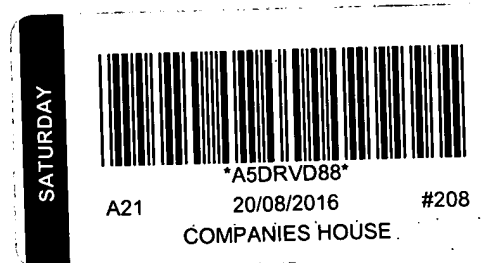


**Toyota Motor Manufacturing (UK) Limited**  
**Annual report and financial statements**  
**for the year ended 31 March 2016**

Registered number: 02352348



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

## **Annual report and financial statements for the year ended 31 March 2016**

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# Toyota Motor Manufacturing (UK) Limited

## Strategic report for the year ended 31 March 2016

The directors present their Strategic report of the company for the financial year ended 31 March 2016. Principal risks and uncertainties are outlined in the Directors' report.

### Principal activities of the company

The principal activities of the company are the manufacture of motor vehicles, engines and engine components. The company assembles the Avensis and Auris vehicle models at Burnaston (including hybrid versions of the Auris) and engines for the use in the vehicle assembly plant and for export, at its engine plant in Deeside, North Wales.

### Results

The profit for the financial year amounted to €90,193,000 (2015: loss of €47,634,000). Turnover for the year amounted to €3,231,724,000 (2015: €2,689,473,000). An actuarial gain of €50,103,000 (2015: loss of €69,103,000) was made on the pension scheme in the financial year. The carrying value of tangible fixed assets was €208,160,000 at 31 March 2016 (31 March 2015: €244,819,000) and net liabilities including pension deficit were €578,699,000 at 31 March 2016 (31 March 2015: €718,995,000).

### Key performance indicators (KPIs)

Volumes for the current year and prior year are set out in the table below:

Model	2016	2015
Avensis	45,067	29,804
Auris	61,801	70,516
Auris hybrid	89,001	71,215
Burnaston total	195,869	171,535
Deeside engines	202,314	220,098

### Review of the business and future developments

Vehicle sales volume in the year was higher than the previous year and operating profit was much improved. The volume increase reflected the favourable market reaction to the new Avensis and Auris vehicles that were launched during the year. Profit was improved by a continued focus on cost reduction and more competitively priced bought-in parts and components. The prior year included a large loss on foreign exchange which has not recurred in the current year. All members continued to contribute to cost reduction throughout the business. The result was better than the directors' expectations and is a confirmation of the progress of the business following the pleasing return to operating profit last year after the difficult trading conditions in the recent past.

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

## **Strategic report for the year ended 31 March 2016 (continued)**

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

#### *Member focus*

Toyota seeks to recruit, train and retain members who can then enjoy a long and fulfilling career with the company. Part of this strategy includes the provision of comprehensive health, wellbeing, medical support and care initiatives. The success of these programmes was recognised when the company was selected as a finalist in the 2015 Responsible Business Awards run by Business in the Community. Toyota was named as one of only five finalists in the Bupa Employee Wellbeing Award category in June.

Training of young people to take up responsible and skilled positions in the manufacturing operation is a key commitment of the company. The Apprentice Training Centre at Burnaston, run in partnership with Burton & South Derbyshire College, hosts young people from local companies who train alongside Toyota apprentices. The strength-in-depth of the programme is reflected in the medallions of excellence awarded to two Toyota apprentices at the 2015 World Skills Competition in São Paulo in August, the Gold and Bronze medals won in the National Finals at this year's UK Skills show in November and the selection of four members to represent the UK at the next World Skills Competition in Abu Dhabi in 2017.

#### *Charity focus*

Toyota started a partnership with the NSPCC in 2006 with a commitment to raise £1 million for the charity to benefit projects in Derbyshire and North Wales. The company was pleased to announce in April 2015 that the target had been exceeded with £1,105,000 having been raised for the charity through a combination of employee and company fundraising activities.

The company also seeks to support good causes in the areas local to its manufacturing locations and has a Charitable Trust that supports groups and organisations that are active in the areas of health, the environment, children and education. During 2015 the company and its members raised £220,000 that the Charitable Trust distributed to representatives of the worthy causes at an event at Burnaston in February 2016. Since the start of production in 1992, the trust has contributed over £5 million towards local communities surrounding its plants.

#### *Research and development*

Management actively pursues technical and product innovations and development, not only to meet customers' changing requirements but also to develop new market opportunities. As a consequence of this focus the company was able to take an increased role in the development of the new models that were launched in the year and to confirm the mass production readiness of the new vehicles by extensive training throughout the plant at Burnaston.

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

## **Strategic report for the year ended 31 March 2016 (continued)**

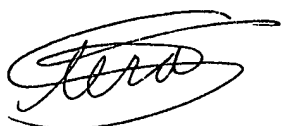
### **Review of the business and future developments (continued)**

#### *Future developments*

The European car market is very competitive and all manufacturers need to regularly refresh their product offering in order to support the volumes needed to ensure a sustainable business. The company has been extremely pleased with the reception of the new Avensis and Auris vehicles that were launched during the year and in February it was announced that the Deeside engine plant would produce the next generation hybrid engine for Toyota's new crossover sport utility vehicle. The Sport Utility Vehicle (SUV), called the C-HR, will be built at the Toyota factory in Turkey and will be offered with a petrol/electric hybrid powertrain from its launch. The SUV market is a fast growing sector of the European market and the engine requirement from Deeside will help secure jobs at the plant and reaffirms the facility's central role in Toyota's European manufacturing operations.

The current generation of engines produced at Deeside is used in the Auris model range that is assembled at the Burnaston vehicle plant, so the introduction of the new generation engine to Deeside will allow the future introduction of new vehicle models that use this latest high technology powertrain. The future allocation of new models to Burnaston will continue to be based on the competitiveness of the plant in relation to other Toyota group companies. A strong focus on member safety as the foundation for efficient, high quality manufacturing remains the key to the company's continued success.

Approved by the Board and signed on its behalf by



S Teramoto  
Managing Director  
28 July 2016

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

## **Directors' report for the year ended 31 March 2016**

The directors present their annual report and audited financial statements of the company for the financial year ended 31 March 2016. The company's future developments and details on the company's research and development activities are set out in the Strategic report.

### **Going concern**

The financial statements have been prepared on the going concern basis given 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 NV/SA. Toyota Motor Europe NV/SA 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.

### **Dividends**

The directors do not propose the payment of a dividend (2015: €nil).

### **Principal risks and uncertainties**

The company sells its vehicle production to Toyota Motor Europe NV/SA, who market and sell the vehicles. Volume, price and exchange risk are borne by the company in the normal course of the business. Part of the engine output from the engine plant is exported to Toyota group companies around the world. Purchases are primarily from other group companies at pre-agreed rates. The company bears the volume, price and exchange risks related to these transactions.

### **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 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.

#### *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.

#### *Credit risk*

All borrowings are intercompany, cash and trade debtors are immaterial and therefore the company has no material external credit risk.

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

## **Directors' report for the year ended 31 March 2016 (continued)**

### **Financial risk management (continued)**

#### *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 Euros.

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.

### **UK vote of 23 June 2016 to leave the European Union**

The company had always respected that the future relationship between the UK and the European Union was a matter for the British people to decide and it respects the decision that has now been made.

For the company, it is business as usual: to build quality cars, safely and efficiently at the lowest cost to delight our customers. Toyota remains committed to its people and its investment in the company.

Going forward the company will closely monitor and analyse the impact on the business operations in the UK, and how it can maintain competitiveness and secure sustainable growth together with the UK automotive sector and other stakeholders.

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

## **Directors' report for the year ended 31 March 2016 (continued)**

### **Transition to Financial Reporting Standard 101 (FRS 101)**

The financial statements reflect the adoption of the Financial Reporting Standard 101 'Reduced Disclosure Framework'. The new regime applies to accounting periods beginning on or after 1 January 2015. The date of transition for the company is the beginning of the comparative year, 1 April 2014. Refer to note 22 for further details.

### *Change in functional and presentational currency*

With effect from 1 April 2014, the directors deemed the currency of the primary economic environment in which the company operates was no longer Sterling and that it was more appropriate for the company to adopt the Euro as its functional and presentational currency. Accordingly the financial statements of the company for the years ended 31 March 2016 and 31 March 2015 have been prepared and presented in Euros. In determining the functional and presentational reporting of the company, and the date of the change thereof, the directors have had regard to the relationship between the company and its parent Toyota Motor Europe NV/SA and the nature of the company's cash flows and its financing arrangements. The impact of this change in functional currency has been explained in note 22.

### *Adoption of IAS 19 'Employee benefits'*

There are two differences in accounting for post-retirement benefit costs and defined benefit plans under previous FRS 17 'Retirement benefits' and IAS 19 'Employee benefits' (revised):

- (i) IFRS requires the use of the discount rate to determine both the interest income on pension assets and the interest expense on post-employment benefit obligations with the resulting net interest reported within Finance income or Finance costs as appropriate; and
- (ii) Pension plan administration costs paid by the company are required to be reported within operating profit rather than as a deduction from the return on pension assets.

The effect of adopting IFRS is to increase loss before tax as originally presented for the year ended 31 March 2015 by €6,007,000 and decrease the actuarial losses reported in the statement of comprehensive income for the same period by the same amount. There is no effect on the balance sheet or the amount of net liabilities at that date. There is no tax impact as tax relief has been taken on pensions contributions in the period they are paid, rather than when the costs are recognised in financial statements.

### **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.

### **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. This year the company was recognised for its occupational health and safety record and drive for continuous improvement in health and safety by the Royal Society for the Prevention Accidents (RoSPA) which has selected the company as the winners of the manufacturing sector award in their annual safety awards. The company continually seeks opportunities to improve health and safety performance and annual improvement activities and challenging targets are fully integrated into the annual planning process.



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

## **Directors' report for the year ended 31 March 2016 (continued)**

### **Charitable and political donations**

During the year to 31 March 2016, the company made charitable donations amounting to a total of €1,255,000 (2015: €1,133,000). These donations comprised €12,000 (2015: €11,000) donated to charities involved in conserving the environment and promoting environmental preservation and awareness, €nil (2015: €109,000) donated to charities involved in medical research and €1,243,000 (2015: €1,013,000) donated to local charities involved in a range of activities within the local communities surrounding Burnaston and Deeside. Further details are provided in the Strategic report.

No payments were made to political parties (2015: €nil).

### **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 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 2015, 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. On completion of Green Eco points (personal awareness) members progress to Silver (visualisation and improvement) and Gold (daily management) activities with 81% of members completing Silver and 8% Gold respectively. Our 'Eco Eye' awards scheme introduced to recognise an individual's outstanding contribution or commitment has continued to be well supported with 20 individual awards being made during the year.
- Increasing biodiversity through habitat management: Toyota has joined forces with the Royal Botanic Gardens, Kew, in an industry-first partnership to promote biodiversity and environmental excellence at our UK sites. The development of the 'green grid' that aims to restore 234,000m<sup>2</sup> of natural habitat has continued to progress to schedule.
- To further demonstrate our commitment to minimising emissions from our manufacturing facilities we worked towards and were successful in achieving certification to the International Energy Management standard ISO 50001 at both our Burnaston and Deeside sites.

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

## **Directors' report for the year ended 31 March 2016 (continued)**

### **Toyota and the environment (continued)**

- We also completed the final stage of our 'Steamless Plant' activity with the removal of all steam generation plant from site. This was achieved by investing in latest technology to remove the need for steam heating in our painting processes. The result is an annual reduction in CO<sub>2</sub> emissions of over 5,000 tonnes per annum.

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'.

### **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. 95.2% (2015: 95.5%) of members are male and 4.8% (2015: 4.5%) of members are female; 6.0% (2015: 6.7%) are represented by ethnic minorities. The company absenteeism rate was 2.0% (2015: 2.0%).

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 2.5 days (2015: 5.0 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):

Dr J Jacobus van Zyl (resident in Belgium, appointed 1 April 2016)

S Teramoto

A Walker

J Crosbie

T Freeman

Mr H Hatakeyama (resident in Belgium, appointed 1 January 2016)

Mr K Makino (resident in Belgium, appointed 1 January 2016)

T Numa (resident in Belgium, resigned 1 April 2016)

E Takeichi (resident in Belgium, resigned 1 January 2016)

T Gonno (resident in Belgium, resigned 1 January 2016)

### **Company registered number**

Registered number: 02352348.

# Toyota Motor Manufacturing (UK) Limited

## Directors' report for the year ended 31 March 2016 (continued)

### Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101).

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 United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

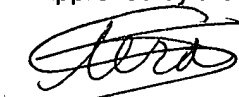
The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### 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.

Approved by the Board and signed on its behalf by



S Teramoto  
Managing Director  
28 July 2016

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

## **Report on the financial statements**

In our opinion, Toyota Motor Manufacturing (UK) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its profit 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.

### **What we have audited**

The financial statements, included within the Annual report and financial statements (the "Annual Report"), comprise:

- the balance sheet as at 31 March 2016;
- the profit and loss account and statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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

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

## **Other matters on which we are required to report by exception**

### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

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

## **Responsibilities for the financial statements and the audit**

### **Our responsibilities and those of the directors**

As explained more fully in the Directors' responsibilities statement set out on page 9, 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) ("ISAs (UK & 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.

### **What an audit of financial statements involves**

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Jackie Bradshaw (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
East Midlands  
28 July 2016

# Toyota Motor Manufacturing (UK) Limited.

## Profit and loss account for the year ended 31 March 2016

		2016	2015
	Note	€'000	€'000
<b>Turnover</b>	4	<b>3,231,724</b>	2,689,473
Cost of sales		(3,120,233)	(2,750,406)
<b>Gross profit/(loss)</b>		<b>111,491</b>	(60,933)
Administrative expenses		(27,960)	(22,682)
<b>Operating profit/(loss)</b>	5	<b>83,531</b>	(83,615)
Finance income	8	402	558
Finance costs	8	(3,272)	(4,377)
Finance costs - net	8	(2,870)	(3,819)
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>80,661</b>	(87,434)
Tax on profit/(loss) on ordinary activities	9	9,532	39,800
<b>Profit/(loss) for the financial year</b>		<b>90,193</b>	(47,634)

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

The notes on pages 16 to 53 are an integral part of these financial statements.

# Toyota Motor Manufacturing (UK) Limited

## Statement of comprehensive income for the year ended 31 March 2016

		2016	2015
	Note	€'000	€'000
<b>Profit/(loss) for the financial year</b>		<b>90,193</b>	<b>(47,634)</b>
<i>Other comprehensive income/(expense): items that will not be reclassified to profit or loss:</i>			
Remeasurement of pension scheme, net of tax	17	50,103	(69,103)
<b>Other comprehensive income/(expense) for the financial year, net of tax</b>		<b>50,103</b>	<b>(69,103)</b>
<b>Total comprehensive income/(expense) for the financial year</b>		<b>140,296</b>	<b>(116,737)</b>

The notes on pages 16 to 53 are an integral part of these financial statements.

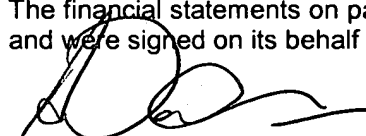
# Toyota Motor Manufacturing (UK) Limited

## Balance sheet as at 31 March 2016

	Note	2016 €'000	2015 €'000
<b>Fixed assets</b>			
Tangible assets	10	208,160	244,819
<b>Current assets</b>			
Stocks	11	117,300	92,617
Debtors	12	108,379	131,234
Cash at bank and in hand		1,797	2,057
		227,476	225,908
Creditors: amounts falling due within one year	13	(860,695)	(966,461)
<b>Net current liabilities</b>		<b>(633,219)</b>	<b>(740,553)</b>
<b>Total assets less current liabilities</b>		<b>(425,059)</b>	<b>(495,734)</b>
Creditors: amounts falling due after more than one year	14	(4,517)	(7,524)
Provisions for liabilities	15	(104,131)	(115,874)
Post retirement obligations	17	(44,992)	(99,863)
<b>Net liabilities</b>		<b>(578,699)</b>	<b>(718,995)</b>
<b>Capital and reserves</b>			
Called up share capital	16	362,231	362,231
Profit and loss account		(940,930)	(1,081,226)
<b>Total shareholders' deficit</b>		<b>(578,699)</b>	<b>(718,995)</b>

The notes on pages 16 to 53 are an integral part of these financial statements.

The financial statements on pages 12 to 53 were approved by the board of directors on 28 July 2016 and were signed on its behalf by:



A Walker  
Deputy Managing Director  
28 July 2016



# Toyota Motor Manufacturing (UK) Limited

## Statement of changes in equity for the year ended 31 March 2016

	Note	Called up share capital €'000	Profit and loss account €'000	Total share- holders' deficit €'000
<b>At 1 April 2014</b>		<b>362,231</b>	<b>(964,489)</b>	<b>(602,258)</b>
Loss for the financial year		-	(47,634)	(47,634)
<i>Other comprehensive expense for the financial year:</i>				
Remeasurement of pension scheme, net of tax	17, 22	-	(69,103)	(69,103)
<b>Total comprehensive expense for the financial year</b>		<b>-</b>	<b>(116,737)</b>	<b>(116,737)</b>
<b>At 31 March 2015</b>		<b>362,231</b>	<b>(1,081,226)</b>	<b>(718,995)</b>
Profit for the financial year		-	90,193	90,193
<i>Other comprehensive income for the financial year:</i>				
Remeasurement of pension scheme, net of tax	17	-	50,103	50,103
<b>Total comprehensive income for the financial year</b>		<b>-</b>	<b>140,296</b>	<b>140,296</b>
<b>At 31 March 2016</b>		<b>362,231</b>	<b>(940,930)</b>	<b>(578,699)</b>

The profit and loss account represents accumulated comprehensive income for the financial year and prior periods.

The notes on pages 16 to 53 are an integral part of these financial statements.

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

## **Notes to the financial statements for the year ended 31 March 2016**

### **1 General information**

The company manufactures and sells motor vehicles, engines and engine component parts. All sales are to fellow Toyota companies. The products are manufactured predominately for the European market but some sales are destined for markets in South America, Asia and the rest of the world.

The company is a private company, limited by shares and is incorporated and domiciled in the UK. The address of its registered office is:

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

The company's registered number is 02352348.

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

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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

The financial statements of Toyota Motor Manufacturing (UK) Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). Details of the transition to FRS 101 are disclosed in note 22. The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 as applicable to companies using FRS 101.

The financial statements of the company do not comply with the requirements of EU-adopted IFRS and shall not therefore contain the unreserved statement of compliance referred to in paragraph 3 of IFRS 1 'First time adoption of international financial reporting standards' and otherwise required by paragraph 16 of IAS 1 'Presentation of financial statements'.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7, 'Financial Instruments: Disclosures'
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
  - (i) paragraph 79(a)(iv) of IAS 1;
  - (ii) paragraph 73(e) of IAS 16 Property, plant and equipment;

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

## **Notes to the financial statements for the year ended 31 March 2016 (continued)**

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

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

- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d) (statement of cash flows),
  - 10(f) (a balance sheet as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements),
  - 16 (statement of compliance with all IFRS),
  - 38A (requirement for minimum of two primary statements, including cash flow statements),
  - 38B-D (additional comparative information),
  - 40A-D (requirements for a third balance sheet),
  - 111 (cash flow statement information), and
  - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

#### **b) Going concern**

The financial statements have been prepared on the going concern basis given the continued support of the company's owners. The company's operations are currently funded by amounts due to Toyota Motor Europe NV/SA. Toyota Motor Europe NV/SA 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.

#### **c) Format of the profit and loss account**

The profit and loss account is presented in accordance with Format 2 of Schedule 1, Part 1, of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, classifying expenses by type, as this format best reflects the company's results.

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2016 (continued)

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

#### d) Foreign currency translation

- *Functional and presentational currency*

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The financial statements are presented in Euros (€), which is also the company's functional currency.

- *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured at an average exchange rate between Euros and Sterling of 1.3710 and a closing exchange rate of 1.2726 (31 March 2015: 1.3749). 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 cost of sales in the profit and loss account.

#### e) 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. Turnover related to vehicle production is recognised once the completed vehicle is accepted by the group sales and marketing company at the end of the production line. Turnover on engine and engine component parts sales is recognised depending on the terms and conditions of the supply contract, either on despatch or when accepted by the receiving group entity.

#### f) 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. All additions are initially treated as 'Manufacturing plant under construction'; once the asset is put into economic operation it is re-classified into the appropriate asset class.

#### g) Depreciation

Provision for depreciation is made on all tangible and lease financed fixed assets, other than freehold land which is not depreciated. The assets are depreciated on a straight line basis at rates calculated to write off the cost evenly over their expected useful economic lives, commencing when the assets were first brought into use.

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

## **Notes to the financial statements for the year ended 31 March 2016 (continued)**

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

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

The depreciation method used reflects as fairly as possible the pattern in which the assets' economic benefits are consumed, as follows:

- Buildings 20 years
- Plant and machinery 5-15 years
- Fixtures and fittings 5-15 years
- Motor vehicles 3 years

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

The useful economic lives and residual values 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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in administrative expenses in the profit and loss account.

#### **h) Impairment of non-financial assets**

Non-financial assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets are reviewed for possible reversal at each reporting date.

#### **i) Leases**

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

The company leases certain property, plant and equipment. Leases of property, plant and equipment where the company has substantially all the risks and rewards of ownership are classified as finance leases. The company held no finance leases in the current or prior year.

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2016 (continued)

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

#### j) Research and development

Research and development expenditure is written off as incurred, except that development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised in line with the expected future sales from the related project.

#### k) Financial assets

- *Classification*

The company classifies its financial assets in the following categories: at fair value through profit or loss, held to maturity investments, loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. All the company's financial assets are loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The company's loans and receivables comprise receivables and cash in the balance sheet.

- *Recognition and measurement of financial assets*

Purchases and sales of financial assets are recognised on the date on which the company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the profit and loss account. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

#### l) Impairment of financial assets – assets carried at amortised cost

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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.

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

## **Notes to the financial statements for the year ended 31 March 2016 (continued)**

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

#### **m) Stocks**

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.

#### **n) Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### **o) Borrowings**

Borrowings are initially recognised at fair value, adjusted for any transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

#### **p) Borrowing costs**

Where interest is directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use, in which case they are capitalised as part of the cost of that asset. Capitalisation of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and the activities to prepare the asset for its intended use are in progress. Borrowing costs are capitalised up to the date when the project is completed and ready for its intended use.

To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined at the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the company that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. Other borrowing costs are recognised as expenses when incurred.

#### **q) 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 life cycle evolution.

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

## **Notes to the financial statements for the year ended 31 March 2016 (continued)**

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

#### **r) 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. The amount of the estimated liability may change depending on future legislation to be enacted and subject to other circumstances. Although the company does not expect its compliance with the directive to result in significant cash expenditures, it is continuing to assess the impact of this future legislation on its financial position, results of operations and cashflows. At year end the amount of the provision is reviewed given the latest information available and if necessary the provision is adjusted.

#### **s) Government grants**

Grants against capital expenditure from the 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. Grants that are received specifically for turnover expenditure are recognised in the profit and loss account as income in the same period that the expenditure is incurred.

At the balance sheet date there are no unfulfilled conditions or contingencies attaching to Government grants that have been recognised.

#### **t) Current and deferred income tax**

The tax expense for the year comprises current and deferred tax.

Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company operates and generates taxable income. Management establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.



# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2016 (continued)

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

#### u) Employee benefits – Post retirement obligations

The company operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

- *Defined benefit plan*

Defined benefit plans typically define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to shareholders' funds in other comprehensive income in the period in which they arise.

The amount charged or credited to finance costs is a net interest amount calculated by applying the liability discount rate to the net defined benefit liability or asset.

Past-service costs are recognised immediately in the profit and loss account.

- *Defined contribution plan*

A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. For defined contribution plans, the company pays contributions to privately administered pension insurance plans. The company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

#### v) Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2016 (continued)

### 3 Critical accounting estimates and judgments

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

#### *a) Defined benefit pension scheme*

The company has an obligation to pay pension benefits to members who are part of the scheme. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 17 for the disclosures of the defined benefit pension scheme.

#### *b) Warranty*

The company provides a warranty for the vehicles for manufacturing defects. Provision for warranty is provided for specific periods of time and the amount will vary depending on type of vehicle. The company includes the provision as a component of cost of sales at the time the sale is recognised. The accrued warranty costs represents management's best estimate of the total cost the company will incur to repair or replace parts that fail while still under warranty. The amount of the accrued warranty cost is based on historical experience of part failures as well as current information on repair costs. The amount of warranty cost accrued also contains an estimate of warranty claim recoveries to be received from suppliers. As the provision requires material estimates and extends for several years, actual warranty costs may differ from the estimated amounts and could require a material adjustment to the warranty provision. If these factors require a significant increase in estimated warranty provision, it would negatively affect future operating results of the company. See note 15 for further details.

#### *c) Deferred tax assets*

The factors used to assess the likelihood of realisation of the deferred tax assets are the future reversal of existing taxable temporary differences, the payment by group undertakings for surrendered losses, the future taxable income and available tax planning strategies that are prudent and feasible. All available evidence, both positive and negative, is considered to determine whether, based on the weight of that evidence, a valuation is needed for deferred tax assets where it is more probable than not that they will be realised. Unanticipated events or changes could result in re-evaluating the recognition of deferred tax assets. See note 9 for further details.

#### *d) Impairments of non-financial assets*

The company considers whether tangible fixed assets are impaired. Where an indication of impairment is identified the estimation of recoverable value requires estimation of the recoverable value of the cash generating units (CGUs).

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

## **Notes to the financial statements for the year ended 31 March 2016 (continued)**

### **3 Critical accounting estimates and judgments (continued)**

#### *d) Impairments of non-financial assets (continued)*

This requires estimation of the future cash flows from the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cash flows. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five year period. Cash flows beyond the five year period are extrapolated using estimated growth rates.

#### *e) Useful economic lives of tangible fixed assets*

The annual depreciation charge for tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 10 for the carrying amount of the property plant and equipment, and note 2(g) for the useful economic lives for each class of assets.

There are no critical accounting judgements in applying the company's accounting policies.

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2016 (continued)

### 4 Turnover

Analysis of turnover by category:

	2016	2015
	€'000	€'000
Sales of vehicles	3,017,114	2,456,387
Sales of engines and other components	214,610	233,086
	3,231,724	2,689,473

All turnover is to fellow Toyota companies. All turnover originates from UK manufacturing operations and substantially all turnover arises in the UK. The ultimate destination of the vehicles, engines and other components sold is:

	2016	2015
	€'000	€'000
Europe	2,993,422	2,426,728
Asia	12,986	12,468
Americas	6,344	9,568
Other	218,972	240,709
	3,231,724	2,689,473

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2016 (continued)

### 5 Operating profit/(loss)

Operating profit/(loss) is stated after charging/(crediting):

	2016	2015
	€'000	€'000
Depreciation of owned fixed assets	64,588	67,330
(Profit)/loss on sale of fixed assets	(1,047)	27
Operating lease charges:		
Plant and machinery	1,337	1,223
Other	237	307
Release of capital grant	(754)	(929)
Research and development	-	8,612
Inventory recognised as an expense	2,471,714	2,029,302
Impairment of inventory (included in cost of sales)	-	782
Reversal of impairment of inventory (included in cost of sales)	(411)	-
Auditors' remuneration:		
Audit fees for the company	135	124
Audit fees for the company's pension scheme	22	15
Non-audit services - tax compliance services	41	89
- other technical advice	-	13
Net amount of foreign exchange (gains)/losses	(1,515)	96,721

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2016 (continued)

### 6 Member costs

	2016	2015
	€'000	€'000
Wages and salaries	157,039	137,826
Social security costs	14,441	13,555
Other pension costs (note 17)		
Defined benefit plan	27,605	20,937
Defined contribution plan	2,299	2,076
	201,384	174,394

The average monthly numbers of members (including executive directors) employed by the company during the year was:

	2016	2015
By activity:	Number	Number
Production	2,533	2,601
Administration	420	460
	2,953	3,061

During the financial year 1,450 (2015: 1,435) persons were contracted to provide on-site services.

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2016 (continued)

### 7 Directors

The directors' emoluments were as follows:	<b>2016</b>	2015
	<b>€'000</b>	€'000

Aggregate emoluments of the directors (excluding pension contributions)	<b>1,367</b>	1,322
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Contributions to money purchase schemes	-	-
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Retirement benefits are accruing to 5 (2015: 7) directors under a defined benefit pension scheme. No (2015: no) directors accrued benefits under the defined contribution scheme.

	<b>2016</b>	2015
	<b>€'000</b>	€'000
Pensions paid to former directors	<b>114</b>	114

The aggregate accrued pension of the directors at the end of the year was €221,000 per annum (2015: €199,000 per annum).

#### Highest paid director

The highest paid director's emoluments were as follows:	<b>2016</b>	2015
	<b>€'000</b>	€'000

Aggregate emoluments of the highest paid director (excluding pension contributions)	<b>445</b>	424
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Contributions to money purchase schemes	-	-
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Retirement benefits are accruing to the highest paid director under a defined benefit pension scheme and are paid by a group undertaking and not recharged. The accrued pension for the highest paid director at the end of the year was €124,000 per annum (2015: €108,000 per annum).

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2016 (continued)

### 8 Finance income and costs

	Note	2016	2015
Finance income		€'000	€'000
Interest in respect of amounts received from group undertakings		402	558
<b>Finance costs</b>			
Interest expense in respect of loans from group undertakings		(339)	(3,221)
Net expense on pension scheme	17	(2,933)	(1,156)
Total finance costs		(3,272)	(4,377)
Net finance costs		(2,870)	(3,819)

No material amount of borrowing costs have been capitalised in the current or prior financial year.



# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2016 (continued)

### 9 Tax on profit/(loss) on ordinary activities

#### Analysis of credit for the financial year

Tax income included in the profit and loss account	2016	2015
	€'000	€'000
Corporation tax at 20% (2015: 21%):		
Current year	8,223	18,326
Prior year adjustment	1,309	21,474
Current tax credit for the financial year	9,532	39,800
Deferred tax	-	-
Total tax on profit/(loss) on ordinary activities	9,532	39,800

Tax expense included in other comprehensive income/(expense)	2016	2015
	€'000	€'000
Current tax	-	-
Deferred tax	-	-
Total tax expense included in other comprehensive income/(expense)	-	-

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2016 (continued)

### 9 Tax on profit/(loss) on ordinary activities (continued)

#### Factors affecting the total tax credit for the financial year

The tax assessed for the financial year is lower (2015: lower) than the standard rate of corporation tax in the UK of 20% (2015: 21%). The differences are explained below:

	2016	2015
	€'000	€'000
<b>Profit/(loss) on ordinary activities before taxation</b>	<b>80,661</b>	<b>(87,434)</b>
Profit/(loss) on ordinary activities multiplied by standard rate in the UK of 20% (2015: 21%)	<b>16,132</b>	<b>(18,361)</b>
Effects of:		
Expenses not deductible for tax purposes	<b>28</b>	<b>20</b>
Prior year adjustment in respect of group relief claimed	<b>(1,309)</b>	<b>(21,474)</b>
Tax losses for which no deferred income tax asset was recognised	<b>-</b>	<b>20,311</b>
Capital allowances in excess of depreciation for which no deferred income tax asset was recognised	<b>(21,210)</b>	<b>(19,000)</b>
Other timing differences for which no deferred income tax was recognised	<b>(3,173)</b>	<b>(1,296)</b>
<b>Total tax credit for the financial year</b>	<b>(9,532)</b>	<b>(39,800)</b>

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2016 (continued)

### 9 Tax on profit/(loss) on ordinary activities (continued)

#### Deferred tax

There is no liability for deferred taxation (2015: nil). The deferred tax assets and liabilities provided and unprovided, calculated on the liability method at a rate of 18% (2015: 20%) are as follows:

	2016		2015	
	Recognised	Un- recognised	Recognised	Un- recognised
	€'000	€'000	€'000	€'000
Accelerated capital allowances	-	112,136	-	139,629
Losses	-	176,547	-	196,164
Pension deficit	-	8,099	-	19,973
Deferred tax asset	-	296,782	-	355,766

Tax losses have been approved for future utilisation. 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.

#### Factors affecting future tax liabilities

The tax rate for the current year is lower than the prior year due to changes in the UK Corporation tax rate which decreased from 21% to 20% from 1 April 2015.

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. The change announced is to reduce the main rate to 17% from 1 April 2020. Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 had already been substantively enacted. As the change to 17% had not been substantively enacted at the balance sheet date its effects are not included in these financial statements.

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2016 (continued)

### 10 Tangible 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 2015	277,763	37,702	1,687,822	13,876	1,670	2,018,833
Additions	-	28,013	-	-	250	28,263
Transfers	249	(43,665)	43,272	144	-	-
Disposals	-	-	(23,154)	(495)	(753)	(24,402)
<b>At 31 March 2016</b>	<b>278,012</b>	<b>22,050</b>	<b>1,707,940</b>	<b>13,525</b>	<b>1,167</b>	<b>2,022,694</b>
<b>Accumulated depreciation</b>						
At 1 April 2015	220,830	-	1,538,832	13,589	763	1,774,014
Provided in the year	3,302	-	60,781	177	328	64,588
Disposals	-	-	(23,006)	(495)	(567)	(24,068)
<b>At 31 March 2016</b>	<b>224,132</b>	<b>-</b>	<b>1,576,607</b>	<b>13,271</b>	<b>524</b>	<b>1,814,534</b>
<b>Net book amount</b>						
<b>At 31 March 2016</b>	<b>53,880</b>	<b>22,050</b>	<b>131,333</b>	<b>254</b>	<b>643</b>	<b>208,160</b>
At 31 March 2015	56,933	37,702	148,990	287	907	244,819

Included in freehold land and buildings is land valued at €32,601,000 (2015: €32,601,000) which is not subject to depreciation. No tangible fixed assets are held under finance leases at 31 March 2016 (2015: none). No external valuation has been performed on freehold land and buildings. The directors estimate that the fair value of tangible fixed assets, including land and buildings, equates to their carrying value.

No material amount of borrowing costs have been capitalised in the current or prior financial year.

€1,263,677,000 (2015: €1,186,444,000) of fully depreciated assets are still in use at the balance sheet date. €53,460,000 (2015: €53,460,000) of assets have been retired from active use and not classified as held for sale in accordance with IFRS 5 'Non-current assets held for sale and discontinued operations'.

## Toyota Motor Manufacturing (UK) Limited

### Notes to the financial statements for the year ended 31 March 2016 (continued)

#### 11 Stocks

	2016	2015
	€'000	€'000
Raw materials and consumables	108,722	78,549
Work in progress	3,736	4,308
Finished goods and goods for resale	4,842	9,760
	117,300	92,617

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

Stock is stated after provisions for impairment of €10,936,000 (2015: €10,543,000).

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2016 (continued)

### 12 Debtors

	2016	2015
	€'000	€'000
Trade debtors	1,431	2,265
Amounts owed by group undertakings	71,880	97,587
Other receivables	27,914	23,786
Prepayments and accrued income	7,154	7,596
	108,379	131,234

All amounts shown under debtors fall due for payment within one year. No (2015: no) provisions are held for impairment.

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 (Managers' Car Scheme). The purchase price left outstanding is on an interest free basis and is included within 'Other receivables'.

The company also operates a self-administered member car scheme (Members' Car Plan). 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 included in 'Other receivables'.

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2016 (continued)

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

	2016	2015
	€'000	€'000
Trade payables	17,179	18,230
Amounts owed to group undertakings:		
Loans	487,096	626,599
Other	313,022	279,989
Taxation and social security	15,190	11,631
Other creditors	15,565	15,400
Accruals and deferred income	12,643	14,612
	860,695	966,461

All amounts owed to group undertakings are payable on demand, unsecured and incur no interest except for loans, 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. Tooling and the Member Car Loans are held within amounts owed to group undertakings - other. Loans are repayable within one year and are materially all denominated in Euros. The loans are unsecured and interest is charged based on current LIBOR 1 month rates.

At 31 March 2016, the company had undrawn amounts on its loans from group undertakings of €570,000,000 (2015: €414,000,000).

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

	2016	2015
	€'000	€'000
Amounts owed to group undertakings: loans	4,517	7,524

The repayment dates of loans owed to group undertakings at 31 March 2016 are as follows: 25 April 2016: €2,241,000; 26 April 2016: €20,000; 25 August 2016: €1,321,000; 28 October 2016: €105,000; 24 November 2016: €99,000; 22 December 2016: €293,000; 27 January 2017: €192,000 and 28 February 2017: €246,000 (2015: 23 October 2015: €69,000; 24 November 2015: €45,000; 29 December 2015: €1,650,000; 25 January 2016: €1,835,000; 26 February 2016: €47,000; 25 April 2016: €2,439,000; and 25 August 2016: €1,439,000). All of the loans are denominated in Sterling, unsecured and incur interest at the prevailing market rate. All the above amounts are payable within five years.

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2016 (continued)

### 15 Provisions for liabilities

	ELV	Warranty	Total
	€'000	€'000	€'000
At 1 April 2015	9,473	106,401	115,874
Additions to profit and loss	597	33,935	34,532
Unused amounts reversed to profit and loss	(8,807)	(17,152)	(25,959)
Amounts utilised	-	(20,316)	(20,316)
At 31 March 2016	<b>1,263</b>	<b>102,868</b>	<b>104,131</b>

#### End of life vehicles (ELV)

In September 2000 the European Parliament passed Directive 2000/53/EC on End of Life Vehicles. Member states have since that time implemented this directive into national law.

Based on the legislation, the company has made an estimate of the liability related to the covered vehicles in existence as of 31 March 2016. A provision of €1,263,000 (2015: €9,473,000) has been recognised. 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 €102,868,000 (2015: €106,401,000) 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.



# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2016 (continued)

### 16 Called up share capital

	2016	2015
	€'000	€'000
<b>Allotted and fully paid</b>		
300,000,000 (2015: 300,000,000) ordinary shares of £1 each	<b>362,231</b>	362,231

There were no transactions affecting share capital in the current or prior year. Share capital was translated at a rate of 1.2074.

### 17 Post retirement obligations

The company operates a number of pension schemes for its members.

#### i) 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.

The scheme pensions are updated in line with the Retail Price Index for current members and the Consumer Price Index for deferred members.

Plan assets held in the fund are governed by local regulations and practice in the UK. Responsibility for the governance of the plan, including investment decisions and contribution schedules, lies with the Trustees of the scheme.

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 2015.

A qualified independent actuary updated the results of the most recent actuarial valuation to 31 March 2016. Liabilities have been calculated using a consistent projected unit valuation method and compared to the plan's assets at the 31 March 2016 market value.

The risks of the scheme are as follows:

#### a) *Asset volatility*

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields: if plan assets underperform this yield, this will create a deficit. The plan holds a significant proportion of equities, which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short term.

As the plans mature, the company intends to reduce the level of investment risk by investing more in assets that better match the liabilities.

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2016 (continued)

### 17 Post retirement obligations (continued)

#### i) Defined benefit scheme (continued)

##### b) *Changes in bond yields*

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plan's bond holdings.

##### c) *Life expectancy*

The majority of the plan's obligations are to provide benefits for the life of the member, so increases in the life expectancy will result in an increase in the plan's liabilities.

##### d) *Foreign exchange risk*

The scheme assets are held and liabilities arise in Sterling. As the pension scheme is in a net deficit position, a strengthening of the Sterling against the Euro would lead to a loss on foreign exchange.

##### e) *Inflation risk*

The pension obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plan's assets are either unaffected by (in the case of fixed interest bonds) or loosely correlated with (in the case of equities) inflation, meaning that an increase in inflation will also increase the deficit.

#### Principal actuarial assumptions

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

	31 March 2016	31 March 2015
Inflation – Retail Price Index (RPI)	3.05%	3.10%
– Consumer Price Index (CPI)	2.25%	2.30%
Discount rate	3.75%	3.45%
Assumed rate of increase of salaries including inflation at 3.05% (2015: 3.10%)	3.55%	3.70%
Assumed rate of increase of pensions in payment	3.05%	3.10%

The principal financial assumption is the 'real discount rate', being the excess of the discount rate over the rate of inflation. The discount rate is based on the market yields on high quality corporate bonds of appropriate currency and term to the deferred benefit obligations (approximately 27 years).

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2016 (continued)

### 17 Post retirement obligations (continued)

#### i) Defined benefit scheme (continued)

The mortality assumptions used were as follows:

	31 March 2016 Years	31 March 2015 Years
Longevity at age 65 for current pensioners:		
Male	23.3	23.0
Female	25.5	25.5
Longevity at age 65 for future pensioners:		
Male	25.5	24.8
Female	27.8	27.5

The valuation assumes that mortality will be in line with standard tables adjusted to reflect the expected experience of the scheme membership based on analysis carried out for the 5 April 2015 funding valuation. A specific allowance for anticipated future improvements in life expectancy is also incorporated.

	Assets	Liabilities	Total
	€'000	€'000	€'000
<b>Reconciliation of scheme assets and liabilities</b>			
At 1 April 2015	777,111	(876,974)	(99,863)
Benefits paid	(6,519)	6,519	-
Employer contributions	31,539	-	31,539
Current service cost	-	(25,734)	(25,734)
Administrative expenses	(1,871)	-	(1,871)
Death in service	(588)	588	-
Interest income/(expense)	27,122	(30,055)	(2,933)
Foreign exchange (losses)/gains	(59,291)	63,058	3,767
Remeasurement (losses)/gains	(29,647)	79,750	50,103
<b>At 31 March 2016</b>	<b>737,856</b>	<b>(782,848)</b>	<b>(44,992)</b>

The equity investments and bonds which are held in plan assets are valued at their current bid prices.

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2016 (continued)

### 17 Post retirement obligations(continued)

#### i) Defined benefit scheme (continued)

#### Sensitivity of defined benefit scheme to changes in principal assumptions

The sensitivity of the defined benefit scheme to changes in the weighted principal assumption is:

	Change in assumption	Impact on defined benefit obligation	
		Increase in assumption €'000	Decrease in assumption €'000
Discount rate	+/-0.1%	599	632
Salary growth rate	+/-0.1%	620	610
Pension growth rate	+/-0.1%	623	607
Life expectancy	+/-0.1 year age rating	603	628

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised on the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

#### Profit and loss account charge/(credit) by nature of expense

Total cost recognised as an expense:	2016	2015
	€'000	€'000
Current service cost	25,734	18,216
Administrative expenses	1,871	2,721
Interest cost	2,933	1,156
	30,538	22,093

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2016 (continued)

### 17 Post retirement obligations (continued)

#### i) Defined benefit scheme (continued)

Remeasurement gains/(losses)	2016	2015
	€'000	€'000
Gains/(losses) from changes in demographic assumptions	(23,866)	-
Gains/(losses) from changes in financial assumptions	88,589	(165,222)
Experience gains/(losses) on liabilities	15,027	(20,926)
Experience (losses)/gains on assets	(29,647)	117,045
	50,103	(69,103)

Summary of fair value of the plan assets	2016	2016	2016
	Quoted €'000	Unquoted €'000	Total €'000
Equity instruments	429,347	-	429,347
Debt instruments	220,772	-	220,772
Property	-	84,331	84,331
Cash	-	3,406	3,406
	650,119	87,737	737,856

	2015	2015	2015
	Quoted €'000	Unquoted €'000	Total €'000
Equity instruments	450,724	-	450,724
Debt instruments	250,230	-	250,230
Property	-	73,048	73,048
Cash	-	3,109	3,109
	700,954	76,157	777,111

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2016 (continued)

### 17 Post retirement obligations (continued)

#### i) Defined benefit scheme (continued)

The assets do not include any of the company's own financial instruments or property connected with the company.

#### Return on the scheme assets

	2016	2015
	€'000	€'000
Interest income on plan assets	27,122	25,953
Remeasurements	(29,647)	117,045
Total return on plan assets	(2,525)	142,998

The company has agreed with the trustees that the contributions for the next fourteen years will be increased by €328,000 (2015: €355,000) per calendar month. The total contributions expected to be made to the scheme by the company in the year to 31 March 2016 is €29,972,000.

#### ii) 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 €2,299,000 (2015: €2,076,000) and there are no outstanding or prepaid contributions as at 31 March 2016 (2015: €nil).

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2016 (continued)

### 18 Lease commitments

The minimum future lease payments under non-cancellable operating leases for each of the following periods are:

<b>Land and buildings:</b>	<b>2016</b>	<b>2015</b>
	<b>€'000</b>	<b>€'000</b>
Expiring:		
Within one year	-	59
<b>Other:</b>	<b>2016</b>	<b>2015</b>
	<b>€'000</b>	<b>€'000</b>
Expiring:		
Within one year	<b>1,454</b>	1,703
Within one year to five years	<b>2,118</b>	2,659
More than five years	<b>66</b>	168
	<b>3,638</b>	4,530

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

### 19 Contingent liabilities

The company has no contingent liabilities that should be included within these financial statements (2015: nil).

### 20 Capital commitments

	<b>2016</b>	<b>2015</b>
	<b>€'000</b>	<b>€'000</b>
Capital expenditure on fixed assets authorised by the directors and contracts placed at the year end, but not provided for in the financial statements	<b>3,077</b>	11,226

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

## **Notes to the financial statements for the year ended 31 March 2016 (continued)**

### **21 Parent undertakings and related party transactions**

The company's immediate parent company is Toyota Motor Europe NV/SA, 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 FRS 101 paragraph 8(k) not requiring subsidiary undertakings to disclose transactions with entities that are fellow group companies or investees of the group qualifying as related parties. See note 7 for disclosure of directors' remuneration.

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



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

## **Notes to the financial statements for the year ended 31 March 2016 (continued)**

### **22 Transition to Financial Reporting Standard 101 (FRS 101)**

The company's previous financial statements were prepared in accordance with prior UK accounting standards. Following changes in those standards, the directors have opted to prepare these financial statements in accordance with FRS 101, and comparative data has been presented accordingly. These are the company's first financial statements prepared in accordance with FRS 101. As it has not previously presented financial statements under FRS 101, for the year ended 31 March 2016 FRS 100, 'Application of financial reporting requirements' and FRS 101 require the company to apply the transitional arrangements set out in IFRS 1, 'First-time Adoption of International Financial Reporting Standards'. The key arrangements are, in summary:

- Explaining how the transition from previous UK GAAP to IFRS has affected the company's reported financial position and financial performance;
- Reconciling the equity reported under previous UK GAAP to the equity in accordance with IFRS at 31 March 2014 and 31 March 2015; and
- Reconciling the profit and loss and other recognised gains and losses reported under previous UK GAAP to the total comprehensive income reported under FRS 101 for the year ended 31 March 2015.

### **The effect on financial position and financial performance**

#### *Change in functional and presentational currency*

As indicated in the Directors' report, with effect from 1 April 2014, the directors deemed the currency of the primary economic environment in which the company operates was no longer Sterling and that it was more appropriate for the company to adopt the Euro as its functional and presentational currency. In determining the functional and presentational reporting of the company, and the date of the change thereof, the directors have had regard to the relationship between the company and its parent Toyota Motor Europe NV/SA and the nature of the company's cash flows and its financing arrangements. Accordingly these financial statements are presented in Euros and comparative figures, which were originally reported in Sterling, have been represented. The Euro / Sterling exchange rate used as at 1 April 2014 was 1.2074 and as at 31 March 2015 was 1.3749. The results for the year ended 31 March 2015 have been represented using the rates of exchange prevailing during the course of the year then ended.

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2016 (continued)

### 22 Transition to Financial Reporting Standard 101 (FRS 101) (continued)

Balance sheet as at 1 April 2014	2014 as previously reported £'000	2014 as represented in Euros €'000	Offsetting (note a) €'000	2014 as presented €'000
<b>Fixed assets</b>				
Tangible assets	219,979	275,296	-	275,296
<b>Current assets</b>				
Stocks	87,219	105,312	-	105,312
Debtors	25,947	31,329	53,378	84,707
Cash at bank and in hand	57	69	-	69
	113,223	136,710	53,378	190,088
Creditors: amounts falling due within one year	(715,855)	(864,350)	(53,378)	(917,728)
<b>Net current liabilities</b>	<b>(602,632)</b>	<b>(727,640)</b>	<b>-</b>	<b>(727,640)</b>
<b>Total assets less current liabilities</b>	<b>(382,653)</b>	<b>(452,344)</b>	<b>-</b>	<b>(452,344)</b>
Creditors: amounts falling due after more than one year	(5,266)	(6,359)	-	(6,359)
Provisions for liabilities	(96,560)	(116,590)	-	(116,590)
Post retirement obligations	(22,332)	(26,965)	-	(26,965)
<b>Net liabilities</b>	<b>(506,811)</b>	<b>(602,258)</b>	<b>-</b>	<b>(602,258)</b>
<b>Capital and reserves</b>				
Called up share capital	300,000	362,231	-	362,231
Profit and loss account	(806,811)	(964,489)	-	(964,489)
<b>Total shareholders' deficit</b>	<b>(506,811)</b>	<b>(602,258)</b>	<b>-</b>	<b>(602,258)</b>

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2016 (continued)

### 22 Transition to Financial Reporting Standard 101 (FRS 101) (continued)

Balance sheet as at 31 March 2015	2015 as previously reported	2015 as represented in Euros	Offsetting (note a)	2015 as presented
	£'000	€'000	€'000	€'000
<b>Fixed assets</b>				
Tangible assets	195,881	244,819	-	244,819
<b>Current assets</b>				
Stocks	67,360	92,617	-	92,617
Debtors	53,463	73,508	57,726	131,234
Cash at bank and in hand	1,496	2,057	-	2,057
	122,319	168,182	57,726	225,908
Creditors: amounts falling due within one year	(660,922)	(908,735)	(57,726)	(966,461)
<b>Net current liabilities</b>	<b>(538,603)</b>	<b>(740,553)</b>	<b>-</b>	<b>(740,553)</b>
<b>Total assets less current liabilities</b>	<b>(342,722)</b>	<b>(495,734)</b>	<b>-</b>	<b>(495,734)</b>
Creditors: amounts falling due after more than one year	(5,472)	(7,524)	-	(7,524)
Provisions for liabilities	(88,231)	(115,874)	-	(115,874)
Post retirement obligations	(72,630)	(99,863)	-	(99,863)
<b>Net liabilities</b>	<b>(509,055)</b>	<b>(718,995)</b>	<b>-</b>	<b>(718,995)</b>
<b>Capital and reserves</b>				
Called up share capital	300,000	362,231	-	362,231
Profit and loss account	(809,055)	(1,081,226)	-	(1,081,226)
<b>Total shareholders' deficit</b>	<b>(509,055)</b>	<b>(718,995)</b>	<b>-</b>	<b>(718,995)</b>

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2016 (continued)

### 22 Transition to Financial Reporting Standard 101 (FRS 101) (continued)

<b>Profit and loss account for the year ended 31 March 2015</b>	<b>2015 as previously reported</b>	<b>2015 as represented in Euros</b>	<b>Adoption of IAS 19 revised (note b)</b>	<b>2015 as presented</b>
	<b>£'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
<b>Turnover</b>	<b>2,119,137</b>	<b>2,689,473</b>	<b>-</b>	<b>2,689,473</b>
Cost of sales	(2,075,015)	(2,750,406)	-	(2,750,406)
<b>Gross profit/(loss)</b>	<b>44,122</b>	<b>(60,933)</b>	<b>-</b>	<b>(60,933)</b>
Administrative expenses	(15,725)	(19,961)	(2,721)	(22,682)
<b>Operating profit/(loss)</b>	<b>28,397</b>	<b>(80,894)</b>	<b>(2,721)</b>	<b>(83,615)</b>
Finance income	2,122	2,688	(2,130)	558
Finance costs	(2,539)	(3,221)	(1,156)	(4,377)
Finance costs - net	(417)	(533)	(3,286)	(3,819)
<b>Profit/(loss) on ordinary activities before taxation</b>	<b>27,980</b>	<b>(81,427)</b>	<b>(6,007)</b>	<b>(87,434)</b>
Tax on profit/(loss) on ordinary activities	28,967	39,800	-	39,800
<b>Profit/(loss) for the financial year</b>	<b>56,947</b>	<b>(41,627)</b>	<b>(6,007)</b>	<b>(47,634)</b>

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2016 (continued)

### 22 Transition to Financial Reporting Standard 101 (FRS 101) (continued)

Statement of comprehensive income for the year ended 31 March 2015	2015 as previously reported	2015 as represented in Euros	Adoption of IAS 19 revised (note b)	2015 as presented
	£'000	€'000	€'000	€'000
<b>Profit/(loss) for the financial year</b>	<b>56,947</b>	<b>(41,627)</b>	<b>(6,007)</b>	<b>(47,634)</b>
<i>Other comprehensive expense: items that will not be reclassified to profit or loss</i>				
Remeasurement of pension scheme, net of tax	(59,191)	(75,110)	6,007	(69,103)
<b>Other comprehensive (expense)/income for the financial year, net of tax</b>	<b>(59,191)</b>	<b>(75,110)</b>	<b>6,007</b>	<b>(69,103)</b>
<b>Total comprehensive expense for the financial year</b>	<b>(2,244)</b>	<b>(116,737)</b>	<b>-</b>	<b>(116,737)</b>

# Toyota Motor Manufacturing (UK) Limited

## Notes to the financial statements for the year ended 31 March 2016 (continued)

### 22 Transition to Financial Reporting Standard 101 (FRS 101) (continued)

#### *a) Gross presentation due to no right of offset*

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty. Having reviewed the global netting agreement against the provisions of IAS 32 'Financial Instruments: Presentation', not all the requirements are met and therefore a number of intercompany balances have been presented gross on the balance sheet.

#### *b) Adoption of IAS 19 'Employee benefits'*

There are two differences in accounting for post-retirement benefit costs and defined benefit plans under previous FRS 17 'Retirement benefits' and IAS 19 'Employee benefits' (revised):

(i) IFRS requires the use of the discount rate to determine both the interest income on pension assets and the interest expense on post-employment benefit obligations with the resulting net interest reported within Finance income or Finance costs as appropriate; and

(ii) Pension plan administration costs are required to be reported within operating profit rather than as a deduction from the return on pension assets.

There is no tax impact as tax relief has been taken on pensions contributions in the period they are paid, rather than when the costs are recognised in financial statements.

#### **IFRS exemption options**

##### *Exemption relating to assets and liabilities of subsidiaries, associates and joint ventures*

The company has adopted FRS 101 at a date later than the IFRS group in which it consolidates. IFRS 1 provides the option to measure its assets and liabilities either based on the carrying amounts recorded in the Toyota Motor Corporation group financial statements using the parent's date of transition, or at its own date of transition. The company has measured its assets and liabilities at its own date of transition.

##### *Exemption relating to borrowing costs*

IAS 23 'Borrowing costs' requires borrowing costs that relate to qualifying assets to be capitalised as part of the cost of the asset. IFRS 1 provides the option to apply IAS 23 from the date of transition or from an earlier date prospectively to borrowing costs for which the commencement date for capitalisation is on or after the date of transition to IFRSs. The company has elected to capitalise borrowing costs from the date of transition.

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

## **Notes to the financial statements for the year ended 31 March 2016 (continued)**

### **22 Transition to Financial Reporting Standard 101 (FRS 101) (continued)**

#### **IFRS mandatory exceptions**

Set out below are the applicable mandatory exceptions in IFRS 1 applied.

IFRS estimates as at 1 April 2014 are consistent with the estimates as at the same date made in conformity with UK GAAP.

The other compulsory exceptions of IFRS 1 have not been applied as these are not applicable to the company:

- Derecognition of financial assets and financial liabilities
- Hedge accounting
- Non-controlling interests
- Classification and measurement of financial assets
- Embedded derivatives
- Government loans