

**TOYOTA FINANCE AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES**  
**ABN 48 002 435 181**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED 31 MARCH 2016**

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

**Financial Statements**  
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**DIRECTORS' REPORT**

The directors present this report on the consolidated entity consisting of Toyota Finance Australia Limited ("the company") and the entities it controlled at the end of, or during, the year ended 31 March 2016.

**1. DIRECTORS**

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

*Current Directors*

J. R. Chandler, a director since 2007; Managing Director since June 2009  
 I. G. Ritchens, a director since 2010  
 D. N. Miles, a director since 2011  
 Y. Yomoda, a director since 2012  
 A. L. W. Cramb, a director since 2013  
 B. I. Knight, a director in since 2014  
 D. C. Buttner, a director since 2014  
 Y. Toura, appointed director since 2015  
 H. Hayashi, appointed director on 28 January 2016  
 S. Abe, as alternate director to Y. Yomoda, an alternate director since 2014  
 T. Mori, as alternate director to H. Hayashi, appointed as alternate director on 4 February 2016

*Former Directors*

T. Saito, resigned as director on 1 January 2016  
 S. Watanabe ceased to be alternate director to T. Saito on 1 January 2016

**2. PRINCIPAL ACTIVITIES**

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

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

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

**3. DIVIDENDS**

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

	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Final dividends for the year-ended 31 March 2016 of nil cents (31 March 2015: 30.1 cents)	-	36,121
Interim dividends for the half-year ended 30 September 2015 of 4.40 cents (30 September 2014: 9.7 cents)	5,235	11,630
Total dividends	<u>5,235</u>	<u>47,751</u>

**DIRECTORS' REPORT (continued)**

**4. REVIEW OF OPERATIONS**

The net profit of the consolidated entity for the year ended 31 March 2016 was \$159,074,000 (31 March 2015: \$140,716,000) after deducting income tax expense of \$67,968,000 (31 March 2015: \$57,050,000).

**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 or significant environmental regulation.

**7. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR**

Since the end of the financial year, the directors are not aware of any matter or circumstance not otherwise dealt with in the report or the consolidated accounts that has 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 2017, although, fluctuations in the fair value and translation of some financial instruments resulting in unrealised gains or losses recognised through the profit or loss may produce anomalous results.

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

**9. INDEMNITY AND INSURANCE OF DIRECTORS AND OFFICERS**

During the financial year, the Company paid a premium of \$49,436 to insure the officers of the company and its controlled entities including the directors, company secretaries, and other officers against allegations of wrongdoing (other than intentional wrongdoing).

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

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

**DIRECTORS' REPORT (continued)**

**10. INDEMNITY OF AUDITORS**

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

**11. PROCEEDINGS ON BEHALF OF THE COMPANY**

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

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

**12. AUDITOR'S INDEPENDENCE DECLARATION**

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

**13. ROUNDING OF AMOUNTS**

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

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

For and on behalf of the Board



J. R. Chandler  
Director



D. N. Miles  
Director

Sydney  
30 May 2016



## Auditor's Independence Declaration

As lead auditor for the audit of Toyota Finance Australia Limited for the year ended 31 March 2016, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

A handwritten signature in black ink, appearing to read 'Joe Sheeran'.

Joe Sheeran  
Partner  
PricewaterhouseCoopers

Sydney  
30 May 2016

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

**FOR THE YEAR ENDED 31 MARCH 2016**

	<b>Note</b>	<b>Consolidated 2016 \$'000</b>	<b>Consolidated 2015 \$'000</b>
Financing revenue and similar revenue	3	1,066,631	1,105,685
Financing expense and similar charges	3	<u>(672,094)</u>	<u>(716,737)</u>
<b>Net financing revenue</b>		<b>394,537</b>	<b>388,948</b>
Other income	4	<u>33,599</u>	<u>31,992</u>
<b>Net operating income</b>		<b>428,136</b>	<b>420,940</b>
Impairment of financing assets	9	(57,513)	(86,935)
Employee benefits expense		(84,160)	(80,447)
Depreciation, amortisation and impairment expense	5	(23,139)	(22,835)
IT and communication expense		(10,835)	(9,252)
Sales and marketing expense		(9,056)	(9,401)
Occupancy		(6,469)	(5,824)
Other expenses		(17,532)	(17,155)
Share of net profits of associates accounted for using the equity method	25	<u>7,610</u>	<u>8,675</u>
<b>Profit before income tax</b>		<b>227,042</b>	<b>197,766</b>
Income tax expense	6	<u>(67,968)</u>	<u>(57,050)</u>
<b>Profit attributable to owners of the parent</b>		<b>159,074</b>	<b>140,716</b>
<b>Other comprehensive income</b>			
<i>Items that may be classified to profit or loss</i>			
Exchange differences on translation of foreign operations	15	<u>(5,591)</u>	<u>2,633</u>
<b>Total comprehensive income attributable to the owners of the parent</b>		<b><u>153,483</u></b>	<b><u>143,349</u></b>

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

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

**AS AT 31 March 2016**

		<b>Consolidated 2016 \$'000</b>	<b>Consolidated 2015 \$'000</b>
<b>Assets</b>	<b>Note</b>		
Cash and cash equivalents	21	1,199,106	1,272,771
Loans and receivables	8a	12,695,376	12,234,936
Motor vehicles under operating lease	8b	1,135,139	1,086,342
Derivative financial instruments	17	411,074	668,300
Investments accounted for using the equity method	25	62,499	65,716
Intangible assets	27	40,096	44,988
Property, plant and equipment	26	10,187	10,592
Deferred tax assets	28	10,067	28,257
Other assets	23	53,383	38,119
<b>Total Assets</b>		<b>15,616,927</b>	<b>15,450,021</b>
<b>Liabilities</b>			
Due to banks and other financial institutions	10	5,261,216	5,714,816
Bonds and commercial paper	11	8,641,485	8,275,176
Derivative financial instruments	17	258,235	149,474
Other liabilities	24	322,409	325,221
<b>Total Liabilities</b>		<b>14,483,345</b>	<b>14,464,687</b>
<b>Net Assets</b>		<b>1,133,582</b>	<b>985,334</b>
<b>Equity</b>			
Contributed equity	14	120,000	120,000
Reserves	15	2,509	8,100
Retained earnings	16	1,011,073	857,234
<b>Total Equity</b>		<b>1,133,582</b>	<b>985,334</b>

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



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

**FOR THE YEAR ENDED 31 MARCH 2016**

<b>Attributable to Owners of Toyota Finance Australia Ltd</b>				
<b>Note</b>	<b>Contributed Equity \$'000</b>	<b>Reserves \$'000</b>	<b>Retained Earnings \$'000</b>	<b>Total Equity \$'000</b>
<b>Balance at 1 April 2015</b>	120,000	8,100	857,234	985,334
Profit for the year	-	-	159,074	159,074
Other comprehensive income	-	(5,591)	-	(5,591)
<b>Total comprehensive income</b>	<b>-</b>	<b>(5,591)</b>	<b>159,074</b>	<b>153,483</b>
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	16	-	(5,235)	(5,235)
<b>Balance at 31 March 2016</b>	<b>120,000</b>	<b>2,509</b>	<b>1,011,073</b>	<b>1,133,582</b>
<b>Balance at 1 April 2014</b>	120,000	5,467	764,269	889,736
Profit for the year	-	-	140,716	140,716
Other comprehensive income	-	2,633	-	2,633
<b>Total comprehensive income</b>	<b>-</b>	<b>2,633</b>	<b>140,716</b>	<b>143,349</b>
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	16	-	(47,751)	(47,751)
<b>Balance at 31 March 2015</b>	<b>120,000</b>	<b>8,100</b>	<b>857,234</b>	<b>985,334</b>

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

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

**FOR THE YEAR ENDED 31 MARCH 2016**

	<b>Note</b>	<b>Consolidated 2016 \$'000</b>	<b>Consolidated 2015 \$'000</b>
<b><i>Cash flows from operating activities</i></b>			
Net cash outflow from lending and other operating activities		(847,775)	(796,109)
Interest received		852,686	889,736
Rental income received		346,422	336,782
Interest paid		(407,348)	(451,506)
Income taxes paid		(64,515)	(55,065)
<b>Net cash outflow from operating activities</b>	<b>22</b>	<b><u>(120,530)</u></b>	<b><u>(76,162)</u></b>
<b><i>Cash flows from investing activities</i></b>			
Payments of intangible assets		(14,156)	(19,151)
Payments of property and equipment		(7,499)	(11,837)
Proceeds from sale of property and equipment		3,795	8,761
Dividends received from associate		5,236	11,630
<b>Net cash outflow from investing activities</b>		<b><u>(12,624)</u></b>	<b><u>(10,597)</u></b>
<b><i>Cash flows from financing activities</i></b>			
Proceeds from borrowings		10,925,177	10,362,237
Repayments of borrowings		(10,860,452)	(9,631,309)
Dividends paid	<b>16</b>	<b><u>(5,235)</u></b>	<b><u>(47,751)</u></b>
<b>Net cash inflow from financing activities</b>		<b><u>59,490</u></b>	<b><u>683,177</u></b>
Net increase (decrease) in cash & cash equivalents		(73,664)	596,418
Cash & cash equivalents at beginning of period		1,272,770	676,353
<b>Cash &amp; cash equivalents at end of period</b>	<b>21</b>	<b><u>1,199,106</u></b>	<b><u>1,272,771</u></b>

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

## **Basis of Preparation**

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

### **1. Corporate information**

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

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

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

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

The financial statements were authorised for issue by the directors on 30 May 2016. The company has the power to amend and reissue the financial statements.

### **2. Summary of significant accounting policies**

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Toyota Finance Australia Limited and its subsidiaries.

#### **(a) Basis of preparation**

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

##### *Compliance with IFRS*

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

##### *Historical cost convention*

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

#### **(b) Principles of consolidation**

##### *(i) Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Toyota Finance Australia Limited ("company" or "parent entity") as at 31 March 2016 and the results of all subsidiaries for the

## **Basis of Preparation (continued)**

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

#### **(b) Principles of consolidation (continued)**

##### *(i) Subsidiaries (continued)*

year then ended. Toyota Finance Australia Limited and its controlled entities together are referred to in the financial statements as the consolidated entity.

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

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

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

##### *(ii) Associates*

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

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

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

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

#### **(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.

## **Basis of Preparation (continued)**

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

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

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

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

##### *(ii) Transactions and balances*

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

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

#### **(d) Rounding of amounts**

The company is of a kind referred to in 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.

#### **(e) New or revised accounting standards and interpretation not yet adopted**

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 March 2016 financial year and have not been early adopted by the company.

The AASB 9 Financial Instruments - The new standard simplifies the model for classifying and recognising financial instruments and aligns hedge accounting more closely with common risk management practices. Changes in own credit risk in respect of liabilities designated at fair value through profit or loss shall now be presented within other comprehensive income (OCI).

AASB 9's new impairment model is a move away from AASB 139's incurred credit loss approach to an expected credit loss model. Earlier recognition of impairment losses is likely to result and for entities with significant lending activities, an overhaul of related systems and processes will be needed.

The company has to assess the impact on its financial assets and financial liabilities designated at fair value through the profit or loss. The new hedging rules allow easier application of hedge accounting and the new standard also requires expanded disclosure requirements and changes in presentation. The new impairment model is an expected credit loss (ECL) model which may result in the earlier recognition of credit losses.

The new standard is required for mandatory application for the financial year commencing 1 April 2018, but is available for early adoption. The company has decided not to early adopt AASB 9. The potential impact of the initial application of the new standard is yet to be determined.

## **Basis of Preparation (continued)**

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

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

The AASB 15 Revenue from Contracts with Customers - This standard replaces AASB 118, which covers contracts for goods and services, and AASB 111, which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

The new standard is required for mandatory application for the financial year commencing 1 April 2018.

The company will review and determine the impact of this new standard in its financial statements which is deemed to have minimal impact on the company's accounting policies or the amounts recognised in the financial statements.

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

The new standard is required for mandatory application for the financial year commencing 1 April 2019. This revised standard is deemed to have minimal impact on the financial statements of the company. The company will still review and determine the full impact in the coming periods.

#### **(g) Changes to presentation of financial statements**

##### *(i) Change in accounting policy of motor vehicle under operating lease*

In the current financial year, the loans and receivables balance is disaggregated to present motor vehicles under operating lease as a separate asset component. Therefore, the amount of \$1,135 million is classified to motor vehicles under operating lease in 2016 (2015: \$1,086 million). Previously, rental income and depreciation expense were presented on a net basis in "Lease Income" within "Interest and similar revenue". This year depreciation expense on assets under operating lease is classified to be presented under "Financing expense and similar charge" for the amount of \$277 million (2015: \$263 million). The reclassification resulted in line changes in the face of the financial statements and accompanying notes but does not impact the overall financial results or financial position of the consolidated entity.

Prior year comparatives have been restated to be consistent with the changes mentioned above.

##### *(ii) Presentation of derivative financial instruments*

Last year the accrued interest relating to derivative instruments was classified as current in note 17. In the current year, presentation of accrued interest is made according to the contractual maturity of the derivative instruments. Consequently, a portion of the 2015 accrued interest amounting to \$22.5 million is reclassified to non-current portion in the restated comparatives.

## **Basis of Preparation (continued)**

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

#### **(g) Changes to presentation of financial statements (continued)**

##### *(iii) Presentation of segment results*

In the current financial year, the segment results are changed to further realign with internal management reporting. The comparatives have been restated to be consistent with the current changes.

##### *(iv) Counterparty credit risk*

The percentage of credit ratings used in monitoring counterparty credit risk in funding activities is changed to mark-to-market amounts in derivatives from notional amounts in prior year. The comparatives have been restated to be consistent with the current change.

#### **(h) Research and development (R&D) tax offset**

The consolidated entity has claimed tax offsets related to R&D expenses under the R&D government incentive program. The tax benefit from R&D expenses is recognised as a reduction in the related intangible asset or operating expenses, depending on the nature of the expenditure.

R&D tax incentives received this fiscal year were for R&D expenses incurred in the fiscal years 2014 and 2015. This resulted in a decrease of \$1.9 million in total assets and increase in net profit after tax of \$0.6 million (consisting of a decrease in general expenses of \$1.4 million, offset by an increase in income tax expense of \$0.8 million).

## Results for the Year

This section provides further information about individual line items in the profit and loss statement, including

- breakdown of net financing revenue
- other income
- depreciation, amortisation and impairment expense
- income tax expense
- segment results
- relevant accounting policies

### 3. Financing revenue and expense

	Consolidated 2016 \$'000	Consolidated 2015 \$'000
<b><i>Financing revenue and similar revenue</i></b>		
Interest revenue	853,260	891,246
Rental income on motor vehicle under operating lease	346,422	336,784
Fee income	88,421	86,398
Fee expense	(221,472)	(208,743)
<b>Total financing revenue and similar revenue</b>	<b>1,066,631</b>	<b>1,105,685</b>
<b><i>Financing expense and similar charge</i></b>		
Interest expense	371,346	390,505
Net loss (gain) on translation of foreign currency debt	(206,428)	497,787
Fair value (gain) loss on derivative financial instruments at fair value through profit or loss	214,964	(447,737)
Transaction costs	15,069	13,457
Depreciation expense on assets under operating lease	277,143	262,725
<b>Total financing expense and similar charge</b>	<b>672,094</b>	<b>716,737</b>

### 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:

#### (a) Term Loans and Term Purchase

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



## Results for the Year (continued)

### 3. Financing revenue and expense (continued)

#### Revenue recognition (continued)

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

##### *(i) Finance Leases*

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

##### *(ii) Operating Leases*

Lease rentals receivable on operating leases are recognised on a systematic basis over the effective lease term. Income derived from operating leases is included in "rental income on motor vehicle under operating lease". Operating leases has an average term of 40 months in the current period (2015: 41 months).

##### (c) Fee and commission income and expense

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

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

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

### 4. Other income

	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Net gain on disposal of leased and fixed assets	8,057	6,919
Commission and other income	25,542	25,073
	<b>33,599</b>	<b>31,992</b>

## Results for the Year (continued)

### 5. Depreciation, amortisation and impairment expenses

	Consolidated 2016 \$'000	Consolidated 2015 \$'000
<b>Profit before income tax includes the following specific expenses:</b>		
<i>Depreciation on property, plant and equipment</i>		
Leasehold improvements	1,075	1,174
Plant and equipment	1,249	1,323
Motor vehicles	1,766	2,742
<b>Total depreciation</b>	<b>4,090</b>	<b>5,239</b>
<i>Amortisation</i>		
Computer software development	19,049	15,838
<i>Impairment losses</i>		
Computer software development and equipment	-	1,758
<b>Total depreciation, amortisation &amp; impairment expenses</b>	<b>23,139</b>	<b>22,835</b>

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

Refer to Note 26 Property, Plant and Equipment & Note 27 – Intangible assets for further information on depreciation and amortisation.

## Results for the Year (continued)

### 6. Income tax expense

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

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

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

	<b>Consolidated 2016 \$'000</b>	<b>Consolidated 2015 \$'000</b>
a) Current tax	48,465	57,170
Deferred tax	18,190	(330)
Under/(Over) provision in prior year	1,313	210
Income tax expense attributable to continuing operations	<u><b>67,968</b></u>	<u><b>57,050</b></u>
Deferred income tax expense included in income tax expense comprises:		
Decrease in deferred tax assets	12,707	8,084
Increase/(Decrease) in deferred tax liabilities	5,482	(8,414)
	<u><b>18,189</b></u>	<u><b>(330)</b></u>
b) Numerical reconciliation of income tax expense to prima facie tax payable:		
Profit from continuing operations before income tax expense	227,043	197,766
Prima facie tax payable @ 30%	<u>68,113</u>	<u>59,329</u>
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share of net profit of associate	(2,283)	(2,602)
Sundry items	825	113
	<u>66,655</u>	<u>56,840</u>
Under/(Over) provision in prior years	1,313	210
Income tax expense attributable to continuing operations	<u><b>67,968</b></u>	<u><b>57,050</b></u>

## Results for the Year (continued)

### 6. Income tax expense (continued)

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

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

#### *Tax consolidation legislation*

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

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

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

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

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

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

## Results for the Year (continued)

### 7. Segment results

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

	Retail		Fleet		Consolidated	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Revenue</b>						
Finance margin	206,754	209,256	53,606	68,187	260,360	277,443
<u>Unallocated items</u>						
Fair valuation movement					35,159	23,089
Cost of fund adjustments					69,067	63,577
Investment income					26,520	18,889
Other unallocated revenue items					3,431	4,960
Total revenue					<b>394,537</b>	<b>387,958</b>
<b>Result</b>						
Segment result	137,238	134,937	39,804	24,388	177,043	159,326
Share of net profit of equity accounted investments					7,610	8,675
Fair value movements					35,159	23,089
Other Unallocated net income (expense)					7,229	6,676
Profit before income tax					227,042	197,766
Income tax expense					(67,968)	(57,050)
Profit attributable to owners of the parent					<b>159,074</b>	<b>140,716</b>
Net profit arrived at after charging the following items:						
Impairment of financing assets	54,989	52,504	2,523	34,431	57,513	86,935
Depreciation motor vehicle under operating lease	-	-	277,143	262,725	277,143	262,725
Depreciation, amortisation & impairment expenses	11,137	8,687	12,002	14,147	23,139	22,836
Other non-cash expenses	58,333	58,323	110	300	58,444	58,623

## Results for the Year (continued)

### 7. Segment results (continued)

	Retail		Fleet		Consolidated	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Assets</b>						
Segment assets(Net of provisions)	11,509,745	10,840,384	2,339,969	2,507,369	13,849,714	13,347,753
Equity accounted investments					62,499	65,716
<b>Unallocated assets</b>						
Cash and cash equivalents					1,199,106	1,272,771
Derivative financial instruments					411,074	668,300
Other unallocated assets					94,534	95,481
<b>Total assets</b>					<b>15,616,927</b>	<b>15,450,021</b>

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker who is responsible for allocating resources and assessing performance of the operating segments has been identified as the board of directors.

## Lending

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

### 8. Financing assets

	Consolidated 2016 \$'000	Consolidated 2015 \$'000
<b>a. Loans and receivables</b>		
Bailment stock	1,989,110	1,759,800
Term loans	10,744,345	10,227,055
Term purchase	676,507	854,491
Finance leases	614,968	794,271
<b>Gross loans and receivables</b>	<b>14,024,930</b>	<b>13,635,617</b>
Unearned income	(1,165,940)	(1,223,581)
<b>Net loans and receivables (net of unearned income)</b>	<b>12,858,990</b>	<b>12,412,036</b>
Provision for impairment of loans and receivables	(163,614)	(177,100)
<b>Net loans and receivables</b>	<b>12,695,376</b>	<b>12,234,936</b>
<b>Maturity analysis (net of unearned income)</b>		
Loans and receivables maturing within 12 months	5,195,437	4,800,959
Loans and receivables maturing beyond 12 months	7,663,553	7,611,077
	<b>12,858,990</b>	<b>12,412,036</b>

#### Concentration of exposures

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

### b. Motor vehicles under operating lease

At cost	1,826,805	1,742,241
Provision for impairment loss	(30,361)	(27,275)
Accumulated depreciation	(661,305)	(628,624)
<b>Total motor vehicles under operating lease</b>	<b>1,135,139</b>	<b>1,086,342</b>

#### Future minimum lease receipts under non-cancellable operating leases

Within 1 year	250,210	252,176
Over 1 year but within 5 years	292,577	309,026
Over 5 years	4,956	4,103
	<b>547,743</b>	<b>565,305</b>

#### Movements in cost, accumulated depreciation and reserves

Balance at the beginning of period, net of residual value	1,086,342	1,021,677
Additions	539,523	520,816
Disposals	(210,495)	(182,430)
Depreciation expense	(277,143)	(262,726)
Impairment gain/(loss)	(3,088)	(10,995)
<b>Balance at end of period, net of residual value</b>	<b>1,135,139</b>	<b>1,086,342</b>

## **Lending (continued)**

### **8. Financing assets (continued)**

#### *Recognition and de-recognition*

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

#### *Subsequent measurement*

Loans and receivables are measured at amortised cost using the effective interest method. The effective interest method calculation includes the contractual terms of the loan, together with all fees and transaction costs. Retail and wholesale finance receivables form part of the loans and receivables in the balance sheet.

Loans with renegotiated terms are accounted for in the same manner taking account of any change to the terms of the loan.

All loans and receivables are subject to continuous management review, to assess whether there is any objective evidence that the loan is impaired.

Unearned income is brought to account over the life of the contracts on an effective interest method.

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

#### *(i) Bailment stock*

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

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

#### *(ii) Term Loans*

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

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

##### *Term Purchase*

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

##### *Finance Lease*

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

##### *Operating Lease*

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



## **Lending (continued)**

### **8. Financing assets (continued)**

#### *Operating Lease (continued)*

Motor vehicles under operating lease is inclusive of carrying value of vehicles which ceased to be rented and are held for sale amounting to \$17.6 million as at 31 March 2016 (31 March 2015: \$16.1 million).

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

#### **Concentration of exposures**

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

Unearned income is comprised of the following balances:

	<b>Consolidated 2016 \$'000</b>	<b>Consolidated 2015 \$'000</b>
Net unamortised deferred revenue and expenses	278,000	257,200
Unearned finance income on finance leases	42,800	62,900
Unearned finance income on term loans	1,401,100	1,417,900

#### **Securitisation**

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

As at the end of the reporting period, the special purpose entities held the following amounts of the consolidated entity's loans and receivables under securitisation:

	<b>Consolidated 2016 \$'000</b>	<b>Consolidated 2015 \$'000</b>
Carrying amount of transferred assets	3,061,919	3,276,093

## Lending (continued)

### 9. Impairment

	Consolidated 2016 \$'000	Consolidated 2015 \$'000
<b>a. Provision for impairment of loans and receivables</b>		
Opening balance	177,100	151,466
Bad debts written off	(83,768)	(65,886)
Increase in impairment loss provision	70,283	91,520
Closing balance	<u>163,615</u>	<u>177,100</u>
<b>b. Provision for impairment of motor vehicles under operating lease</b>		
Opening balance	27,275	21,809
(Decrease)/increase in impairment loss provision	3,086	5,466
Closing balance	<u>30,361</u>	<u>27,275</u>
<b>c. Impairment loss</b>		
Recovery of bad debts written off	(15,855)	(10,051)
Increase in impairment loss provision	73,368	96,986
<b>Total impairment</b>	<u>57,513</u>	<u>86,935</u>

#### *Significant accounting estimate and judgement*

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

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

## Funding

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

### 10. Due to banks and other financial institutions

	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Banks and other financial institutions	4,896,753	5,320,753
Affiliated entity	364,463	394,063
<b>Total banks and financial institution borrowings</b>	<b>5,261,216</b>	<b>5,714,816</b>
<b>Maturity analysis</b>		
<i>Current</i>		
Banks and other financial institutions	2,249,670	2,142,444
Affiliated entity	364,463	394,063
<b>Total Current</b>	<b>2,614,133</b>	<b>2,536,507</b>
<i>Non-current</i>		
Banks and other financial institutions	2,647,083	3,178,309
<b>Total Non-current</b>	<b>2,647,083</b>	<b>3,178,309</b>
<b>Total banks and financial institution borrowings</b>	<b>5,261,216</b>	<b>5,714,816</b>

Included in the "Due to banks and other financial institutions" is securitised debt of \$2,395.0 million as at 31 March 2016 (2015: \$2,588.9 million) representing the value of term loans held by the external parties in the special purpose entities. The special purpose entities issued interest bearing senior and subordinated notes to the third parties amounting to \$2,395.0 million and nil million, respectively as at 31 March 2016 (2015: \$2,588.9 million and \$nil million). TFA holds the balance of the special purpose entities of \$ 666.7 million (2015: \$687.2 million). \$3,061.9 million loans and receivables are pledged as collateral for the senior notes under securitisation (2015: 3,276.1 million).

The interest payable on the secured notes as at 31 March 2016 amounted to \$2.0 million (2015: \$2.9 million) and is included in "Accrued Interest Payable".

## Funding (continued)

### 11. Bonds and commercial paper

	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Domestic commercial paper	1,270,211	955,662
Domestic medium term note	849,099	648,913
Euro commercial paper	811,740	1,078,885
Euro medium term note	5,710,435	5,591,716
<b>Total bonds and commercial papers</b>	<b>8,641,485</b>	<b>8,275,176</b>
<b>Maturity analysis</b>		
Current bonds and commercial papers	3,818,890	3,203,408
Non-current bonds and commercial papers	4,822,595	5,071,768
	<b>8,641,485</b>	<b>8,275,176</b>

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.

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

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

### 12. Securitisation and transferred assets

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

#### Securitisation

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

	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Carrying amount of transferred assets	3,061,919	3,276,093
Carrying amount of transferred liabilities	2,395,227	2,588,880
Fair value of transferred assets	3,335,743	3,656,448
Fair value of transferred liabilities	2,403,931	2,609,184
<b>Net position</b>	<b>1,598,504</b>	<b>1,734,477</b>

## Funding (continued)

### 13. Credit facilities

	Consolidated 2016 \$'000	Consolidated 2015 \$'000
<b>Amount available:</b>		
Bonds, commercial papers and term loans	24,583,022	15,733,965
Money market	487,500	837,500
Bank overdraft	4,000	4,000
Securitisation	4,900,000	4,900,000
<b>Amount utilised:</b>		
Bonds, commercial papers and term loans	11,558,756	11,446,781
Money market	-	-
Bank overdraft	-	-
Securitisation	-	-
-Senior Note	2,395,227	2,588,880
-Mezzanine Note	666,692	687,213
<b>Amount not utilised:</b>		
Bonds, commercial papers and term loans	13,024,266	4,287,184
Money market	487,500	837,500
Bank overdraft	4,000	4,000
Securitisation	1,838,081	1,623,907

### 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 \$19.7 billion (2015: \$10.7 billion). In the current financial year Toyota Financial Services Corporation allocated the full 10.0 billion DMTN facility to TFA (2015: 1.0 billion). Subject to meeting conditions prescribed in the program documentation, the company can issue commercial paper and medium term notes to purchasers at any time.

Medium term notes and commercial paper are issued at prevailing market rates. The weighted average interest rate after swap as at 31 March 2016 for medium term notes is 2.9% (2015: 3.4%) and for commercial paper is 2.4% (2015: 2.8%).

### 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 date 7 August 2000 (together, the "Credit Support Agreements").

### *Securities with respect to which a Trustee is appointed*

The Trustee, Union Bank of California N.A., will have the right to claim in favour of the holders of such securities directly against TFSC and TMC to perform their respective obligations under the Credit Support Agreements by making a written claim together with a declaration to the effect that such holders will have recourse to the rights given under the Credit Support Agreements. If TFSC and/or TMC receive such a claim from the Trustee, TFSC and/or TMC shall indemnify, without further action or formality, the holders against

## **Funding (continued)**

### **13. Credit facilities (continued)**

#### *Securities with respect to which a Trustee is not appointed (continued)*

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.

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

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

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

#### **Money market facilities**

The company has access to \$0.49 billion of uncommitted and \$nil of committed money market facilities (2015: \$0.49billion uncommitted and \$0.35 billion committed) respectively provided by various financial institutions. The company also has access to a Master Credit Facility as disclosed below.

##### *Uncommitted facilities*

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

##### *Committed facilities*

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

Interest on money market facilities is charged at prevailing rates. The weighted average interest rate as at 31 March 2016 is 2.3% (2015: 2.9%).

All money market facilities are subject to annual review.

## **Funding (Continued)**

### **13. Credit facilities (continued)**

#### **Master credit facility (MCF)**

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

The MCF between TFA and other Toyota affiliates was renegotiated in November 2015 where a US\$5.0 billion 364 day syndicated bank credit facility, a US\$5.0 billion three year syndicated bank credit facility and a US\$5.0 billion five year syndicated bank credit facility, expiring in November 2016, 2018, and 2020, respectively, were renewed.

The ability to make drawdowns is subject to covenants and conditions customary in transactions of this nature, including negative pledge provisions, cross-default provisions and limitations on certain consolidations, mergers and sales of assets. These agreements may be used for general corporate purposes and none were drawn upon as of 31 March 2016. The company is in compliance with the covenants and conditions of the credit agreements described above.

#### **Bank overdraft**

The bank overdraft is an unsecured \$4 million (2015: \$4 million) facility. Interest is charged at prevailing market rates. Bank overdraft is payable on demand and subject to annual review.

## Capital management

This section covers the capital structure of the consolidated entity.

### 14. Contributed equity

	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Ordinary shares fully paid	120,000	120,000

#### Ordinary shares

At 31 March 2016 there were 120,000,000 ordinary shares fully paid.

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

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

### 15. Reserves

#### Foreign currency translation reserve

Balance at 1 April	8,100	5,467
Net exchange differences on translation of foreign associate entity	(5,591)	2,633
Balance at 31 March	2,509	8,100

#### Foreign currency translation reserve

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

### 16. Retained earnings

Balance at 1 April	857,234	764,269
Profit attributable to owners of the parent	159,074	140,716
Total available for appropriation to owners of the parent	1,016,308	904,985
Dividends paid	(5,235)	(47,751)
Balance at 31 March	1,011,073	857,234

#### Dividends

Fully-franked final dividend for the year ended 31 March 2016 of nil cents (31 March 2015: 30.1 cents) per fully paid share.

Fully-franked interim dividend for the half year ended 30 September 2015 of 4.4 cents (30 September 2014: 9.7 cents) per fully paid share.

Total dividends paid	5,235	11,630
	5,235	47,751



## **Capital management (continued)**

### **16. Retained earnings (continued)**

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

The income tax consolidation rules do permit the company to pay a franked dividend to its shareholder with the Head Entity's franking account bearing a reduction for the franking credit attached to the dividend. Dividends paid during the year ended 31 March 2016 were fully franked.

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

## Financial instruments and risk

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

### 17. Derivative financial instruments

	Consolidated 2016 \$'000	Consolidated 2015 \$'000
<b>Assets</b>		
Interest rate swap contracts	69,316	95,623
Cross currency swap contracts	344,796	505,623
Forward foreign exchange contracts	-	70,781
Derivative financial instrument assets	414,112	672,027
Less: Bilateral credit valuation adjustment	(3,038)	(3,727)
<b>Total derivative financial instrument assets - held at fair value</b>	<b>411,074</b>	<b>668,300</b>
<b>Liabilities</b>		
Interest rate swap contracts	66,298	126,613
Cross currency swap contracts	117,268	22,861
Forward foreign exchange contracts	74,669	-
<b>Total derivative financial instrument liabilities - held at fair value</b>	<b>258,235</b>	<b>149,474</b>
<b>Current Derivative Financial Instruments</b>		
Derivative Financial Assets	65,576	161,568
Derivative Financial Liabilities	139,672	27,751
<b>Non-current Derivative Financial Instruments</b>		
Derivative Financial Assets	348,536	510,459
Derivative Financial Liabilities	118,563	121,723

#### Measurement

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

#### Fair value estimation

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

The fair value of the financial instruments that are not traded in an active market (over-the-counter derivatives) is determined using valuation techniques. The fair value of interest rate swaps and cross currency

## Financial instruments and risk (continued)

### 17. Derivative financial instruments (continued)

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

#### *Bilateral credit valuation adjustments*

The credit valuation adjustment is an adjustment to the fair value of the derivative instruments to account for the counterparty credit risk (CCR). It is a price of CCR which depends on the counterparty credit spreads and market factors that drive the derivative values.

#### *Significant accounting estimate*

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

#### *Fair value hierarchy*

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data

The consolidated entity's financial instruments that are measured and recognised at fair value are derivative assets and derivative liabilities used for hedging (i.e., interest rate swaps, cross currency swaps and forward exchange contracts). While these instruments are used for economic hedging, the consolidated entity does not apply hedge accounting.

## Financial instruments and risk (continued)

### 17. Derivative financial instruments (continued)

#### (a) Fair value hierarchy

AS AT 31 MARCH 2016	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total Balance \$'000
<b>Derivative financial assets through profit or loss</b>				
Derivative used for economic hedging	-	411,074	-	411,074
<b>Derivative financial liabilities through profit or loss</b>				
Derivative used for economic hedging	-	258,235	-	258,235
 <b>At 31 March 2015</b>	 <b>Level 1 \$'000</b>	 <b>Level 2 \$'000</b>	 <b>Level 3 \$'000</b>	 <b>Total Balance \$'000</b>
<b>Derivative financial assets through profit or loss</b>				
Derivative used for economic hedging	-	668,300	-	668,300
<b>Derivative financial liabilities through profit or loss</b>				
Derivative used for economic hedging	-	149,474	-	149,474

### 18. Non-derivative financial instruments

#### *Fair value measurements*

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

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

## Financial instruments and risk (continued)

### 18. Non-derivative financial instruments (Continued)

#### Fair value estimation

	Consolidated 2016 Carrying Amount (\$'000)	Consolidated 2016 Fair Value (\$'000)	Consolidated 2015 Carrying Amount (\$'000)	Consolidated 2015 Fair Value (\$'000)
<b>Financial Assets</b>				
Loans and receivables	13,830,515	15,224,718	13,321,278	14,718,302
<b>Financial Liabilities</b>				
Due to other financial institutions	5,261,216	5,338,624	5,714,816	5,834,795
Bonds and commercial paper	<u>8,641,485</u>	<u>8,866,705</u>	<u>8,275,176</u>	<u>8,538,024</u>
	<u>13,902,701</u>	<u>14,205,330</u>	<u>13,989,992</u>	<u>14,372,819</u>

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

### 19. Offsetting financial assets and financial liabilities

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

The following table presents the recognised financial instruments that are offset, or subject to enforceable master netting arrangements but not offset, as at 31 March 2016 and 31 March 2015. The column 'net amount' shows the impact on the consolidated entity's statement of financial position if set-off rights were exercised.

## Financial instruments and risk (continued)

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

	Effects of offsetting on the statement of financial position				
	Gross amounts	position Gross amounts set-off in the statement of financial position	Net amounts presented in the statement of financial position	Related amounts not offset Amounts subject to master netting arrangements	Net amount
2016	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>					
Cash and cash equivalents (b)	1,199,106	-	1,199,106	(500,000)	699,106
Loans and receivables (a.i)	12,695,376	-	12,695,376	-	12,695,376
Derivative financial instruments (b)	411,074	-	411,074	(133,209)	277,865
Other assets (a.ii)	74,278	(20,895)	53,383	-	53,383
Total	<u>14,379,834</u>	<u>(20,895)</u>	<u>14,358,939</u>	<u>(633,209)</u>	<u>13,725,730</u>
<b>Financial liabilities</b>					
Due to banks & other FI (b)	5,261,216	-	5,261,216	(500,000)	4,761,216
Derivative financial instruments (b)	258,235	-	258,235	(133,209)	125,026
Other liabilities (a.ii)	343,304	(20,895)	322,409	-	322,409
Total	<u>5,862,755</u>	<u>(20,895)</u>	<u>5,841,860</u>	<u>(633,209)</u>	<u>5,208,651</u>
<b>2015</b>					
<b>Financial assets</b>					
Cash and cash equivalents (b)	1,272,771	-	1,272,771	(400,000)	872,771
Loans and receivables (a.i)	12,259,353	(24,417)	12,234,936	-	12,234,936
Derivative financial instruments (b)	668,300	-	668,300	(46,610)	621,689
Other assets (a.ii)	59,745	(21,626)	38,119	-	38,119
Total	<u>14,260,169</u>	<u>(46,043)</u>	<u>14,214,126</u>	<u>(446,610)</u>	<u>13,767,516</u>
<b>Financial liabilities</b>					
Due to banks & other FI (b)	5,714,816	-	5,714,816	(400,000)	5,314,816
Derivative financial instruments (b)	149,474	-	149,474	(46,610)	102,864
Other liabilities (a.ii)	371,264	(46,043)	325,221	-	325,221
Total	<u>6,235,554</u>	<u>(46,043)</u>	<u>6,189,511</u>	<u>(446,610)</u>	<u>5,742,901</u>

## **Financial instruments and Risk (continued)**

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

#### **(a) Offsetting arrangements**

##### **(i) Bailment receivables**

An offset facility is extended to dealerships where dealer's surplus funds are accepted by Toyota Finance Australia Limited for purposes of reducing bailment charges by offsetting the interest accrued on the offset account against the bailment charges. The bailment receivables are presented net of the offset account balance in the statement of financial position. From FY 2016 this arrangement is no longer available.

##### **(ii) Other assets and liabilities**

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

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

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

### **20. Financial risk management**

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

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

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

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

The Enterprise Risk Committee is established with the purpose of driving an appropriate risk culture across the enterprise and enabling the organisation to achieve its business goals.

#### ***Pricing Committee***

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

#### ***Asset and Liability Committee***

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

## **Financial instruments and risk (continued)**

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

#### *Credit Risk Committee*

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

#### *Retail Credit Risk Committee*

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

#### *Residual Value Committee*

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

#### *Audit Committee*

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

#### *Compliance Committee*

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

#### *Internal Audit*

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



## Financial instruments and risk (continued)

### 20. 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 its functional currency. The consolidated entity is required to economically hedge 100% of its foreign exchange risk at the time of debt issuances. Derivative financial instruments are entered into by the consolidated entity to hedge its exposure to foreign currency risk, including:

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

The consolidated entity's net exposure to foreign currency risk at the end of the reporting period ended 31 March 2016 is immaterial. There has been no change in this position when compared to the reporting period ended 31 March 2015.

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

Cash flow and fair value interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. 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 interest rates. Derivative financial instruments are entered into by the consolidated entity to economically hedge its exposure to cash flow and fair value interest rate risk, including:

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

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

## Financial instruments and risk (continued)

### 20. Financial risk management (continued)

#### (a) Market risk (continued)

##### (ii) Cash flow and fair value interest rate risk (Continued)

The consolidated entity's policy is to maintain most of its debt exposure in its functional currency at floating rate, using interest rate swaps or cross currency swaps to achieve this when necessary. The consolidated entity's policy is to maintain between 20% and 50% of its loans and receivables funded at floating rate, using interest rate swaps to achieve this when necessary.

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

Consolidated 2016	Weighted Average Interest Rate %	Variable Interest Rate \$'000	Fixed Interest Rate			Non Interest Bearing \$'000	Total \$'000
			Less than 1 year \$'000	1 to 5 years \$'000	Over 5 years \$'000		
<b>Operating Lease receivable</b>	6.0%	-	517,032	637,309	11,158	-	1,165,499
<b>Financial Assets</b>							
Cash and liquid assets	2.3%	1,199,106	-	-	-	-	1,199,106
Loans and receivables	6.8%	3,134,749	2,993,670	6,468,429	262,142	-	12,858,990
Hedge swaps		8,887,250	(3,556,000)	(5,291,250)	(40,000)	-	-
Other assets		-	-	-	-	53,383	53,383
<b>Total financial assets</b>		<b>13,221,105</b>	<b>(45,298)</b>	<b>1,814,488</b>	<b>233,300</b>	<b>53,383</b>	<b>15,276,978</b>
<b>Financial Liabilities</b>							
Banks & other financial institutions	2.8%	4,896,753	-	-	-	-	4,896,753
Loans from related company	2.4%	364,464	-	-	-	-	364,464
Commercial papers	2.4%	2,081,951	-	-	-	-	2,081,951
Medium term notes	2.9%	1,296,199	1,363,811	3,899,524	-	-	6,559,534
Cross currency swaps		2,215,485	(558,506)	(1,656,979)	-	-	-
Interest rate swaps		3,502,300	(820,600)	(2,681,700)	-	-	-
Other liabilities		-	-	-	-	322,409	322,409
<b>Total financial liabilities</b>		<b>14,357,152</b>	<b>(15,295)</b>	<b>(439,155)</b>	<b>-</b>	<b>322,409</b>	<b>14,225,111</b>
<b>Net Financial Assets/Liabilities</b>		<b>(1,136,047)</b>	<b>(30,003)</b>	<b>2,253,643</b>	<b>233,300</b>	<b>(269,026)</b>	<b>1,051,867</b>

## Financial instruments and risk (continued)

### 20. Financial risk management (continued)

#### (a) Market risk (continued)

##### (ii) Cash flow and fair value interest rate risk (Continued)

2015	Weighted Average Interest Rate %	Variable Interest Rate (\$'000)	Fixed Interest Rate			Non Interest Bearing (\$'000)	Total \$'000
			Less than 1 year (\$'000)	1 to 5 years (\$'000)	Over 5 years (\$'000)		
Operating Lease receivable	6.8%	-	480,186	624,519	8,911	-	1,113,616
<b>Financial Assets</b>							
Cash and liquid assets	2.7%	1,272,771	-	-	-	-	1,272,771
Loans and receivables	7.3%	3,068,971	2,724,194	6,370,664	248,207	-	12,412,036
Hedge swaps		7,593,250	(2,516,000)	(4,987,250)	(90,000)	-	-
Other Assets		-	-	-	-	38,119	38,119
Total financial assets		11,934,992	688,380	2,007,933	167,118	38,119	14,836,542
<b>Financial Liabilities</b>							
Banks & other financial institutions	3.3%	5,320,753	-	-	-	-	5,320,753
Loans from related company	2.8%	394,063	-	-	-	-	394,063
Commercial papers	2.8%	2,034,550	-	-	-	-	2,034,550
Medium term notes	3.4%	1,137,564	51,000	5,052,065	-	-	6,240,629
Cross currency swaps		1,841,890	-	(1,841,890)	-	-	-
Interest rate swaps		3,013,800	(51,000)	(2,962,800)	-	-	-
Other liabilities		-	-	-	-	325,221	325,221
Total financial liabilities		13,742,620	-	247,375	-	325,221	14,315,216
<b>Net Financial Assets/Liabilities</b>		(1,807,628)	688,380	1,760,558	167,118	(287,102)	521,326

##### (iii) Sensitivity

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

	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Interest rates – increase by 100 basis points	(68)	5,447

#### (b) Credit risk

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

## Financial instruments and risk (continued)

### 20. Financial risk management (continued)

#### (b) Credit risk (continued)

##### (i) Lending activities

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

##### *Retail*

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

##### *Fleet*

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

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

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

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

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

	<b>Consolidated 2016 \$'000</b>	<b>Consolidated 2015 \$'000</b>
Retail past due exposure		
30 days and below	346,706	334,278
31-60 days	100,231	105,637
61-90 days	45,672	42,386
over 90 days	59,725	74,523
	<b>552,334</b>	<b>556,824</b>

## Financial instruments and risk (continued)

### 20. Financial risk management (continued)

#### (b) Credit risk (continued)

##### (i) Lending activities (continued)

	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Fleet past due exposure		
30 days and below	119,810	138,477
31-60 days	20,443	11,796
61-90 days	4,840	20,546
over 90 days	10,904	12,387
	<u>155,997</u>	<u>183,206</u>
Total past due exposure	<u>708,331</u>	<u>740,030</u>
Impaired loans and receivables:		
Retail	149,088	142,988
Fleet	25,707	39,707
Total impaired loans and receivables	<u>174,795</u>	<u>182,695</u>

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

#### *Wholesale*

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

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

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

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

The concentration of credit risk in relation to the two operating segments is reflected in the note 7.

## Financial instruments and risk (continued)

### 20. Financial risk management (continued)

#### (b) Credit risk (continued)

##### (ii) Funding activities

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

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

Rating	Consolidated 2016	Consolidated 2015
	%	%
AA-	26	40
A+	29	59
A-	-	1
A	45	-
	<u>100</u>	<u>100</u>

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

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 processes carried out by the Treasury Department includes:

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

## Financial instruments and risk (continued)

### 20. Financial risk management (continued)

#### (c) Liquidity risk (continued)

##### (i) Financing arrangements

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

##### (ii) Maturity of financial liabilities

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

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

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

Consolidated 2016	<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	516,348	217,380	1,981,728	2,710,739	-	5,426,195
Bonds & commercial paper	558,692	1,322,762	2,134,621	5,106,335	-	9,122,410
Other liabilities	153,452	35,475	62,865	70,617	-	322,409
Total non derivatives	1,228,492	1,575,617	4,179,214	7,887,691	-	14,871,014
<b>Derivatives</b>						
Forward Foreign Exchange Contracts						
- Bought currency	(409,463)	(335,655)	(187,494)	-	-	(932,612)
- Sold currency	433,789	372,484	202,413	-	-	1,008,686
Interest Rate Swaps	4,520	(6,553)	(21,521)	(35,700)	-	(59,254)
Cross Currency Swaps						
- Pay leg	11,153	13,135	986,177	2,667,342	-	3,677,807
- Receive leg	(3,702)	(9,450)	(984,832)	(2,860,227)	-	(3,858,211)
Total derivatives	36,297	33,961	(5,257)	(228,585)	-	(163,584)
<b>Total</b>	<b>1,264,789</b>	<b>1,609,578</b>	<b>4,173,957</b>	<b>7,659,106</b>	<b>-</b>	<b>14,707,430</b>

## Financial instruments and risk (continued)

### 20. Financial risk management (continued)

#### (C) Liquidity risk (continued)

##### (ii) Maturity of financial liabilities (continued)

Consolidated 2015	<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	360,040	1,026,355	1,268,221	3,716,107	-	6,370,723
Bonds & commercial paper	521,914	1,368,887	1,167,810	5,793,908	-	8,852,519
Other liabilities	164,587	29,113	69,073	62,448	-	325,221
Total non derivatives	1,046,541	2,424,355	2,505,104	9,572,463	-	15,548,463
<b>Derivatives</b>						
Forward Foreign Exchange Contracts						
- Bought currency	(356,440)	(562,337)	(186,389)	-	-	(1,105,166)
- Sold currency	325,787	529,565	181,966	-	-	1,037,318
Interest Rate Swaps	4,162	(6,659)	(26,133)	(70,425)	-	(99,055)
Cross Currency Swaps						
- Pay leg	11,658	427,475	891,626	2,726,349	-	4,057,108
- Receive leg	(3,433)	(469,938)	(915,274)	(3,160,971)	-	(4,549,616)
Total derivatives	(18,266)	(81,894)	(54,204)	(505,047)	-	(659,411)
<b>Total</b>	<b>1,028,275</b>	<b>2,342,461</b>	<b>2,450,900</b>	<b>9,067,416</b>	<b>-</b>	<b>14,889,052</b>



## Operating assets and liabilities

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

### 21. Cash and cash equivalents

	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Cash on hand	3	3
Cash in bank	199,103	202,768
Deposits at call	1,000,000	1,070,000
	<u>1,199,106</u>	<u>1,272,771</u>

#### *Recognition and measurement*

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

## Operating assets and liabilities (continued)

### 22. Cash flow information

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

	Consolidated 2016 \$'000	Consolidated 2015 \$'000
<b>Profit attributable to owners of the parent</b>	<b>159,074</b>	<b>140,716</b>
Share of profit of associates	(7,610)	(8,675)
Depreciation and amortisation of plant and equipment	23,139	21,077
Impairment loss on intangible assets	-	1,758
Amortisation - upfront receipts	(494)	(117)
Amortisation - prepaid expenses	20,106	17,905
Net gain/(loss) on sale of non-current assets	(8,057)	(6,919)
Net gain/(loss) on translation of foreign currency transactions	(512,917)	1,017,140
Changes in fair value of financial instruments	269,292	(540,145)

#### *Movements in operating assets and liabilities:*

Increase/(decrease) in provision for impairment of receivable	(13,486)	25,700
Increase/(decrease) in provision for impairment on residual value	3,086	5,400
(Increase) in loans and receivables	(446,954)	(181,835)
(Increase)/decrease in assets under net operating lease (net of accumulated depreciation)	(43,810)	(63,239)
Decrease(increase) in deferred tax asset	18,189	(330)
Increase in current liabilities	15,242	(409)
Decrease/(increase) in current assets	(15,264)	3,522
Increase/(decrease) in income tax payable	(18,054)	2,315
Increase/(decrease) in derivative financial instruments at fair value through profit or loss	437,989	(510,026)
<b>Net cash outflow from operating activities</b>	<b>(120,530)</b>	<b>(76,162)</b>

### 23. Other assets

Prepayments	43,871	31,664
Other debtors	7,678	5,195
Accrued interest receivable on cash and cash equivalents	1,834	1,260
	<b>53,383</b>	<b>38,119</b>
Other assets expected to be recovered within 12 months	30,655	29,777
Other assets expected to be recovered after more than 12 months	22,728	8,342
	<b>53,383</b>	<b>38,119</b>

## Operating assets and liabilities (continued)

### 24. Other liabilities

	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Unearned warranty revenue	1,491	1,433
Employee entitlements	9,465	8,990
Accrued interest payable	60,219	57,068
Amounts payable to related entities	96,701	109,860
Accounts payable	40,658	49,220
Accrued expenses	99,880	93,879
Other	13,995	4,771
	<u>322,409</u>	<u>325,221</u>
Other liabilities expected to be settled within 12 months	251,793	262,773
Other liabilities expected to be settled in more than 12 months	70,616	62,448
	<u>322,409</u>	<u>325,221</u>
Number of employees at end of reporting period	653	587

#### Employee entitlements

##### (a) Short-term obligations

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

##### (b) Other long-term employee benefit obligations

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

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

##### (c) Retirement benefit obligation

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

## Non-operating assets

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

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

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

Name of entity	Country of incorporation	Consolidated		Ownership interest	
		2016 \$'000	2015 \$'000	2016 %	2015 %
<b>(a) Movement in carrying amount</b>					
<i>Unlisted</i>					
Toyota Finance New Zealand Limited	New Zealand				
Carrying amount at 1 April		65,716	66,038	45.45	45.45
Share of profits after income tax		7,610	8,675		
Dividends received		(5,235)	(11,630)		
Net exchange differences on translation of foreign associate entity		(5,591)	2,633		
Carrying amount at 31 March		62,499	65,716		

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 of unsecured personal loans.

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

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

Profit before income tax	9,903	11,807
Income tax expense	(2,293)	(3,132)
Profit after income tax	<u>7,610</u>	<u>8,675</u>

## Non-operating assets (continued)

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

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

	Consolidated entity's share of:			
	Assets \$'000	Liabilities \$'000	Revenues \$'000	Profit \$'000
<b>Consolidated 2016</b>				
Toyota Finance New Zealand Limited	437,061	373,955	55,574	7,610
<b>Consolidated 2015</b>				
Toyota Finance New Zealand Limited	504,722	438,400	61,039	8,675

	Consolidated	
	2016 \$'000	2015 \$'000
<b>(d) Share of associates expenditure commitments</b>		
Lease commitments	2,640	3,188

#### *Principles of consolidation*

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

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

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

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

## Non-operating assets (continued)

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

#### *Foreign currency translation*

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

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

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

##### (b) Transactions and balances

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

### 26. Property and equipment

	Cost	Accumulated Depreciation	Carrying Value
	Consolidated	Consolidated	Consolidated
	2016	2016	2016
	\$'000	\$'000	\$'000
Leasehold improvements	8,397	6,582	1,814
Plant and equipment	21,735	19,503	2,233
Motor vehicles	7,239	1,099	6,140
	<u>37,371</u>	<u>27,184</u>	<u>10,187</u>

	Cost	Accumulated Depreciation	Carrying Value
	Consolidated	Consolidated	Consolidated
	2015	2015	2015
	\$'000	\$'000	\$'000
Leasehold improvements	8,196	5,507	2,689
Plant and equipment	21,011	18,254	2,757
Motor vehicles	6,136	990	5,146
	<u>35,343</u>	<u>24,751</u>	<u>10,592</u>

## Non-operating assets (continued)

### 26. Property and equipment (continued)

	Leasehold improvements \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Totals \$'000
<b>Consolidated 2016</b>				
Carrying value at 1 April	2,689	2,757	5,146	10,592
Additions	200	725	6,555	7,478
Disposals	-	-	(3,795)	(3,795)
Depreciation	(1,075)	(1,249)	(1,766)	(4,090)
Impairment loss	-	-	-	-
Carrying value at 31 March	<u>1,814</u>	<u>2,233</u>	<u>6,140</u>	<u>10,186</u>
<b>Consolidated 2015</b>				
Carrying value at 1 April	2,875	3,325	12,059	18,259
Additions	988	758	10,089	11,835
Disposals	-	-	(14,260)	(14,260)
Depreciation	(1,174)	(1,323)	(2,742)	(5,239)
	-	(3)	-	(4)
Carrying value at 31 March	<u>2,689</u>	<u>2,757</u>	<u>5,146</u>	<u>10,591</u>

#### Recognition and measurement

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

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

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

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

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

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

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

## Non-operating assets (continued)

### 27. Intangible assets

Software	Cost Consolidated \$'000	Amortisation Consolidated \$'000	Carrying Value Consolidated \$'000
2016	142,307	102,210	40,096
2015	128,657	83,670	44,988
	<b>Consolidated 2016 \$'000</b>	<b>Consolidated 2015 \$'000</b>	
Carrying value at 1 April	44,988	43,429	
Additions	16,085	19,151	
Amortisation expense	(19,049)	(15,838)	
Impairment loss	-	(1,754)	
Others	(1,929)	-	
Carrying value at 31 March	<u>40,096</u>	<u>44,988</u>	

#### *Recognition and measurement*

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

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

#### *Impairment of assets*

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



## Non-operating assets (continued)

### 28. Deferred tax assets

	Consolidated 2016 \$'000	Consolidated 2015 \$'000
<b>Deferred tax asset balances comprise temporary differences attributable to:</b>		
Amounts recognised in the Balance Sheet		
Provision for impairment of loans and advances	58,192	61,312
Financial Instruments	(9,792)	(163)
Accrued expenses	25,551	23,813
Sundry Items	4,891	6,435
<b>Total amount recognised in the Balance Sheet</b>	<b>78,842</b>	<b>91,397</b>
<b>Deferred tax liability balances comprise temporary differences attributable to:</b>		
Amounts recognised in the Balance Sheet		
Assets financed under lease	59,337	54,125
Sundry items	9,438	9,015
<b>Total amount recognised in the Balance Sheet</b>	<b>68,775</b>	<b>63,140</b>
<b>Net deferred tax assets</b>	<b>10,067</b>	<b>28,257</b>
 Gross Deferred tax assets opening balance:	 91,397	 99,482
Movement in temporary differences during the year:		
Provision for impairment of loans and advances	(3,120)	9,330
Financial Instruments	(9,629)	(12,410)
Accrued expenses	1,738	1,228
Sundry Items	(1,544)	(6,233)
<b>Gross Deferred tax assets closing balance</b>	<b>78,842</b>	<b>91,397</b>
 Gross Deferred tax liabilities opening balance:	 63,140	 71,555
Movement in temporary differences during the year:		
Assets financed under lease	5,212	4,227
Sundry items	423	(12,642)
<b>Gross Deferred tax liabilities closing balance</b>	<b>68,775</b>	<b>63,140</b>
<b>Net deferred tax assets</b>	<b>10,067</b>	<b>28,257</b>
 Deferred tax asset / (liabilities) expected to be settled within 12 months	 (3,044)	 31,283
Deferred tax asset / (liabilities) expected to be settled beyond 12 months	13,111	(3,026)
	<b>10,067</b>	<b>28,257</b>

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

### Unrecognised items

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

#### 29. Contingent liabilities

The company, as a member of the Toyota Motor Corporation Australia Limited GST Group (GST Group), is jointly and severally liable for 100% of the goods and services tax (GST) payable by the GST Group. The GST Group had a net GST payable as at 31 March 2016 of \$48.2 million (31 March 2015: \$50.3 million).

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

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

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

#### 30. Commitments

##### (a) Lease commitments

	Consolidated 2016 \$'000	Consolidated 2015 \$'000
<b>Operating leases</b>		
Aggregate amount contracted but not provided for in the accounts are as follows:		
- Premises	15,052	18,363
Lease commitments expected to be settled in 12 months	4,764	4,764
Lease commitments expected to be settled in more than 12 months but not later than 60 months	10,288	13,599
	15,052	18,363

The company leases various offices under non-cancellable operating leases expiring within one to five years. The leases have varying terms, escalations clauses and renewal rights. On renewal, the terms of the leases are renegotiated. There are no lease commitments expected to be settled later than 60 months.

## Unrecognised items (continued)

### 30. Commitments (Continued)

#### (b) Capital commitments

	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Expenditures contracted for at the end of each reporting period but not recognised as liabilities is as follows:		
Intangible assets	1,587	-

### 31. Subsequent events

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

### Other disclosure matters

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

#### 32. Subsidiaries

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

Name of entity	Country of incorporation	Class of shares	Ownership interest	
			2016 %	2015 %
TFA (Wholesale) Pty. Limited*	Australia	Ordinary	100	100
Southern Cross Toyota 2009-1 Trust**	Australia	Ordinary	100	100
King Koala TFA 2012-1 Trust**	Australia	Ordinary	100	100

\*Investment value of \$2 has been rounded to nil. This subsidiary has been granted relief from the necessity to prepare financial statements in accordance with Class Order 98/1418 issued by the Australian Securities and Investment Commission. For further information refer to note 36. The proportion of the ownership interest is equal to the proportion of voting power held.

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

#### 33. Related party transaction

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

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

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

##### (b) Subsidiaries

Interests in subsidiaries are set out in note 32.

##### (c) Associates

Investments in associates are set out in note 25.

## Other disclosure matters (continued)

### 33. Related party transaction (continued)

#### (d) Key management personnel

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

	Consolidated 2016	Consolidated 2015
	\$	\$
Short-term employee benefits	6,354,969	6,047,491
Termination benefits	-	315,640
	<u>6,354,969</u>	<u>6,363,131</u>

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

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

	31 March 2016 Unexercised Options	31 March 2015 Unexercised Options
<b>Directors</b>		
J. R. Chandler, Managing Director	20	20

#### Shares under option

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

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

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

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

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

As 31 March	Amount Financed	Outstanding Balance	Terms	Average Rate	Security
2016	\$2,213,024	\$2,213,020	3 years, variable	4.39%	Secured by 1st mortgages over the loan property
2015	\$2,213,024	\$2,230,661	30 years, variable	4.87%	Secured by 1st mortgages over the loan property

No write-downs or allowance for doubtful debts were recognised on the key management personnel loans as at 31 March 2016 and 2015.

Terms of the Loan agreement changed during the year 2016 and the new loan term is 3 years as per revised agreement.

## Other disclosure matters (continued)

### 33. Related party transaction (continued)

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

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

	<b>Consolidated 2016 \$'000</b>	<b>Consolidated 2015 \$'000</b>
<i>Net Financing Income</i>		
Affiliate finance income	29,554	46,484
Interest expense on loans from affiliated entity	(1,038)	(529)
Credit support fees paid to parent entity	(10,398)	(8,628)
<i>Expenses</i>		
Marketing expenses paid to affiliates	850	500
<i>Assets</i>		
<i>Loans and receivables</i>		
Deferred finance income from affiliates*	(31,890)	(44,473)
<i>Other assets</i>		
Accounts receivable from affiliates*	11,933	237
<i>Liabilities</i>		
Interest bearing loans payable to affiliates	364,463	394,063
Non-interest bearing loans payable to affiliates	31,475	35,698
Accounts payable to affiliates*	59,957	69,536
Accrued interest payable to affiliates	831	335
Accounts payable to parent entity*	5,269	4,626

No bad debts expense and allowance for doubtful debts were recognised in relation to any receivable due from related parties as at 31 March 2016 and 31 March 2015.

\* Non-interest bearing

## Other disclosure matters (continued)

### 34. Parent entity information

#### TOYOTA FINANCE AUSTRALIA LIMITED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016

	Parent 2016 \$'000	Parent 2015 \$'000
<b>Assets</b>		
Cash and cash equivalents	1,199,106	1,272,771
Loans and receivables	12,695,376	12,234,936
Motor vehicles under operating lease	1,135,139	1,086,342
Derivative financial instruments	443,255	721,544
Investments in associates	4,284	4,284
Intangible assets	40,096	44,988
Property, plant and equipment	10,187	10,592
Deferred tax assets	10,067	28,257
Other assets	720,074	725,332
<b>Total Assets</b>	<b>16,257,584</b>	<b>16,129,046</b>
<b>Liabilities</b>		
Due to banks and other financial institutions	2,865,989	3,125,935
Bonds and commercial paper	8,641,485	8,275,176
Related party liabilities	3,061,918	3,276,093
Derivative financial instruments	258,235	149,474
Other liabilities	322,061	324,872
<b>Total Liabilities</b>	<b>15,149,688</b>	<b>15,151,550</b>
<b>Net Assets</b>	<b>1,107,896</b>	<b>977,496</b>
<b>Equity</b>		
Contributed equity	120,000	120,000
Retained earnings	987,896	857,496
<b>Total Equity</b>	<b>1,107,896</b>	<b>977,496</b>

As at 31 March 2016, current assets and current liabilities amounted to \$7,281,268,000 and \$7,138,466,000 respectively (2015: \$7,246,486,000 and \$6,087,830,000 respectively).

## Other disclosure matters (continued)

### 34. Parent entity information (continued)

#### TOYOTA FINANCE AUSTRALIA LIMITED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2016

	Parent 2016 \$'000	Parent 2015 \$'000
Interest and similar revenue	1,066,631	1,105,685
Interest expense and similar charges	(854,034)	(845,871)
<b>Net financing income</b>	<b>212,597</b>	<b>259,814</b>
Other income	199,711	214,912
<b>Net operating income</b>	<b>412,308</b>	<b>474,726</b>
Bad and doubtful debts expense	(57,513)	(86,935)
Employee benefits expense	(84,160)	(80,446)
Depreciation, amortisation and impairment expense	(23,139)	(22,835)
IT and communication expense	(10,835)	(9,252)
Sales and marketing expense	(9,056)	(9,401)
Occupancy	(6,469)	(5,824)
Other expenses	(17,532)	(17,155)
<b>Profit before income tax</b>	<b>203,604</b>	<b>242,878</b>
Income tax expense	(67,968)	(57,050)
<b>Profit after income tax</b>	<b>135,636</b>	<b>185,828</b>

(b) Guarantees entered into by the parent entity

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

(c) Contingent liabilities of the parent entity

Refer to note 29 – Contingent liabilities

(d) Contractual commitments by the parent entity

Refer to note 30 – Commitments



## Other disclosure matters (continued)

### 35. Auditor's remuneration

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

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>Consolidated 2016 \$</b>	<b>Consolidated 2015 \$</b>
<b>PricewaterhouseCoopers - Australian firm</b>		
Audit or review of the financial reports	570,000	594,820
Other audit-related work	207,791	145,678
Other assurance services	<u>312,361</u>	<u>293,012</u>
Total audit and other assurance services	1,090,152	1,033,510
 Taxation	 37,600	 35,766
Advisory Services	<u>16,248</u>	<u>-</u>
Total remuneration	<u>1,144,000</u>	<u>1,069,276</u>
 <b>Related practices of PricewaterhouseCoopers-Australian firm (including overseas PricewaterhouseCoopers firms)</b>		
Other assurance services	<u>112,071</u>	<u>126,335</u>

### 36. Deed of cross guarantee

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

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

The consolidated financial statements cover the entities which are parties to the deed of cross guarantee. Consequently, the consolidated financial statements reflect the consolidated statement of comprehensive income and consolidated balance sheet, comprising the company and the controlled entities which are a party to the Deed, after eliminating all transactions between the parties to the Deed of Cross Guarantee, at 31 March 2016.

## DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the financial statements and notes set out on pages 6 to 64 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 March 2016 and of its performance for the year ended on that date; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 36 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 36.

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

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

For and on behalf of the Board



J. R. Chandler  
Director



D. N. Miles  
Director

Sydney  
30 May 2016



## **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 consolidated statement of financial position as at 31 March 2016, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Toyota Finance Australia Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

### ***Directors' responsibility for the financial report***

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

### ***Auditor's responsibility***

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

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

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

### ***Independence***

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

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**PricewaterhouseCoopers, ABN 52 780 433 757**

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*Auditor's opinion*

In our opinion:

- (a) the financial report of Toyota Finance Australia Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 March 2016 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 2.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers".

PricewaterhouseCoopers

A handwritten signature in cursive script, appearing to be "Joe Sheeran".

Joe Sheeran  
Partner

Sydney  
30 May 2016