TOYOTA
FINANCE
AUSTRALIA

Annual Financial Report 2021

TOYOTA FINANCE AUSTRALIA LIMITED
AND ITS CONTROLLED ENTITIES

ABN 48 002 435 181

FINANCIAL REPORT FOR THE YEAR ENDED 31 MARCH 2021


KPX 882

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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 2021.

1. Directors

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

Current Directors

E. Tsirogiannis, a director since 2017; appointed as Managing Director on 1 July 2020

B. I. Knight, a director since 2014

G. McGrath, a director since 2016

M. J. Callachor, a director since 2017

M. Templin, a director since 2018

S. Kadena, a director since 2019

S. Thompson was appointed as a director on 1 April 2020

Former Directors

J. R. Chandler resigned as a director and Managing Director on 1 July 2020

T. Mori resigned as a director on 4 March 2021

2. Principal activities

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

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

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

3. Dividends

Since the end of the financial year the directors have recommended the payment of a final fully franked ordinary dividend of $52,265,000 (43.55 cents per fully paid share) to be paid on or before 30 June 2021 out of retained earnings at 31 March 2021.

4. Review of operations

The net profit of the consolidated entity for the year ended 31 March 2021 was $185,168,000 (2020: $64,340,000) after deducting income tax expense of $75,076,000 (2020: $24,955,000). The effects of the COVID-19 pandemic are discussed in Note 2 to the financial statements.

Directors' report (continued)

5. Significant changes in state of affairs

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

6. Environmental regulation

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

7. Matters subsequent to the end of the financial year

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

8. Likely developments and expected results of operations

The company expects its underlying operations to operate profitably in the financial year ending 31 March 2022, 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 $137,321 to insure the officers of the company and its controlled entities including the directors, company secretaries, and other officers against allegations of wrongdoing (other than intentional wrongdoing).

The company has entered into a deed of access and indemnity with each director and the company's responsible managers whereby it has agreed to:

a. the maximum extent permitted by law, to indemnify directors and responsible managers against any liability in connection with a director's and responsible manager's act; legal costs incurred by a director and responsible manager 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 and responsible manager's duties as a director and responsible manager of the company;

b. allow directors and responsible managers 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, responsible manager or an officer of the company or a controlled entity.

Directors' report (continued)

10. Indemnity of auditors

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

11. Proceedings on behalf of the company

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

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

12. Auditor's independence declaration

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

13. Rounding of amounts

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

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

For and on behalf of the Board

S. Kadena
Director

Sydney
15 June 2021

Auditor's Independence Declaration

As lead auditor for the audit of Toyota Finance Australia Limited for the year ended 31 March 2021, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

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

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

Joe Sheeran
Partner
PricewaterhouseCoopers

Sydney
15 June 2021

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Consolidated statement of comprehensive income for the year ended 31 March 2021

	Note	Consolidated 2021 $'000	Consolidated 2020 $'000
Interest revenue	3a	751,126	765,942
Rental income on motor vehicles under operating lease		406,690	391,487
Fee income	3b	45,078	43,619
Financing and similar revenue		**1,202,894**	**1,201,048**
Interest expense and similar charges	3a	(457,563)	(350,005)
Depreciation expense on motor vehicles under operating lease	8b	(342,422)	(324,018)
Financing expense and similar charges		**(799,985)**	**(674,023)**
Net financing revenue		**402,909**	**527,025**
Other revenue	4	59,188	46,770
Net operating income		**462,097**	**573,795**
Credit impairment reversal/(loss)	9b	35,654	(197,127)
Non-credit impairment reversal/(loss)	9c	13,287	(27,370)
Employee benefits expense		(157,206)	(164,036)
Depreciation, write-off and amortisation	5	(32,089)	(28,111)
IT and communication expense		(35,791)	(30,840)
Sales and marketing expense		(8,559)	(11,967)
Other expenses		(28,099)	(36,202)
Share of net profits of associates accounted for using the equity method	25	10,950	11,153
Profit before income tax		**260,244**	**89,295**
Income tax expense	6	(75,076)	(24,955)
Profit attributable to owners of Toyota Finance Australia Limited		**185,168**	**64,340**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	15	(5,456)	1,667
Total comprehensive income attributable to owners of Toyota Finance Australia Limited		**179,712**	**66,007**

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

Consolidated statement of financial position as at 31 March 2021

	Note	Consolidated 2021 $'000	Consolidated 2020 $'000
Assets			
Cash and cash equivalents	21a	3,471,028	1,937,976
Term deposits	21b	554,000	–
Loans and receivables	8a	18,052,552	18,035,325
Motor vehicles under operating lease	8b	1,597,285	1,567,432
Derivative financial instruments	17	161,424	1,462,371
Investment accounted for using the equity method	25	95,639	90,145
Intangible assets	28	42,664	41,426
Property, plant and equipment	26	23,508	23,849
Right-of-use assets	27	35,014	42,067
Deferred tax assets	29	11,525	–
Other assets	23	88,764	36,907
Total assets		**24,133,403**	**23,237,498**
Liabilities			
Due to banks and other financial institutions	10	4,115,458	4,575,501
Bonds and commercial paper	11	16,851,185	16,136,283
Derivative financial instruments	17	778,641	211,415
Deferred tax liabilities	29	-	10,177
Other liabilities	24a	498,406	605,631
Contract liabilities	24b	103,909	89,262
Lease liabilities	27	41,950	45,087
Total liabilities		**22,389,549**	**21,673,356**
Net assets		**1,743,854**	**1,564,142**
Equity			
Contributed equity	14	120,000	120,000
Reserves	15	3,020	8,476
Retained earnings	16	1,620,834	1,435,666
Total equity		**1,743,854**	**1,564,142**

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

Consolidated statement of changes in equity for the year ended 31 March 2021

	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 April 2020	**120,000**	**8,476**	**1,435,666**	**1,564,142**
Profit for the year	–	–	185,168	185,168
Other comprehensive income	–	(5,456)	–	(5,456)
Total comprehensive income for the year	**–**	**(5,456)**	**185,168**	**179,712**
Balance at 31 March 2021	**120,000**	**3,020**	**1,620,834**	**1,743,854**
Balance at 1 April 2019	**120,000**	**6,809**	**1,371,326**	**1,498,135**
Profit for the year			64,340	64,340
Other comprehensive income		1,667	–	1,667
Total comprehensive income for the year	**–**	**1,667**	**64,340**	**66,007**
Balance at 31 March 2020	**120,000**	**8,476**	**1,435,666**	**1,564,142**

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

Consolidated statement of cash flows for the year ended 31 March 2021

	Consolidated 2021 $'000	Consolidated 2020 $'000
Cash flows from operating activities		
Net cash outflow from lending and other operating activities	(1,086,880)	(1,427,580)
Interest received	918,785	946,221
Short term lease payments	(282)	(997)
Rental income received	406,690	391,487
Interest paid	(341,608)	(426,300)
Term deposit	(554,000)	-
Income taxes paid	(64,228)	(41,390)
Net cash outflow from operating activities	**(721,523)**	**(558,559)**
Cash flows from investing activities		
Payments for intangible assets	(19,449)	(25,062)
Payments for property, plant and equipment	(11,145)	(21,503)
Proceeds from sale of property, plant and equipment	6,040	3,402
Net cash outflow from investing activities	**(24,554)**	**(43,163)**
Cash flows from financing activities		
Proceeds from borrowings	27,073,742	16,101,255
Repayments of borrowings	(24,789,050)	(14,974,107)
Principal lease payments	(5,563)	(4,053)
Net cash inflow from financing activities	**2,279,129**	**1,123,095**
Net increase in cash and cash equivalents	1,533,052	521,373
Cash and cash equivalents at beginning of period	1,937,976	1,416,603
Cash and cash equivalents at end of period	**3,471,028**	**1,937,976**

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

Basis of preparation

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

1. Corporate information

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

The company is limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

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

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

The financial statements were authorised for issue by the directors on 15 June 2021. The company has the power to amend and reissue the financial statements.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. Where necessary, comparative information has been restated to conform to changes in presentation in the current year.

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 2021 and the results of all subsidiaries for the year then ended. Toyota Finance Australia Limited and its controlled entities together are referred to in the financial statements as the consolidated entity.

Basis of preparation (continued)

2. Summary of significant accounting policies (continued)

b) Principles of consolidation (continued)

(i) Subsidiaries (continued)

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 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.

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.

Basis of preparation (continued)

2. Summary of significant accounting policies (continued)

c) Foreign currency translation (continued)

(ii) Transactions and balances (continued)

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

d) Rounding of amounts

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

e) Coronavirus (COVID-19) pandemic

The COVID-19 pandemic has increased the estimation uncertainty in the preparation of the consolidated financial statements. The estimation uncertainty is associated with:

- The continued spread of COVID-19 has led to disruption and volatility in the global capital markets and has had an impact on the funding cost for the consolidated entity. The consolidated entity's ability to access capital markets during the period has not been adversely impacted.
- Continued spread of COVID-19 has caused an economic slowdown and recession (which could adversely affect the demand for vehicles and the demand for the company's financing and insurance products and increase the company's delinquencies, credit losses and dealer defaults), and can cause disruption in the supply chains of the vehicles the company finances, or cause other unpredictable events, each of which could adversely affect the company's business, results of operations or financial condition.

The consolidated entity has applied accounting estimates in the consolidated financial statements based on forecasts of economic conditions which reflect expectations and assumptions as at 31 March 2021 about future events that the directors believe are reasonable in the circumstances. There is a considerable degree of judgement involved in preparing the forecasts. The underlying assumptions are also subject to uncertainties which are often outside the control of the consolidated entity. Accordingly, actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of those differences may significantly impact accounting estimates included in the consolidated financial statements.

The significant accounting estimates impacted by these forecasts and associated uncertainties are related to the expected credit losses ("ECL") calculations. The impact of the COVID-19 pandemic on the accounting estimates is discussed in Notes 9 and 20b. Users to the financial statements should carefully consider these disclosures in light of the inherent uncertainty described above.

Results for the year

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

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

3. Financing revenue and expense and similar charges

	Consolidated 2021 $'000	Consolidated 2020 $'000
(a) Interest revenue and expense		
Interest revenue		
Interest revenue	918,943	945,461
Fee income recognised using the effective interest rate method	72,795	69,096
Fee expense recognised using the effective interest rate method	(240,612)	(248,615)
Total interest revenue	**751,126**	**765,942**
Interest expense and similar charges		
Interest expense	282,218	369,968
Net (gain) loss on translation of foreign currency debt	(2,069,790)	1,336,737
Fair value loss (gain) on derivative financial instruments at fair value through profit or loss	2,217,217	(1,381,047)
Transaction costs	26,722	23,203
Interest on lease liabilities	1,196	1,144
Total interest expense and similar charges	**457,563**	**350,005**
(b) Fee income earned on originated assets		
Administration and management fee	39,795	37,710
Other fees	5,283	5,909
Total fee income	**45,078**	**43,619**

Revenue recognition

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

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

(i) Term loans and term purchase

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

Results for the year (continued)

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

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

a) Finance leases

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

b) Operating leases

Lease rentals receivable on operating leases are recognised on a systematic basis over the effective lease term. Income derived from operating leases is included in "rental income on motor vehicles under operating lease". Operating leases had an average term of 46 months in the current period (2020: 45 months).

(iii) Fee income and expense

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

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

4. Other revenue

	Consolidated 2021 $'000	Consolidated 2020 $'000
Net gain on disposal of leased and fixed assets	37,101	16,112
Net insurance distribution revenue	8,989	15,797
Net maintenance revenue	11,720	13,449
Other income	1,378	1,412
Total other revenue	**59,188**	**46,770**

Net insurance distribution revenue and net maintenance revenue are recognised as the related services are performed. Net maintenance revenue represents net income received for facilitating the provision of maintenance services on fleet contracts. The revenue is recognised as those services are provided. The company acts as an agent and as such presents the revenue received net of associated costs in the consolidated statement of comprehensive income. Revenue received in advance of the services being provided is presented as a contract liability until such point as the services have been provided. Further information in relation to contract liabilities is presented in Note 24b.

Results for the year (continued)

5. Depreciation, write-off and amortisation

	Consolidated 2021 $'000	Consolidated 2020 $'000
Profit before income tax includes the following specific expenses:		
Depreciation on property, plant and equipment		
Right-of-use assets	7,593	6,553
Leasehold improvements	2,257	1,445
Plant and equipment	1,918	2,183
Motor vehicles	2,010	1,995
Write-off on property, plant and equipment	108	1,966
Total depreciation and write off	**13,886**	**14,142**
Amortisation		
Computer software development	15,229	13,969
Computer software write-off	2,974	–
Total amortisation and write-off	**18,203**	**13,969**
Total depreciation, write off and amortisation	**32,089**	**28,111**

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

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

6. Income tax expense

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

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

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

Results for the year (continued)

6. Income tax expense (continued)

	Consolidated 2021 $'000	Consolidated 2020 $'000
Current tax	92,328	20,443
Deferred tax	(21,702)	4,555
Under/(Excess) provision in prior year	4,450	(43)
Income tax expense attributable to continuing operations	**75,076**	**24,955**
Deferred income tax expense included in income tax expense comprises:		
Increase in deferred tax assets	26,645	9,442
Increase in deferred tax liabilities	(4,943)	(13,997)
	21,702	**(4,555)**
Numerical reconciliation of income tax expense to prima facie tax payable:		
Profit from continuing operations before income tax expense	260,244	89,295
Prima facie tax payable @ 30%	**78,073**	**26,789**
Tax effect of amounts which are not deductible (taxable) in calculation taxable income:		
Share of net profit of associate	(3,285)	(3,346)
Sundry items	285	1,555
	75,073	**24,998**
Deferred income tax expense credit relating to prior years	(4,447)	–
Under/(Excess) provision in prior year	4,450	(43)
Income tax expense attributable to continuing operations	**75,076**	**24,955**

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

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

Tax consolidation legislation

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

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

Results for the year (continued)

6. Income tax expense (continued)

Tax consolidation legislation (continued)

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

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

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

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

7. Segment results

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

Consolidated	2021			
	Retail $'000	Fleet $'000	Unallocated $'000	Total $'000
Net financing revenue (excluding fee income)	268,880	61,480	27,471	357,831
Fee income				
Fee income recognised over a period of time	27,383	12,412	–	39,795
Fee income recognised at a point in time	3,810	1,606	(133)	5,283
Other revenue				
Other revenue recognised at a point in time	8,426	12,450	1,211	22,087
Net gain/(loss) on disposal of leased and fixed assets	–	37,126	(25)	37,101
Net operating income	308,499	125,074	28,524	462,097
Total reporting segment operating profit	198,905	87,395	–	286,300

Results for the year (continued)

7. Segment results (continued)

Consolidated	2020			
	Retail $'000	Fleet $'000	Unallocated $'000	Total $'000
Net financing revenue (excluding fee income)	265,382	60,962	157,062	483,406
Fee income				
Fee income recognised over a period of time	26,487	11,223	–	37,710
Fee income recognised at a point in time	4,995	931	(17)	5,909
Other revenue				
Other revenue recognised at a point in time	12,084	14,956	3,618	30,658
Net gain/(loss) on disposal of leased and fixed assets	–	16,118	(6)	16,112
Net operating income	308,948	104,190	160,657	573,795
Total reporting segment operating loss	(23,542)	(20,595)	–	(44,137)

	31 March 2021			
Assets	**Retail $'000**	**Fleet $'000**	**Unallocated $'000**	**Total $'000**
Segment assets	16,095,973	3,553,863	4,483,567	24,133,403

	31 March 2020			
Assets	**Retail $'000**	**Fleet $'000**	**Unallocated $'000**	**Total $'000**
Segment assets	16,023,783	3,578,974	3,634,741	23,237,498

The company's liabilities are primarily related to debt funding which are undertaken by the centralised treasury function.

Results for the year (continued)

7. Segment results (continued)

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

	Consolidated 2021 $'000	Consolidated 2020 $'000
Total reporting segment operating profit/(loss)	286,300	(44,137)
Share of net profits of associates accounted for using the equity method	10,950	11,153
Fair value (loss)/gain	(73,030)	99,239
Other unallocated net income	36,024	23,040
Profit before income tax	**260,244**	**89,295**
Income tax expense	(75,076)	(24,955)
Profit attributable to owners of Toyota Finance Australia Limited	**185,168**	**64,340**

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

	Note	31 March 2021 $'000	31 March 2020 $'000
(a) Loans and receivables			
Bailment stock		2,349,059	2,969,845
Term loans		15,820,333	15,084,470
Term purchase		512,032	605,779
Finance leases		875,646	914,450
Gross loans and receivables		**19,557,070**	**19,574,544**
Unearned income		(1,307,368)	(1,280,069)
Net loans and receivables (net of unearned income)		**18,249,702**	**18,294,475**
Provision for impairment of loans and receivables	9a	(197,150)	(259,150)
Net loans and receivables		**18,052,552**	**18,035,325**
Maturity analysis (net of unearned income)			
CURRENT			
Net loans and receivables maturing within 12 months		6,752,618	7,388,465
NON-CURRENT			
Net loans and receivables maturing beyond 12 months		11,497,084	10,906,010
		18,249,702	**18,294,475**

The minimum lease payments receivable on finance leases of vehicles are as follows:

	31 March 2021 $'000	31 March 2020 $'000
Future minimum lease receipts under finance leases		
Maturing within 1 year	265,749	282,677
Maturing between 1 and 2 years	227,548	241,169
Maturing between 2 and 3 years	182,742	191,616
Maturing between 3 and 4 years	129,116	135,294
Maturing between 4 and 5 years	47,228	46,741
Maturing beyond 5 years	23,263	16,953
	875,646	**914,450**

Lending (continued)

8. Financing assets (continued)

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.

	Note	31 March 2021 $'000	31 March 2020 $'000
(b) Motor vehicles under operating lease			
Operating lease – At cost		2,534,928	2,435,076
Impairment loss	9c	(52,750)	(67,250)
Accumulated depreciation		(884,893)	(800,394)
Total motor vehicles under operating lease		**1,597,285**	**1,567,432**
Future minimum lease receipts			
Maturing within 1 year		303,342	296,576
Maturing between 1 and 2 years		198,279	213,027
Maturing between 2 and 3 years		130,839	139,254
Maturing between 3 and 4 years		64,180	68,100
Maturing between 4 and 5 years		24,683	30,133
Maturing beyond 5 years		13,196	16,626
		734,519	**763,716**
Movements in cost, accumulated depreciation and reserves			
Balance at beginning of period, net of residual value		1,567,432	1,414,487
Additions		598,053	761,743
Disposals		(240,278)	(257,410)
Depreciation expense		(342,422)	(324,018)
Impairment reversal/(loss)		14,500	(27,370)
Balance at end of period, net of residual value		**1,597,285**	**1,567,432**

Recognition and derecognition

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

Lending (continued)

8. Financing assets (continued)

Classification and subsequent measurement

Classification

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

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

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

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

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

(I) BAILMENT STOCK

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

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

(II) TERM LOANS

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

(III) TERM PURCHASE

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

(IV) FINANCE LEASE

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

(V) OPERATING LEASE

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

Motor vehicles under operating lease is inclusive of the carrying value of vehicles which ceased to be rented and are held for sale amounting to $10,249,000 as at 31 March 2021 (2020: $17,748,000).

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

Lending (continued)

8. Financing assets (continued)

Classification and subsequent measurement (continued)

Subsequent measurement

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

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

Modification

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

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

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

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 comprised of the following balances:

	31 March 2021 $'000	31 March 2020 $'000
Net unamortised deferred revenue and expenses	(310,479)	(312,132)
Unearned interest income on finance leases	50,097	51,836
Unearned interest income on term loans	1,567,750	1,540,365
Total unearned income	**1,307,368**	**1,280,069**

Securitisation

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

As at the end of the reporting period, the carrying amount of transferred assets held by the special purpose entities under securitisation was $3,619,525,000 (2020: $3,827,271,000).

Lending (continued)

9. Impairment of financing assets

	Consolidated 2021 $'000	Consolidated 2020 $'000
(a) Provision for credit impairment of loans and receivables		
Opening balance	259,150	124,000
Bad debts written off	(51,996)	(77,847)
(Decrease)/Increase in impairment loss provision	(10,004)	212,997
Closing balance*	**197,150**	**259,150**
(b) Credit impairment loss		
Recovery of bad debts written off	(25,650)	(15,870)
(Decrease)/Increase in impairment loss provision	(10,004)	212,997
Total impairment (gain)/loss	**(35,654)**	**197,127**
(c) Non-credit impairment loss on motor vehicles under operating lease		
Opening balance	67,250	39,880
Impairment (reversal)/loss	(1,213)	–
(Decrease)/Increase in impairment loss provision	(13,287)	27,370
Closing balance	**52,750**	**67,250**

* The balance as at 31 March 2021 includes provision on guaranteed future value of $9,400,000 (2020: $19,400,000) which is not calculated under AASB 9.

The contractual amount outstanding on financial assets that were written off during the year ended 31 March 2021 and that are still subject to enforcement activity is $46,036,000 (2020: $73,492,000).

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

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

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit impaired in the period, and the consequent "step up" (or "step down") between 12 month and lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments derecognised in the period;
- Impact on the measurement of ECL due to changes in probability of default ("PD"), exposure at default ("EAD") and loss given default ("LGD") in the period, arising from regular refreshing of inputs to models;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period;
- Takes into consideration the economic condition outlook that reflects the impact of the COVID-19 pandemic.

Lending (continued)

9. Impairment of financing assets (continued)

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

General approach (Retail & Wholesale)

Consolidated 2021	12 month ECL $'000	Lifetime ECL not credit-impaired $'000	Lifetime ECL credit-impaired $'000	Total $'000
Opening balance as at 1 April	97,533	79,051	26,716	203,300
Changes due to financial assets recognised in the opening balance:				
– Transfers between stages	39,144	(34,162)	(4,982)	–
– Remeasurement	(43,781)	(3,659)	47,065	(375)
Closing ECL of new financial assets originated	26,651	3,791	1,206	31,648
Financial assets derecognised during the period other than write-offs	(15,419)	(9,267)	(3,187)	(27,873)
Write-offs	–	–	(50,400)	(50,400)
Balance at 31 March	**104,128**	**35,754**	**16,418**	**156,300**

Consolidated 2020	12 month ECL $'000	Lifetime ECL not credit-impaired $'000	Lifetime ECL credit-impaired $'000	Total $'000
Opening balance as at 1 April	40,896	40,173	19,931	101,000
Changes due to financial assets recognised in the opening balance:				
– Transfers between stages	3,127	(1,999)	(1,128)	–
– Remeasurement	34,068	27,946	76,908	138,922
Changes in model assumptions and methodologies	22	890	22	934
Closing ECL of new financial assets originated	24,704	18,236	4,248	47,188
Financial assets derecognised during the period other than write-offs	(5,284)	(6,195)	(3,926)	(15,405)
Write-offs	–	–	(69,339)	(69,339)
Balance at 31 March	**97,533**	**79,051**	**26,716**	**203,300**

Lending (continued)

9. Impairment of financing assets (continued)

Simplified approach (Fleet)

Consolidated 2021	Lifetime ECL not credit-impaired $'000	Lifetime ECL credit-impaired $'000	Total $'000
Opening balance as at 1 April	33,496	2,954	36,450
Changes due to financial assets recognised in the opening balance:			
– Transfers between stages	705	(705)	–
– Remeasurement	(10,222)	2,637	(7,585)
Closing ECL of new financial assets originated	7,960	503	8,463
Financial assets derecognised during the period other than write-offs	(4,142)	(140)	(4,282)
Write-offs	–	(1,596)	(1,596)
Balance at 31 March	**27,797**	**3,653**	**31,450**

Consolidated 2020	Lifetime ECL not credit-impaired $'000	Lifetime ECL credit-impaired $'000	Total $'000
Opening balance as at 1 April	12,789	2,211	15,000
Changes due to financial assets recognised in the opening balance:			
- Transfers between stages	289	(289)	–
- Remeasurement	11,584	9,323	20,907
Changes in model assumptions and methodologies	(7,738)	(91)	(7,829)
Closing ECL of new financial assets originated	18,865	500	19,365
Financial assets derecognised during the period other than write-offs	(2,293)	(192)	(2,485)
Write-offs	–	(8,508)	(8,508)
Balance at 31 March	**33,496**	**2,954**	**36,450**

Retail, Wholesale and Fleet receivables are written off when there is no reasonable expectation of recovery of debt. Indicators that there is no reasonable expectation of recovery include, but are not limited to, the following:

- Failure of the debtor to engage with or enter into a repayment plan with the company; or
- The debtor has been placed under liquidation; or
- The debtor has entered into bankruptcy proceedings, and the company determines that the debtor does not have assets or sources of income that could generate sufficient cash flow to repay the amounts subject to write-off.

Lending (continued)

9. Impairment of financing assets (continued)

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

Retail & Wholesale receivables

Consolidated 2021	12 month ECL $'000	Lifetime ECL not credit-impaired $'000	Lifetime ECL credit-impaired $'000	Total $'000
Gross carrying amount as at 1 April	15,398,800	786,685	60,998	16,246,483
Changes due to financial assets recognised in the opening balance:				
– Transfers between stages	185,003	(203,706)	18,703	–
– Change in balance	(2,923,255)	(70,576)	16,083	(2,977,748)
Closing ECL of new financial assets originated	5,340,643	55,976	4,375	5,400,994
Financial assets derecognised during the period other than write-offs	(2,266,719)	(84,571)	(6,366)	(2,357,656)
Write-offs	–	–	(50,400)	(50,400)
Balance at 31 March	**15,734,472**	**483,808**	**43,393**	**16,261,673**

Consolidated 2020	12 month ECL $'000	Lifetime ECL not credit-impaired $'000	Lifetime ECL credit-impaired $'000	Total $'000
Gross carrying amount as at 1 April	14,639,799	714,111	59,922	15,413,832
Changes due to financial assets recognised in the opening balance:				
- Transfers between stages	(204,296)	162,183	42,113	–
- Change in balance	(2,108,907)	(102,168)	29,536	(2,181,539)
Closing ECL of new financial assets originated	5,029,608	151,460	9,796	5,190,864
Financial assets derecognised during the period other than write-offs	(1,957,404)	(138,901)	(11,030)	(2,107,335)
Write-offs	–	–	(69,339)	(69,339)
Balance at 31 March	**15,398,800**	**786,685**	**60,998**	**16,246,483**

Lending (continued)

9. Impairment of financing assets (continued)

Fleet receivables

Consolidated 2021	Lifetime ECL not credit-impaired $'000	Lifetime ECL credit-impaired $'000	Total $'000
Gross carrying amount as at 1 April	2,040,056	7,936	2,047,992
Changes due to financial assets recognised in the opening balance:			
– Transfers between stages	(7,141)	7,141	–
- Change in balance	(369,610)	(2,897)	(372,507)
Closing ECL of new financial assets originated	754,025	2,547	756,572
Financial assets derecognised during the period other than write-offs	(441,646)	(786)	(442,432)
Write-offs	–	(1,596)	(1,596)
Balance at 31 March	**1,975,684**	**12,345**	**1,988,029**

Consolidated 2020	Lifetime ECL not credit-impaired $'000	Lifetime ECL credit-impaired $'000	Total $'000
Gross carrying amount as at 1 April	1,772,585	13,595	1,786,180
Changes due to financial assets recognised in the opening balance:			
– Transfers between stages	(4,427)	4,427	–
– Change in balance	(341,258)	(3,170)	(344,428)
Closing ECL of new financial assets originated	961,267	2,030	963,297
Financial assets derecognised during the period other than write-offs	(348,111)	(438)	(348,549)
Write-offs	–	(8,508)	(8,508)
Balance at 31 March	**2,040,056**	**7,936**	**2,047,992**

Lending (continued)

9. Impairment of financing assets (continued)

Significant accounting estimate and judgement

The consolidated entity assesses, on a forward-looking basis, the ECL associated with its loan and receivable assets carried at amortised cost and motor vehicles under operating lease (excluding residual value) and recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions, in light of potential impacts the current COVID-19 pandemic presents.

Modifications relating to COVID-19

The consolidated entity has provided a number of support measures for customers impacted by the COVID-19 pandemic. These include loan repayment deferrals for retail, fleet and wholesale customers. The repayment deferrals were considered to be a continuation of the existing loans, and therefore, accounted for as non-substantial loan modifications.

For retail and wholesale, loans with gross carrying value of approximately $433,745,000 were subject to COVID-19 related repayment support at the time that they were included in the lifetime ECL provision. Of these exposures, loans with gross carrying value of approximately $204,713,000 have changed to 12-month ECL as at 31 March 2021. For fleet, as the consolidated entity uses simplified approach, all loans are included in the lifetime ECL.

The arrangements for fleet and dealer customers who availed of the support packages have also now concluded. Retail customers requiring further assistance post the end of deferrals are managed on a case by case basis.

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

	31 March 2021 $'000	31 March 2020 $'000
Banks and other financial institutions	4,115,458	4,575,501
Total due to banks and other financial institutions	**4,115,458**	**4,575,501**
Maturity analysis		
CURRENT		
Banks and other financial institutions	2,524,735	1,939,496
NON-CURRENT		
Banks and other financial institutions	1,590,723	2,636,005
	4,115,458	**4,575,501**

Included in the "Due to banks and other financial institutions" is securitised debt of $2,880,900,000 as at 31 March 2021 (2020: $3,042,346,000) representing the value of term loans held by external parties in the special purpose entities. The special purpose entities issued interest-bearing notes to third parties amounting to $2,880,900,000 as at 31 March 2021 (2020: $3,042,346,000). The company holds the balance of the special purpose entities of $738,625,000 as at 31 March 2021 (2020: $784,925,000). $3,619,525,000 loans and receivables are pledged as collateral for the senior notes under securitisation as at 31 March 2021 (2020: $3,827,271,000).

The interest payable on the secured notes as at 31 March 2021 amounted to $672,000 (2020: $1,372,000) and is included in "accrued interest payable".

Funding (continued)

11. Bonds and commercial paper

	31 March 2021 $'000	31 March 2020 $'000
Commercial paper	4,686,925	4,221,561
Medium term note	12,164,260	11,914,722
Total bonds and commercial paper	**16,851,185**	**16,136,283**
Maturity analysis		
CURRENT		
Bonds and commercial paper	8,030,742	6,291,881
NON-CURRENT		
Bonds and commercial paper	8,820,443	9,844,402
	16,851,185	**16,136,283**

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

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

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

Funding (continued)

12. Securitisation and transferred assets

In the normal course of business, the consolidated entity enters into transactions by which it transfers financial assets to special purpose entities. These transfers do not give rise to derecognition of those financial assets for the consolidated entity.

Securitisation

Term loans securitised under the company's securitisation programs are equitably assigned to bankruptcy remote special purpose entities. The consolidated entity is entitled to any residual income of the securitisation program after all payments due to investors have been met. In addition, where derivatives are transacted between the special purpose entities and the 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 special purpose entities.

	Consolidated 2021 $'000	Consolidated 2020 $'000
Carrying amount of transferred assets	3,619,525	3,827,271
Carrying amount of associated liabilities	2,880,900	3,042,346
Net position for carrying amount	**738,625**	**784,925**
Fair value of transferred assets	3,890,494	4,146,309
Fair value of associated liabilities	2,903,041	3,068,623
Net position for fair value amount	**987,453**	**1,077,686**

Funding (continued)

13. Credit facilities

	Consolidated 2021 $'000	Consolidated 2020 $'000
Amount available:		
Bonds, commercial paper, term loans and other short term borrowings	29,858,365	33,977,438
Bank overdraft	15,000	15,000
Securitisation		
– Senior Note	4,590,000	4,590,000
– Mezzanine Note	1,210,000	1,210,000
Amount utilised:		
Bonds, commercial paper, term loans and other short term borrowings	18,130,381	17,740,565
Bank overdraft	–	–
Securitisation		
– Senior Note	2,880,900	3,042,346
– Mezzanine Note	738,625	784,925
Amount not utilised:		
Bonds, commercial paper, term loans and other short term borrowings	11,727,984	16,236,873
Bank overdraft	15,000	15,000
Securitisation		
– Senior Note	1,709,100	1,547,654
– Mezzanine Note	471,375	425,075

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

Medium term note and commercial paper programs allow the company to issue medium term notes and commercial paper in either Australian or overseas markets up to a total of $24,074,833,000 (2020: $27,075,681,000).

The company has access to $2,021,967,000 of uncommitted facilities (2020: $1,971,225,000) and $400,000,000 of committed facilities (2020: $400,000,000) from various banks. The company also has a $1,313,111,000 facility available with Toyota Motor Credit Corporation (2020: $1,641,497,000) and a $2,048,454,000 facility available as part of Toyota Group Master Credit Facility (2020: $2,889,035,000) as at 31 March 2021.

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 TMC and TFSC dated 14 July 2000, and the other between TFSC and the company dated 7 August 2000 (together, the "Credit Support Agreements").

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

Funding (continued)

13. Credit facilities (continued)

Credit support agreement (continued)

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

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

Master credit facility ("MCF")

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

The MCF between the company and other Toyota affiliates was renegotiated in November 2020 where a US$5.0 billion 364-day syndicated bank credit facility, expiring in November 2021 was renewed. The US$5.0 billion three year syndicated bank credit facility and the US$5.0 billion five year syndicated bank credit facility, expiring in November 2022, and 2024, respectively, that were entered into during November 2019 remained in place.

The ability to make drawdowns is subject to covenants and conditions customary in transactions of this nature, including negative pledge provisions, cross-default provisions and limitations on certain consolidations, mergers and sales of assets. These agreements may be used for general corporate purposes and none was drawn upon as at 31 March 2021. The company is in compliance with the covenants and conditions of the credit agreements described above.

Bank overdraft

The bank overdraft is an unsecured $15,000,000 facility as at 31 March 2021 (2020: $15,000,000). Interest is charged at prevailing market rates. The bank overdraft is payable on demand and subject to annual review.

Capital management

This section covers the capital structure of the consolidated entity.

14. Contributed equity

	Consolidated 2021 $'000	Consolidated 2020 $'000
Contributed equity	120,000	120,000

At 31 March 2021 there were 120,000,000 ordinary shares fully paid.

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

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

15. Reserves

	Consolidated 2021 $'000	Consolidated 2020 $'000
Foreign currency translation reserve		
Balance at 1 April	8,476	6,809
Net exchange differences on translation of foreign associate entity	(5,456)	1,667
Balance at 31 March	**3,020**	**8,476**

Foreign currency translation reserve

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

Capital management (continued)

16. Retained earnings

	Consolidated 2021 $'000	Consolidated 2020 $'000
Opening balance	1,435,666	1,371,326
Profit attributable to owners of the parent	185,168	64,340
Balance at the end of the period	**1,620,834**	**1,435,666**

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. There were no fully franked dividends paid during the year ended 31 March 2021 and 31 March 2020.

Dividends not recognised at the end of the reporting period

Since year end the directors have recommended the payment of a final fully franked divided of 43.55 cents per fully paid ordinary share (2020: nil cents). The amount of the proposed dividend expected to be paid on or before 30 June 2021 out of retained earnings at 31 March 2021, but not recognised as a liability at year end, is $52,265,000.

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 2021 $'000	Consolidated 2020 $'000
Assets		
Interest rate swap contracts	86,161	98,594
Cross currency swap contracts	40,559	1,207,576
Forward foreign exchange contracts	31,794	162,058
Derivative financial instrument assets	**158,514**	**1,468,228**
Add/(Less): Bilateral credit valuation adjustments ("CVA")	2,910	(5,857)
Total derivative financial instrument assets – measured at fair value	**161,424**	**1,462,371**
Liabilities		
Interest rate swap contracts	128,682	211,025
Cross currency swap contracts	625,501	390
Forward foreign exchange contracts	24,458	–
Total derivative financial instrument liabilities – measured at fair value	**778,641**	**211,415**
Current derivative financial instruments		
Derivative financial assets – current	65,140	397,734
Derivative financial liabilities – current	93,317	30,966
Non-current derivative financial instruments		
Derivative financial assets – non-current	96,284	1,064,637
Derivative financial liabilities – non-current	685,324	180,449

Measurement

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

Fair value estimation

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

Financial instruments and risk (continued)

17. Derivative financial instruments (continued)

Bilateral credit valuation adjustments

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

Accounting estimates

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

Fair value hierarchy

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

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

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

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

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

AS AT 31 MARCH 2021	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Derivative financial assets through profit or loss				
Derivatives used for economic hedging				
Foreign exchange contracts	–	31,794	–	31,794
Interest rate swap contracts	–	86,161	–	86,161
Cross currency swap contracts	–	40,559	–	40,559
Add: Bilateral CVA	–	2,910	–	2,910
Total financial assets	**–**	**161,424**	**–**	**161,424**
Derivative financial liabilities through profit or loss				
Derivatives used for economic hedging				
Foreign exchange contracts	–	24,458	–	24,458
Interest rate swap contracts	–	128,682	–	128,682
Cross currency swap contracts	–	625,501	–	625,501
Total financial liabilities	**–**	**778,641**	**–**	**778,641**

Financial instruments and risk (continued)

17. Derivative financial instruments (continued)

Fair value hierarchy (continued)

AS AT 31 MARCH 2020	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Derivative financial assets through profit or loss				
Derivatives used for economic hedging				
Foreign exchange contracts	–	162,058	–	162,058
Interest rate swap contracts	–	98,594	–	98,594
Cross currency swap contracts	–	1,207,576	–	1,207,576
Less: Bilateral CVA	–	(5,857)	–	(5,857)
Total financial assets	**–**	**1,462,371**	**–**	**1,462,371**
Derivative financial liabilities through profit or loss				
Derivatives used for economic hedging				
Foreign exchange contracts	–	–	–	–
Interest rate swap contracts	–	211,025	–	211,025
Cross currency swap contracts	–	390	–	390
Total financial liabilities	**–**	**211,415**	**–**	**211,415**

Financial instruments and risk (continued)

18. Non-derivative financial instruments

Fair value measurements

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

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

	Consolidated 2021		Consolidated 2020	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial assets				
Loans and receivables *	18,052,552	19,728,614	18,035,325	19,399,979
Term deposits	554,000	554,995	–	–
	18,606,552	**20,283,609**	**18,035,325**	**19,399,979**
Financial liabilities				
Due to banks and other financial institutions	4,115,458	4,145,305	4,575,501	4,619,460
Bonds and commercial paper	16,851,185	17,403,150	16,136,283	16,609,067
	20,966,643	**21,548,455**	**20,711,784**	**21,228,527**

* The carrying amount and fair value of loans and receivables were previously disclosed at $19,602,757,000 and $21,034,661,000, respectively, as at 31 March 2020 which included motor vehicles under operating lease.

The carrying amounts of cash and cash equivalents, trade receivables and payables are assumed to approximate their fair values due to their short term nature. The fair value of term deposits is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the consolidated entity for similar financial instruments. The fair value of the loans and receivables is estimated at portfolio level by discounting the contractual cash flows using current lending rates. The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the consolidated entity for similar financial instruments.

Financial instruments and risk (continued)

19. Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the 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 2021. The column 'net amount' shows the impact on the consolidated entity's statement of financial position if set-off rights were exercised.

Consolidated	Effects of offsetting on the statement of financial position			Related amounts not offset		
	Gross amounts $'000	Gross amounts set-off in the statement of financial position $'000	Net amounts presented in the statement of financial position $'000	Amounts subject to master netting arrangements $'000	Cash collateral $'000	Net amount $'000
2021						
Financial assets						
Cash and cash equivalents (b)	3,471,028	–	3,471,028	–	–	3,471,028
Term deposits (b)	554,000	–	554,000	–	–	554,000
Loans and receivables	18,052,552	–	18,052,552	–	–	18,052,552
Derivative financial instruments (b)	161,424	–	161,424	(140,732)	(12,100)	8,592
Other assets (a)	113,705	(24,941)	88,764	–	(44,600)	44,164
Total	**22,352,709**	**(24,941)**	**22,327,768**	**(140,732)**	**(56,700)**	**22,130,336**
Financial liabilities						
Due to banks and other financial institutions (b)	4,115,458	–	4,115,458	–	–	4,115,458
Derivative financial instruments (b)	778,641	–	778,641	(140,732)	(44,600)	593,309
Other liabilities (a)	523,347	(24,941)	498,406	–	(12,100)	486,306
Total	**5,417,446**	**(24,941)**	**5,392,505**	**(140,732)**	**(56,700)**	**5,195,073**
2020						
Financial assets						
Cash and cash equivalents (b)	1,937,976	–	1,937,976	–	–	1,937,976
Loans and receivables	18,035,325	–	18,035,325	–	–	18,035,325
Derivative financial instruments (b)	1,462,371	–	1,462,371	(209,739)	(235,400)	1,017,232
Other assets (a)	47,658	(10,751)	36,907	–	–	36,907
Total	**21,483,330**	**(10,751)**	**21,472,579**	**(209,739)**	**(235,400)**	**21,027,440**
Financial liabilities						
Due to banks and other financial institutions (b)	4,575,501	–	4,575,501	–	–	4,575,501
Derivative financial instruments (b)	211,415	–	211,415	(209,739)	–	1,676
Other liabilities (a)	616,382	(10,751)	605,631	–	(235,400)	370,231
Total	**5,403,298**	**(10,751)**	**5,392,547**	**(209,739)**	**(235,400)**	**4,947,408**

Financial instruments and risk (continued)

19. Offsetting financial assets and financial liabilities (continued)

a) Offsetting arrangements

Other assets and liabilities

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

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

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

20. Financial risk management

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

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

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

Enterprise Risk Management

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

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, liquidity risk and credit risk with banks and other financial intermediaries.

Financial instruments and risk (continued)

20. Financial risk management (continued)

Retail Credit Committee

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

Commercial Credit Risk Committee

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

Residual Value Committee

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

Audit Committee

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

Compliance Committee

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

Internal Audit

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

Product Committee

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

Data Governance Committee

The Data Governance Committee has executive data stewardship responsibilities with focus on treatment of data as a company asset with value, setting and management of data governance initiatives, sponsoring data governance product development, data-related risk and issue management and resolution, oversight of data management activities and escalation.

Financial instruments and risk (continued)

20. Financial risk management (continued)

Voice of Customers Committee

The role of the Voice of Customer Committee is to align with TFA Corporate Vision and ensure the customer is at the heart of everything we do, ensure a 'customer lens' is incorporated into all actions undertaken within the company, work cross functionally to solve customer pain points thus delivering a superior customer experience and review actual against planned customer and business benefits. The committee also provides regular updates to the SET and the company's Board of Directors.

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 consolidated entity's functional currency and net investments in foreign operations. The risk is measured using debt maturity analysis.

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

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

The consolidated entity's net exposure to foreign currency risk at the end of the reporting period ended 31 March 2021 is immaterial. There has been no change in this position when compared to the reporting period ended 31 March 2020.

Financial instruments and risk (continued)

20. Financial risk management (continued)

a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk

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

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

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

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

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

Financial instruments and risk (continued)

20. Financial risk management (continued)

a) Market risk (continued)

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

Consolidated 2021	Variable Interest Rate $'000	Fixed Interest Rate $'000	Non Interest Bearing $'000	Total $'000
Operating lease receivables	–	1,650,034	–	1,650,034
Financial assets				
Cash and liquid assets	3,471,028	–	–	3,471,028
Term deposits	–	554,000	–	554,000
Loans and receivables	4,120,742	14,128,960	–	18,249,702
Interest rate swaps	12,614,500	(12,614,500)	–	–
Other assets	44,600	–	44,164	88,764
Total financial assets	**20,250,870**	**3,718,494**	**44,164**	**24,013,528**
Financial liabilities				
Banks and other financial institutions	4,115,458	–	–	4,115,458
Commercial papers	4,686,925	–	–	4,686,925
Medium term notes	873,992	11,290,268	–	12,164,260
Cross currency swaps	8,895,756	(8,895,756)	–	–
Interest rate swaps	3,037,596	(3,037,596)	–	–
Other liabilities	12,100	–	486,306	498,406
Lease liabilities	–	41,950	–	41,950
Total financial liabilities	**21,621,827**	**(601,134)**	**486,306**	**21,506,999**
Net financial assets/(liabilities)	**(1,370,957)**	**4,319,628**	**(442,142)**	**2,506,529**

Financial instruments and risk (continued)

20. Financial risk management (continued)

a) Market risk (continued)

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

Consolidated 2020	Variable Interest Rate $'000	Fixed Interest Rate $'000	Non Interest Bearing $'000	Total $'000
Operating lease receivables	–	1,634,682	–	1,634,682
Financial assets				
Cash and liquid assets	1,937,976	–	–	1,937,976
Loans and receivables	4,870,214	13,424,261	–	18,294,475
Interest rate swaps	10,980,000	(10,980,000)	–	–
Other assets	–	–	36,907	36,907
Total financial assets	**17,788,190**	**4,078,943**	**36,907**	**21,904,040**
Financial liabilities				
Banks and other financial institutions	4,575,501	–	–	4,575,501
Commercial papers	4,221,561	–	–	4,221,561
Medium term notes	624,702	11,290,020	–	11,914,722
Cross currency swaps	6,120,840	(6,120,840)	–	–
Interest rate swaps	4,323,496	(4,323,496)	–	–
Other liabilities	235,400	–	370,231	605,631
Lease liabilities	–	45,087	–	45,087
Total financial liabilities	**20,101,500**	**890,771**	**370,231**	**21,362,502**
Net financial assets/(liabilities)	**(2,313,310)**	**3,188,172**	**(333,324)**	**541,538**

Financial instruments and risk (continued)

20. Financial risk management (continued)

a) Market risk (continued)

(iii) Interest rate benchmark reform

Following the financial crisis, the reform and replacement of benchmark interest rates such as GBP LIBOR and other interbank offered rates ('IBORs') has become a priority for global regulators. There is currently uncertainty around the timing and precise nature of these changes.

The consolidated entity is assessing the impact of interest rate benchmark reform on valuation of foreign currency floating rate debt. As at 31 March 2021, the consolidated entity does not hold any floating rate foreign currency debt.

(iv) Sensitivity

The consolidated entity's financial results are exposed to interest rate movements in the market. Shown below is the potential impact of a 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, subject to interest rate floor.

	Consolidated 2021 $'000	Consolidated 2020 $'000
Increase/(Decrease) on pre-tax profits	2,135	(4,788)

b) Credit risk

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

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

ASSESSMENT OF SIGNIFICANT INCREASE IN CREDIT RISK

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

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

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

Financial instruments and risk (continued)

20. Financial risk management (continued)

b) Credit risk (continued)

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

DEFINITION OF DEFAULT

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

- Retail loans and non-rated fleet loans which are contractually 90 days past due.
- Credit exposures when it becomes obvious that the customers are no longer able to meet its financial obligations as they fall due.

CALCULATION OF EXPECTED CREDIT LOSS

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

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

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

INCORPORATION OF FORWARD-LOOKING INFORMATION

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

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

Incorporation of forward-looking information increases the degree of judgement required as to how changes in these macro-economic factors will affect ECLs. For 31 March 2021 ECL calculation, the consolidated entity has considered three forward-looking scenarios:

a) Base Scenario: Under this scenario, no prominent second wave of COVID-19 emerges at a national level that causes multiple states to shut down again and leads people to self-quarantine. New cases continually diminish. Macro-economic factors incorporated in this scenario are

- GDP increases by 3.9% in CY2021, followed by a 2.9% increase in CY2022.
- The unemployment rate peaks at 6.4% by the June quarter of 2021, and still likely to remain above the 6% mark by the end of CY2021.
- CPI rises 2.22% in CY2021.

Financial instruments and risk (continued)

20. Financial risk management (continued)

b) Credit risk (continued)

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

INCORPORATION OF FORWARD-LOOKING INFORMATION (CONTINUED)

b) Upside Scenario: Under this scenario, the economic activity is assumed to accelerate faster than the baseline in the first half of CY2021 as businesses return to operation and employment conditions ease faster than in the baseline scenario, boosted by the three major rounds of fiscal stimulus and better than expected availability of vaccines. Macro-economic factors incorporated in this scenario are

- Real GDP rebounds sharply by 5.8% in CY2021, followed by a 4.8% expansion in CY2022.
- The unemployment rate peaks at 6.2% by the June quarter of CY2021, and improves to 5.9% by the December quarter of CY2021.
- CPI rises 2.88% in CY2021.

c) Recession Scenario: Under this scenario, the daily confirmed cases are assumed to be just above the baseline projections and state restrictions remain in place. Macro-economic factors incorporated in this scenario are

- GDP contracts for four consecutive quarters until the June quarter of CY2022 as a result of significant weakness in consumer confidence. The changes in real GDP on an annual average basis are -0.5% for CY2021 and a deeper 2.6% decline in CY2022.
- The unemployment rate increases to 7.8% by the December quarter of CY2021.
- CPI rises 1% in CY2021.

As at 31 March 2021, the ECL under the Base, Upside and Recession scenarios would be $110,249,000, $100,877,000 and $147,177,000, respectively. The consolidated entity has also applied overlays of approximately $54,074 ,000. As at 31 March 2020, the ECL under the moderate pandemic scenario, severe pandemic scenario and severe pandemic with overlays scenario would be $147,760,000, $165,700,000 and $256,880,000, respectively. The ECL recognised as at 31 March 2021 is $187,750,000 (2020: $239,750,000).

NATURE AND EFFECT OF MODIFICATIONS ON THE MEASUREMENT OF PROVISION FOR DOUBTFUL DEBTS

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

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

Financial instruments and risk (continued)

20. Financial risk management (continued)

b) Credit risk (continued)

(ii) Credit quality and maximum exposure

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

RETAIL

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

FLEET

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

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

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

WHOLESALE

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

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

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

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

Financial instruments and risk (continued)

20. Financial risk management (continued)

b) Credit risk (continued)

(iii) Credit risk exposure by credit quality

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

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

RETAIL (GENERAL APPROACH)

	Loans and receivables			
Consolidated 2021	**12 month ECL $'000**	**Lifetime ECL not credit-impaired $'000**	**Lifetime ECL credit-impaired $'000**	**Total $'000**
Equal to and less than 30 days	11,715,802	–	–	11,715,802
31-60 days	–	112,861	–	112,861
61-90 days	–	26,651	–	26,651
Over 90 days (credit impaired)	–	–	43,392	43,392
Total	**11,715,802**	**139,512**	**43,392**	**11,898,706**
Consolidated 2020				
Equal to and less than 30 days	10,982,648	–	–	10,982,648
31-60 days	–	223,326	–	223,326
61-90 days	–	36,723	–	36,723
Over 90 days (credit impaired)	–	–	60,998	60,998
Total	**10,982,648**	**260,049**	**60,998**	**11,303,695**

Financial instruments and risk (continued)

20. Financial risk management (continued)

b) Credit risk (continued)

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

WHOLESALE (GENERAL APPROACH)

	Loans and receivables			
Consolidated 2021	**12 month ECL $'000**	**Lifetime ECL not credit-impaired $'000**	**Lifetime ECL credit-impaired $'000**	**Total $'000**
Grade 1-7 Normal Risk	4,018,670	275,073	–	4,293,743
Grade 8-11 Watchlist	–	69,223	–	69,223
Grade 12 Default (credit impaired)	–	–	–	–
Total	**4,018,670**	**344,296**	**–**	**4,362,966**
Consolidated 2020				
Grade 1-7 Normal Risk	4,416,152	284,877	–	4,701,029
Grade 8-11 Watchlist	–	241,759	–	241,759
Grade 12 Default (credit impaired)	–	–	–	–
Total	**4,416,152**	**526,636**	**–**	**4,942,788**

FLEET NON-GRADED CUSTOMER (SIMPLIFIED APPROACH)

	Lease and loans		
Consolidated 2021	**Lifetime ECL not credit-impaired $'000**	**Lifetime ECL credit-impaired $'000**	**Total $'000**
Equal to and less than 30 days	473,858	–	473,858
31-60 days	13,702	–	13,702
61-90 days	4,640	–	4,640
Over 90 days (credit impaired)	–	12,235	12,235
Total	**492,200**	**12,235**	**504,435**
Consolidated 2020			
Equal to and less than 30 days	448,817	–	448,817
31-60 days	7,940	–	7,940
61-90 days	2,362	–	2,362
Over 90 days (credit impaired)	–	4,475	4,475
Total	**459,119**	**4,475**	**463,594**

Financial instruments and risk (continued)

20. Financial risk management (continued)

b) Credit risk (continued)

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

FLEET GRADED CUSTOMER (SIMPLIFIED APPROACH)

	Lease and loans		
Consolidated 2021	**Lifetime ECL not credit-impaired $'000**	**Lifetime ECL credit-impaired $'000**	**Total $'000**
Grade 1-7 Normal Risk	1,435,324	–	1,435,324
Grade 8-11 Watchlist	48,160	–	48,160
Grade 12 Default (credit impaired)	–	109	109
Total	**1,483,484**	**109**	**1,483,593**
Consolidated 2020			
Grade 1-7 Normal Risk	965,319	–	965,319
Grade 8-11 Watchlist	615,618	–	615,618
Grade 12 Default (credit impaired)	–	3,461	3,461
Total	**1,580,937**	**3,461**	**1,584,398**

(iv) Funding activities

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

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

Rating	Consolidated 2021 %	Consolidated 2020 %
AA-	2	13
A+	1	5
A	97	80
A-	–	2
	100	**100**

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

Financial instruments and risk (continued)

20. Financial risk management (continued)

c) Liquidity risk

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

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

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

(i) Financing arrangements

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

(ii) Maturity of financial liabilities

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

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

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

Financial instruments and risk (continued)

20. Financial risk management (continued)

c) Liquidity risk (continued)

(ii) Maturity of financial liabilities (continued)

Consolidated 2021	<1 Month $'000	1-3 Months $'000	3-12 Months $'000	1-5 Years $'000	Over 5 Years $'000	Total $'000
Non-derivatives						
Banks and other financial institutions	192,519	251,120	2,103,517	1,601,027	–	4,148,183
Bonds and commercial paper	2,154,387	2,176,347	3,821,821	8,367,097	805,423	17,325,075
Other liabilities	382,075	11,279	48,628	56,424	–	498,406
Lease liabilities	517	1,037	5,747	27,299	11,513	46,113
Total non-derivatives	**2,729,498**	**2,439,783**	**5,979,713**	**10,051,847**	**816,936**	**22,017,777**
Derivatives						
Forward foreign exchange contracts						
– Bought currency	(807,564)	(1,361,781)	(1,019,049)	–	–	(3,188,394)
– Sold currency	802,468	1,372,182	1,005,860	–	–	3,180,510
Interest rate swaps	(1,608)	(6,488)	(32,168)	(23,566)	–	(63,830)
Cross currency swaps						
– Pay leg	1,053,781	3,888	1,037,718	6,372,859	967,740	9,435,986
– Receive leg	(1,027,540)	(3,362)	(1,021,205)	(5,798,516)	(805,423)	(8,656,046)
Total derivatives	**19,537**	**4,439**	**(28,844)**	**550,777**	**162,317**	**708,226**
Total	**2,749,035**	**2,444,222**	**5,950,869**	**10,602,624**	**979,253**	**22,726,003**

Financial instruments and risk (continued)

20. Financial risk management (continued)

c) Liquidity risk (continued)

(ii) Maturity of financial liabilities (continued)

Consolidated 2020	<1 Month $'000	1-3 Months $'000	3-12 Months $'000	1-5 Years $'000	Over 5 Years $'000	Total $'000
Non-derivatives						
Banks and other financial institutions *	186,908	264,804	1,524,130	2,657,249	–	4,633,091
Bonds and commercial paper *	1,041,659	2,014,085	3,379,145	10,196,264	–	16,631,153
Other liabilities	496,767	16,848	37,336	54,680	–	605,631
Lease liabilities	497	996	4,595	29,471	14,720	50,279
Total non-derivatives	**1,725,831**	**2,296,733**	**4,945,206**	**12,937,664**	**14,720**	**21,920,154**
Derivatives						
Forward foreign exchange contracts						
– Bought currency	(726,539)	(814,366)	(380,113)	–	–	(1,921,018)
– Sold currency	656,047	756,866	346,862	–	–	1,759,775
Interest rate swaps	673	(1,807)	(40,970)	(55,859)	–	(97,963)
Cross currency swaps						
– Pay leg	17,317	798,229	1,006,318	5,916,821	–	7,738,685
– Receive leg	(11,709)	(883,763)	(1,161,514)	(6,801,883)	–	(8,858,869)
Total derivatives	**(64,211)**	**(144,841)**	**(229,417)**	**(940,921)**	**–**	**(1,379,390)**
Total	**1,661,620**	**2,151,892**	**4,715,789**	**11,996,743**	**14,720**	**20,540,764**

* Due to a computational error, the contractual undiscounted cash flows for "banks and other financial institutions" and "bonds and commercial paper" for the year ended 31 March 2020 were overstated by $4,115,000 and $50,963,000, respectively. It has been corrected by restating the affected line items for prior year. This error did not affect the liabilities presented in the consolidated statement of financial position.

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 and term deposits

a) Cash and cash equivalents

	Consolidated 2021 $'000	Consolidated 2020 $'000
Cash in bank	110,028	97,976
Deposits at call	3,361,000	1,840,000
	3,471,028	**1,937,976**

At the end of financial year, the company held restricted cash of $209,862,000 (2020: $202,878,000) in cash and deposits at call representing cash collections on securitised assets transferred to special purpose entities.

Recognition and measurement

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

b) Term deposits

	Consolidated 2021 $'000	Consolidated 2020 $'000
Term deposits	554,000	–
Total term deposits	**554,000**	**–**
Maturity analysis		
CURRENT		
Term deposits	554,000	–
NON-CURRENT		
Term deposits	–	–
Term deposits	**554,000**	**–**

Term deposits include deposits (not at call) placed with financial institutions with original maturities greater than three months and are measured at amortised cost. Interest is recognised in the income statement using the effective interest rate method.

Operating assets and liabilities (continued)

22. Cash flow information

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

	Consolidated 2021 $'000	Consolidated 2020 $'000
Profit attributable to owners of the parent	**185,168**	**64,340**
Share of profit of associates	(10,950)	(11,153)
Depreciation, write-off and amortisation	32,089	28,111
Amortisation – upfront receipts	1,822	1,779
Amortisation – prepaid expenses	24,920	25,600
Net gain on sale or derecognition of non-current assets	(37,101)	(16,112)
Net (gain)/loss on translation of foreign currency transactions	(3,839,389)	2,525,623
Changes in fair value of financial instruments	1,834,876	(1,283,789)
Movements in operating assets and liabilities:		
(Decrease)/Increase in provision for impairment of receivable	(62,000)	135,150
(Decrease)/Increase in provision for impairment on residual value	(14,500)	27,370
Decrease/(Increase) in loans and receivables	44,773	(1,094,463)
Decrease/(Increase) in assets under net operating lease (net of accumulated depreciation)	20,909	(164,494)
Increase in deferred tax asset	(11,525)	–
(Decrease)/Increase in deferred tax liability	(10,177)	4,555
(Decrease)/Increase in other, contract and lease liabilities	(124,641)	192,311
(Increase)/Decrease in other assets	(50,458)	19,825
Increase/(Decrease) in income tax payable	32,550	(20,990)
Increase/(Decrease) in derivative financial instruments at fair value through profit or loss	1,816,111	(992,222)
Increase in term deposits	(554,000)	–
Net cash outflow from operating activities	**(721,523)**	**(558,559)**

Operating assets and liabilities (continued)

22. Cash flow information (continued)

b) Reconciliation of liabilities arising from financing activities

			Non-cash changes				
	Consolidated 2020 $'000	Cash flows $'000	Foreign exchange $'000	Amortisation $'000	Recognised on adoption of AASB 16 $'000	Additions/ Derecognition of lease liabilities $'000	Consolidated 2021 $'000
Borrowings	20,711,784	2,284,692	(2,077,543)	47,710	–	–	20,966,643
Lease liabilities	45,087	(5,563)	–	–	–	2,426	41,950

			Non-cash changes				
	Consolidated 2019 $'000	Cash flows $'000	Foreign exchange $'000	Amortisation $'000	Recognised on adoption of AASB 16 $'000	Additions/ Derecognition of lease liabilities $'000	Consolidated 2020 $'000
Borrowings	18,191,045	1,127,148	1,341,073	52,518	–	–	20,711,784
Lease liabilities	–	(5,197)	–	–	35,315	14,969	45,087

23. Other assets

	Consolidated 2021 $'000	Consolidated 2020 $'000
Prepayments	24,393	24,300
Other debtors	63,519	11,913
Accrued interest receivable	852	694
	88,764	**36,907**
Other assets expected to be recovered within 12 months	87,769	36,088
Other assets expected to be recovered after more than 12 months	995	819
	88,764	**36,907**

Operating assets and liabilities (continued)

24. Other liabilities and contract liabilities

a) Other liabilities

	Consolidated 2021 $'000	Consolidated 2020 $'000
Employee entitlements	14,326	12,959
Accrued interest payable	70,790	55,134
Amounts payable to related entities*	219,824	157,461
Accounts payable*	85,023	295,134
Accrued expenses (including related parties)	75,624	46,473
Other	32,819	38,470
	498,406	**605,631**
Other liabilities expected to be settled within 12 months	441,982	550,951
Other liabilities expected to be settled in more than 12 months	56,424	54,680
	498,406	**605,631**

* Due to reclassification, prior year amounts have been restated. This did not affect the liabilities presented in the consolidated statement of financial position.

b) Contract liabilities

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

	Consolidated 2021 $'000	Consolidated 2020 $'000
Contract liabilities	103,909	89,262

Of the above amount, $62,345,000 (2020: $51,007,000) is expected to be settled within 12 months of the balance date.

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

	Consolidated 2021 $'000	Consolidated 2020 $'000
Revenue recognised that was included in the contract liability balance at the beginning of the period	63,428	60,294

As permitted under AASB 15, the transaction price allocated to (partially) unsatisfied performance obligations as of 31 March 2021 and 31 March 2020 is not disclosed.

Operating assets and liabilities (continued)

24. Other liabilities and contract liabilities (continued)

Employee entitlements

(i) SHORT-TERM OBLIGATIONS

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

(ii) OTHER LONG-TERM EMPLOYEE BENEFIT OBLIGATIONS

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

(iii) RETIREMENT BENEFIT OBLIGATION

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

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

Non-operating assets

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

- Investment accounted for using the equity method
- Property, plant and equipment
- Right-of-use assets
- Intangible assets
- Deferred tax asset

25. Investment accounted for using the equity method

	Consolidated		Ownership interest	
	2021 $'000	2020 $'000	2021 %	2020 %
Name of entity				
(a) Movement in carrying amount				
UNLISTED				
Toyota Finance New Zealand Limited				
Carrying amount at 1 April	90,145	77,325	45.45	45.45
Share of profits after income tax	10,950	11,153		
Dividend received	–	–		
Net exchange differences on translation of foreign associate entity	(5,456)	1,667		
Carrying amount at 31 March	**95,639**	**90,145**		

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

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

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

	Consolidated 2021 $'000	Consolidated 2020 $'000
(b) Share of associates' profits		
Profit before income tax	15,332	15,503
Income tax expense	(4,382)	(4,350)
Profit after income tax	**10,950**	**11,153**

Non-operating assets (continued)

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

	Consolidated entity's share of:			
	Assets $'000	Liabilities $'000	Revenues $'000	Profit $'000
(c) Summarised financial information of associates				
Consolidated 2021				
Toyota Finance New Zealand Limited	536,657	440,411	59,319	10,950
Consolidated 2020				
Toyota Finance New Zealand Limited	646,388	555,637	64,346	11,153

Principles of consolidation

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

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

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

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

Foreign currency translation

a) Functional and presentation currency

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

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

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.

Non-operating assets (continued)

26. Property, plant and equipment

Consolidated 2021	Cost $'000	Accumulated depreciation $'000	Carrying value $'000
Leasehold improvements	17,136	3,664	13,472
Plant and equipment	6,279	3,780	2,499
Motor vehicles	8,966	1,429	7,537
	32,381	**8,873**	**23,508**

Consolidated 2020	Cost $'000	Accumulated depreciation $'000	Carrying value $'000
Leasehold improvements	23,100	9,695	13,405
Plant and equipment	28,315	25,310	3,005
Motor vehicles	9,214	1,775	7,439
	60,629	**36,780**	**23,849**

Consolidated 2021	Leasehold improvements $'000	Plant and equipment $'000	Motor vehicles $'000	Totals $'000
Carrying value at 1 April	13,405	3,005	7,439	23,849
Additions	2,316	1,520	7,309	11,145
Disposals	–	–	(5,201)	(5,201)
Depreciation	(2,257)	(1,918)	(2,010)	(6,185)
Transfer	8	–	–	8
Write-off	–	(108)	–	(108)
Carrying value at 31 March	**13,472**	**2,499**	**7,537**	**23,508**

Consolidated 2020	Leasehold improvements $'000	Plant and equipment $'000	Motor vehicles $'000	Totals $'000
Carrying value at 1 April	2,059	4,520	6,467	13,046
Additions	13,447	1,978	6,078	21,503
Disposals	–	–	(3,111)	(3,111)
Depreciation	(1,445)	(2,183)	(1,995)	(5,623)
Transfer	(162)	162	–	–
Write-off	(494)	(1,472)	–	(1,966)
Carrying value at 31 March	**13,405**	**3,005**	**7,439**	**23,849**

Non-operating assets (continued)

26. Property, plant and equipment (continued)

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

Recognition and measurement

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

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

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

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

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

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

Non-operating assets (continued)

27. Right-of-use assets and lease liabilities

The balance sheet shows the following amounts relating to leases:

	31 March 2021 $'000	31 March 2020 $'000
Properties	35,014	42,067
Total right-of-use assets	**35,014**	**42,067**
Lease liabilities	41,950	45,087
Total lease liabilities	**41,950**	**45,087**
Maturity analysis		
CURRENT		
Lease liabilities – current	6,219	4,942
NON-CURRENT		
Lease liabilities – non-current	35,731	40,145
	41,950	**45,087**

Additions to the right-of-use assets during the financial year were $2,559,000. Additions during the year ended 31 March 2020 were $48,620,000, out of which $35,315,000 were recognised on adoption of AASB 16 Leases.

The statement of profit or loss shows the following amounts relating to leases:

	Note	Consolidated 2021 $'000	Consolidated 2020 $'000
Depreciation charge of right-of-use assets – Properties	5	7,593	6,553
Interest expense (included in interest expense and similar charges)	3a	1,196	1,144
Expense relating to short-term leases (included in other expense)		282	997

The total cash outflow for leases (excluding short term leases) during the financial year was $6,233,000 (2020: $5,197,000).

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

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

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

Non-operating assets (continued)

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

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

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

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

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

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

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

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

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

b) Extension option

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

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

Non-operating assets (continued)

28. Intangible assets

Recognition and measurement

Software consists of capitalised IT development costs being internally generated intangible assets. These consist of system software purchased and customised to the needs of the consolidated 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).

	Cost $'000	Amortisation $'000	Carrying value $'000
Software			
Consolidated 2021	67,958	25,294	42,664
Consolidated 2020	196,418	154,992	41,426

	Consolidated 2021 $'000	Consolidated 2020 $'000
Carrying value at 1 April	41,426	30,333
Additions	19,449	25,062
Amortisation expense	(15,229)	(13,969)
Transfer	(8)	–
Write-off	(2,974)	–
Carrying value at 31 March	**42,664**	**41,426**

Non-operating assets (continued)

29. Deferred tax assets

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

	Consolidated 2021 $'000	Consolidated 2020 $'000
Deferred tax asset balances comprise temporary differences attributable to:		
Amounts recognised in the balance sheet		
Provision for impairment of loans and advances	74,970	97,920
Financial instruments	3,806	(39,599)
Accrued expenses	42,444	37,070
Sundry items	8,276	7,460
Total amount recognised in the balance sheet	**129,496**	**102,851**
Deferred tax liability balances comprise temporary differences attributable to:		
Amounts recognised in the balance sheet		
Assets financed under lease	112,405	107,162
Sundry items	5,566	5,866
Total amount recognised in the balance sheet	**117,971**	**113,028**
Net deferred tax assets/(liabilities)	**11,525**	**(10,177)**
Gross deferred tax assets opening balance	102,851	93,409
Movement in temporary differences during the year		
Provision for impairment of loans and advances	(22,950)	48,756
Financial instruments	43,405	(45,724)
Accrued expenses	5,375	4,769
Sundry items	815	1,641
Gross deferred tax assets closing balance	**129,496**	**102,851**
Gross deferred tax liabilities opening balance	113,028	99,031
Movement in temporary differences during the year		
Assets financed under lease	5,243	15,324
Sundry items	(300)	(1,327)
Gross deferred tax liabilities closing balance	**117,971**	**113,028**
Net deferred tax assets/(liabilities)	**11,525**	**(10,177)**

Unrecognised items

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

30. Contingent liabilities

The 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 2021 of $91,045,000 (2020: $57,929,000).

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.

31. Commitments

	Consolidated 2021 $'000	Consolidated 2020 $'000
Capital commitments		
Expenditures contracted for at the end of each reporting period but not recognised as liabilities is as follows:		
Intangible assets	–	2,141

32. 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.

33. Subsidiaries

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

			Ownership of interest	
Name of entity	**Country of incorporation**	**Class of shares**	**2021 %**	**2020 %**
Australian Alliance Automotive Finance Pty Limited*	Australia	Ordinary	100	100

* Investment value of $2 has been rounded to nil. This subsidiary has been granted relief from the necessity to prepare financial statements in accordance with ASIC Instrument 2016/785 issued by the Australian Securities and Investment Commission. For further information, refer to Note 37. The proportion of the ownership interest is equal to the proportion of voting power held.

	Units owned 2021 %	**Units owned 2020 %**
Southern Cross Toyota 2009-1 Trust**	100	100
King Koala TFA 2012-1 Trust**	100	100

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

Other disclosure matters (continued)

34. 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 consolidated 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 33.

c) Associates

Investments in associates are set out in Note 25.

d) Key management personnel

(i) Key management personnel compensation

	Consolidated 2021 $	Consolidated 2020 $
Short-term employee benefits, post-employment, other long-term and termination benefits	3,051,971	3,183,110

Other disclosure matters (continued)

34. Related party transaction (continued)

d) Key management personnel (continued)

(ii) Equity instrument disclosures relating to key management personnel

There were no issued ordinary shares of the ultimate parent entity, being Toyota Motor Corporation, Japan under option to key management personnel as at 31 March 2021 and 31 March 2020.

(iii) Loans to key management personnel

No loans to key management personnel were recognised as at 31 March 2021 and 31 March 2020.

e) Transactions and balances with related parties

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

	Consolidated 2021 $'000	Consolidated 2020 $'000
Net financing income		
Affiliate finance income	14,329	17,580
Interest on lease liabilities to affiliated entity	(135)	–
Credit support fees paid to parent entity	(20,803)	(17,993)
Debt issuance fees paid to affiliated entity	(199)	(106)
Debt issuance fees paid to parent entity	(194)	(201)
Expenses		
Marketing expenses paid to affiliated entity	300	207
Security shared services and licence fee	2,346	143
Assets		
Loans and receivables		
Deferred finance income from affiliates*	(20,755)	(21,365)
Other assets		
Accounts receivable from affiliates*	2,429	2,030
Liabilities		
Non-interest bearing loans payable to affiliates	40,522	40,786
Accounts payable to affiliates*	179,302	116,675
Lease liabilities to affiliates	4,828	–
Accrued expenses payable to parent entity*[1]	10,383	9,596
Accrued expenses payable to affiliates	–	840

* Non-interest bearing.
1. Due to reclassification, prior year amounts have been restated. This did not affect the liabilities presented in the consolidated statement of financial position.

No bad debts expense and allowance for doubtful debts were recognised in relation to any receivable due from related parties as at 31 March 2021 and 31 March 2020.

Other disclosure matters (continued)

35. Parent entity information

TOYOTA FINANCE AUSTRALIA LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021

	Parent 2021 $'000	Parent 2020 $'000
Assets		
Cash and cash equivalents	3,471,028	1,937,976
Term deposits	554,000	–
Loans and receivables	16,764,701	17,502,873
Motor vehicles under operating lease	1,597,285	1,567,432
Derivative financial instruments	254,303	1,562,206
Investment cost in associate	4,284	4,284
Intangible assets	42,664	41,426
Property, plant and equipment	23,508	23,849
Right-of-use assets	35,014	42,067
Deferred tax assets	9,125	–
Other assets	2,148,232	1,385,201
Total assets	**24,904,144**	**24,067,314**
Liabilities		
Due to banks and other financial institutions	1,234,558	1,533,155
Bonds and commercial paper	16,851,185	16,136,283
Related party liabilities – SPV	3,619,525	3,827,271
Derivative financial instruments	778,641	211,415
Deferred tax liabilities	–	12,577
Other liabilities	496,864	611,642
Contract liabilities	103,909	89,262
Lease liabilities	41,950	45,087
Total liabilities	**23,126,632**	**22,466,692**
Net assets	**1,777,512**	**1,600,622**
Equity		
Contributed equity	120,000	120,000
Reserves	–	–
Retained earnings	1,657,512	1,480,622
Total equity	**1,777,512**	**1,600,622**

As at 31 March 2021, current assets and current liabilities amounted to $10,995,442,000 and $11,159,340,000 respectively (2020: $9,823,487,000 and $8,869,243,000 respectively). Prior year comparatives as at 31 March 2020 have been restated by reclassifying $592,483,000 and $271,777,000 from current to non-current assets and liabilities, respectively. The current assets include loans and receivables, net of unearned income and excluding provision for impairment of loans and receivables.

Other disclosure matters (continued)

35. Parent entity information (continued)

TOYOTA FINANCE AUSTRALIA LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2021

	Parent 2021 $'000	Parent 2020 $'000
Interest revenue	721,757	758,588
Rental income on motor vehicles under operating lease	406,690	391,487
Fee income	44,064	43,475
Financing and similar revenue	**1,172,511**	**1,193,550**
Interest expense and similar charges	(562,926)	(434,974)
Depreciation expense on motor vehicles under operating lease	(342,422)	(324,018)
Financing expense and similar charges	**(905,348)**	**(758,992)**
Net financing revenue	**267,163**	**434,558**
Other revenue	170,043	169,740
Net operating income	**437,206**	**604,298**
Credit impairment reversal/(loss)	35,721	(189,127)
Non-credit impairment reversal/(loss)	13,287	(27,370)
Employee benefits expense	(157,206)	(164,036)
Depreciation, write-off and amortisation	(32,089)	(28,111)
IT and communication expense	(35,791)	(30,840)
Sales and marketing expense	(8,559)	(11,967)
Other expenses	(28,099)	(36,202)
Share of overhead expenses related to subsidiaries	31,622	28,122
Profit before income tax	**256,092**	**144,767**
Income tax expense	(79,202)	(34,600)
Profit after income tax	**176,890**	**110,167**

a) Guarantees entered into by the parent entity

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

b) Contingent liabilities of the parent entity

Refer to Note 30 – Contingent liabilities

c) Contractual commitments by the parent entity

Refer to Note 31 – Commitments

Other disclosure matters (continued)

36. Auditor's remuneration

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

	Consolidated 2021 $	Consolidated 2020 $
PricewaterhouseCoopers – Australian firm		
Audit or review of the financial reports	605,617	652,908
Other audit-related work	282,005	382,055
Other assurance services	334,451	291,244
Total audit and other assurance services	**1,222,073**	**1,326,207**
Taxation	36,976	19,642
Total remuneration	**1,259,049**	**1,345,849**
Related practices of PricewaterhouseCoopers-Australian firm (including overseas PricewaterhouseCoopers firms)		
Other assurance services	75,775	123,838

37. Deed of cross guarantee

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

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

Set out below are the consolidated statement of financial position and consolidated statement of comprehensive income of the closed group for the year ended 31 March 2021.

Other disclosure matters (continued)

37. Deed of cross guarantee (continued)

Consolidated statement of financial position

	Consolidated 2021 $'000	Consolidated 2020 $'000
Assets		
Cash and cash equivalents	3,471,028	1,937,976
Term deposits	554,000	–
Loans and receivables	18,052,552	18,035,325
Motor vehicles under operating lease	1,597,285	1,567,432
Derivative financial instruments	254,303	1,562,206
Investment accounted for using the equity method	95,639	90,145
Intangible assets	42,664	41,426
Property, plant and equipment	23,508	23,849
Right-of-use assets	35,014	42,067
Deferred tax assets	11,525	–
Other assets	827,389	821,832
Total assets	**24,964,907**	**24,122,258**
Liabilities		
Due to banks and other financial institutions	1,234,558	1,533,155
Bonds and commercial paper	16,851,185	16,136,283
Related party liabilities – SPV	3,619,525	3,827,271
Derivative financial instruments	778,641	211,415
Deferred tax liabilities	–	10,177
Other liabilities	498,406	605,631
Contract liabilities	103,909	89,262
Lease liabilities	41,950	45,087
Total liabilities	**23,128,174**	**22,458,281**
Net assets	**1,836,733**	**1,663,977**
Equity		
Contributed equity	120,000	120,000
Reserves	3,020	8,476
Retained earnings	1,713,713	1,535,501
Total equity	**1,836,733**	**1,663,977**

Other disclosure matters (continued)

37. Deed of cross guarantee (continued)

Consolidated statement of comprehensive income

	Consolidated 2021 $'000	Consolidated 2020 $'000
Interest revenue	751,126	765,942
Rental income on motor vehicles under operating lease	406,690	391,487
Fee income	45,078	43,619
Financing and similar revenue	**1,202,894**	**1,201,048**
Interest expense and similar charges	(575,786)	(438,432)
Depreciation expense on motor vehicles under operating lease	(342,422)	(324,018)
Financing expense and similar charges	**(918,208)**	**(762,450)**
Net financing revenue	**284,686**	**438,598**
Other revenue	170,455	169,671
Net operating income	**455,141**	**608,269**
Credit impairment reversal/(loss)	35,654	(197,127)
Non-credit impairment reversal/(loss)	13,287	(27,370)
Employee benefits expense	(157,206)	(164,036)
Depreciation, write-off and amortisation	(32,089)	(28,111)
IT and communication expense	(35,791)	(30,840)
Sales and marketing expense	(8,559)	(11,967)
Other expenses	(28,099)	(36,202)
Share of net profits of associates accounted for using the equity method	10,950	11,153
Profit before income tax	**253,288**	**123,769**
Income tax expense	(75,076)	(24,955)
Profit attributable to owners of Toyota Finance Australia Limited	**178,212**	**98,814**
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(5,456)	1,667
Total comprehensive income attributable to owners of Toyota Finance Australia Limited	**172,756**	**100,481**

Directors' declaration

In the directors' opinion:

a) the financial statements and notes set out on pages 6 to 79 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 2021 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 37 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 37.

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

S. Kadena
Director

Sydney
15 June 2021

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Independent auditor's report

To the members of Toyota Finance Australia Limited

Our opinion

In our opinion:

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

(a) giving a true and fair view of the Group's financial position as at 31 March 2021 and of its financial performance for the year then ended

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

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 31 March 2021
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

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

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

Independence

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 March 2021, but does not include the financial report and our auditor's report thereon.

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

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

PricewaterhouseCoopers

Joe Sheeran
Partner

Sydney
15 June 2021

Notes

Notes


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