of one month or more.

The original maturities of all MTNs outstanding at 31 March 2009 ranged from 11 months to 10 years. As of 31 March 2009, TFA had total MTNs outstanding of A\$4,616 million, of which A\$2,262 million was denominated in foreign currencies.

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

### *Back Up Liquidity*

For additional liquidity purposes, TFA maintains the following bank facilities: an overdraft facility, committed commercial paper back up facilities, committed banking facilities and uncommitted money market funding facilities which aggregated A\$1,080 million as at 31 March 2009. The average aggregate amount outstanding under these facilities during the year ended 31 March 2009 was approximately A\$94 million.

Other funding sources used by the Group during the year ended 31 March 2009 were an 11 month JPY30 billion intra-Group loan and a three year JPY35 billion bilateral bank loan on which the relevant bank obtained loan insurance from Nippon Export and Investment Insurance.

### *Credit Ratings*

The cost and availability of unsecured financing is influenced by credit ratings, which are intended to be an indicator of the creditworthiness of a particular company, security or obligation. Lower ratings generally result in higher borrowing costs as well as reduced access to capital markets. Credit ratings are not recommendations to buy, sell or hold securities and are subject to revision or withdrawal at any time by the assigning rating agency. Each rating agency may have different criteria for evaluating risk, and therefore ratings should be evaluated independently for each agency. Please refer to "*Part B Risks and Uncertainties facing the Group - Controlling Shareholder*" below for details of TFA's credit ratings as at 31 March 2009.

### **Contractual Obligations and Credit Related Commitments**

The Group has certain obligations to make future payments under contracts and credit-related financial instruments and commitments. Aggregate contractual obligations and credit-related commitments in existence at 31 March 2009 are summarised as follows:



	Commitments expiring within the following periods		
	Not longer than 1 year	Longer than 1 year and not longer than 5 years	Longer than 5 years
		(A\$ in Millions)	
Contractual Obligations:			
Premises occupied under lease	3.3	12.8	1.5
Total debt	4,394.0	2,336.9	130.2
TOTAL	4,397.3	2,349.7	131.7

TFA has previously provided guarantees to third parties on behalf of dealers. There are no outstanding guarantees (2008: A\$764,000).

TFA, as a member of the Toyota Motor Company of Australia Limited GST (goods and services tax) Group, is jointly and severally liable for 100% of the GST payable by the GST Group. The Toyota Motor Corporation Limited GST Group was entitled to a net GST refund as at 31 March 2009 (2008: A\$ 8,840,000 GST payable).

TFA, in association with other Australian incorporated entities with a common owner, implemented the tax consolidation legislation from 1 April 2003 with Toyota Motor Corporation Australia Limited ("TMCA") as the Head Entity. Under the tax consolidation legislation, tax consolidation entities are jointly and severally liable for the tax liability of the consolidated tax group unless a tax sharing agreement has been entered into by member entities. A tax sharing agreement has been executed. TFA believes the assets of the Head Entity are sufficient to meet the tax liabilities as they fall due.

TFA has been notified by the Australian Taxation Office of adjustments to its income tax returns relating to years prior to the implementation of the tax consolidation legislation. TFA expects that any cost or impost which arises in relation to this matter will be offset by an intercompany receivable.

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

The previous range of Toyota Extra Care warranty contracts, offered by TFA until August 2003 and now in run-off, provided an extended warranty to the customer in exchange for an upfront premium payment. Recognition of premium income has been spread over the warranty period to match the expected pattern of claims. A varying degree of risk has also been insured with a third party insurer. TFA considers the amount correctly deferred and the partial insurance of risk is sufficient to meet any claims which may eventuate.

A fully maintained operating lease is offered under the Group's current portfolio of products. Fully maintained operating leases require the company to provide agreed services at the Group'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 when incurred.

The Group has outstanding commitments to extend credit in the normal course of business. Outstanding credit commitments provided to customers which were undrawn as at the end of fiscal 2009 and 2008 are shown below.

	31 March 2009	31 March 2008
	(A\$ in Thousands)	
Term loans	74,230	28,828
Bailment stock	549,820	230,531
Fleet facilities	450,511	310,172
TOTAL	1,074,561	569,531

### *Employees*

At 31 March 2009, the Group had 369 adjusted full-time equivalent employees. Adjusted full-time equivalent employees includes staff on maternity leave, outbound secondments and 28 part time employees but does not include temporary or contractor staff.

The number of employees by business cost centre as of 31 March 2009 is as follows:

Location	Adjusted FTE Employees	Temporary Staff	Contractor Staff
Executive	22.5	-	-
Corporate Services	40	4.5	-
Business Services	101.5	8.5	21
Dealer Sales	104	7.5	-
Fleet Sales	58	4	1
Customer Direct Sales	29	2	2
Toyota Insurances Sales	14	-	-
Total	369	26.5	24

The average age of TFA's employees is 39 years. The average number of years of employment of TFA's employees is 4.9 years, and the annual average total remuneration (including bonuses) of TFA's employees was A\$80,900.

There has been a decrease in staff numbers over the last 12 months.

The Group has no employee who is a member of the Finance Sector Union. TFA considers its employee relations to be satisfactory.

### *(B) Risks and Uncertainties facing the Group*

The Group is exposed to certain risks and uncertainties that could have a material adverse impact directly or indirectly on its financial condition and operating results:

#### *Factors Affecting Net Income and Impact of Current Economic Conditions*

The Group's net income is subject to a variety of factors, including changes in the overall market for retail or wholesale motor vehicle financing, leasing or dealer financing, changes in the level of

sales of Toyota vehicles or other vehicles in Australia, the number and average balance of customer accounts, the Australian finance industry's regulatory environment, competition from other financiers, rates of default by its customers, the interest rates it is required to pay on the funding it requires to support its business, amounts of funding available to it, changes in the funding markets, the used vehicle market, changes in its credit ratings, the success of efforts to expand its product lines, levels of operating expenses and general and administrative expenses, including but not limited to labour costs, technology costs (including, but not limited to, amortisation expense and/or impairment losses arising from capitalised intangible assets, and maintenance costs) and premises costs, general economic conditions in Australia, inflation, fiscal and monetary policies in the countries in which the Group issues debt and other factors. Further, a significant and sustained increase in fuel prices could lead to lower new and used vehicle purchases, thereby reducing the demand for motor vehicle retail and wholesale financing.

Increases in unemployment rates and consumer and commercial bankruptcy filings as a result of economic conditions negatively affect household incomes and can decrease demand for the Group's financing products and increase defaults and losses. In addition, where credit exposures of the Group are collateralised by vehicles, the severity of losses is particularly sensitive to a decline in used vehicle prices. Vehicle and industrial equipment dealers have also been impacted by the current economic downturn, which in turn has increased the risk of default of certain dealers within the Group's portfolios.

Market conditions are subject to periods of volatility which can have the effect of reducing activity in a range of consumer and industry sectors which can adversely impact the financial performance of TFA. During the 2009 financial year, capital and credit markets experienced extreme levels of volatility and disruption. Volatility may also impact TFA's ability to fund its business in a similar manner, and at a similar cost, to the funding raised in the past. Market developments could also have an adverse effect on the business, financial condition and operating results of the Group by increasing the rates the Group charges to its customers and dealers, thereby affecting the Group's competitive position. Challenging market conditions may result in less liquidity, greater volatility, widening of credit spreads and lack of price transparency in credit markets. Changes in investment markets, including changes in interest rates, exchange rates and returns from equity, property and other investments, will affect (whether directly or indirectly) the financial performance of TFA.

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

- there can be no assurance that TFA will continue to have access to the capital markets in a similar manner and at a similar cost as it has in the past;
- issues of debt securities by TFA may be undertaken at spreads above benchmark rates that are greater than those on similar issuances undertaken during the prior several years;
- TFA may be subject to over reliance on a particular funding source or a simultaneous increase in funding costs across a broad range of sources; and
- the ratio of TFA's short-term debt outstanding to total debt outstanding may increase if negative conditions in the debt markets lead TFA to replace some maturing long-term liabilities with short-term liabilities (for example, commercial paper).

Any of these developments could have an adverse effect on TFA's business, financial condition and operating results.

### *Credit Risk*

Credit risk is the risk of loss arising from a failure of a customer or dealer to meet the terms of any contract with the Group or otherwise fail to perform as agreed. The level of credit risk on the Group's wholesale, retail, fleet and lease portfolios is influenced primarily by two factors: the total number of contracts that default and the amount of loss per occurrence, which in turn are influenced by various economic factors, the used vehicle market, purchase quality mix, contract term length and operational changes.

The level of credit risk on the Group's dealer financing portfolio is influenced primarily by the financial strength of dealers within that portfolio, dealer concentration, collateral quality and economic factors. The financial strength of dealers within the dealer financing portfolio is influenced by general macroeconomic conditions, the overall demand for new and used vehicles, the financial condition of motor vehicle manufacturers, among other factors. An increase in credit risk would increase the Group's provision for credit losses, which would have a negative impact on its profitability and financial condition.

The current downturn in economic conditions in Australia has increased the risk that a customer or dealer may not meet the terms of a finance contract with the Group or may otherwise fail to perform as agreed. The weaker economic environment has affected some of the Group's customers' ability to make their scheduled payments resulting in higher defaults, repossessions and losses. There can be no assurance that the Group's monitoring of credit risk and its efforts to mitigate credit risk are or will be sufficient to prevent an adverse effect on its profitability and financial condition.

### *Risk Relating to Non-Toyota Dealers*

TMCA (the "Distributor") is the primary distributor of Toyota vehicles in Australia. The Group provides financing for some dealerships which sell products not distributed by the Distributor (or one of its affiliates). A significant adverse change, such as a restructuring or bankruptcy of automobile manufacturers other than Toyota may increase the risk that these dealers may default on their loans with the Group.

### *Residual Value Risk*

Residual value represents an estimate of the end of term market value of a leased asset. Residual value risk is the risk that the estimated residual value at lease origination will not be recoverable at the end of the lease term. The Group is subject to residual value risk on lease products where the customer may return the financed vehicle on termination of the lease agreement. Fluctuations in the market value of lease assets subsequent to lease origination may introduce volatility in the Group's profitability, through residual value provisions and/or gains or loss on disposal of leased assets. Among other factors, local, regional and national economic forecasts, new vehicle pricing, new vehicle incentive programmes, new vehicle sales, future plans for new Toyota product introductions, competitive actions and behaviour, product attributes of popular vehicles, the mix of used vehicle supply, the level of current used vehicle values and fuel prices heavily influence used vehicle prices and also the actual residual value of off-lease vehicles. Differences between the actual residual values realised on leased vehicles and the Group's estimates of such values at lease origination could have a negative impact on its profitability and financial condition.

### *Liquidity Risk*

Liquidity risk is the risk arising from the inability to meet obligations when they are due. The Group's liquidity strategy is to maintain the capacity to fund assets and repay liabilities in a timely

and cost-effective manner even in the event of adverse market conditions. An inability to meet obligations when they become due in a timely manner would have a negative impact on the Group's ability to refinance maturing debt and fund new asset growth and would have an adverse effect on its profitability and financial condition.

### *Market Risk*

Market risk is the risk that changes in market interest rates, foreign currency exchange rates, equity prices and other relevant market parameters will negatively affect the Group's income and capital. The capital and credit markets have been experiencing volatility and disruption. A portion of issuances of debt securities during the 2009 financial year included interest rate spreads above benchmark rates that are greater than those on similar issuances during prior financial years. These market developments could have an adverse affect on the Group's business, financial condition and operating results by increasing the rates it charges to its customers and dealers, thereby affecting its competitive position. Market risk also includes the risk that securities in investment portfolios could lose value, resulting in losses.

Senior management and the Group's shareholder, where applicable, provide written principles for overall risk management, as well as policies covering specific areas, such as foreign currency exchange rate risk, interest rate risk, use of derivative financial instruments and non-derivative financial instruments. Risk management is carried out by various committees and departments based on charters or policies approved by senior management.

The Group operates in international capital markets to obtain debt funding to support its earning assets. Transactions may be denominated in foreign currencies, exposing the Group to foreign currency exchange rate risk arising from various currency exposures. Management has set up a policy requiring the Group to manage its foreign currency exchange rate risk against their functional currency (i.e. Australian Dollars). The Group is required to hedge 100% of its foreign currency exchange rate risk. Derivative financial instruments are entered into by the Group to economically hedge its exposure to foreign currency risk.

Market interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates and/or the value of a financial instrument will fluctuate because of changes in market interest rates. The Group 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 Group to manage its exposure to market interest rate risk.

Adverse changes in market interest rates and/or foreign currency exchange rates may impact the Group's profitability. Further, changes in the fair value of derivatives to the extent that they are not offset by the translation of the items economically hedged, may introduce volatility in the Group's income statement and produce anomalous results.

### *Possible Increase in Prevailing Market Interest Rates*

An increase in the interest rates charged by the Group's lenders or available to the Group in the capital markets may adversely affect the Group's income.

As the Group's assets consist primarily of fixed rate contracts, it is not able to reprice its existing fixed rate contracts and may be unable to increase rates on new fixed rate contracts due to competitive reasons.

### *Operational Risk*

Operational risk is the risk of loss resulting from, among other factors, inadequate or failed processes, systems or internal controls, theft, fraud, or natural disaster. Operational risk can occur in many forms including, but not limited to, errors, business interruptions, failure of controls, inappropriate behaviour of or misconduct by employees of, or those contracted to perform services for, the Group and vendors that do not perform in accordance with their contractual agreements. These events can potentially result in financial losses or other damages to the Group, including damage to reputation.

The Group relies on internal and external information and technological systems to manage its operations and is exposed to risk of loss resulting from breaches in the security, or other failures of these systems. Any upgrade and replacement of its transaction systems and treasury systems could have a significant impact on its ability to conduct its core business operations and increase the risk of loss resulting from disruptions of normal operating processes and procedures that may occur during the implementation of new information and transaction systems.

In order to monitor and manage operational risk, the Group maintains a framework of internal controls designed to provide a sound and well-controlled operating environment. However, due to the nature of its business and the challenges inherent in implementing control structures, problems may be identified in the future that could have a material effect on its operations.

The Group strives to maintain appropriate levels of operational risk relative to its businesses strategies, competitive and regulatory environment, and markets in which it operates. Appropriate levels of insurance coverage are maintained for those operating risks that can be mitigated through the purchase of insurance. Notwithstanding these control measures and insurance coverage, the Group remains exposed to operational risk. However, while the Group's approach to operational risk management is intended to mitigate such losses, management can provide no assurance that these problems will not have a material effect on the Group's financial condition and results of operations.

Notwithstanding anything stated in this risk factor, this risk factor should not be taken as implying that the Group will be unable to comply with its obligations as a company with securities admitted to the Official List.

### *Counterparty Credit Risk*

The Group is subject to the risk that a counterparty may fail to perform on its contractual obligations. The ability of the Group to engage in routine funding, investment and derivatives transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Financial institutions are interrelated as a result of trading, clearing, lending or other relationships. In an adverse economic environment, the Group is subject to an increase in the risk that it may not be able to draw down sufficient funds from its credit facilities, if needed, due to the financial condition of some or all of the lenders. The Group has exposure to many different counterparties, and it routinely executes transactions with counterparties in the financial industry, including derivative contracts. Many of these transactions expose the Group to credit risk in the event of default of the counterparty. There is no assurance that any such losses would not materially and adversely affect the Group's profitability or financial condition.

## *Regulatory Risk*

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

## *Competition*

The Australian financial services industry is highly competitive and the Group has no control over how Toyota dealers source financing for their customers. Competitors of the Group include commercial banks, credit unions and other financial institutions. To a lesser extent, the Group competes with other motor vehicle manufacturers' affiliated finance companies. Increases in competitive pressures could have an adverse impact on the Group's contract volume, market share, revenues and margins. Further, the financial condition and viability of competitors and peers of the Group may have an impact on the financial services industry in which the Group operates, resulting in changes in demand for its products and services.

## *Controlling Shareholder –Credit Ratings and Credit Support*

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

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

TFA raises most of the funding it requires to support its business from the domestic and international capital markets. The cost and availability of that funding is influenced by credit ratings. Lower credit ratings generally result in higher borrowing costs as well as reduced access to capital markets.

The credit ratings for notes, bonds and commercial paper issued by TFA, being as of 30 June 2009:

<u>Rating Agency</u>	<u>Long Term</u>	<u>Outlook</u>	<u>Short Term</u>
Standard & Poor's	AA	Negative	A-1+
Moody's	Aa1	Negative	P-1

depend, in part, on the existence of certain credit support agreements involving TFSC and TMC and on the financial condition and operating results of TMC. If these arrangements (or replacement arrangements acceptable to the rating agencies) are not available to TFA, or if the credit ratings of the credit support providers were lowered, the credit rating of TFA would be adversely impacted. The cost and availability of unsecured financing is influenced by credit ratings, which are intended to be an indicator of the creditworthiness of a particular company, security or obligation.

In February 2009, Moody's Investors Service downgraded to Aa1 (negative outlook) from Aaa the senior unsecured long term rating of TMC and its supported subsidiaries, including TFSC and TFA. In addition, Standard and Poor's Ratings Services lowered to AA+ (negative outlook) from AAA its long term corporate credit ratings of TMC and related entities, including TFSC and TFA, and in May 2009, further lowered its ratings to AA (negative outlook). Further downgrades could result in higher borrowing costs as well as reduced access to capital markets. These factors would have a negative impact on the Group's competitive position, profitability and financial condition.

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

### *Sales of Toyota Vehicles*

TFA's business is substantially dependent upon the sale of Toyota vehicles and its ability to offer competitive financing in its market place. TFA's business is also substantially dependent upon Toyota and other vehicle dealerships to introduce new finance and lease business to TFA and such dealerships are free to introduce other financiers to their customers. Competition in respect of commission payments to Australian dealerships from other financiers, as well as changes in ownership or financial viability of such dealerships may adversely affect the financial condition and results of operations of TFA.

TMCA is the primary distributor of Toyota vehicles ("Toyota vehicles") in Australia.

Higher levels of sales of new and used Toyota vehicles in Australia relative to the level of sales of new and used vehicles of other makes are favourable for the Group's business. Lower levels of sales of new and used Toyota vehicles in Australia relative to the level of sales of new and used vehicles of other makes are not favourable for the Group's business.

Factors in relation to the sale of new and used vehicles which would impact the level of TFA's financing volume and results of operations include:

- changes in sales volumes resulting from governmental action;
- changes in consumer demand;
- economic conditions;
- changes in the level of TMCA sponsored finance programmes;
- increased competition;
- changes in the effectiveness of motor vehicle dealers selling Toyota vehicles relative to those selling vehicles of other makes;
- changes in pricing of imported units due to currency fluctuations or other events; and
- significant increases in fuel prices which may adversely affect sales in the larger Toyota vehicle range (but may increase sales in the smaller Toyota passenger vehicle range).

Further, a significant and sustained increase in fuel prices could decrease new and used vehicle purchases, thereby reducing the demand for motor vehicle retail and wholesale financing.



### *The Group's Assets are subject to Prepayment Risk*

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

### *Toyota Extra Care*

Under an agreement with TMCA, TFA markets, administers and accepts the liability for claims arising under a range of factory extended warranty products marketed through Toyota Dealers to purchasers of Toyota vehicles. Since TFA acquired the rights to market the factory extended warranty products from TMCA, it has re-insured part of or all of its liability for claims ("claims risk") in respect of new and used Toyota vehicles with licensed insurers ("the re-insurers"). A change in the pattern of claims in respect of partially re-insured factory extended warranties, the ability of the re-insurers to meet their obligations or a change in TFA's re-insurance practices has the potential to adversely impact the financial condition and results of operations of TFA.

### *Large Exposures*

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

### *Provisions for Bad and Doubtful Debts*

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

### *Risk of Catastrophes*

The Group's business is exposed to the risk of catastrophes, including natural events, such as hurricanes, tornados, earthquakes and fires, and other events, such as explosions, terrorist attacks, and riots. The incidence and severity of catastrophes and severe weather conditions are inherently unpredictable. These events may adversely affect consumer spending or customers' ability to meet their financial obligations and may otherwise adversely affect the Group's financial condition and results of operations.

### *Impact of Changes to Accounting Standards*

The financial report for the year ended 31 March 2009 has been prepared in accordance with the Australian Accounting Standards promulgated by the Australian Accounting Standards Board ("AASB"). The Australian Accounting Standards incorporate International Financial Reporting Standards ("IFRS") and Interpretations issued by the International Accounting Standards Board ("IASB"), with the addition of paragraphs on the applicability of each standard in the Australian environment.

The IASB is continuing its program to develop new accounting standards where it perceives they are required and to rewrite existing standards where it perceives they can be improved. In particular

the IASB and the Financial Accounting Standards Board in the USA continue to work together to harmonise the accounting standards of the USA and IFRS. Any future change in IFRS may have a beneficial or detrimental impact on the reported earnings of the Group, where they are adopted by the AASB.

#### *The Australian Economy*

If economic conditions in Australia were to weaken, the amount of non-performing finance contracts, provisions for doubtful debts and debt write-offs may increase. Increases in credit costs would have a negative impact on the Group's financial condition and results of operations.

If economic conditions in Australia were to weaken, customer demand for the Group's products and services may lessen, having a negative impact on the Group's financial condition and results of operations. If this lessened customer demand was accompanied by an increase in early repayment of contracts by customers, the negative impact on the Group's financial condition and results of operations would be worsened.

If economic conditions in Australia were to weaken, this may adversely affect conditions in the domestic capital markets and the cost and availability to TFA of funding from the domestic and international capital markets.

If economic conditions in Australia were to strengthen to the extent that there was an increase in prevailing market interest rates in Australia, the considerations mentioned in "Possible Increase in Prevailing Market Interest Rates" may, in some circumstances, apply.

#### *International Economy*

If international economic conditions were to materially weaken, this may adversely affect the Australian economy which may in turn adversely affect the Group's financial condition and results of operations.

If international economic conditions were to weaken, this may adversely affect conditions in the domestic and international capital markets and the cost and availability to TFA of funding from those markets.

If international economic conditions were to weaken, this may adversely affect the ability of TMC and TFSC to meet their obligations under the credit support agreements mentioned above.

#### *Changes to Australian Laws, Regulations or Government Policies*

Future changes to Australian laws, regulations or the policies of Australian governments (federal, state or local) (and the actions flowing from such changes to policies) may have a negative impact on the Group's business or require significant expenditure by the Group to ensure compliance with those laws, regulations or policies so that it can effectively carry on business.

#### *Changes to Other National or International Laws, Regulations or Government Policies*

Future changes to other national or international laws or regulations or to the policies of other national governments (federal, state or local) or international organisations (and the actions flowing from such changes to policies) may have a negative impact on the Group's business or require significant expenditure by the Group to ensure compliance with those laws, regulations or policies so that it can effectively carry on business.

## *Australian Taxation*

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

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

Enacted, or potential future, Australian Government temporary fiscal stimulus measures, or other Government policy measures, may directly or indirectly impact the Group's net income. A future cessation of such measures may adversely impact the net income of the Group.

## *Legal Proceedings*

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

## *Insolvency Laws*

In the event that TFA becomes insolvent, insolvency proceedings (including, without limitation, administration under the Corporations Act 2001 of Australia) will be governed by the applicable laws in force in Australia or the law of another jurisdiction determined in accordance with Australian law. Those insolvency laws, as so applied and interpreted, may be different from the insolvency laws of certain other jurisdictions. In particular, the administration procedure under the Australian Corporations Act, which provides for the potential re-organisation of an insolvent company, differs significantly from bankruptcy or similar provisions under the insolvency laws of other non-Australian jurisdictions. If TFA becomes insolvent, the treatment and ranking of holders of Notes issued by TFA and TFA's other creditors and shareholders under the relevant governing law may be different from the treatment and ranking of those persons if TFA was subject to the bankruptcy or insolvency laws of another jurisdiction.

## *Industry and Business Risks*

### *The worldwide automotive market is highly competitive*

The worldwide automotive market is highly competitive. Toyota faces intense competition from automotive manufacturers in the respective markets in which it operates. Competition has intensified particularly as a result of the contraction of the automotive market, due to the worldwide deterioration in the economy stemming from the financial crisis unfolding since the second half of calendar 2008. In addition, competition is likely to further intensify in light of continuing globalisation in the worldwide automotive industry, possibly resulting in industry reorganisation. Factors affecting competition include product quality and features, the amount of time required for innovation and development, pricing, reliability, safety, fuel economy, customer service and financing terms. Increased competition may lead to lower vehicle unit sales and increased inventory, which may result in a further downward price pressure and adversely affect Toyota's financial condition and results of operations. Toyota's ability to adequately respond to the recent

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

*The worldwide automotive industry is highly volatile*

Each of the markets in which Toyota competes has been subject to considerable volatility in demand. Demand for vehicles depends to a large extent on social, political and economic conditions in a given market and the introduction of new vehicles and technologies. As Toyota's revenues are derived from sales in markets worldwide, economic conditions in such markets are particularly important to Toyota. In reflection of the worldwide deterioration in the economy stemming from the financial crisis since the latter half of 2008, the demand for automobiles in Japan, North America and Europe, which are Toyota's main markets, declined substantially particularly since the latter half of 2008, adversely affecting Toyota. Such decline in demand for automobiles and the adverse effect on Toyota are currently ongoing, and it is unclear how long this situation will continue or how it will transition in the future. Toyota's financial condition and results of operations may be affected adversely if the demand for automobiles remains weak or further weakens as a result of a further decline in the world economy. Demand may also be affected by factors directly impacting vehicle price or the cost of purchasing and operating vehicles such as sales and financing incentives, prices of raw materials and parts and components, cost of fuel and governmental regulations (including tariffs, import regulation and other taxes). Volatility in demand may lead to lower vehicle unit sales and increased inventory, which may result in a further downward price pressure and adversely affect Toyota's financial condition and results of operations.

*Toyota's future success depends on its ability to offer new innovative, price competitive products that meet and satisfy customer demand on a timely basis*

Meeting and satisfying customer demand with attractive new vehicles and reducing the amount of time required for product development are critical elements to the success of automotive manufacturers. The timely introduction of new vehicle models, at competitive prices, meeting rapidly changing customer preferences and demands is more fundamental to Toyota's success than ever as the automotive market is rapidly transforming in light of the deterioration in the world economy. There is no assurance, however, that Toyota may adequately and appropriately perceive changing customer preferences and demands with respect to quality, styling, reliability, safety and other features in a timely manner. Even if Toyota succeeds in perceiving customer preferences and demands, there is no assurance that Toyota will be capable of developing and manufacturing new, price competitive products in a timely manner with its available technology, intellectual property, sources of raw materials and parts and components, and production capacity. Further, there is no assurance that Toyota will be able to implement capital expenditures at the level and times planned by management. Toyota's inability to develop and offer products that meet customer demand in a timely manner could result in a lower market share and reduced sales volumes and margins, and may adversely affect Toyota's financial condition and results of operations.

*Toyota's ability to market and distribute effectively and maintain its brand image is an integral part of Toyota's successful sales*

Toyota's success in the sale of vehicles depends on its ability to market and distribute effectively based on distribution networks and sales techniques tailored to the needs of its customers as well as its ability to maintain and further cultivate its brand image across the markets in which it operates. There is no assurance that Toyota will be able to develop sales techniques and distribution networks that effectively adapt to changing customer preferences or changes in the regulatory environment in the major markets in which it operates. Nor is there assurance that Toyota will be able to cultivate

and protect its brand image. Toyota's inability to maintain well developed sales techniques and distribution networks or a positive brand image may result in decreased sales and market share and may adversely affect its financial condition and results of operations.

*The worldwide financial services industry is highly competitive*

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

***Financial Market and Economic Risks***

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

Toyota is sensitive to fluctuations in foreign currency exchange rates and is principally exposed to fluctuations in the value of the Japanese yen, the U.S. dollar and the euro and, to a lesser extent, the Australian dollar, the Canadian dollar and the British pound. Toyota's consolidated financial statements, which are presented in Japanese yen, are affected by foreign currency exchange fluctuations through both translation risk and transaction risk. Changes in foreign currency exchange rates may affect Toyota's pricing of products sold and materials purchased in foreign currencies. In particular, strengthening of the Japanese yen against the U.S. dollar can have an adverse effect on Toyota's operating results. The fluctuation of the Japanese yen against other currencies including the U.S. dollar has been particularly great in the past year. If the Japanese yen further rapidly appreciates against other currencies, including the U.S. dollar, Toyota's financial condition and results of operations may be adversely affected.

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

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

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

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

Financial markets worldwide have been significantly disrupted in the wake of the global financial crisis. A number of financial institutions and investors have been facing difficulties providing capital to the financial markets due to their deteriorated financial conditions. As a result, there is a

risk that companies may not be able to raise capital under terms that they would expect to receive with their creditworthiness. If Toyota is unable to raise the necessary capital under appropriate conditions on a timely basis, Toyota's financial condition and results of operations may be adversely affected.

### ***Political, Regulatory and Legal Risks***

#### *The automotive industry is subject to various governmental regulations*

The worldwide automotive industry is subject to various laws and governmental regulations including those related to vehicle safety and environmental matters such as emission levels, fuel economy, noise and pollution. Many governments also impose tariffs and other trade barriers, taxes and levies, and enact price or exchange controls. Toyota has incurred, and expects to incur in the future, significant costs in complying with these regulations. New legislation or changes in existing legislation may also subject Toyota to additional expenses in the future.

#### *Toyota may become subject to various legal proceedings*

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

#### *Toyota may be adversely affected by political instabilities, fuel shortages or interruptions in transportation systems, natural calamities, wars, terrorism and labour strikes*

Toyota is subject to various risks associated with conducting business worldwide. These risks include political and economic instability, natural calamities, fuel shortages, interruption in transportation systems, wars, terrorism, labour strikes and work stoppages. The occurrence of any of these events in the major markets in which Toyota purchases materials, parts and components and supplies for the manufacture of its products or in which its products are produced, distributed or sold, may result in disruptions and delays in the operations of Toyota's business. Significant or prolonged disruptions and delays in Toyota's business operations may adversely affect Toyota's financial condition and results of operations.

**2. Auditors Report and Audited Financial Statements for the financial year ended 31 March 2009**

**TOYOTA FINANCE AUSTRALIA LIMITED AND CONTROLLED ENTITIES  
ABN 48 002 435 181  
FINANCIAL REPORT  
FOR THE YEAR ENDED 31 MARCH 2009**

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

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

**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 2009:

**1. DIRECTORS**

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

R.P. Springer (Managing Director)	Director since 1985.
H. Ikoma	Director since 2007.
J. Chandler	Director since 2007.
C. Euers	Director since 2007.
M. Yasuda	Director since 2007.
E. Hirano	Director since 2007.
H. Watanabe	Appointed director on 27 June 2008.
N. Nagasaki	Appointed director on 27 June 2008.
D. Buttner	Appointed director on 27 June 2008.
T. Matsuno	Appointed director on 23 February 2009.
D.H. Shmith	Resigned as a director on 27 June 2008.
J.H. Conomos	Resigned as a director on 27 June 2008.
H. Ozaki	Resigned as a director on 27 June 2008.
T. Ijichi	Resigned as a director on 27 June 2008.
N. Nagasaki	Resigned as a director on 23 February 2009.
H. Obata (alternate to E. Hirano)	Alternate director since 2007.
H. Watanabe (alternate to H. Ozaki)	Resigned as an alternate director on 27 June 2008.
K. Mukaiyama (alternate to T. Ijichi)	Resigned as an alternate director on 27 June 2008.
K. Mukaiyama (alternate to N. Nagasaki)	Appointed alternate director on 27 June 2008.
K. Mukaiyama (alternate to N. Nagasaki)	Resigned as an alternate director on 23 February 2009.
K. Mukaiyama (alternate to T. Matsuno)	Appointed alternate director on 23 February 2009.

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

**DIRECTORS' REPORT (continued)**

**2. PRINCIPAL ACTIVITIES**

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

- To finance the purchase by dealers of new Toyota, Lexus and Hino vehicles as well as used vehicles of any make for resale;
- 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;
- To administer and manage extended warranty and insurance products; and
- To provide personal loans and real estate loans to customers.

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

**3. DIVIDENDS**

During the year ended 31 March 2009 no final dividend was paid (31 March 2008: \$17,844,000). No interim dividend was paid during the year.

**4. REVIEW OF OPERATIONS**

The consolidated net profit of the consolidated entity for the year ended 31 March 2009 was \$27,508,000 (31 March 2008: \$64,527,000) after deducting income tax expense of \$11,289,000 (31 March 2008: \$26,334,000)

**5. SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

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

**6. ENVIRONMENTAL REGULATION**

The operations of the 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 2010, 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.

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

**DIRECTORS' REPORT (continued)**

**9. INFORMATION ON DIRECTORS**

<u>DIRECTOR</u>	<u>EXPERIENCE</u>	<u>SPECIAL RESPONSIBILITIES</u>
SPRINGER, Ross Page Bachelor of Commerce; Master of Business Administration; CPA, FAIM, FAICD	Appointed General Manager in 1984; Deputy Managing Director in 1989 and Managing Director in 1999 of Toyota Finance Australia Limited. Director, TFA (Wholesale) Pty. Limited.	Managing Director
IKOMA, Hitoshi Bachelor of Commerce	Appointed Executive Vice President of Toyota Finance Australia Limited in 2007. Director of TFA (Wholesale) Pty. Limited; Alternate Director of Toyota Finance New Zealand Limited.	Executive Director
CHANDLER, John MBA	Appointed Vice President of Toyota Finance Australia Limited in 2006.	Executive Director
EUERS, Colin MBA, Banking & Finance	Appointed General Manager in 2004 and Vice President in 2006 of Toyota Finance Australia Limited.	Executive Director
YASUDA, Masahide Bachelor of Engineering & Applied Physics	CEO & President of Toyota Motor Corporation Australia Limited; Director of TFA (Wholesale) Pty. Limited.	Non-executive Director
HIRANO, Eiji Bachelor of Economics	Executive Vice President of Toyota Financial Services Corporation.	Non-executive Director
WATANABE, Hitoshi Bachelor of Economics	Senior Vice President of Toyota Financial Services Corporation; Director of Toyota Finance New Zealand Limited.	Non-executive Director
BUTTNER, David Causebrook Bachelor of Commerce	Senior Executive Director, Sales and Marketing of Toyota Motor Corporation Australia Limited.	Non-executive Director
MATSUNO, Tsunehiro Bachelor of Economics	General Manager of Toyota Motor Corporation, Finance Division	Non-executive Director
OBATA, Hironobu Bachelor of Literature	Senior Coordinator of Toyota Finance Australia Limited.	Alternate Director
MUKAIYAMA, Kazuhide Bachelor of Economics	Executive Vice President of Toyota Motor Corporation Australia Limited.	Alternate Director

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

**DIRECTORS' REPORT (continued)**

**10. COMPANY SECRETARY**

<u>COMPANY SECRETARY</u>	<u>EXPERIENCE</u>	<u>SPECIAL RESPONSIBILITIES</u>
JOHNS, Gregory Malcolm Bachelor of Law; Bachelor of Commerce	Senior Manager, Legal & Compliance of Toyota Finance Australia Limited.	Company Secretary

**11. 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 its controlled entities as part of their remuneration are as follows:

	Options Granted
<i>Directors</i>	
R.P. Springer, Managing Director	10,000

The options were granted under the Toyota Motor Corporation Global Incentive Plan on 1 August 2008.

**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
1 Aug 2002	1 Aug 2004	31 Jul 2008	(A)	2,000	2,000	-	-
1 Aug 2003	1 Aug 2005	31 Jul 2009	(A)	2,000	-	-	2,000
2 Aug 2004	1 Aug 2006	31 Jul 2010	(A)	2,000	-	-	2,000
1 Aug 2005	1 Aug 2007	31 Jul 2011	(A)	5,000	-	-	5,000
1 Aug 2006	1 Aug 2008	31 Jul 2014	(A)	5,000	-	-	5,000
1 Aug 2007	1 Aug 2009	31 Jul 2015	(A)	5,000	-	-	5,000
1 Aug 2008	1 Aug 2010	31 Jul 2016	(A)	-	-	10,000	10,000
				21,000	2,000	10,000	29,000

(A) The exercise price of options is 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.

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

**DIRECTORS' REPORT (continued)**

**12. MEETINGS OF DIRECTORS**

The number of directors' meetings held during the financial period and the number of meetings attended by each director are:

<b>Board of Directors' Meetings</b>		
<b><u>Directors</u></b>	<b><u>Number Held</u></b>	<b><u>Number Attended</u></b>
R.P. Springer	11	11
H. Ikoma	11	11
J. Chandler	11	10
C. Euers	11	11
M. Yasuda	11	5
E. Hirano	11	-
H. Watanabe	8	-
N. Nagasaki	8	-
D. Buttner	9	7
T. Matsuno	2	-
D. Shmith	3	2
J. Conomos	3	2
H. Ozaki	3	-
T. Ijichi	3	-
H. Obata (alternate to E. Hirano)	11	10
H. Watanabe (alternate to H. Ozaki)	3	1
K. Mukaiyama (alternate to T. Ijichi)	3	1
K. Mukaiyama (alternate to N. Nagasaki)	7	4
K. Mukaiyama (alternate to T. Matsuno)	1	-

**13. OFFICERS INDEMNITIES AND INSURANCE**

During the financial period, the company has paid a premium of \$42,226 (2008: \$42,341) to insure the officers of the company and its controlled entities against liabilities for costs or expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity as Officers of the company and its controlled entities, other than conduct involving a wilful breach of duty in relation to the company and its controlled entities. Those officers consist of the directors of the company and its controlled entities named earlier in this report, the company secretaries and other officers of the company and its controlled entities.

**14. 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.

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

**DIRECTORS' REPORT (continued)**

**15. AUDITORS' INDEPENDENCE DECLARATION**

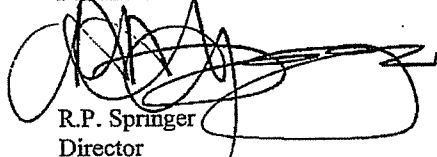
A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 8.

**16. ROUNDING OF AMOUNTS**

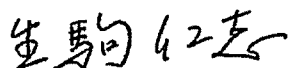
The company and its controlled entities is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and the financial report have 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



R.P. Springer  
Director



H. Ikoma  
Director

SYDNEY  
23 JUNE 2009

PricewaterhouseCoopers  
ABN 52 780 433 757

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### Auditor's Independence Declaration

As lead auditor for the audit of Toyota Finance Australia Limited and Controlled Entities for the year ended 31 March 2009, 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.



Victor Clarke  
Partner  
PricewaterhouseCoopers

Sydney  
23 June 2009

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

**FINANCIAL REPORT - 31 MARCH 2009**

This financial report covers 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 3.

The financial report was authorised for issue by the directors on 23 June 2009. The company has the power to amend and reissue the financial report.



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

**INCOME STATEMENT**

**FOR THE YEAR ENDED 31 MARCH 2009**

	Note	Consolidated 2009 (\$'000)	Consolidated 2008 (\$'000)
Interest and similar revenue	2	536,286	446,723
Interest expense and similar charges	2	<u>(389,504)</u>	<u>(315,511)</u>
<b>Net financing income</b>		146,782	131,212
Other income	3	7,564	10,269
Bad and doubtful debts expense	5	(36,878)	(10,148)
Employee benefits expense		(39,007)	(37,218)
Depreciation and amortisation expense	4	(7,243)	(8,976)
Other expenses		(29,762)	(22,459)
Other borrowing (costs)/revenue	4	(5,223)	22,956
Share of net profits of associates accounted for using the equity method	10	<u>2,564</u>	<u>5,225</u>
<b>Profit before income tax</b>		38,797	90,861
Income tax expense	6	<u>(11,289)</u>	<u>(26,334)</u>
<b>Profit attributable to owners of the parent</b>		<u><u>27,508</u></u>	<u><u>64,527</u></u>

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

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

**BALANCE SHEET**

**AS AT 31 MARCH 2009**

	Note	Consolidated 2009 (\$'000)	Consolidated 2008 (\$'000)
<b>Assets</b>			
Cash and cash equivalents	7	1,122,251	11,056
Loans and advances	8	6,439,864	5,678,999
Derivative financial instruments	9	322,913	54,911
Investments accounted for using the equity method	10	43,094	42,446
Property, plant and equipment	11	20,448	22,144
Deferred tax assets	12	28,509	18,988
Other assets	13	8,813	5,914
<b>Total assets</b>		<u>7,985,892</u>	<u>5,834,458</u>
<b>Liabilities</b>			
Due to other financial institutions	14	952,241	18,000
Bonds and commercial paper	15	5,908,903	4,917,156
Derivative financial instruments	9	301,514	127,603
Deferred tax liabilities	16	53,611	41,967
Other liabilities	17	239,171	224,872
<b>Total liabilities</b>		<u>7,455,440</u>	<u>5,329,598</u>
<b>Net assets</b>		<u>530,452</u>	<u>504,860</u>
<b>Equity</b>			
Contributed Equity	18	120,000	120,000
Reserves	19	(2,777)	(861)
Retained profits	20	413,229	385,721
<b>Total Equity</b>		<u>530,452</u>	<u>504,860</u>

The above balance sheet should be read in conjunction with the accompanying notes.

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

**STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 31 MARCH 2009**

	Note	Consolidated 2009 (\$'000)	Consolidated 2008 (\$'000)
<b>Total equity at the beginning of the year</b>		<u>504,860</u>	<u>459,074</u>
Exchange differences on translation of foreign operations	19	<u>(1,916)</u>	<u>(897)</u>
<b>Net expense recognised directly in equity</b>		<u>(1,916)</u>	<u>(897)</u>
<b>Profit attributable to owners of the parent</b>		<u>27,508</u>	<u>64,527</u>
<b>Total recognised income and expense for the year</b>		<u>25,592</u>	<u>63,630</u>
Transactions with equity holders in their capacity as equity holders:			
Dividends provided for or paid	20	<u>-</u>	<u>(17,844)</u>
		<u>-</u>	<u>(17,844)</u>
<b>Total equity at the end of the year</b>		<u>530,452</u>	<u>504,860</u>
 Total recognised income and expense for the year is attributable to:			
Owners of Toyota Finance Australia Limited		<u>25,592</u>	<u>63,630</u>
		<u>25,592</u>	<u>63,630</u>

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

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

**CASH FLOW STATEMENT**

**FOR THE YEAR ENDED 31 MARCH 2009**

	Note	Consolidated 2009 (\$'000)	Consolidated 2008 (\$'000)
<b>Cash flows from operating activities</b>			
Net cash outflow from lending and other operating activities		(937,615)	(538,657)
Interest received		565,779	473,560
Net income taxes paid		(13,037)	(22,066)
Interest paid		<u>(378,624)</u>	<u>(299,075)</u>
<b>Net cash outflow from operating activities</b>	22	<u>(763,497)</u>	<u>(386,238)</u>
<b>Cash flows from investing activities</b>			
Dividend received from associate		-	1,377
Payments for property, plant and equipment		(12,920)	(6,130)
Proceeds from sale of property, plant and equipment		<u>690</u>	<u>1,514</u>
<b>Net cash outflow from investing activities</b>		<u>(12,230)</u>	<u>(3,239)</u>
<b>Cash flows from financing activities</b>			
Dividends paid		-	(17,844)
Net proceeds from borrowings		<u>1,886,922</u>	<u>412,161</u>
<b>Net cash inflow from financing activities</b>		<u>1,886,922</u>	<u>394,317</u>
<b>Net increase/(decrease) in cash held</b>		1,111,195	4,840
<b>Cash at the beginning of the year</b>		11,056	6,216
<b>Cash at the end of the year</b>		<u><u>1,122,251</u></u>	<u><u>11,056</u></u>

The above cash flow statement should be read in conjunction with the accompanying notes

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2009**

**1. Summary of significant accounting policies**

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. Separate financial statements for the parent entity are not presented as they would not be materially different from the consolidated financial statements.

**(a) Basis of preparation**

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

*Compliance with IFRS*

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of Toyota Finance Australia Limited and its controlled entities comply with International Financial Reporting Standards (IFRS).

*Historical cost convention*

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

**(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 2009 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 report as the consolidated entity.

Subsidiaries are all those entities over which the consolidated entity 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 consolidated entity 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 consolidated entity.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2009**

**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 the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are incorporated in 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 its associate equals or exceeds its interest, 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 taken to shareholders' equity.

*(ii) Transactions and balances*

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

**(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:

*(i) Term Loans*

Interest income arising from term loans is recognised over the period of the term loan using the effective interest rate method.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2009**

**1. Summary of significant accounting policies (continued)**

**(d) Revenue recognition (continued)**

*(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 "other loans and advances" within "interest and similar income".

***Operating Leases***

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

Net maintenance income is recognised on an accrual basis and included in "other income".

**(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 national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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

***Tax consolidation legislation***

The company and its wholly-owned Australian controlled entity 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 the income statement on a straight-line basis over the period of the lease.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
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**1. Summary of significant accounting policies (continued)**

**(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 for the purpose of the cash flow statement, bank overdrafts.

**(h) Investments and other financial instruments**

***Classification***

The consolidated entity classifies its investments in the following categories: financial assets or financial liabilities at fair value through profit or loss, loans and advances, 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 advances***

Loans and advances 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 advances. Retail and wholesale finance receivables are included in loans and advances in the balance sheet. Refer also to note 1(i).

***(iii) Held-to-maturity investments***

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the consolidated entity's management has the positive intention and ability to hold to maturity.

The consolidated entity holds no financial instrument that it classifies as available-for-sale financial assets.

***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 the income statement. 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 advances 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 the income statement 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.



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**NOTES TO THE FINANCIAL STATEMENTS**  
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**1. Summary of significant accounting policies (continued)**

**(i) Loans and advances**

*(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 advances' in the balance sheet.

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 advances. The substance of the transaction is that of a loan to a customer, hence its disclosure in 'loans and advances', rather than 'fixed assets'.

Assets held under operating leases are depreciated, on a systematic basis, over the term of the lease to its estimated residual value.

*(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 advances' in the balance sheet.

**(j) Provision for impairment of loans and advances**

Collectability of loans and advances is reviewed on an ongoing basis. Loans and advances which are known to be uncollectible are written off. A provision for impairment of loans and advances 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 the income statement.

**(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 each reporting date. The derivatives have not been designated as hedging instruments; consequently, changes in the fair value of derivatives are recognised immediately in the income statement. 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 income statement and produce anomalous results.

Net gains or losses arising from changes in the fair value of derivatives have been included in either 'interest expense and similar charges' or 'other borrowing (costs)/revenue'. Net fair value gains and losses on derivatives at fair value through profit or loss have been included in 'interest expense and similar charges' to the extent that they reflect the consolidated entity's accrual based cost of funds and hence form a component of the finance margin. The balance of net fair value gains and losses on derivatives at fair value through profit or loss are included in 'other borrowing (costs)/revenue'.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**1. Summary of significant accounting policies (continued)**

**(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 balance sheet date. The quoted market price used for financial instruments held by the company is the bid/ask 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 balance sheet date.

**(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 the income statement 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	5 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.

***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 2 to 5 1/2 years.

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 (note 1(n)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**1. Summary of significant accounting policies (continued)**

**(n) Impairment of assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate objective evidence of impairment. Assets that are subject to amortisation are reviewed 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).

**(o) 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.

**(p) Financial instrument transaction costs**

Financial instrument transaction costs are included in the carrying amounts.

**(q) Employee benefits**

*(i) Wages and salaries, annual leave and sick leave*

Liabilities for wages and salaries, including annual leave expected to be settled within 12 months of the reporting date 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) Long service leave*

The liability for long service leave is 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 reporting date. Consideration is given at expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash flows.

*(iii) Retirement benefit 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.

**(r) Dividends**

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

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2009**

**1. Summary of significant accounting policies (continued)**

**(s) Segment reporting**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is a group of assets and operations engaged in providing products or services within a particular economic environment and are subject to risks and returns that are different from those of segments operating in other economic environments.

**(t) 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 balance sheet.

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.

**(u) 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.

**(v) 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.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**1. Summary of significant accounting policies (continued)**

**(w) New and revised accounting standards and interpretations**

Certain new or revised standards and interpretations have been published that are not mandatory for the 31 March 2009 financial year. The company's assessment of the impact of the relevant new standards and interpretations

- (i) *AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 (effective from 1 January 2009)*

AASB 8 may result in a significant change in the approach to segment reporting, as it requires adoption of a "management approach" to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The company will adopt AASB 8 from the financial year beginning 1 April 2009. The adoption of this standard will not materially impact the financial statements.

- (ii) *Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 (effective from 1 January 2009)*

The September 2007 revised AASB 101 requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognized in the financial statements. If the company has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The company will adopt the revised AASB 101 from the financial year beginning 1 April 2009.

- (iii) *AASB 2008-7 Amendments to Australian Accounting Standards -- Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective 1 January 2009)*

In July 2008, the AASB approved amendments to AASB 1 *First-time Adoption of International Financial Reporting Standards* and AASB 127 *Consolidation and Separate Financial Statements*. The company will apply the revised rules prospectively from 1 April 2009. After that date, all dividends received from investments in subsidiaries, jointly controlled entities or associates will be recognised as revenue, even if they are paid out of pre-acquisition profits, but the investments may need to be tested for impairment as a result of the dividend payment. Under the company's current policy, these dividends are deducted from the cost of the investment. Furthermore, when a new intermediate parent entity is created in internal reorganisations it will measure its investment in subsidiaries at the carrying amounts of the net assets of the subsidiary rather than the subsidiary's fair value.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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	Average Balance (\$'000)	Interest (\$'000)	Average Rate (%)
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**2. Interest and similar revenue and interest expense and similar charges**

The following tables show the average balance of each of the major categories of interest-bearing assets and liabilities, the amounts of interest revenue or expense and the average interest rate. Daily averages have been used, as they are representative of the consolidated entity's operations during the period.

**Interest and similar revenue - 31 March 2009**

Cash and cash equivalents	251,174	11,483	4.6%
Lease income	930,063	83,077	8.9%
Other loans and advances	5,272,982	472,385	9.0%
Interest revenue		<u>566,945</u>	
Fee income		35,047	
Fee expense		<u>(65,706)</u>	
Interest and similar revenue		<u><u>536,286</u></u>	

**Interest and similar revenue - 31 March 2008**

Cash and cash equivalents	68,736	4,059	5.9%
Lease income	776,558	64,702	8.3%
Other loans and advances	4,582,725	402,445	8.8%
Interest revenue		<u>471,206</u>	
Fee income		33,202	
Fee expense		<u>(57,685)</u>	
Interest and similar revenue		<u><u>446,723</u></u>	

**Interest expense and similar charges - 31 March 2009**

Due to other financial institutions	95,851	5,390	5.6%
Bonds and commercial paper	5,720,800	378,158	6.6%
Borrowings from parent entity	475,827	359	4.3%
Transaction costs		<u>5,597</u>	
Interest expense and similar charges		<u><u>389,504</u></u>	

**Interest expense and similar charges - 31 March 2008**

Due to other financial institutions	69,920	4,246	6.1%
Bonds and commercial paper	4,766,220	307,178	6.4%
Borrowings from parent entity	-	-	0.0%
Transaction costs		<u>4,087</u>	
Interest expense and similar charges		<u><u>315,511</u></u>	

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**NOTES TO THE FINANCIAL STATEMENTS**  
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	Consolidated 2009 (\$'000)	Consolidated 2008 (\$'000)
<b>3. Other Income</b>		
Net gain on disposal of leased and fixed assets	-	3,643
Other	7,564	6,626
	<u>7,564</u>	<u>10,269</u>
<b>4. Expenses</b>		
<b>Profit before income tax includes the following specific expenses:</b>		
<i>Depreciation</i>		
Leasehold improvements	337	326
Plant and equipment	1,370	1,457
Motor vehicles	80	455
Total depreciation	<u>1,787</u>	<u>2,238</u>
<i>Amortisation</i>		
Computer software development	5,456	6,738
Total Amortisation	<u>5,456</u>	<u>6,738</u>
Total depreciation and amortisation expense	<u>7,243</u>	<u>8,976</u>
Net loss on disposal of leased and fixed assets	635	-
<i>Impairment losses</i>		
Computer software development	6,617	-
Rental expense relating to operating leases	3,734	3,504
<i>Fair value (gain)/loss on derivative financial instruments at fair value through profit or loss, included in:</i>		
Interest expense and similar charges	(81,589)	49,971
Other borrowing (revenue)/costs	(49,190)	80,964
Total fair value (gain)/loss on derivative financial instruments at fair value through profit or loss recognised in the income statement	<u>(130,779)</u>	<u>130,935</u>
<i>Other borrowing costs/(revenue)</i>		
Fair value (gain)/loss on derivative financial instruments at fair value through profit or loss	(49,190)	80,964
Net loss/(gain) on translation of foreign currency bonds, notes and commercial paper	54,413	(103,920)
Net other borrowing costs / (revenue)	<u>5,223</u>	<u>(22,956)</u>

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	Consolidated 2009 (\$'000)	Consolidated 2008 (\$'000)
<b>5. Impairment of loans and advances</b>		
(i) <b>Provision for impairment of loans and advances</b>		
Opening balance	53,247	55,559
Bad debts written off	(26,392)	(15,124)
Increase in provision	39,964	12,812
Closing balance	<u>66,819</u>	<u>53,247</u>
(ii) <b>Bad and doubtful debts expense</b>		
Recovery of bad debts written off	(3,086)	(2,664)
Increase in provision	39,964	12,812
<b>Total bad and doubtful debts expense</b>	<u>36,878</u>	<u>10,148</u>
<b>6. Income tax expense</b>		
a) Current tax	9,255	13,995
Deferred tax	2,123	13,552
(Over)/under provision in prior year	(89)	(1,213)
Income tax expense attributable to continuing operations	<u>11,289</u>	<u>26,334</u>
Deferred income tax expense included in income tax expense comprises:		
(Increase)/decrease in deferred tax assets (note 12)	(9,521)	6,567
(Decrease)/increase in deferred tax liabilities (note 16)	11,644	6,985
	<u>2,123</u>	<u>13,552</u>
b) <b>Numerical reconciliation of income tax expense to prima facie tax payable:</b>		
Profit from continuing operations before income tax expense	38,797	90,861
Prima facie tax payable @ 30%	<u>11,639</u>	<u>27,258</u>
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share of net profit of associate	(769)	(1,567)
Dividends received from associate	-	413
Sundry items	508	1,443
	<u>11,378</u>	<u>27,547</u>
(Over)/under provision in prior years	(89)	(1,213)
Income tax expense attributable to continuing operations	<u>11,289</u>	<u>26,334</u>



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**NOTES TO THE FINANCIAL STATEMENTS**  
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**6. Income tax expense (continued)**

**(c) Tax consolidation legislation**

The company and its wholly-owned Australian controlled entity (the 'consolidated entity') have implemented the 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 tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the directors, limits the joint and several liability 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 a tax funding agreement under which the consolidated entity fully compensates the head entity for any current tax payable assumed and is compensated by the head entity for any current 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 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 tax instalments.

	Consolidated 2009 (\$'000)	Consolidated 2008 (\$'000)
<b>7. Cash and cash equivalents</b>		
Cash on hand	2	2
Cash in bank	13,249	10,054
Deposits at call	1,109,000	1,000
	<u>1,122,251</u>	<u>11,056</u>

**(a) Cash on hand**

These are non-interest bearing.

**(b) Cash in bank**

Cash in bank balances are bearing floating interest rates between 2.25% and 6.25% (31 March 2008: between 5.25% and 6.25%).  
 These cash in bank deposits reflect an at call facility.

**(c) Deposits at call**

Money market deposits are bearing floating interest rates between 3.20% and 7.45% (31 March 2008: between 6.20% and 7.25%).  
 This money market deposit reflects an at call facility.

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	Consolidated 2009 (\$'000)	Consolidated 2008 (\$'000)
<b>8. Loans and advances</b>		
Bailment stock	1,034,282	1,043,156
Motor vehicles under operating lease	498,568	335,559
Term Loans	5,116,550	4,465,190
Finance Leases	<u>744,807</u>	<u>657,073</u>
<b>Gross loans and advances</b>	<b>7,394,207</b>	<b>6,500,978</b>
Accumulated depreciation on motor vehicles under operating lease	(108,491)	(83,301)
Unearned income	<u>(779,033)</u>	<u>(685,431)</u>
<b>Net loans and advances (net of unearned income)</b>	<b>6,506,683</b>	<b>5,732,246</b>
 Provision for impairment of loans and advances	 <u>(66,819)</u>	 <u>(53,247)</u>
<b>Net loans and advances</b>	<b><u>6,439,864</u></b>	<b><u>5,678,999</u></b>
 <b>Maturity analysis</b> (net of unearned income)		
At call	1,105,813	1,103,495
Not longer than 3 months	427,708	377,535
Longer than 3 months and not longer than 12 months	1,213,708	1,032,632
Longer than 1 year not longer than 5 years	3,725,311	3,197,042
Longer than 5 years	<u>34,143</u>	<u>21,542</u>
	<b><u>6,506,683</u></b>	<b><u>5,732,246</u></b>
 <b>9. Derivative financial instruments</b>		
<b>Assets</b>		
Interest rate swap contracts	120,272	50,000
Cross currency swap contracts	200,234	-
Forward foreign exchange contracts	<u>2,407</u>	<u>4,911</u>
<b>Total derivative financial instrument assets - held at fair value</b>	<b><u>322,913</u></b>	<b><u>54,911</u></b>
 <b>Liabilities</b>		
Interest rate swap contracts	163,228	30,675
Cross currency swap contracts	121,555	93,808
Forward foreign exchange contracts	<u>16,731</u>	<u>3,120</u>
<b>Total derivative financial instrument liabilities - held at fair value</b>	<b><u>301,514</u></b>	<b><u>127,603</u></b>

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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	
		2009 (\$'000)	2008 (\$'000)	2009 %	2008 %
(a) Movement in carrying amount					
Unlisted					
Toyota Finance New Zealand Limited	New Zealand				
Carrying amount at the beginning of the financial year		42,446	39,495	45.45	45.45
Share of profits after income tax		2,564	5,225		
Dividends received		-	(1,377)		
Net exchange differences on translation of foreign associate entity		(1,916)	(897)		
Carrying amount at the end of the financial year		43,094	42,446		

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 by the company and its controlled entities.

**(b) Share of associates' profits**

Profit before income tax	3,780	5,707
Income tax expense	(1,216)	(482)
Profit after income tax	<u>2,564</u>	<u>5,225</u>

**(c) Summarised financial information of associates**

	Consolidated entity's share of:			
	Assets (\$'000)	Liabilities (\$'000)	Revenues (\$'000)	Profit (\$'000)
<b>2009</b>				
Toyota Finance New Zealand Limited	<u>368,067</u>	<u>324,309</u>	<u>32,833</u>	<u>2,564</u>
<b>2008</b>				
Toyota Finance New Zealand Limited	<u>285,122</u>	<u>241,996</u>	<u>48,580</u>	<u>5,225</u>

**Consolidated**

**(d) Share of associates expenditure commitments**

Lease commitments	<u>342</u>	<u>768</u>
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**NOTES TO THE FINANCIAL STATEMENTS**  
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**11. Property, plant and equipment**

	Cost	Depreciation/ Amortisation	Carrying Value
	2009	2009	2009
	(\$'000)	(\$'000)	(\$'000)
Leasehold improvements	2,686	1,727	959
Plant and equipment	13,778	11,452	2,326
Motor vehicles	37	17	20
Computer software development	52,012	34,869	17,143
	<u>68,513</u>	<u>48,065</u>	<u>20,448</u>

	Cost	Depreciation/ Amortisation	Carrying Value
	2008	2008	2008
	(\$'000)	(\$'000)	(\$'000)
Leasehold improvements	2,513	1,389	1,124
Plant and equipment	12,598	10,056	2,542
Motor vehicles	1,126	270	856
Computer software development	48,261	30,639	17,622
	<u>64,498</u>	<u>42,354</u>	<u>22,144</u>

	Leasehold improvements (\$'000)	Plant and equipment (\$'000)	Motor vehicles (\$'000)	Computer software development (\$'000)
<b>Consolidated</b>				
Carrying value at 1 April	1,124	2,542	856	17,622
Additions	172	1,154	-	11,594
Disposals	-	-	(756)	-
Depreciation / amortisation expense (note 4)	(337)	(1,370)	(80)	(5,456)
Impairment loss (note 4)	-	-	-	(6,617)
Carrying value at 31 March	<u>959</u>	<u>2,326</u>	<u>20</u>	<u>17,143</u>

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	Consolidated 2009 (\$'000)	Consolidated 2008 (\$'000)
<b>12. Deferred tax assets</b>		
<b>The balance comprises temporary differences attributable to:</b>		
<i>Amounts recognised in profit or loss</i>		
Provision for impairment of loans and advances	20,046	15,974
Employee entitlements	1,215	1,128
Financial instruments	(6,453)	(5,865)
Deferred origination fees	6,074	4,979
Sundry items	7,627	2,772
	<u>28,509</u>	<u>18,988</u>
<b>Movements:</b>		
Opening balance at 1 April	18,988	25,555
Credited/(charged) to the income statement (note 6)	9,521	(6,567)
Closing balance at 31 March	<u>28,509</u>	<u>18,988</u>
<b>13. Other assets</b>		
Other debtors and prepayments	7,623	5,607
Accrued interest receivable	1,166	-
Prepaid reinsurance	24	307
	<u>8,813</u>	<u>5,914</u>
<b>14. Due to other financial institutions</b>		
Banks and other financial institutions	512,745	18,000
Parent entity	439,496	-
	<u>952,241</u>	<u>18,000</u>
<b>Maturity analysis</b>		
At call	-	18,000
Longer than 3 months and not longer than 12 months	439,496	-
Longer than 1 year not longer than 5 years	512,745	-
	<u>952,241</u>	<u>18,000</u>

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	Consolidated 2009 (\$'000)	Consolidated 2008 (\$'000)
<b>15. Bonds and commercial papers</b>		
Commercial paper	513,977	370,709
Euro Commercial Paper	779,053	293,794
Medium term note	4,615,873	4,252,653
	<u>5,908,903</u>	<u>4,917,156</u>
<b>Maturity analysis</b>		
Not longer than 3 months	1,492,914	710,655
Longer than 3 months and not longer than 12 months	2,461,631	852,280
Longer than 1 year not longer than 5 years	1,824,147	3,332,319
Longer than 5 years	130,211	21,902
	<u>5,908,903</u>	<u>4,917,156</u>
<b>16. Deferred tax liabilities</b>		
The balance comprises temporary differences attributable to:		
<i>Amounts recognised in profit or loss</i>		
Deferred fees and commissions	33,592	27,645
Investments accounted for using the equity method	3,508	3,347
Assets financed under lease	16,511	11,053
Sundry items	-	(78)
	<u>53,611</u>	<u>41,967</u>
<b>Movements:</b>		
Opening balance at 1 April	41,967	34,982
Credited to the income statement (note 6)	11,644	6,985
Closing balance at 31 March	<u>53,611</u>	<u>41,967</u>
<b>17. Other liabilities</b>		
Unearned warranty revenue	1,690	2,259
Employee entitlements	4,050	3,761
Accrued interest payable	100,407	85,569
Amounts payable to related entities	75,780	89,347
Accounts payable & accrued expenses	28,389	20,204
Other	28,855	23,732
	<u>239,171</u>	<u>224,872</u>
Number of employees at period end	<u>366</u>	<u>378</u>

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	Consolidated 2009 (\$'000)	Consolidated 2008 (\$'000)
<b>18. Contributed equity</b>		
Ordinary shares fully paid	<u>120,000</u>	<u>120,000</u>

*(a) Ordinary shares*

At 31 March 2009 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.

**19. Reserves**

**Foreign currency translation reserve**

Balance at the beginning of the financial year

Net exchange differences on translation of foreign associate entity

Balance at the end of the financial year

(861)	36
<u>(1,916)</u>	<u>(897)</u>
<u>(2,777)</u>	<u>(861)</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.

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	Consolidated 2009 (\$'000)	Consolidated 2008 (\$'000)
<b>20. Retained profits</b>		
Retained profits at the beginning of the financial year	385,721	339,038
Profit attributable to owners of the parent	<u>27,508</u>	<u>64,527</u>
Total available for appropriation to owners of the parent	413,229	403,565
Dividends provided for or paid	<u>-</u>	<u>(17,844)</u>
<b>Retained profits at the end of the financial period</b>	<u><u>413,229</u></u>	<u><u>385,721</u></u>

**Dividends**

Final dividend of zero cents (31 March 2008 - 14.870 cents) per fully paid share paid during the financial year.  
 Fully franked based on tax paid at @ 30%  
 Total dividends provided for or paid

-	17,844
<u>-</u>	<u>17,844</u>

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 accounts attached to the dividend. Dividends paid during the period ended 31 March 2008 were fully franked.

	Consolidated 2009 (\$)	Consolidated 2008 (\$)
<b>21. Auditors' remuneration</b>		
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:		
<b>PricewaterhouseCoopers - Australian firm</b>		
Audit or review of the financial reports	285,788	284,596
Other audit-related work	<u>131,046</u>	<u>108,249</u>
Total audit and other assurance services	416,834	392,845
Taxation	<u>31,597</u>	<u>20,067</u>
Total remuneration	<u><u>448,431</u></u>	<u><u>412,912</u></u>
<b>Related practices of PricewaterhouseCoopers-Australian firm (including overseas PricewaterhouseCoopers firms)</b>		
Other assurance services	<u><u>93,028</u></u>	<u><u>60,633</u></u>



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	Consolidated 2009 (\$'000)	Consolidated 2008 (\$'000)
<b>22. Cash flow information</b>		
<b>Reconciliation of cash</b>		
Cash at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the balance sheet as follows:		
Cash on hand	2	2
Cash at bank/(bank overdraft)	13,249	10,054
Deposits/(borrowings) - at call	1,109,000	1,000
	<u>1,122,251</u>	<u>11,056</u>
<b>Reconciliation of net cash flows from operating activities to operating profit after income tax</b>		
Operating profit after income tax	27,508	64,527
Share of profits of associates	(2,564)	(5,225)
Depreciation and amortisation	7,243	8,976
Impairment losses	6,617	-
Amortisation - Upfront receipts	2,080	(1,637)
Amortisation - prepaid expense	19,857	18,004
Net loss on sale of non-current assets	635	(3,643)
Net profit on sale of investment	-	-
(Decrease)/increase in provision for doubtful debts	13,572	(2,312)
Increase/ (decrease) in deferred tax liability	11,644	6,985
(Decrease)/increase in current tax payable	-	(41,944)
Decrease/(increase) in deferred tax asset	(9,521)	6,567
(Increase) in receivables and loans	(774,437)	(482,249)
(Decrease)/increase in current liabilities	(63,232)	(6,441)
(Increase)/decrease in current assets	(2,899)	52,154
	<u>(763,497)</u>	<u>(386,238)</u>

**23. Lease commitments**

**Operating leases**

Aggregate amount contracted but not provided for in the accounts are as follows:

- Premises	<u>17,703</u>	<u>18,802</u>
Due within one year	3,351	2,988
Due within one to five years	12,805	11,908
Due over five years	1,547	3,906
	<u>17,703</u>	<u>18,802</u>

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.

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**24. Capital commitments**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>2009</b>	<b>2008</b>
	<b>(\$'000)</b>	<b>(\$'000)</b>
Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:		
<i>Intangible assets</i>		
Payable:		
Due within one year	2,363	247
Due within one to five years	1,782	161
	<u>4,145</u>	<u>408</u>

**25. Credit commitments**

The company and its controlled entities has outstanding commitments to extend credit in the normal course of business which are not reflected in the financial report.

Outstanding credit commitments provided to customers currently undrawn are as follows:

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>2009</b>	<b>2008</b>
	<b>(\$'000)</b>	<b>(\$'000)</b>
Term loans	74,230	28,828
Bailment stock	549,820	230,531
Fleet facilities	450,511	310,172
Total	<u>1,074,561</u>	<u>569,531</u>

**26. 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	
			2009 %	2008 %
TFA (Wholesale) Pty. Limited*	Australia	Ordinary	100	100

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

This subsidiary has been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investment Commission. For further information refer to note 32.

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

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**27. Related party transactions**

**(a) Parent entities**

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 26.

**(c) Key management personnel**

*Key management personnel compensation*

Short-term employee benefits

Share-based payments

Consolidated 2009 (\$)	Consolidated 2008 (\$)
3,611,991	3,392,108
76,544	59,038
<u>3,688,535</u>	<u>3,451,146</u>
Consolidated 2009 (\$'000)	Consolidated 2008 (\$'000)

**(d) Transactions with related parties**

The following transactions occurred with related parties:

**Dividend revenue**

Associates

-	1,377
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**Interest Expense**

Parent entity

359	-
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**(e) Outstanding balances arising from sales/purchases of goods and services**

The following balances are outstanding at the reporting date in relation to transactions with related parties:

**Amounts receivable from**

Related entities

23,961	27,100
--------	--------

**Amounts payable to**

Related entities

56,709	73,650
--------	--------

No provisions for doubtful debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad and doubtful debts due from related parties.

**(f) Loans from related parties**

**Loans from parent entity**

439,496	-
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The company entered into a funding arrangement with its parent entity, Toyota Financial Services Corporation, on normal commercial terms and conditions and at market rates.

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	Consolidated 2009 (\$'000)	Consolidated 2008 (\$'000)
<b>27. Related party transactions (continued)</b>		
<b>Loans from related entities</b>		
Beginning of the year	15,697	12,758
Loans advanced	3,374	2,939
End of year	<u>19,071</u>	<u>15,697</u>

No provisions for doubtful debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad and doubtful debts due from related parties.

**28. Financial Risk Management**

The consolidated entity's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise 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.

Risk management is carried out by various committees and departments based on charters or policies approved by senior management. These include:

*Pricing Committee*

The Pricing Committee meets monthly 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*

An Asset and Liability Committee, convened monthly, 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 financial intermediaries, and liquidity risk.

*Credit Risk Committee*

The Credit Risk Committee is responsible for identifying, evaluating and managing the consolidated entity's credit risk. The role of Credit Risk Committee is to ensure that the consolidated entity's business has a sound risk strategy consistent with corporate goals, which is applied by competent sales people using appropriately documented, robust policy and procedures.

*Internal Audit*

Internal Audit is responsible for the independent review of risk management and the control environment.

Senior management and the consolidated entity's shareholder, where applicable, provide written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

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**28. Financial Risk Management (continued)**

**(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 foreign exchange contracts to hedge the foreign currency risk arising on the issue of commercial paper in foreign currencies; 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 exposure to foreign currency risk at the reporting date is immaterial.

**(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 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 advances 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 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 advances funded at floating rate, using interest rate swaps to achieve this when necessary.

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**28. Financial Risk Management (continued)**

**(a) Market risk (continued)**

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

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

31 March 2009	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)		
<b>Financial Assets</b>						
Cash and liquid assets	4.6%	1,122,251	-	-	-	1,122,251
Loans and advances	7.7%	1,105,813	1,926,384	4,362,010	-	7,394,207
<b>Total financial assets</b>		2,228,064	1,926,384	4,362,010	-	8,516,458
<b>Financial Liabilities</b>						
Other liabilities	-	-	-	-	235,121	235,121
Banks & other financial institutions	4.6%	952,241	-	-	-	952,241
Commercial paper	3.8%	1,293,030	-	-	-	1,293,030
Medium term notes	3.3%	159,248	2,536,099	1,790,315	130,211	4,615,873
Employee entitlements	-	-	-	-	4,050	4,050
Interest rate swaps	-	247,486	(661,181)	506,690	(92,995)	-
<b>Total financial liabilities</b>		2,652,005	1,874,918	2,297,005	276,387	7,100,315
<b>Net financial assets</b>		(423,941)	51,466	2,065,005	(276,387)	1,416,143

31 March 2008	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)		
<b>Financial Assets</b>						
Cash and liquid assets	5.9%	11,056	-	-	-	11,056
Loans and advances	8.5%	1,103,495	1,657,857	3,739,626	-	6,500,978
<b>Total financial assets</b>		1,114,551	1,657,857	3,739,626	-	6,512,034
<b>Financial Liabilities</b>						
Other liabilities	-	-	-	-	221,111	221,111
Banks & other financial institutions	7.4%	-	18,000	-	-	18,000
Commercial paper	7.4%	664,503	-	-	-	664,503
Medium term notes	7.5%	4,999	898,433	3,349,221	-	4,252,653
Employee entitlements	-	-	-	-	3,761	3,761
Interest rate swaps	-	1,371,883	335,298	(1,707,181)	-	-
<b>Total financial liabilities</b>		2,041,385	1,251,731	1,642,040	224,872	5,160,028
<b>Net financial assets</b>		(926,834)	406,126	2,097,586	(224,872)	1,352,006

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**28. Financial Risk Management (continued)**

**(a) Market risk (continued)**

**(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 2009			12 months to 31 March 2008		
	Average	High	Low	Average	High	Low
Interest rate risk	3.64	4.28	2.50	2.70	3.60	2.06

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**28. 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 advances, and Treasury funding activities such as cash and cash equivalents, deposits with banks and financial institutions and derivative financial instruments.

**(i) Loans and advances**

The consolidated entity's loans and advances portfolio is exposed to two primary segments: retail and wholesale.

*Retail*

The retail portfolio is the largest segment. It comprises a range of loans and advances from individual consumers and small business, through to fleet business consisting of medium to large commercial clients and government bodies.

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, retain title of the leased vehicle 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.

*Wholesale*

The wholesale portfolio represents revolving credit limit facilities for motor vehicle dealerships to fund new and used vehicle stock. It also represents loans to approved motor vehicle dealerships to finance the dealership premises and working capital lines of credit. The wholesale portfolio has a higher concentration of credit risk, than does the retail portfolio, due to the nature of these facilities and its concentration in the motor vehicle dealership industry, although the risk is spread across market locations throughout Australia.

The credit risk within this portfolio is managed through the imposition and review (at a minimum annually) of credit limits to ensure dealerships have the capacity to settle financial commitments, conduct of regular inspections of dealership vehicle stock and use of collateral to secure funds advanced. The principal collateral types are:

- Bailment facilities for new vehicle stock;
  - Charges over business assets such as premises or used vehicle stock.
- The concentration of credit risk in relation to these two segments is reflected in the note 29 segment reporting.



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**28. Financial Risk Management (continued)**

**(b) Credit risk (continued)**

Loans and advances are analysed below:

	Consolidated 2009 (\$'000)	Consolidated 2008 (\$'000)
Past due loans and advances:		
- 1-14 Days	512,942	632,880
- 15-30 Days	243,327	345,310
- 31-60 Days	49,759	54,977
- 61-90 Days	18,598	13,056
- 90+ Days	22,153	23,763
Total	<u>846,779</u>	<u>1,069,986</u>

Past due loans and advances include unimpaired and impaired loans and advances. Below is the value of impaired loans and advances included in past due loans and advances.

Impaired loans and advances	<u>111,737</u>	<u>73,402</u>
Fair value of collateral related to impaired loans	<u>45,176</u>	<u>29,581</u>

**(ii) Treasury funding activities**

The consolidated entity's Treasury manage 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 master netting agreements are in place with all derivative counterparties.

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

Rating	Consolidated 2009 %	Consolidated 2008 %
AAA	18	34
AA+	-	4
AA	23	21
AA-	35	27
A+	20	6
A-	-	4
A	4	4
	<u>100</u>	<u>100</u>

The maximum exposure to credit risk at reporting date, 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 balance sheet.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2009**

**28. Financial Risk Management (continued)**

**(c) Liquidity risk**

Liquidity risk is the risk that the consolidated entity is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be failure to meet obligations to repay creditors and fulfil commitments to lend. The consolidated entity, in the normal course of business, requires substantial funding to support the level of its earning assets and working capital requirements, 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 replenishment of funds as they mature or is borrowed by customers. The consolidated entity maintains an active presence in domestic and international money markets and 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 utilise 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 reporting date.

	Consolidated 2009 (\$'000)	Consolidated 2008 (\$'000)
Entities in the consolidated entity have access to commercial paper, medium term notes and bank loan facilities:		
<b>Total facilities</b>		
Commercial paper, medium term notes and bank loan	12,270,820	11,318,349
- amount of facilities used	<u>(6,861,145)</u>	<u>(4,935,156)</u>
- amount of facilities unused	<u>5,409,675</u>	<u>6,383,193</u>

**Bank overdraft**

The bank overdraft is unsecured \$4 million (2008: \$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 \$0.30 billion committed and \$0.83 billion uncommitted money market facilities totalling \$1.13 billion (2008: \$1.61 billion) provided by various financial institutions.

*Uncommitted facilities*

Financial institutions providing uncommitted 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 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 2009 is nil% (2008: 7.3%)

All money market facilities are subject to annual review.

**TOYOTA FINANCE AUSTRALIA LIMITED AND CONTROLLED ENTITIES**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2009**

**28. 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 \$10.707 billion (2008: \$9.704 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 as at 31 March 2009 for medium term notes is 3.3% (2008: 7.5%) and for commercial paper is 3.8% (2008: 7.4%).

**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 receives 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 receives 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.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2009**

**28. 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 reporting date.

31 March 2009	<1 Month (\$'000)	1-3 Months (\$'000)	3-12 Months (\$'000)	1-5 Years (\$'000)	Over 5 Years (\$'000)	Total (\$'000)
<b>Non-derivatives</b>						
Banks & other financial institutions	-	1,029	450,177	525,578	-	976,784
Bonds & commercial paper	915,481	684,139	2,615,894	1,999,629	153,676	6,368,819
Total non derivatives	915,481	685,168	3,066,071	2,525,207	153,676	7,345,603
<b>Derivatives</b>						
Forward Foreign Exchange Contracts						
- bought currency	(525,481)	(110,324)	-	-	-	(635,805)
- sold currency	539,908	111,138	-	-	-	651,046
Interest Rate Swaps	4,617	(46,643)	(42,692)	(36,526)	-	(121,244)
Cross Currency Swaps						
- Pay leg	7,041	15,799	1,480,071	1,858,700	114,258	3,475,869
- Receive leg	-	(44,246)	(1,373,991)	(1,904,140)	(153,676)	(3,476,053)
Total derivatives	26,085	(74,276)	63,388	(81,966)	(39,418)	(106,187)
<b>Total</b>	<b>941,566</b>	<b>610,892</b>	<b>3,129,459</b>	<b>2,443,241</b>	<b>114,258</b>	<b>7,239,416</b>
31 March 2008	<1 Month (\$'000)	1-3 Months (\$'000)	3-12 Months (\$'000)	1-5 Years (\$'000)	Over 5 Years (\$'000)	Total (\$'000)
<b>Non-derivatives</b>						
Banks & other financial institutions	18,000	-	-	-	-	18,000
Bonds & commercial paper	335,377	468,820	1,014,170	3,620,714	22,149	5,461,230
Total non derivatives	353,377	468,820	1,014,170	3,620,714	22,149	5,479,230
<b>Derivatives</b>						
Forward Foreign Exchange Contracts						
- bought currency	(100,287)	(178,503)	-	-	-	(278,790)
- sold currency	97,052	181,180	-	-	-	278,232
Interest Rate Swaps	16,894	(28,664)	49,176	(24,187)	-	13,219
Cross Currency Swaps						
- Pay leg	14,200	64,989	107,744	1,298,489	26,958	1,512,380
- Receive leg	-	(68,895)	(93,843)	(1,169,933)	(22,149)	(1,354,820)
Total derivatives	27,859	(29,893)	63,077	104,369	4,809	170,221
<b>Total</b>	<b>381,236</b>	<b>438,927</b>	<b>1,077,247</b>	<b>3,725,083</b>	<b>26,958</b>	<b>5,649,451</b>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2009**

**28. Financial Risk Management (continued)**

**(d) Fair value estimation**

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 balance date. Estimated discounted cash flows is 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 reporting date.

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	
	2009 Carrying Amount (\$'000)	2009 Fair Value (\$'000)	2008 Carrying Amount (\$'000)	2008 Fair Value (\$'000)
<b>Financial Assets</b>				
Loans and advances	6,439,864	6,551,909	5,678,999	5,652,957
	<u>6,439,864</u>	<u>6,551,909</u>	<u>5,678,999</u>	<u>5,652,957</u>
<b>Financial Liabilities</b>				
Due to other financial institutions	952,241	956,744	18,000	18,000
Bonds and commercial paper	5,908,903	6,165,211	4,917,156	4,959,643
	<u>6,861,144</u>	<u>7,121,955</u>	<u>4,935,156</u>	<u>4,977,643</u>

**TOYOTA FINANCE AUSTRALIA LIMITED AND CONTROLLED ENTITIES**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2009**

**29. Financial Reporting By Segments**

**(a) Business segments**

The following business segments are determined based on the risks and returns inherent in the company's product range:

- Retail finance comprising loans and leases to personal and business customers;
- Wholesale finance comprising loans and bailment facilities to motor vehicle dealers;

	Retail finance		Wholesale finance		Consolidated	
	2009	2008	2009	2008	2009	2008
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>Revenue</b>						
Segment revenue from external customers	427,293	357,352	116,557	99,640	543,850	456,992
Other unallocated revenue					-	-
Total revenue					543,850	456,992
<b>Result</b>						
Segment result	59,519	74,860	11,066	14,628	70,585	89,488
Share of net profit of equity accounted investments					2,564	5,225
Unallocated net expenses					(34,352)	(3,852)
Profit before income tax					38,797	90,861
Income tax expense					(11,289)	(26,334)
Profit for the year					27,508	64,527
<b>Net profit arrived at after charging the following items:</b>						
- Depreciation	1,786	2,237	1	1	1,787	2,238
- Amortisation	5,414	6,696	42	42	5,456	6,738
- Impairment losses - computer software development	6,617	-	-	-	6,617	-
- Impairment of loans and advances	35,097	12,635	4,867	177	39,964	12,812
- Other non-cash expenses	25,027	21,160	-	-	25,027	21,160
<b>Assets</b>						
Segment assets	5,150,482	4,320,089	1,622,920	1,422,492	6,773,402	5,742,581
Equity accounted investments					43,094	42,446
Unallocated assets					1,169,396	49,431
Total assets					7,985,892	5,834,458
<b>Liabilities</b>						
Segment liabilities	5,056,571	3,982,999	2,251,049	1,211,164	7,307,620	5,194,163
Unallocated liabilities					147,820	135,435
Total liabilities					7,455,440	5,329,598
<b>Acquisitions of non-current assets</b>						
	12,920	6,130	-	-	12,920	6,130

**(b) Geographical segments**

The company's business segments operate predominately in Australasia.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2009**

**30. Subsequent events**

The directors are not aware of any other matter or circumstance not otherwise dealt with in the report or 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 years other than the matters disclosed below.

The investment allowance for business legislation became substantively enacted on 14 May 2009 when the Tax Laws Amendment (Small Business and General Business Tax Break) Bill 2009 ('the Bill') was passed by the Senate. The Bill has subsequently been enacted, receiving Royal Assent on 22 May 2009. The financial effect of the legislation has not been recognised in the financial report for the year ended 31 March 2009. It is not possible to disclose the financial effect of the legislation as it cannot yet be reliably estimated.

**31. Contingent liabilities**

The company has previously provided guarantees to third parties on behalf of motor dealers. There are no outstanding guarantees (2008: \$764,000).

The company, as a member of the Toyota Motor Corporation Australia Limited GST Group, is jointly and severally liable for 100% of the goods and services tax (GST) payable by the GST Group. The Toyota Motor Corporation Australia Limited GST Group was entitled to a net GST refund as at 31 March 2009 (2008: \$8,840,000 GST Payable).

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

The company has been notified by the Australian Tax Office of adjustments to its income tax returns relating to years prior to the implementation of the tax consolidation legislation. The company expects that any cost or impost which arises in relation to this matter will be offset by an intercompany receivable.

~~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 previous range of Toyota Extra Care warranty contracts, offered by the company until August 2003 and now in run-off, provided an extended warranty to the customer in exchange for an upfront premium payment. Recognition of premium income has been spread over the warranty period to match the expected pattern of claims. A varying degree of risk has also been insured with a third party insurer. The directors consider the amount correctly deferred and the partial 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 when incurred.

Litigation against the company by the liquidator of a former hirer seeking repayment of a number of alleged preferential payments/uncommercial transactions received prior to the hirer's insolvency was settled between the parties on 20 November 2008 without payment to the liquidator and on terms favourable to the company. The matter had been previously disclosed as a contingent liability.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2009**

**32. 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 income statement and consolidated balance sheet, comprising the company and the controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 31 March 2009.



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

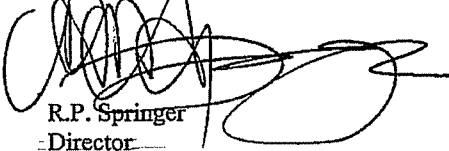
**DIRECTORS' DECLARATION**

In the directors' opinion:

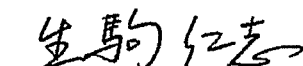
- (a) the financial statements and notes set out on pages 9 to 49 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the company's and consolidated entity's financial position as at 31 March 2009 and of their performance, as represented by the results of its operations and its cash flows, 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 noted 32 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 32.

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

For and on behalf of the Board



R.P. Springer  
Director



H. Ikoma  
Director

SYDNEY  
23 JUNE 2009

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ABN 52 780 433 757

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**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 balance sheet as at 31 March 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Toyota Finance Australia Limited group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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. These Auditing 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 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.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

**Independent auditor's report to the members of  
Toyota Finance Australia Limited (continued)**

For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

*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 company's and consolidated entity's financial position as at 31 March 2009 and of their 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*; and
- (b) the consolidated financial statements and notes complies with International Financial Reporting Standards as disclosed in Note 1.

*PricewaterhouseCoopers*

PricewaterhouseCoopers



Victor Clarke  
Partner

Sydney  
23 June 2009

### 3. Responsibility Statement

The directors confirm that to the best of their knowledge:

- (a) the financial statements and notes set out in the Annual Financial Report 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 TFA's and the Group's financial position as at 31 March 2009 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date;
- (b) there are reasonable grounds to believe that TFA will be able to pay its debts as and when they become due and payable; and
- (c) the management report set out on pages 1 to 26 includes a fair review of the development and performance of the business and the position of TFA and the Group, together with a description of the principal risks and uncertainties that they face.