

Toyota Motor Manufacturing (UK) Limited  
Directors' report and financial statements  
for the year ended 31 March 2013

Registered number 02352348

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# **Toyota Motor Manufacturing (UK) Limited**

## **Directors' report and financial statements for the year ended 31 March 2013**

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# Toyota Motor Manufacturing (UK) Limited

## Directors' report for the year ended 31 March 2013

The directors present their annual report and audited financial statements of the company for the financial year ended 31 March 2013

### Principal activities of the company

The principal activities of the company are the manufacture of motor vehicles and engines

### Results and dividends

The loss on ordinary activities for the financial year before taxation amounted to £169,492,000 (2012 £68,776,000). The directors do not propose the payment of a dividend (2012 £nil). In re-performing previous year original impairment calculations using the actual cash flows, the company would have recognised an impairment of £45,171,000 in relation to 2010 and £216,190,000 in relation to 2009, except the impairments now identified have reversed due to a change in economic conditions. Overall, no adjustment has been booked in the current year in relation to current or prior year impairment reviews.

### Review of the business and future developments

During the year the company sold a total of 120,424 (2012 123,746) vehicles from its Burnaston assembly plant

Model	2013	2012
Avensis	50,726	72,826
Auris	40,486	21,136
Auris Hybrid	29,212	29,784
Total	120,424	123,746

From the Deeside plant the company sold a total of 125,258 engine units (2012 128,426)

Economic activity in both the UK and the rest of Europe remained depressed during the year and the automotive market remained competitive. Total vehicle sales volume reduced by 3%. The financial result was worse than the previous year due in part to the preparation work for the launch of the new Auris model and the build out of the old generation vehicle. The result was in line with the directors' expectations.

In June, the company welcomed His Royal Highness, The Duke of York, to its Burnaston Plant. The Duke's visit focused on skills and training and during his tour of the Assembly facilities he met Trainee Engineers and Maintenance Apprentice staff to demonstrate Toyota's commitment to lifelong learning and development.

In September, the company celebrated the milestone of 20 years of manufacturing engines in Wales. Since the start of production in 1992, the plant at Deeside in North Wales has produced over 3.7 million engines and was the first plant outside of Japan to manufacture Toyota's class leading hybrid engine.

# **Toyota Motor Manufacturing (UK) Limited**

## **Directors' report for the year ended 31 March 2013 (continued)**

### **Review of the business and future developments (continued)**

In October, just a few days after the European premiere of the next generation Auris and the World premiere of the Auris Touring Sports at the Paris motor show, the company celebrated 20 years of vehicle production in the UK. The original executive team returned to be reunited with nearly 300 members (persons employed by the company) who have worked for the company since 1992. They were joined by representatives of the local community who have welcomed Toyota to South Derbyshire.

In November, the company hosted a ceremony at its Burnaston factory to mark the official start of production of the all-new Auris. Dr Vince Cable, the Secretary of State for Business, Innovation and Skills, welcomed Toyota's continued investment in its UK operations, which will also see the new Auris Touring Sports estate car built at the plant from next year.

The decision to build the new Auris hatchback and Touring Sports estate car at Burnaston has been supported by Toyota's investment of approximately £185 million (of which £85 million was allocated to the supply chain). This takes Toyota's UK investment total to more than £2.1 billion since it launched its operations in the UK in 1992. The project is also boosting employment and already 800 temporary workers have been recruited by the company.

### **Going concern**

The financial statements have been prepared on the going concern basis on the expectation of the continued support of the company's owners. The company's operations are currently funded by amounts due to its European parent company, Toyota Motor Europe SA/NV. Toyota Motor Europe SA/NV has confirmed to the company its intention to provide sufficient funds to enable it to continue to operate and meet its liabilities as they fall due and at least for a period of twelve months from the date of signing these financial statements. Accordingly the directors believe that it is appropriate that these financial statements are prepared on a going concern basis.

### **Principal risks and uncertainties**

The company sells its vehicle production to Toyota Motor Europe SA/NV, who market and sell the vehicles. Volume, price and exchange risk are borne by the company in the normal course of the business.

### **Financial risk management**

The company's operations expose it to a number of financial risks, principally the effects of changes in exchange rates and interest rate risk. The company seeks to limit the adverse effects on the financial performance of the company by minimising its net currency exposure and actively monitoring interest rate movements. The company does not use derivative financial instruments to manage interest rate costs and no hedge accounting is applied.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The policies are implemented by the company's finance department.

# Toyota Motor Manufacturing (UK) Limited

## Directors' report for the year ended 31 March 2013 (continued)

### Financial risk management (continued)

#### *Volume risk management*

The company's business is substantially dependent upon the sales of its vehicles in the UK and Europe. The market has been affected by the economic crisis and the company needs to respond to this by increasing flexibility if it is to accurately match supply with customer demand. Failure to do this will lead to a reduced market share which would impact on the financial result.

#### *Price risk*

The company is exposed to commodity price risk as a result of its operations. However, given the size of the company's operations, the costs of managing exposure to commodity price risk exceed any potential benefits. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature. The company's only exposure to equity securities price risk is within its pension scheme. This risk has been managed by increasing the proportion of other assets used to fund the scheme and by diversifying the spread of equities so that over reliance is not placed on any single market.

#### *Liquidity risk*

The company actively maintains a mixture of long-term and short-term debt finance that is designed to ensure the company has sufficient available funds for operations and planned expansions.

#### *Exchange rate fluctuation*

The impact of exchange rate movements on the company is managed by balancing the inflow expected in currencies other than sterling with expected outflows in currencies other than sterling. The company limits its exposure to currency transaction costs by receiving a net payment in Euros after all currency transactions have been effected, a system known as Toyota Global Netting.

#### *Interest rate cash flow risk*

The company's exposure to interest rate risk is minimised due to interest bearing assets and liabilities within the group being on fixed margins. Other cash balances or borrowings outside the group are minimised due to the company's participation in the Toyota Global Netting system.

### Key performance indicators (KPI's)

Performance during the year, together with historical trend data is set out in the table below.

	2013	2012	Definition, method of calculation and analysis
Decrease in sales value	(10.9%)	(4.5%)	Year on year sales decrease expressed as a percentage. Sales have decreased due to difficult market conditions.
Gross margin	(9.3%)	(2.5%)	Gross margin is the ratio of gross profit to sales expressed as a percentage. Gross margin has declined reflecting continuing market pressures.

# **Toyota Motor Manufacturing (UK) Limited**

## **Directors' report for the year ended 31 March 2013 (continued)**

### **Creditor payment policy and practice**

The company agrees terms and conditions under which business transactions with suppliers are conducted. It is company policy to ensure that suppliers know the terms on which payment will take place when business is agreed. It is company policy that provided a supplier is complying with the relevant terms and conditions, including satisfactory supply of goods and services and the prompt and complete submission of all specified documentation, payment will be made according to the agreed terms and conditions.

The company's average creditor payment period at 31 March 2013 was 36 days (2012 44 days)

### **Health and safety**

The company seeks to achieve the highest standards of Health and Safety and continues to consider this area as its highest priority. Annual improvement activities and challenging targets are fully integrated into its annual planning process. This year the company was recognised for its outstanding occupational health and safety performance and continued improvement during 2012 by being awarded by the Royal Society for the Prevention of Accidents (RoSPA) Highly Commended in the Manufacturing Industry Sector Award for Occupational Health and Safety in the 2013 annual awards.

### **Charitable and political donations**

During the year to 31 March 2013, the company made charitable donations amounting to a total of £832,000 (2012 £895,000). These donations comprised £59,000 (2012 £66,000) donated to charities involved in conserving the environment and promoting environmental preservation and awareness, £88,000 (2012 £106,000) donated to charities involved in medical research and £685,000 (2012 £723,000) donated to local charities involved in a range of activities within the local communities surrounding Burnaston and Deeside.

No payments were made to political parties (2012 £nil)

In June 2008 the Toyota Manufacturing UK Charitable Trust was formed. The funds are raised by the members of the company to support the community and during the year £175,000 (2012 £210,000) was donated to local charities.

### **People with disabilities**

Applications for employment from people with disabilities are always fully considered, bearing in mind the respective aptitudes of the applicant concerned. In the event of members developing disabilities every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that their training, career development and the promotion should, as far as possible, be identical to that of a member who does not suffer from a disability.

# **Toyota Motor Manufacturing (UK) Limited**

## **Directors' report for the year ended 31 March 2013 (continued)**

### **Toyota and the environment**

The company's philosophy is to reduce all its environmental impacts throughout the manufacturing process. To achieve this the company embraces the Toyota Global Earth Charter

- 1 The company will, as a minimum, meet all regulatory requirements
- 2 The company is committed to continued environmental improvement through
  - Minimising the environmental effects of new materials and processes
  - Minimising the consumption of resources
  - Reducing the production of emissions and waste
- 3 The company will continually develop the environmental understanding of its members
- 4 The company will participate in activities to raise community environmental awareness

During 2012, we continued to implement our Sustainable Plant strategy that focuses on four areas

- Engaging members in environmental awareness and improvement activity via a company-wide Eco Points system. 98% of members have successfully completed Green Eco points (personal awareness activities) and 58% of members have completed Silver Eco points (visualisation and improvement activities). We have launched "Eco Eye" awards in order to recognise an individual's outstanding contribution or commitment
- Increasing biodiversity through habitat management. The development of a 'Green Grid' that aims to restore 234,000m<sup>2</sup> of natural habitat with phase 1 (29,000m<sup>2</sup>) completed on schedule in March
- The installation of new technology to support our "Steam-less Plant" initiative removing the need for steam generation on site that will save over 8,000 tonnes of CO<sub>2</sub> per annum
- Our annual Eco day was held on 22 July when over 4,500 members, families, contractors and local community visited site, learning about TMUK, the environment and our Sustainable Plant activities

The key focus for future business development remains the efficient production of high quality vehicles and engines with "Eco Cars built in an Eco Plant by Eco Minded employees"

# **Toyota Motor Manufacturing (UK) Limited**

## **Directors' report for the year ended 31 March 2013 (continued)**

### **Member involvement**

The company is committed to regular communication with members to provide them with information relating to their work and the company's planned performance and business environment. This is achieved through a variety of means, ranging from daily meetings between members and their supervisors, the company newsletter and through the Toyota Members Advisory Board (TMAB).

TMAB is the forum in which members' representatives regularly meet with nominated company senior executives to discuss matters of common interest, advise the company on aspects of its operations and review changes in salaries and terms and conditions of employment. TMAB plays a critical role in creating an environment of mutual trust and respect between the company and its members.

All members are graded within an occupational classification which determines the salary, irrespective of gender. 95.1% (2012: 95.1%) of members are male and 4.9% (2012: 4.9%) of members are female, 6.2% (2012: 6.3%) are represented by ethnic minorities. The company absenteeism rate was 1.7% (2012: 1.7%).

The company supports member development through a range of activities including on and off the job training. The average number of training days per member was 5.1 days (2012: 6.6 days).

The company encourages member involvement in the company's performance through the collective bonus scheme.

### **Directors**

The following directors held office during the year and up to the date of signing the financial statements (all resident in the UK unless stated):

T Numa	(resident in Belgium, appointed 1 July 2012)
S Teramoto	(appointed 1 January 2013)
A Walker	
M Cooke	
E Takeichi	(resident in Belgium, appointed 1 July 2013)
T Gonno	(resident in Belgium, appointed 1 February 2013)
R Kenworthy	
T Kubo	(resident in Belgium, resigned 1 July 2013)
H Ochiai	(resident in Belgium, resigned 1 July 2012)
K Kojima	(resigned 1 January 2013)
T Karasawa	(resident in Belgium, resigned 1 February 2013)

### **Company registered number**

Registered number: 02352348



# **Toyota Motor Manufacturing (UK) Limited**

## **Directors' report for the year ended 31 March 2013 (continued)**

### **Directors' responsibilities statement**

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Statement of disclosure of information to auditors**

In accordance with Section 418 of the Companies Act 2006, in the case of each director in office at the date the Directors' report is approved

- (a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- (b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

On behalf of the Board



S Teramoto  
Managing Director  
24 July 2013

Registered office

Toyota Motor Manufacturing (UK) Limited  
Burnaston  
Derbyshire  
DE1 9TA

## **Independent auditors' report to the members of Toyota Motor Manufacturing (UK) Limited**

We have audited the financial statements of Toyota Motor Manufacturing (UK) Limited for the year ended 31 March 2013 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2013 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Independent auditors' report to the members of Toyota Motor Manufacturing (UK) Limited (continued)**

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Phil Harrold (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
East Midlands  
24 July 2013

# Toyota Motor Manufacturing (UK) Limited

## Profit and loss account for the year ended 31 March 2013

		2013	2012
	Note	£'000	£'000
<b>Turnover</b>		<b>1,587,850</b>	1,782,021
Cost of sales		(1,735,103)	(1,826,854)
<b>Gross loss</b>		<b>(147,253)</b>	(44,833)
Administrative expenses		(20,103)	(23,455)
<b>Operating loss</b>	3	<b>(167,356)</b>	(68,288)
Interest receivable and similar income	4	511	1,156
Interest payable and similar charges	5	(2,803)	(4,471)
Other finance income	16	156	2,827
<b>Loss on ordinary activities before taxation</b>		<b>(169,492)</b>	(68,776)
Tax on loss on ordinary activities	7	(8,988)	(9,738)
<b>Loss for the financial year</b>	15	<b>(178,480)</b>	(78,514)

All the operations in the financial year and the comparative financial year were continuing and there were no acquisitions in either year

There are no material differences between the loss on ordinary activities before taxation and the loss for the financial years stated above and their historical cost equivalents

## **Toyota Motor Manufacturing (UK) Limited**

### **Statement of total recognised gains and losses for the year ended 31 March 2013**

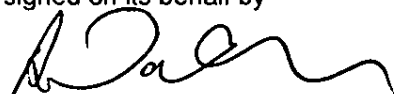
		<b>2013</b>	<b>2012</b>
	<b>Note</b>	<b>£'000</b>	<b>£'000</b>
Loss for the financial year		<b>(178,480)</b>	<b>(78,514)</b>
Actuarial loss on pension scheme	<b>16</b>	<b>(28,107)</b>	<b>(14,037)</b>
<b>Total recognised losses relating to the year</b>		<b>(206,587)</b>	<b>(92,551)</b>

# Toyota Motor Manufacturing (UK) Limited

## Balance sheet as at 31 March 2013

		2013	2012
	Note	£'000	£'000
<b>Fixed assets</b>			
Tangible assets	8	258,960	262,244
<b>Current assets</b>			
Stock	9	81,893	82,048
Debtors	10	46,137	58,636
Cash at bank and in hand		137	605
		128,167	141,289
<b>Creditors: amounts falling due within one year</b>	11	(711,185)	(535,458)
<b>Net current liabilities</b>		(583,018)	(394,169)
<b>Total assets less current liabilities</b>		(324,058)	(131,925)
Creditors: amounts falling due after more than one year	12	(1,281)	(2,012)
Provisions for liabilities	13	(64,168)	(71,193)
<b>Net liabilities excluding pension deficit</b>		(389,507)	(205,130)
Pension deficit	16	(23,489)	(1,279)
<b>Net liabilities including pension deficit</b>		(412,996)	(206,409)
<b>Capital and reserves</b>			
Called up share capital	14	300,000	300,000
Profit and loss account	15	(712,996)	(506,409)
<b>Total shareholders' deficit</b>	20	(412,996)	(206,409)

The financial statements on pages 10 to 32 were approved by the board of directors on 24 July 2013 and were signed on its behalf by



A Walker  
Deputy Managing Director  
24 July 2013

# **Toyota Motor Manufacturing (UK) Limited**

## **Notes to the financial statements for the year ended 31 March 2013**

### **1 Accounting policies**

#### **Basis of preparation**

The financial statements have been prepared on the going concern basis on the expectation of continued support of the company's owners. The company's operations are currently funded by amounts due to Toyota Motor Europe SA/NV. Toyota Motor Europe SA/NV has confirmed to the company its intention to provide sufficient funds to enable it to continue to operate and meet its liabilities as they fall due and at least for a period of twelve months from the date of signing these financial statements. Accordingly the directors believe that it is appropriate that these financial statements are prepared on a going concern basis.

#### **Accounting convention**

The financial statements have been prepared on the going concern basis, under the historical cost convention, in accordance with applicable United Kingdom Accounting Standards and the Companies Act 2006 and have been applied consistently during the current year and prior year. The principal accounting policies are set out below.

#### **Turnover**

Turnover represents the invoiced value of goods provided in the normal course of business, excluding Value Added Tax. All of the company's business relates to the manufacture of motor vehicles, motor vehicle engines and parts. Turnover is recognised at the point the vehicle/engine unit leaves the production line. All turnover is to fellow Toyota companies. All turnover originates from UK manufacturing operations, and substantially all turnover arises in the UK.

#### **Operating leases**

Rentals payable under operating leases are charged to the profit and loss account as incurred over the lease term.

#### **Tangible fixed assets**

Tangible fixed assets are stated at original cost less accumulated depreciation. Cost includes the original purchase price of the asset and costs attributable to bringing the asset to its working condition for its intended use.

#### **Depreciation**

Provision for depreciation is made on all tangible and lease financed fixed assets, other than freehold land. The assets are depreciated at rates calculated to write off the cost evenly over their expected useful economic lives, commencing when the assets were first brought into use. The depreciation method used reflects as fairly as possible the pattern in which the assets' economic benefits are consumed.

# **Toyota Motor Manufacturing (UK) Limited**

## **Notes to the financial statements for the year ended 31 March 2013 (continued)**

### **1 Accounting policies (continued)**

#### **Depreciation (continued)**

The maximum life assumed for buildings is twenty years and the lives assumed for fixtures and fittings, motor vehicles, plant and machinery, including tooling vary between three and fifteen years

The useful economic lives of tangible fixed assets are reviewed annually and if expectations are significantly different from previous estimates, the change is accounted for over the remaining useful economic life of the relevant asset

Assets held within "Manufacturing plant under construction" are not depreciated until they are brought into use

#### **Impairment**

Fixed assets are subject to impairment review when events indicate impairment may have occurred. Impairment is a test comparing the net book amount of assets to the higher of net realisable value (the amount at which an asset could be disposed of, less any direct selling costs) or value in use (the net present value of post-tax cash flows forecast to arise from the underlying assets using a projection period of five years plus a forecast terminal value, discounted using the weighted average cost of capital)

The reversal of any impairment loss is recognised to the extent that subsequent external events clearly and demonstrably reverse the effects of an external event in a way that was not foreseen in the original impairment calculations. The carrying amount is increased up to the amount that it would have been had the original impairment not occurred.

For the five years following each impairment review where the recoverable amount has been based on value in use, the cash flows achieved are compared with those forecast. If the actual cash flows are so much less than those forecast that use of the actual cash flows could have required recognition of an impairment in previous periods, the original impairment calculations are re-performed using the actual cash flows. Any impairment identified is recognised in the current period unless the impairment has reversed and the reversal of the loss is permitted to be recognised.

#### **Stock**

Stock is stated at the lower of cost and net realisable value. Cost is generally determined on a first in, first out basis or average method of valuation, including, where appropriate, factory overheads, transport and duty costs based on normal levels of activity. Net realisable value is based on estimated selling price in the normal course of business after allowing for the costs of realisation. Provisions are made where necessary for obsolete and slow moving stock.

#### **Foreign currency**

Transactions in foreign currencies are translated at the rate ruling at the date of each transaction. Monetary assets and liabilities are translated at the rate ruling at the balance sheet date or at the related forward contract rate. All differences are taken to cost of sales within the profit and loss account.



# **Toyota Motor Manufacturing (UK) Limited**

## **Notes to the financial statements for the year ended 31 March 2013 (continued)**

### **1 Accounting policies (continued)**

#### **Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is measured on an undiscounted basis. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

#### **Warranty**

The company offers warranty cover in respect of manufacturing defects which become apparent following purchase. A provision is recognised for expected warranty claims based on past experience of the level of actual warranty claims received and model evolution.

#### **End of life vehicles (ELV)**

Provision is made for estimated liabilities to be incurred by the company on vehicles reaching the end of their lives discounted to the expected current cost.

This provision is calculated based on the legislation passed in the respective EU countries for the liability relating to the actual number of cars sold. The estimate is based on historical information and trends of net scrap costs after recoveries and future life.

#### **Cash flow**

The financial statements do not include a statement of cash flows because the company is exempt from the requirements of including such a statement by virtue of Financial Reporting Standard 1 (Revised 1996) "Cash flow statements".

#### **Government grants**

Grants against capital expenditure from Government and other bodies are held on the balance sheet as a liability within other creditors and released to the profit and loss account over the period during which the relevant assets are depreciated.

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2013 (continued)

### 1 Accounting policies (continued)

#### Pension costs

Under Financial Reporting Standard 17 "Retirement benefits", pension scheme assets are measured using fair values. Pension scheme liabilities are valued using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term to the liability.

Each pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full and presented on the face of the balance sheet. The movement in the scheme surplus/deficit is split between operating and financial items in the profit and loss account and the statement of total recognised gains and losses.

The full service cost of the pension provision is charged to operating profit. The net impact of the unwinding of the discount rate on scheme liabilities and the expected return on the scheme assets is credited/charged to other finance income/costs.

Any difference between the expected return on assets and that actually achieved is recognised in the statement of total recognised gains and losses. Similarly, any differences that arise from experience or assumption changes are recognised in the statement of total recognised gains and losses.

The cost of pensions in respect of the company's defined contribution scheme is charged to the profit and loss account as it is incurred.

### 2 Member costs

	2013	2012
	£'000	£'000
Wages and salaries	99,963	94,244
Social security costs	8,724	8,257
Other pension costs (note 16)		
Defined benefit plan	13,046	11,886
Defined contribution plan	1,374	1,263
	123,107	115,650

The average monthly numbers of members (including directors) employed by the company during the year were production 2,650, administration 527 (2012 production 2,616, administration 440). During the year 1,628 (2012 1,181) persons were contracted to provide on-site services.

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2013 (continued)

### 3 Operating loss

Operating loss is stated after charging/(crediting)

	2013	2012
	£'000	£'000
Depreciation of owned fixed assets	56,252	68,724
Profit on sale of fixed assets	(44)	(358)
Operating leases		
Plant and machinery	901	799
Other	286	297
Release of capital grant	(732)	(732)
Auditors' remuneration		
Audit fee	84	78
Non-audit services - tax compliance	101	119
Net amount of foreign exchange losses/(gains) on foreign currency borrowings less deposits	1,171	(3,262)

### 4 Interest receivable and similar income

	2013	2012
	£'000	£'000
Amounts received from group undertakings	511	1,156

### 5 Interest payable and similar charges

	2013	2012
	£'000	£'000
Interest payable to group undertakings	126	1,527
Interest in respect of loans	2,677	2,944
	2,803	4,471

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2013 (continued)

### 6 Directors

	2013	2012
	£'000	£'000
Aggregate emoluments of the directors (excluding pension contributions)	893	972
Contributions to money purchase schemes	87	79

Retirement benefits are accruing to 7 (2012: 7) directors under a defined benefit pension scheme. No (2012: no) directors accrued benefits under the defined contribution scheme. During the year no directors exercised share options in Toyota Motor Corporation (2012: none).

	2013	2012
	£'000	£'000
Pensions paid to former directors	85	83

	2013	2012
	£'000	£'000
Aggregate emoluments of the highest paid director (excluding pension contributions)	344	314
Contributions to money purchase schemes	-	-

Retirement benefits are accruing to the highest paid director under a defined benefit pension scheme are paid by a group undertaking and not recharged. His accrued pension at 31 March 2013 was £25,000 per annum (2012: £27,000 per annum). £nil (2012: £nil) was contributed to the defined contribution scheme by the company on his behalf.

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2013 (continued)

### 7 Tax on loss on ordinary activities

	2013	2012
	£'000	£'000
Corporation tax at 24% (2012 26%)		
UK Corporation tax charge on loss for the financial year	8,988	9,738
The tax assessed for the year is higher (2012 higher) than the standard rate of corporation tax in the UK of 24% (2012 26%) The difference is explained below		
	2013	2012
	£'000	£'000
<b>Loss on ordinary activities before taxation</b>	<b>(169,492)</b>	<b>(68,776)</b>
Loss on ordinary activities multiplied by standard rate in the UK of 24% (2012 26%)	(40,678)	(17,882)
Effects of		
Expenses not deductible for tax purposes	82	5
Unrecognised tax losses	37,162	13,457
Depreciation in excess of capital allowances	13,493	17,846
FRS 17 pension timing differences	(1,415)	(2,234)
Other timing differences	344	(1,454)
<b>Current tax charge for the year</b>	<b>8,988</b>	<b>9,738</b>

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2013 (continued)

### 7 Tax on loss on ordinary activities (continued)

#### Deferred tax:

There is no liability for deferred taxation. The deferred tax assets and liabilities provided and unprovided, calculated on the liability method at a rate of 23% (2012: 24%) are as follows:

	2013		2012	
	Provided	Unprovided	Provided	Unprovided
	£'000	£'000	£'000	£'000
Accelerated capital allowances	-	136,381	-	129,458
Short term timing differences	-	1,584	-	1,122
Losses	-	147,997	-	116,321
Pension deficit	-	5,402	-	307
Deferred tax asset	-	291,364	-	247,208

Tax losses have been approved for future utilisation and the company expects a current tax charge in future. No deferred tax asset is currently recognised on these losses. The recognition of the unrecognised deferred tax asset is dependent on the company having taxable profits in the future.

A resolution passed by Parliament on 26 March 2012 reduced the main rate of corporation tax to 24% from 1 April 2012. Legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013 was substantively enacted on 3 July 2012.

Further reductions to the main rate were substantively enacted on 2 July 2013 to reduce the rate to 21% from 1 April 2014 and to 20% from 1 April 2015. These rate reductions had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements. The effect of each of the further reductions of 1% in the tax outlined above would be a reduction in the unrecognised deferred tax asset of £12,668,000.

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2013 (continued)

### 8 Tangible fixed assets

	Freehold land and buildings	Manufact- uring plant under construction	Plant and machinery	Fixtures and fittings	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>						
At 1 April 2012	253,078	28,282	1,412,055	12,844	941	1,707,200
Additions	-	53,959	-	-	47	54,006
Transfers	428	(61,423)	60,865	130	-	-
Disposals	(13)	-	(118,524)	(930)	(446)	(119,913)
<b>At 31 March 2013</b>	<b>253,493</b>	<b>20,818</b>	<b>1,354,396</b>	<b>12,044</b>	<b>542</b>	<b>1,641,293</b>
<b>Accumulated depreciation</b>						
At 1 April 2012	186,044	-	1,246,332	11,975	605	1,444,956
Provided in the year	4,321	-	51,462	358	111	56,252
Disposals	(8)	-	(117,703)	(930)	(234)	(118,875)
<b>At 31 March 2013</b>	<b>190,357</b>	<b>-</b>	<b>1,180,091</b>	<b>11,403</b>	<b>482</b>	<b>1,382,333</b>
<b>Net book value</b>						
<b>At 31 March 2013</b>	<b>63,136</b>	<b>20,818</b>	<b>174,305</b>	<b>641</b>	<b>60</b>	<b>258,960</b>
At 31 March 2012	67,034	28,282	165,723	869	336	262,244

No tangible fixed assets are held under finance leases at 31 March 2013 (2012: none). No external valuation has been performed on freehold land and buildings. The directors estimate that the fair value of land and buildings equates to its carrying value.

Financial Reporting Standard 11 "Impairment of fixed assets and goodwill" requires, for the five years following each impairment review where the recoverable amount has been based on value in use, the original impairment calculations to be re-performed using the actual cash flows. Following this review, the company would have recognised an impairment of £45,171,000 in relation to 2010 and £216,190,000 in relation to 2009, except the impairments now identified have reversed due to a change in economic conditions. The pre-tax discount rate applied to the cash flows is 9.5% (2010: 11.8%, 2009: 11.8%), the growth rate used to extrapolate cash flow projections is 2.0% (2010: 1.5%, 2009: 0%) and the period over which management has projected the cash flows is 5 years (2010: 5 years, 2009: 5 years).

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2013 (continued)

### 9 Stock

	2013	2012
	£'000	£'000
Raw materials and consumables	76,019	74,249
Work in progress	3,005	2,514
Finished goods for resale	2,869	5,285
	81,893	82,048

There is no material difference between the replacement cost of stock and the amounts stated above

### 10 Debtors

	2013	2012
	£'000	£'000
Trade debtors	2,719	2,513
Amounts owed by group undertakings	17	58
Other debtors	41,814	50,817
Prepayments and accrued income	1,587	5,248
	46,137	58,636

All amounts shown under debtors fall due for payment within one year

All amounts owed by group undertakings are payable on demand, unsecured and incur no interest except for vehicle sales. Interest on vehicle sales is calculated using Euribor / LIBOR 1 month interest rates

In 1994 the company started a car loan scheme whereby members are given the opportunity to purchase a car with payment being largely deferred for up to twelve months. The purchase price left outstanding is on an interest free basis and is included within "Other debtors". Under this scheme, and on the same terms and conditions applicable to all members of the scheme

A Walker settled a loan outstanding as at 31 March 2012 for £16,495

R Kenworthy settled a loan outstanding as at 31 March 2012 for £14,745 and purchased a vehicle for £14,582 during the year. The balance outstanding as at 31 March 2013 was £13,590

K Kojima settled a loan outstanding as at 31 March 2012 for £15,437

S Teramoto purchased a vehicle for £16,188 during the year. The balance outstanding as at 31 March 2013 was £15,883



# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2013 (continued)

### 10 Debtors (continued)

M Cooke purchased a vehicle for £16,635 during the year. The balance outstanding as at 31 March 2013 was £14,945.

The company operates a self-administered member car scheme. Members have the opportunity to purchase vehicles on extended credit terms whereby the payment is deferred for either twelve months or thirty months. The amount owed by the members to the company is shown in "Other debtors".

### 11 Creditors: amounts falling due within one year

	2013	2012
	£'000	£'000
Trade creditors	11,085	20,978
Amounts owed to group undertakings		
Loans	507,852	348,955
Other	165,036	136,735
Other creditors	9,620	6,453
Taxation and social security	11,375	5,269
Accruals and deferred income	4,885	15,661
Accrued pension contributions	1,332	1,407
	711,185	535,458

All amounts owed to group undertakings are payable on demand, unsecured and incur no interest except for tooling and the member car loan scheme. Interest on tooling is calculated using Euribor rates and on the member car loan scheme is calculated using the prevailing market rate.

Bank loans are repayable within one year. The loans are unsecured and interest is charged based on current LIBOR 1 month rates.

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2013 (continued)

### 12 Creditors: amounts falling due after more than one year

	2013	2012
	£'000	£'000
Accruals and deferred income	1,281	2,012

Accruals and deferred income relates to the long term portion of a Government grant of £5,000,000 received against capital expenditure on ZR engine line at Deeside. This amount is being released to the profit and loss over the useful life of the assets to which it relates.

Receipt of the grant was dependant on a minimum level of capital expenditure and on the safeguarding of a specified number of jobs. There is a potential liability to repay the grant if these conditions are not met, however management consider the likelihood of this to be remote.

### 13 Provisions for liabilities

	2013	2012
	£'000	£'000
ELV	7,358	6,526
Warranty	56,810	64,667
<b>At 31 March 2013</b>	<b>64,168</b>	<b>71,193</b>

#### End of life vehicles (ELV)

In September 2000 the European Parliament passed Directive 2000/53/EC on End of Life Vehicles. As part of this Directive, vehicle manufacturers and professional vehicle importers would be responsible for a significant part of the end of life costs of collecting, disposing and recycling new cars put on the road.

The company has made an estimate of the liability arising for vehicles manufactured by the company where it is judged a liability will be incurred. A provision of £7,358,000 (2012: £6,526,000) has been recognised. Movements in the provision during the year are a charge of £832,000 (2012: £1,042,000), release of £nil (2012: £7,479,000) and utilisation of £nil (2011: £nil). It is not possible at this stage to give a reliable indication as to the period over which these costs will be paid by the company.

#### Warranty

The company offers warranty cover in respect of manufacturing defects which become apparent following purchase. A provision of £56,810,000 (2012: £64,667,000) has been recognised for expected warranty claims over the next three years based on past experience of the level of actual warranty claims received and model evolution. Movements in provision during the year are a charge of £17,298,000 (2012: £17,190,000), release of £13,036,000 (2012: £16,679,000) and utilisation of £12,119,000 (2012: £14,487,000).

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2013 (continued)

### 14 Called up share capital

	2013	2012
	£'000	£'000
<b>Allotted and fully paid:</b>		
300,000,000 (2012 300,000,000) ordinary shares of £1 each	300,000	300,000

On 10 January 2005, the company passed a special resolution to reduce the company's share capital. This was ratified by the high court on 14 February 2005. The company agreed to transfer to a non-distributable special reserve in the books of the company

- The proceeds of any sale of any assets in excess of the value in the books of account when the reduction of capital becomes effective (14 February 2005)
- A sum equal to the amount (if any) by which any provisions reflected in its books of accounts as at 14 February 2005 shall be found to have been an over provision

Between 14 February 2005 and the end of the current financial year there were no such amounts

### 15 Profit and loss account

	£'000
At 1 April 2012	(506,409)
Loss for the financial year	(178,480)
Actuarial loss on pension scheme (note 16)	(28,107)
<b>At 31 March 2013</b>	<b>(712,996)</b>

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2013 (continued)

### 16 Pension

#### a) Defined benefit scheme

The company operates a defined benefit pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company in a trustee-administered fund. On 1 April 2013, the defined benefit scheme was closed to new members joining the company.

Valuations are carried out every three years using appropriate valuation methods, and an independent actuary determines the rate of contributions required. The most recent actuarial valuation of the company's pension plan was carried out at 5 April 2012.

A qualified independent actuary updated the results of the most recent actuarial valuation to 31 March 2013. Liabilities have been calculated using a consistent projected unit valuation method and compared to the plans' assets at the 31 March 2013 market value.

Based on actuarial advice, the financial assumptions used to calculate the scheme are

	31 March 2013	31 March 2012
Inflation – Retail Price Index (RPI)	3.45%	3.45%
– Consumer Price Index (CPI)	2.65%	2.65%
Expected return on assets	4.97%	5.17%
Discount rate	4.65%	5.15%
Assumed rate of increase of salaries including inflation at 3.45% (2012: 3.45%)	4.05%	4.05%
Assumed rate of increase of pensions in payment	3.45%	3.45%

The mortality assumptions used were as follows

	31 March 2013	31 March 2012
Longevity at age 65 for current pensioners		
Male	22.9	22.8
Female	25.3	25.2
Longevity at age 65 for future pensioners		
Male	24.6	24.5
Female	27.3	27.2

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2013 (continued)

### 16 Pension (continued)

Scheme assets are stated at their market value. The assets in the scheme and the expected rates of return were

	Long term rate of return expected at 31 March 2013	Value at 31 March 2013	Long term rate of return expected at 31 March 2012	Value at 31 March 2012
	%	£'000	%	£'000
Equities	5.85	237,883	5.95	210,578
Gilts	2.85	86,178	2.95	67,002
Bonds	4.05	45,273	4.55	34,869
Property	5.85	26,211	5.95	26,425
Other	0.50	1,588	0.50	2,974
<b>Total market value of assets</b>		<b>397,133</b>		<b>341,848</b>
<b>Present value of the scheme liabilities</b>		<b>(420,622)</b>		<b>(343,127)</b>
<b>Net pension deficit before taxation</b>		<b>(23,489)</b>		<b>(1,279)</b>
Deferred taxation		-		-
<b>Net pension deficit after taxation</b>		<b>(23,489)</b>		<b>(1,279)</b>

The equity investments and bonds which are held in plan assets are valued at the current bid price

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2013 (continued)

### 16 Pension (continued)

	2013	2012
	£'000	£'000
<b>Reconciliation of present value of scheme liabilities:</b>		
1 April	343,127	305,535
Current service cost	13,046	11,886
Plan participants' contributions	30	29
Interest cost	17,938	16,784
Death in service cost	(314)	(156)
Benefits paid	(2,255)	(931)
Actuarial losses	49,050	9,980
<b>At 31 March</b>	<b>420,622</b>	<b>343,127</b>
	2013	2012
	£'000	£'000
<b>Reconciliation of fair value of scheme assets:</b>		
1 April	341,848	309,702
Expected return on pension scheme assets	18,094	19,611
Actuarial gain/(loss)	20,943	(4,057)
Benefits paid	(2,255)	(931)
Plan participants' contributions	30	29
Death in service cost	(314)	(156)
Contributions paid by employer	18,787	17,650
<b>At 31 March</b>	<b>397,133</b>	<b>341,848</b>

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2013 (continued)

### 16 Pension (continued)

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption fields at the balance sheet date. Expected returns on equity investments reflect long term real rates of return in the respective markets.

The actual return on scheme assets in the year was £39,037,000 (2012: £15,554,000)

	2013	2012
	£'000	£'000
<b>Amounts charged to operating loss:</b>		
Current service cost	13,046	11,886
<b>Amounts (credited)/charged to other finance income:</b>		
Expected return on pension scheme assets	(18,094)	(19,611)
Interest on pension scheme liabilities	17,938	16,784
<b>Total credit</b>	<b>(156)</b>	<b>(2,827)</b>
<b>Amounts recognised in the statement of total recognised gains and losses:</b>		
Actual gains less expected return on pension scheme assets	20,943	(4,057)
Experience gains arising on scheme liabilities	15,968	7,769
Change in assumptions underlying the present value of the scheme liabilities	(65,018)	(17,749)
<b>Actuarial losses recognised in the statement of total recognised gains and losses</b>	<b>(28,107)</b>	<b>(14,037)</b>

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2013 (continued)

### 16 Pension (continued)

The cumulative amount of actuarial losses recognised in the statement total of recognised gains and losses is £78,377,000 (2012 £50,270,000)

During the year the company made additional contributions of £3,097,000 (2012 £3,060,000)

	2013	2012	2011	2010	2009
<b>Amounts for current year and previous four years:</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Defined benefit obligation	(420,622)	(343,127)	(305,535)	(275,178)	(199,319)
Plan assets	397,133	341,848	309,702	274,543	200,900
Net (deficit)/asset before taxation	(23,489)	(1,279)	4,167	(635)	1,581
Less unrecognised pension asset	-	-	-	-	(1,581)
Net (deficit)/asset before taxation	(23,489)	(1,279)	4,167	(635)	-
Less deferred taxation	-	-	-	-	-
Net (deficit)/asset after deferred taxation	(23,489)	(1,279)	4,167	(635)	-
<b>Difference between the actual and expected return on assets:</b>					
Amount	20,943	(4,057)	2,953	48,296	(43,216)
<b>Experience adjustments on plan liabilities:</b>					
Amount	15,968	7,769	-	8,434	1,898
<b>Total amount recognised in the statement of total recognised gains and losses:</b>					
Gross amount	(28,107)	(14,037)	(4,853)	(8,790)	43,437
Add/(less) unrecognised pension asset	-	-	-	1,421	(1,581)
Net amount	(28,107)	(14,037)	(4,853)	(7,369)	41,856



# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2013 (continued)

### 16 Pension (continued)

The company has agreed with the trustees that the contributions for the next eight years will be increased by £258,000 (2012 £258,000) per calendar month. The total contributions expected to be made to the scheme by the company in the year to 31 March 2014 is £21,464,000 (2013 £18,265,000)

#### b) Defined contribution scheme

From 1 October 2002 the company introduced a defined contribution pension scheme for new members joining the company. The pension cost charge for the year was £1,374,000 (2012 £1,263,000) and there are no outstanding or prepaid contributions as at 31 March 2013 (2012 £nil)

### 17 Lease commitments

The annual commitments under operating leases are

Land and buildings:	2013	2012
	£'000	£'000
Expiring		
Within one year	116	116
Other:	2013	2012
	£'000	£'000
Expiring		
Within one year	554	426
Within one year to two years	236	75
Within two to five years	368	516
	1,158	1,017

Other lease commitments relate to the lease of fork lift trucks and other handling equipment

### 18 Contingent liabilities

The company is not aware of any contingent liabilities that should be included within these financial statements (2012 nil)

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2013 (continued)

### 19 Capital commitments

	2013	2012
	£'000	£'000
Capital expenditure on fixed assets authorised by the directors and contracts placed at the year end, but not provided for in the financial statements	5,057	7,110

### 20 Reconciliation of movements in total shareholders' deficit

	2012	2011
	£'000	£'000
At 1 April 2012	(206,409)	(113,858)
Loss for the financial year	(178,480)	(78,514)
Actuarial loss on pension scheme (note 16)	(28,107)	(14,037)
At 31 March 2013	(412,996)	(206,409)

### 21 Parent undertakings and related party transactions

The company's immediate parent company is Toyota Motor Europe SA/NV, a company incorporated in Belgium. The company's ultimate parent undertaking and controlling party is Toyota Motor Corporation, a company incorporated in Japan.

The largest and only group into which the results of the company are consolidated is that headed by Toyota Motor Corporation.

As the company is wholly owned by Toyota Motor Corporation whose consolidated financial statements are publicly available, the company has taken advantage of the relief available under Financial Reporting Standard 8 "Related party disclosures" not requiring subsidiary undertakings to disclose transactions with entities that are fellow group companies or investees of the group qualifying as related parties.

Copies of the consolidated financial statements of Toyota Motor Corporation can be obtained from

Toyota Motor Corporation  
1 Toyota-cho  
Toyota City  
Aichi  
Prefecture 471  
JAPAN