Toyota Material Handling Commercial Finance AB

Corporate Identity Number 556032-5002

Annual Report

2015-04-01 – 2016-03-31

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Administration Report

The Board of Directors and Managing Director hereby present the annual report for the financial year 1 April 2015 to 31 March 2016.

Operations
Toyota Material Handling Commercial Finance AB (TMHCF) is an authorised credit market company under the supervision of the Swedish Financial Supervisory Authority.

TMHCF's operations involve financing and co-ordination of financing services and associated operations. The Company manages the financing provided to the Group's sales companies in Europe, regarding the material handling equipment offered to customers under a Rental Concept (leasing), in addition the company offers financing solutions to retail customers in France through its Branch in France. The Company has its registered offices in Mjölby.

Ownership Structure
TMHCF is a wholly-owned subsidiary to Toyota Material Handling Europe AB (556491-9537) (henceforth TMHE AB), with its registered offices in Mjölby, and is part of a Group for which the ultimate Parent Company is the Japanese company, Toyota Industries Corporation (TICO), with its registered offices in Japan.

Significant Events During the Year
TMHCF's leasing portfolio has increased, in real terms, during the year. This is due to the fact that TMHCF has, through long-term agreements with stable financiers, been able to continue to offer attractive financing solutions.

TMHCF has during the fiscal year registered and established a branch in Germany with the intention to increase the presence on the German market. The German branch started their business 1st of April 2016. The French branch operation has continued to expand their business and more than 750 agreements have been signed with customers and executed during the fiscal year.

Results
Operating profit in TMHCF amounted to TSEK 81 162 (80 630). Net interest income amounted to TSEK 266 972 and has increased, as compared to the previous year, by TSEK 61 483, primarily attributable to increased leasing income and to financing costs being maintained on a low level. A significant portion of the increased net interest income relates to the increased lending volume, increased earnings and from the changed leasing structure in UK and Germany, and partly from the French branch. Administrative costs amounted to TSEK 36 873, an increase by TSEK 12 193 compared with the previous year. The cost increase are explained by additional cost related to the startup of the German branch, expansion of the French branch and an extension of the Swedish operations to match future demands and challenges. Depreciation of fixed assets amounted to TSEK 157 506, and has increased, as compared to the previous year, by TSEK 47 212, mainly related to and explained by an increased group internal funding of the Swedish operations and the expansion in the French branch.

Credit
Lending to the general public amounted to TSEK 8 037 714 (7 712 128), as per 31 March 2016, an increase of TSEK 325 586 (4.2%) compared with the previous year, which is partly explained by an increased demand on the TMHE Groups products offered in the European market.

Credit Losses
The Company's customers' capacity to pay remains favorable. No credit losses have incurred during the year

Guarantees Provided in favor of other Group Companies and Credit Institutions
TMHCF has provided guarantees in favor of other Group companies towards Credit institutions in an amount of TSEK 248 888 (606 327). Guarantees have been reduced compared to previous year as a result of the change in the leasing structure in the UK and Germany and no new guarantees will be issued. Therefore, the amount of the guarantees provided is expected to decrease over time.

Financing and Liquid Assets
TMHCF's borrowing activities have been executed via external credit institutions and the TMHE Group's interbank. This borrowing totals as per 31 March 2016 TSEK 8 550 445 and has increased by TSEK 732 116, 9.4 % during the year.

As per 31 March 2016, liquid assets amounted to TSEK 472 743. TSEK 306 716 of this was placed in special deposits in credit institutions. Other liquid assets are placed on accounts in credit institutions and cash pool accounts of the TMHE Group. In addition to these liquid assets, the company has TSEK 60 000 placed in treasury bills.

Five-year summary[1)]

Amounts in TSEK	2015/16	2014/15	2013/14	2012/13	2011/12
Operating income	275 541	216 117	176 725	137 440	97 417
Operating profit	81 162	80 630	70 108	58 217	50 499
Balance sheet total	10 000 226	9 081 730	7 577 482	6 291 438	5 666 699
Equity/assets ratio, %	13.9	13.2	14.4	16.3	16.6
Return on assets,%	2.05	2.31	2.68	3.31	3.73
Core capital ratio, %	17.59	14.60	16.89	17.98	

1) Core capital ratio is reported as of 2013-03-31 and replaces capital cover ratio. Principle for presentation of received group contribution has been changed since 2014/15 and is now reported under appropriations in the income statement. Application has been made retroactively from 2013/14 but not for previous years.

Capital Cover
The Company has a very favorable capital adequacy situation. The core capital ratio amounted to 17.59 % (14.60 %) as per 31 March 2016. On the balance sheet date, the equity/assets ratio was 13.9% (13.2 %).

Employees
During the year, the number of permanent employees was 15 (15), with 7 women and 8 men. As per 31 March 2016, the total number of employees was 15.

Future prospects and significant events after the End of the Financial Year
The Company has during the year established a branch in Germany. The German branch started their main business 1st of April 2016. During the startup phase, it is estimated that the branch will not contribute positively to the profitability of the company.

Investigations are in progress regarding prerequisites to open branches in other European countries in order to increase the Company's presence in these countries.

The return on the Company's equity is expected to remain relatively unchanged.

Risk Management Goals and Strategies

TMHCF's business strategy is to offer financial products to Toyota-customers and to support the TMHE Group's sales companies and in some markets also Toyota dealers operations. The company's offer of financial products and services shall be based on standardized products and cost efficient solutions giving the intended return at an acceptable risk level, all with the aim to support the TMHE Group's need of product financing.

TMHCF conducts an active risk management. The strategy is to maintain an overall low level of risk, well balanced by the expected earnings to be achieved by assuming certain business risks, mainly in the credit risk area. The risk mandates in the other areas refer to securing the margin in the financing activities. The local sales companies are responsible for the contact with the end customers and for the primary credit risk. TMHCF also since the beginning of the fiscal year conducts lending activities through a branch in France, where the company has a direct credit risk in the financing activities. The operation in the branch has a limited scope compared to the financing activities in the rest of the company.

For capital adequacy purposes TMHCF applies the standardized method for credit risk and market risk, and applies the basic method for operational risk. The Company utilizes Standard and Poor's rating systems as the basis for the risk-weighting in terms of institutional exposure.

The Company's risk strategies have been established by the Board of Directors in policies and instructions, which covers the general risk policy and the areas of credit risk, market risk, liquidity risk and operational risk. The Company also has instructions for internal capital valuation, IKU, compliance with regulations, internal audit, ethics/code of Conduct, conflict of interest, remuneration and measures to prevent the Company being used in the context of money laundering.

The Board of Directors receives information regarding the Company's operations on a monthly basis, including a report on the risk situation within different areas. At the Board meetings, held approximately on four occasions per year, a report is presented on the analysis of the development of the credit portfolio from a risk perspective. This analysis is based on both the Company's own analysis and on external analysis of the financial strength and payment discipline of the Company's customers.

The risk management function is led by the Risk Manager, who is directly subordinate to the General Manager and who does not actively take part in business decisions. The Risk Manager is responsible for reporting risk to the Board of Directors and for submitting the reports on risk issues at the Board meetings.

Analysis of the Overall Risk Situation
The internal capital evaluation process (IKLU) includes, amongst other things, a thorough analysis of the overall risk situation to which the Company is exposed, seen in relation to the Company's capital base. In this analysis, the Company has chosen a time horizon of 5 years.

TMHCF's Capital Base
TMHCF's capital base, completely consisting of core capital, amounted to 1 368 726 TSEK as per 31 March 2016, whereof 181 394 TSEK refer to the profit for the year. The company´s core capital ratio amounted to 17.59%.

The risk-weighted exposure amounts totaled TSEK 7 782 275 (7 355 610). The distribution in the different exposure classes is as follows:

TOTAL RISK EXPOSURE AMOUNT, TSEK	31 mars 2016	31 mars 2015
TOTAL RISK EXPOSURE AMOUNT	7 782 275	7 355 610
RISK WEIGHTED EXPOSURE AMOUNTS FOR CREDIT AND COUNTERPARTY RISKS IN TOTAL, Standardised approach	7 573 172	7 162 795
Institutions	*88 351*	*92 046*
Corporates	*6 108 453*	*5 810 834*
Retail (all SME Corporates)	*1 376 369*	*1 259 915*
Exposures in default	-	-
RISK EXPOSURE AMOUNT FOR FOREIGN EXCHANGE RISKS	41 154	45 311
RISK EXPOSURE AMOUNT FOR OPERATIONAL RISK, Basic indicator approach	160 726	140 339
RISK EXPOSURE AMOUNT FOR CREDIT VALUATION ADJUSTMENT, Standardised method	7 223	7 164
Estimated additional capital requirement according to the Company's internal Capital and Liquidity Assessment Process.	48 468	45 842
Capital conservation buffer	194 557	183 890
Countercyclical capital buffer	155 646	-

Credit Risk

Total Assets
The absolute majority of TMHCF's assets stem from the financing activities. These assets amounted to TSEK 9 141 971 (8 221 296) of which the French branch accounted for 188 469 TSEK. Of the Company's exposures against institutions, TSEK 416 751 (465 900), refer to current investments of liquid surplus.

Unregulated posts are reported in Note 11.

Major Exposures
As per 31 March 2016, the Company had 3 exposures, in which the total exposure exceeded 10% of the company's capital base. One of these exposures was related to institutions. The total amount of these exposures corresponds to 54 % of TMHCF's capital base.

Credit Risk in the financing activities
TMHCF is assessed as having limited credit risks. In addition to the actual credit analysis made regarding the customer, this is due, among other things, to the fact that the Group has very good knowledge of the objects to be financed, often trucks, which comprises a portion of the guarantee for the receivable. This knowledge is utilized in the establishment of payment plans and residual amounts in its financing solutions.

The Board of Directors has established a credit policy regulating the principles for credit decisions regarding end customers and the associated requirements, as well as regarding ongoing customer follow-up. In the event that TMHCF's Board of Directors grants the right to one of the sales companies to make credit decisions, the sales company is obligated, by agreement, to follow the current and valid policy, in all respects.

In addition to the customer analysis which is undertaken during credit decisions, TMHCF also undertakes a financial analysis on a monthly basis, including scoring of all customers via a credit rating company. Together with the internal information regarding the customer's payment discipline, this analysis provides a very good overall view of the development of the risks in the financing portfolio over time and, of course, also provides the opportunity for proactive action.

The company has during the year not suffered credit losses (last year TSEK 512).

The Geographic Distribution of the Leasing Portfolio and Branch Divisions
As per 31 Mars 2015, the Company had leasing exposures in 15 European countries.

Around 25% of these exposures are within Sweden and other Nordic countries. The exposure per branch differs from country to country. In total, the largest portion of exposures was with customers within the manufacturing, transportation, agriculture and food products as well as retail.

Remaining Durations of financing agreements
The duration of a lease agreement is based on the customer's demands and the lifetime of the equipment. The majority of the lease agreements entered into has duration of 5 years. The maturity structure for outstanding lease agreements, including lease agreements guaranteed by TMHCF, is reported below. Here, residual values are reported as the last payment. In terms of remaining durations, no major distinction is made as regards what is classified as a company versus a household exposure.

Remaining duration of the financing agreements, TSEK

< 1 month	1-3 months	> 3 mon.≤ 1 year	> 1 year ≤ 5 years	> 5 Years	Total
213 521	446 357	1 900 988	6 308 101	273 004	9 141 971

Market Risk
The Company's market risks are also limited. With the exception of the limited part of the financing operations that is financed through own equity, the financing is done in the same currency and with the same fixed interest term, and as far as possible, with the same amortization structure and payment periodicity.

Group external investments may only take place with counterparties approved by the Board of Directors. Certain European governments or investments guaranteed by those governments are accepted as counterparties, as well as certain financial institutions. Regarding financial institutions, a long-term rating of, at least, level A is usually required. The maximum exposure per counterparty is limited.

The total interest risk, according to the policy, may amount to a maximum of TSEK 20 000, with a parallel adjustment of the yield curve by ± 2 percentage points. As per 31 March 2016, the total interest risk was ± TSEK 11 172 (10 453). Exchange rate risks may amount to a maximum of TSEK 10 000 for changes in exchange rates of ± 10 %. As per 31 March 2016, the estimated exchange rate risk amounted to TSEK 6 451 (6 796). The currency risk is to the greatest extent a result of exposures in EUR, GBP, NOK and DKK.

Liquidity Risk
In order to ensure that the Company can realize its payment commitments, even during temporary disruptions on the finance market, the Company shall hold a liquidity reserve, the minimum value of which corresponds to at least two months of total payments on the leasing portfolio. The liquidity reserve is held in special deposits in banks, government bonds and funds in bank accounts.

Operational Risks
TMHCF actively tries to reduce its operational risks, which is possible thanks to well documented routines.

Public Disclosure of Information According to the Swedish Financial Supervisory Authority's Regulations and General Guidelines
TMHCF discloses periodic information, according to the Swedish Financial Supervisory Authority's regulations, on the Company's website:

Remuneration Policy[1]

The Remuneration policy has been approved by TMHCF's Board of Directors and is in compliance with the Swedish Financial Supervisory Authority's regulations regarding remuneration structures in credit institutions, (FFFS 2011:1).

The basis of the Remuneration policy is an analysis showing that due to TMHCF's size, operations, and risk taking the Company, in this regard, has to be considered as less complex. The conclusion is derived from the fact that TMHCF's largest risks arise in the credit area and regarding the investment of the Company's excess liquidity. In both these areas, and several others, the Board of Directors has established strict regulations that only allow for limited risk taking. The Company has also taken action to limit operational risks.

All employees within TMHCF have the opportunity to receive a yearly bonus (variable remuneration[2]). The rules regulating the bonus are in line with the normal regulation that applies within the Group Toyota Material Handling Europe. TMHCF is one of the smaller entities within the Group, concerning number of employees. A cap for bonus payments is always stated.

The Board of Directors assesses that the criteria for deciding variable remuneration cannot be considered encouraging excessive risk taking. Neither can the maximum amount of aggregated bonuses be considered to limit the Company's ability to maintain a sufficient capital base.

The remuneration to the General Manager and other employees whose actions can have a material impact on the risk exposure of the Company, the Credit Manager, Branch Manager and Risk Manager, will be decided by a Remuneration committee appointed by the Board of Directors.

Total expensed remuneration for the fiscal year amounted to TSEK 11 481, whereof TSEK 6 926 refers to the General Manager and employees whose actions can have a material impact on the risk exposure of the Company. The variable remuneration during the financial year, the bonuses, composes TSEK 1 090 of the previously mentioned amounts. TSEK 941 regards the General Manager and employees whose actions can have a material impact on the risk exposure of the Company. All remuneration has been paid out in the form of salary or in the form of pension provisions.

Cash paid variable remuneration amounted for the year to TSEK 730 of which TSEK 523 refers to Managing Director and specially regulated staff.

Proposed Appropriation of Profits

The following is at the disposal of the annual general meeting of Toyota Material Handling Commercial Finance AB (SEK):

Reserves	1 784 551
Unappropriated profit brought forward	1 135 838 359
Net profit for the year	181 393 945
Total	**1 319 016 855**
The Board of Directors proposes that profits brought forward be distributed as follows	
- to be carried forward	1 319 016 855
Total	**1 319 016 855**

[1] The Swedish Financial Supervisory Authority's definition of *Remuneration*: Payment, either directly or indirectly, from a firm to a person within the scope of their employment (cash salary, other cash remuneration, remuneration in the form of shares or share-linked instruments, pension provisions, severance payments, company cars, etc.)

[2] The Swedish Financial Supervisory Authority's definition of *Variable remuneration*: A portion of the remuneration, normally performance-based, for which the amount or scope is not determined in advance.

Income Statement

Amounts in TSEK		2015/16	2014/15
Interest income	*Note 1,3*	**215 570**	212 583
Leasing income	*Note 1,3*	**175 195**	123 037
Interest expenses	*Note 1*	**-123 793**	-130 131
Net interest income	*Note 1,18*	**266 972**	205 489
Net income, financial transactions	*Note 2,3*	**4 616**	8 424
Other operating income	*Note 3*	**3 953**	2 203
Total operating income		**275 541**	216 116
General administrative expenses	*Note 4*	**-36 873**	-24 680
Depreciation of fixed assets	*Note 5*	**-157 506**	-109 778
Write-downs of fixed assets	*Note 5*	**0**	-516
Total expenses before credit losses		**-194 379**	-134 974
Profit before credit losses		**81 162**	81 142
Credit losses		**0**	-512
Operating profit		**81 162**	80 630
Appropriations	*Note 6*	**150 000**	65 000
Tax on profit for the year	*Note 7*	**-49 768**	-32 101
Net profit for the year		**181 394**	113 529

The Company's statement of comprehensive income

Net profit for the year	**181 394**	113 529
Other comprehensive income		
Items that can be reclassified to net profit for the year		
Translation difference for the year, foreign branches	**173**	-182
Differences in fair value on Cash flow hedges	**4 278**	-3 949
Total other comprehensive income	**4 451**	-4 131
Total comprehensive income	**185 845**	109 398

Balance Sheet

Amounts in TSEK		2015/16	2014/15
ASSETS			
Chargeable Treasury Bills etc	*Note 8,19*	**60 253**	40 266
Lending to credit institutions	*Note 8,9,19*	**416 751**	469 974
Lending to the general public	*Note 8,9,19,20*	**8 107 169**	7 839 372
Intangible assets	*Note 10*	**0**	0
Tangible assets	*Note 10*	**1 090 824**	498 404
Other assets	*Note 11*	**328 358**	232 228
Prepaid expenses and accrued income	*Note 12,19*	**2 871**	1 486
Total assets		**10 006 226**	9 081 730
LIABILITIES, PROVISIONS and EQUITY			
LIABILITIES			
Liabilities to credit institutions	*Note 8,19,20*	**7 979 833**	7 675 850
Deposits from the general public	*Note 8,19*	**570 612**	142 479
Other liabilities	*Note 13,19*	**50 280**	45 732
Accrued expenses and deferred income	*Note 14,19*	**10 291**	8 900
Provisions	*Note 15*	**4 198**	3 602
Total liabilities		**8 615 214**	7 876 563
Untaxed reserves			
Accelerated depreciation	*Note 17*	**20 468**	20 468
Total untaxed reserves		**20 468**	20 468
EQUITY			
Share capital		**50 000**	50 000
Statutory reserve		**1 527**	1 527
Profit brought forward		**1 135 838**	1 022 309
Net profit/loss for the year		**181 394**	113 529
Reserves		**1 785**	-2 666
Total equity		**1 370 544**	1 184 699
Total liabilities and equity		**10 006 226**	9 081 730

Memorandum items

Pledged assets			
Deposits for other own commitments			
Deposits in the Swiss central bank		**253**	266
Contingent liabilities			
Guarantees			
Guarantee commitments	*Note 16*	**248 888**	606 327
Other contingent liabilities			
Obligation to FPG	*Note 15*	**84**	72

Changes in equity

Amounts in TSEK	*Restricted equity* Share capital*	*Statutory reserve*	*Non-restricted equity* Fair value reserve	*Difference after revaluation*	*Profit brought forward*	*Net profit for the year*	**Total equity**
Opening equity 1 April 2014	**50 000**	**1 527**	**1 489**	**-24**	**1 022 309**		**1 075 301**
Net profit for the year						**113 529**	**113 529**
Other comprehensive income							
Cash flow hedges (net after tax)			**-3 949**				**-3 949**
Difference after revaluation				**-182**			**-182**
Total comprehensive income (net after tax)							**109 398**
Closing equity 31 March 2015	**50 000**	**1 527**	**-2 460**	**-206**	**1 022 309**	**113 529**	**1 184 699**
Opening equity 1 April 2015	**50 000**	**1 527**	**-2 460**	**-206**	**1 135 838**		**1 184 699**
Net profit for the year						**181 394**	**181 394**
Other comprehensive income							
Cash flow hedges (net after tax)			**4 278**				**4 278**
Difference after revaluation				**173**			**173**
Total comprehensive income (net after tax)							**185 845**
Closing equity 31 March 2016	**50 000**	**1 527**	**1 818**	**-33**	**1 135 838**	**181 394**	**1 370 544**

* The number of shares amounts to 50 000 with a quotient value of SEK 1 000 (share capital divided by number of shares)

Cash Flow Statement

Amounts in TSEK		**2015/16**	2014/15
Cash flow from operating activities			
Operating profit*		**81 162**	80 630
Adjustment for non-cash items:		**161 784**	111 887
		242 946	192 517
Income tax paid		**-43 243**	-46 345
Cash flow from operating activities before changes in operating assets and liabilities		**199 703**	146 172
Financial investments		**-19 987**	-38 155
Lending to the general public		**-321 735**	-1 290 000
Investments in leasing operations, net		**-749 926**	-227 236
Other assets		**-11 130**	-54 970
Prepaid expenses and accrued income		**-1 386**	625
Changes in the operating activities' assets		**-1 104 164**	-1 609 736
Borrowing from credit institutions		**303 983**	1 310 129
Borrowing from the general public		**428 133**	49 418
Other liabilities		**-161**	16 506
Accrued expenses and deferred income		**1 235**	4 268
Changes in the operating activities' liabilities		**733 190**	1 380 321
Cash flow from operating activities		**-171 271**	-83 243
Financial activities			
Received Group contribution, net		**65 000**	24 000
Cash flow financial activities		**65 000**	24 000
Cash flow for the year		**-106 271**	-59 243
Cash and cash equivalents at the beginning of the year		**582 366**	641 711
Exchange rate difference in cash and cash equivalents		**-3 353**	-102
Cash and cash equivalents at year-end	*Note 9*	**472 742**	582 366

*Annual net interest and rent received and paid amounts to TSEK 266 972 (se Note 18)

Supplementary Disclosure

Adjustment for non-cash items

Depreciation/amortization	**157 506**	110 285
Pension provision	**596**	644
Change in accrued interest income/costs	**157**	992
Unrealised exchange rate effects	**3 525**	-34
	161 784	111 887

Supplementary Disclosures

Application of Accounting Principles
Toyota Material Handling Commercial Finance AB (TMHCF) is authorised by the Swedish Financial Supervisory Authority to act as a credit market company, and is thereby subject to the Annual Accounts Act for Credit Institutions and Securities Companies (1995:1556) (ÅRKL).

The Company applies the ÅRKL, the Swedish Financial Supervisory Authority's regulations regarding annual accounts in credit institutions and securities companies, (FFFS 2008:25) in the preparation of its financial reports.

FFFS 2008:25, so-called statutory IFRS, implies that the International Financial Reporting Standards (IFRS), as adopted by the EU, are applicable for the preparation of the financial reports, with limitations and supplements in accordance with RFR 2 Accounting for Legal Entities.

New accounting policies 2016 and later
In the preparation of the financial statements as of March 31, 2016, a number of standards and interpretations have been published, but not yet become effective. Below is a description of the coming principle changes that are expected to have a material impact on TMHCFs accounts.

IFRS 9 Financial Instruments
IFRS 9 is divided in three parts: Classification and Measurement, Impairment and Hedge accounting, and will replace the current IAS 39 Financial instruments: recognition and measurement. The TMHE Group is currently assessing the effects of IFRS 9. TMHCF included in the review. The timing for the mandatory application of IFRS 9 is 1 January 2018, but earlier application is allowed.

IFRS 16 Leases
IFRS 16 Leases was published in January 2016 and are replacing the former IAS 17 Leases and the related interpretations IFRIC 4, SIC-15 and SIC-27. The accounting of the lessor will in all material aspects be unchanged, but the accounting for lessees will change. There will no longer be a distinction between operating and finance leases, all leases will be recognized on the balance sheet, except for short-term contracts and those of minor value. The accounting is based on the view that the lessee has a right to use an asset for a specific period of time and at the same time an obligation to pay for that right. The standard is effective for financial years beginning on January 1, 2019 or later. Early adoption is permitted. TMHE Group will assess the impact of IFRS 16th.

IFRS 9 and IFRS 16 have not been adopted by the EU when this annual report is presented. Other new or revised accounting standards are not expected to have a material impact on the TMHCF's financial statements.

Significant Assumptions and Estimations
Upon classification of financial assets and liabilities according to the IFRS regulations, the purpose of the holdings has been the decisive factor.

Upon assessment of whether or not accounts receivable are to be considered as doubtful debts, factors such as historical experience, credit ratings and the size of the receivable have been taken into account.

Financial Year
The Company's financial year is 1 April - 31 March.

Accounting for Lease contracts
Whether leases should be viewed as operational or financial is based on an assessment of the economic significance in the contractual terms. If the contractual terms imply that the agreement involves the financing of a purchase of an asset, the contract is classified as financial. If the contractual terms imply that the economic substance is a rent agreement, the lease is classified as operational. The main factor in the assessment of economic significance in the contractual terms in the agreements is a judgment of whether substantially all the risks and benefits of a tangible asset is transferred from the lessor to the lessee. All lease contracts in the company has been assessed as

financial. In the annual report they are classified and accounted for, depending upon business model, some as financial leases under IAS17 and some as operational leases, under RFR2.

The company conducts leasing through two types of business structures, which for accounting purposes is handled in two ways. The main part of the company's leasing contracts consists of so-called *back-to-back leasing* with a funder. The second type of leasing contracts relate to so-called *leasing of owned lease objects*. The different types of leasing are accounted for in two ways as follows.

Back to back lease - the Company follows and report according to IAS 17. TMHCF has a lease contract with a funder, as lessee, headlease, and classifies them as financial leases. TMHCF than has a lease contract with a third party as a lessor, the so-called sublease. In the balance sheet the financial assets are reported gross related to the sublease agreements and financial liabilities attributable to the headlease agreement.

Financial lease receivables are initially valued at the present value of future minimum lease payments. Subsequent valuations are done at the present value of the remaining minimum lease minus write-downs. Minimum lease fees are divided between interest income and amortization of the outstanding debt. Interest income is allocated over the lease period so that each accounting period is allocated with an amount corresponding to a fixed interest rate for the respective accounted receivable for the period. Variable fees are recognized as revenue in the periods they arise.

The financial lease liabilities are initially valued at the present value of future minimum lease fees. Subsequent valuations are done at the present value of the remaining minimum lease fees. Minimum lease fees are allocates between interest expense and amortization of the outstanding debt. Interest expense is allocated over the lease period so that each accounting period is allocated with an amount corresponding to a fixed interest rate for the respective accounted liability for the period. Variable fees are expensed in the periods they arise.

Lease contracts as so-called leasing of owned lease objects is the second main group and refers to Leased assets where the Company is the lessor. The lease objects refer to owned fixed assets with an associated lease contract. All lease agreements are judged to be financial but are accounted for and reported under RFR 2 according to the accounting principles for operational leases. This implies that those leased assets, where the Company is the lessor, are recognized as tangible fixed assets and lease objects are recognized at acquisition value minus depreciation based on the annuity method.

The depreciation methods and the assets residual values and useful lives are reviewed at each year end.

Lease income from financial lease contracts that are accounted for as operational leases (lease objects recognized as tangible fixed assets) includes depreciation according to plan. These depreciations is accrued and recognized according to the annuity method over the lease term.

Intangible Assets
Intangible assets consist of capitalised expenditure for software and IT systems. The period of amortization is 3-5 years.

Financial Instruments
The Company classifies all of its financial assets in the category "Loan receivables and accounts receivable". According to the definition in IAS 39, loan receivables and accounts receivable are *financial assets which are not derivative, which have fixed payments or payments which can be fixed and which are not listed on an active market.* The Company's loan receivables and accounts receivables are comprised of accounts receivables (Note 11), chargeable treasury bills (Note 19) and liquid assets (Note 9). These are valued at accrued acquisition cost (which is the same as nominal value). Thus far, the Company has not had any need to make provisions for any value depreciation of its accounts receivables, as all outstanding amounts have been received.

Liquid assets include bank account balances and current investments with due dates within 3 months (3) after the date of acquisition. Liquid assets are valued at acquisition cost with additions for accrued interest income.

The Company's financial liabilities are entirely attributed to the group ”Other financial liabilities”. Included in this category are accounts payable (Note 13) which, similar to accounts receivable, are valued at accrued acquisition cost, as well as borrowings from the general public via the Group's internal bank (Note 8). Such loans are valued at acquisition cost with the addition of accrued interest expenses.

Derivatives
Derivative financial instruments are recognized on the contractual date and are valued at fair value, both initially and at subsequent revaluations. In the valuation of the derivatives, the Group's exchange rates are used which are drawn from the Bloomberg on the last business day.

Hedge Accounting
TMHCF applies cash-flow hedging for binding commitments in terms of leasing agreements which are shown as operational leasing agreements on the income statement and balance sheet. The risk being hedged is currency risk. Cash-flow hedging implies that changes in the fair value of the hedging instruments, fx forwards, are shown as Other comprehensive income, net after taxes and accumulated in the Fair value reserve until the hedged item affects Net profit/loss. When the item being hedged affects Net profit/loss the amount is reclassified from the Fair value reserve through Other comprehensive income, net after taxes to Net profit/loss.

Impairment test for write-down of Financial assets
At each reporting date the Company assesses whether there is objective evidence that a financial asset or group of assets are subject for write-downs as a result of one or more events (loss events) after the asset was reported for the first time and that these loss events has an impact on the estimated future cash flows from the asset or group of assets. Objective evidence comprises observable conditions that have occurred and have a negative impact on the ability to recover the acquisition value.

Regarding write-down or reversal of write-down of an asset being leased, the rules for financial leases are used.

Revenue Recognition
The Company reports revenue when the amount can be measured in a reliable manner and when it is likely that future economic benefits will accrue to the Company. Revenue is reported in the amounts expected to be received.

Accounting Principles for Borrowing Costs
Borrowing costs are charged to profit/loss in the period to which they are attributable.

In TMHCF, borrowing costs include the interest portion of the financial lease agreement and interest on borrowing from the general public via the Group's internal bank, Toyota Industries Finance International AB, as well as interest expenses on bank accounts.

Cash Flow Statement
The cash flow statement has been prepared in accordance with the so-called indirect method. Reported cash-flows include only those transactions incurring ingoing, or outgoing payments. Liquid assets refers, aside from cash and bank balances, to short-term financial investments exposed to only insignificant risk of value fluctuation, with a remaining term of shorter than three months from the purchase date.

Transactions in Foreign Currency
The Company's functional currency is SEK.

Assets and liabilities in foreign currency are translated to SEK at the exchange rate on balance sheet date. Exchange rate differences arising during such translation are reported in the income statement.

Branches in Foreign Currency
Business in branches has been recalculated in accordance with the current price method which means that assets and liabilities have been translated to SEK at the exchange rate on balance sheet date. Revenues and costs are recalculated on an average rate for the period they refer to. Translation differences arising on translation of foreign operations are recognized in other comprehensive income and accumulated in a separate component of equity called the translation reserve.

Definition of Key Ratios
Equity/assets ratio: Equity and 78% of untaxed reserves in relation to total assets.

Return on asset: Operating income plus financial income as a percentage of total assets.

Core capital ratio: Core capital in relation to risk-weighted assets, calculated according to legal stipulations.

Pension Commitments
The Company has both defined contribution plans and defined benefit plans. For the defined contribution plans, the Company pays fixed fees to a separate, independent legal entity and, has thereafter, no obligation to the employee to pay additional fees. The Company's profit/loss is charged for such costs at the rate that the benefits are earned which normally coincides with the point in time at which the premium is paid. For other pension plans, when there is an agreement regarding a defined benefit plan, the obligation is not settled until the agreed upon pension amount has been paid.

The Company's pension commitments are not covered by capital from any pension foundation or by subscribed pension insurance, instead, provisions are made in the balance sheet. The Company reports defined benefit plans and defined contribution plans in accordance with the exceptions in RFR 2.2, paragraph 38.

The Company's reported pension liabilities are covered by credit insurance with Försäkringsbolaget Pensionsgaranti.

Memorandum Items
Contingent liabilities are reported in conjunction with the signing of the agreement.

Guarantees, that is, leasing commitments are reported at present value of the remaining leasing payments, including the residual value.

Financial Risks
Information regarding the financial risks identified in the Company, and the manner in which these risks are to be managed, is provided in the administration report.

Appropriations
Received group contribution is presented as appropriations.

Income Tax
Reported income tax includes tax which is to be paid or received regarding the current year, adjustments regarding the previous year's current taxes, and changes in deferred tax.

The valuation of all tax liabilities/receivables takes place at nominal amounts and is carried out according to the tax regulations and tax rates which have been determined, or which are recommended and are likely to be adopted.

For items reported in the income statement, associated tax effects are also reported in the income statement. The tax effects for items reported directly against equity are reported against equity.

Note 1 Net interest income

Amounts in TSEK	**2015/16**	2014/15
Interest income		
Lending to credit institutions	**33**	2 972
Lending to the general public	**215 260**	209 491
Other interest income	**277**	120
Total interest income	**215 570**	212 583
of which interest income from Group companies	**208 519**	204 156
Lease income		
Lease income - interest portion	**45 468**	20 018
Lease income - payment portion	**129 727**	103 019
Total lease income	**175 195**	123 037
Interest expenses		
Liabilities to credit institutions	**-120 096**	-127 495
Interest expenses for borrowing from the general public	**-1 973**	-1 429
Other interest expenses	**-1 724**	-1 207
Total interest expenses	**-123 793**	-130 131
of which interest expenses to Group companies	**-1 973**	-1 429
Total net interest income	**266 972**	205 489
[1]**Gross leasing income**	**175 195**	123 037
Amortisation	**-129 727**	-103 019
Net leasing	**45 468**	20 018

All interest income and interest expenses are attributable to instruments measured at amortized cost or fair value.

Note 2 Net result of financial transactions

Amounts in TSEK	**2015/16**	2014/15
Exchange rate fluctuations	**4 616**	8 424
Total net result of financial transactions	**4 616**	8 424
of which exchange rate fluctuations of loans, receivables, bank deposits and VAT recoverables.	**4 616**	8 424

Note 3 Distribution of income by geographical market

The sum of the income statement items, Interest income, Leasing income, Net results of financial translations and Other operating income are distributed over the following geographical markets:

Amounts in TSEK	**2015/16**	2014/15
Interest income	**215 570**	212 583
Sweden	**29 060**	28 617
Rest of Nordic region	**36 035**	38 188
Rest of Europe	**150 475**	145 778
Lease income	**175 195**	123 037
Sweden	**40 130**	29 723
Rest of Nordic region	**8 147**	7 145
Rest of Europe	**126 918**	86 169
Net result financial transactions	**4 616**	8 424
Sweden	**4 616**	8 424
Other operating income	**3 953**	2 203
Sweden	**1 322**	1 315
Rest of Nordic region	**1 229**	838
Rest of Europe	**1 402**	50
Total	**399 334**	346 247

Note 4 General administrative expenses

Amounts in TSEK	**2015/16**	2014/15
Personnel costs [1]	**-17 560**	-13 764
Costs for premises	**-460**	-423
Other administrative expenses [4)5)6)]	**-18 853**	-10 493
Total general administrative expenses	**-36 873**	-24 680
[1)] **Of which salaries, remunerations and social security contributions**		
Remuneration to members of the Board	**0**	0
Remuneration to the Managing Director	**-1 735**	-984
Salaries to other employees	**-9 746**	-8 561
Social security contributions	**-3 764**	-3 101
Pension costs [3)]	**-1 432**	-817
Total salaries, remunerations and social security contributions	**-16 677**	-13 463

[2)]Of which variable remuneration 272 TSEK (99)
[3)]Of which Managing Director, present and previous officers 190 TSEK (142)
[4)] During the period of 1 April 2015 to 31 March 2016 the company was invoiced for hiring staff to an amount of 4 639 TSEK
[5)] Remuneration for consultancy services to the board member Göran Åseborn amounted to 139 TSEK (217).

Note 4 General administrative expenses, continuing

Remuneration to senior management

According to the decision of the AGM no fees are paid to the Board. Salary to the CEO consists of a fixed and variable portion. Compensation for consultancy services to directors who are not part of the top management were paid a total of 139 TSEK (217), which refers Goran Åseborn. The number of board members who are not part of the senior management amounted 2016-03-31 to five.

Average number of employees	**2015/16**	2014/15
Average number of employees	**15**	15
of whom men, %	**54**	44

[6] **Remuneration to the Company's auditors**

Amounts in TSEK	**2015/16**	2014/15
Öhrlings PricewaterhouseCoopers		
Audit fees	**-816**	-367
Tax advice	**-410**	-79
Other assignments	**-1 316**	-107
Total remuneration to the Company's auditors	**-2 542**	-553

Note 5 Depreciation of fixed assets

Amounts in TSEK	**2015/16**	2014/15
Depreciaions		
Intangible fixed assets	**0**	-86
Leasing objects	**-157 506**	-109 778
Summa	**-157 506**	-109 864
Write-downs		
Leasing objects	**0**	-516
Total	**0**	-516

Note 6 Appropriations

Amounts in TSEK	**2015/16**	2014/15
Received Group contribution	**150 000**	65 000
Total	**150 000**	65 000

Note 7 Tax on profit for the year

Amounts in TSEK	**2015/16**	2014/15
Income before tax	**231 162**	145 630
Income tax calculated in accordance w ith national tax rate	**50 856**	32 124
Tax deductions attributable to income not subject to tax	**-61**	-27
Tax charge attributable to expenses not deductible for tax purposes	**50**	4
Tax attributable to previous years	**-1 077**	0
Total	**49 768**	32 101

Note 8 Information on durations

Amounts in TSEK **Remaining duration**

2015/16	Payable upon request	≤ 3 months	> 3 months ≤ 1 year	1 year ≤ 5 year	> 5 year	**Total**
Charegable Treasury Bills etc	0	40 000	20 000	253	0	**60 253**
Lending to credit institutions	110 035	306 716	0	0	0	**416 751**
Lending to the general public*	55 993	606 058	1 731 572	5 692 138	21 408	**8 107 169**
Liabilities to credit institutions	0	598 031	1 700 785	5 485 875	195 142	**7 979 833**
Deposits from the gen. public**	0	74 206	70 278	389 258	36 870	**570 612**

* of w hich financial leasing receivables 8 037 714 and lending to Group companies 8 107 169

** of w hich Group companies 570 612

2014/15	Payable upon request	≤ 3 months	> 3 months ≤ 1 year	1 year ≤ 5 year	> 5 year	Total
Charegable Treasury Bills etc	0	40 000	0	266	0	**40 266**
Lending to credit institutions	90 443	379 531	0	0	0	**469 974**
Lending to the general public*	112 393	549 314	1 568 639	5 472 121	136 905	**7 839 372**
Liabilities to credit institutions	0	550 969	1 616 226	5 404 981	103 674	**7 675 850**
Deposits from the gen. public**	30 733	111 746	0	0	0	**142 479**

* of w hich financial leasing receivables, 7 712 128 and lending to Group companies, 7 839 872

** of w hich Group companies, 142 479

Note 9 Liquid assets

Included in liquid assets in the balance sheet and cash flow statement is the following:

Amounts in TSEK	2015/16	2014/15
Balances in bank accounts and Group accounts in banks*	**166 027**	202 835
Short-term deposits in Group companies	**306 716**	379 531
Total	**472 743**	582 366

* included in the balance sheet under the item Lending to the general public

Note 10 Intangible and tangible fixed assets

Intangible fixed assets

Amounts in TSEK	2015/16	2014/15
Opening acquisition cost	**2 413**	2 413
Investments for the year	**0**	0
Closing accumulated acquisition cost	**2 413**	2 413
Opening accumulated amortisation according to plan	**-2 413**	-2 327
Amortisation for the year according to plan	**0**	-86
Closing accumulated amortisation according to plan	**-2 413**	-2 413
Residual value according to plan	**0**	0

Tangible fixed assets - leasing objects

Amounts in TSEK	2015/16	2014/15
Opening acquisition cost	**724 671**	537 160
Purchases during the year	**789 850**	262 139
Sales for the year	**-106 346**	-74 628
Closing accumulated acquisition cost	**1 408 175**	724 671
Opening accumulated depreciation	**-225 751**	-155 792
Accumulated depreciation on sales during the year	**66 422**	40 245
Depreciation for the year	**-157 506**	-110 204
Closing accumulated depreciation	**-316 835**	-225 751
Opening accumulated write-downs	**-516**	0
Write-down for the year	**0**	-516
Closing accumulated write-downs	**-516**	-516
Residual value	**1 090 824**	498 404

Note 11 Other assets

Amounts in TSEK	**2015/16**	2014/15
Accounts receivable - trade [1]	**10 298**	1 722
VAT recoverable	**90 514**	91 121
Income taxes recoverable	**72 290**	71 692
Receivables from group companies	**150 099**	65 000
Other	**5 157**	2 693
Total	**328 358**	232 228
of which Group companies	**159 594**	**65 493**

[1] Age analysis, matured but not doubtful debts include

Matured less than 1 month	**9 091**	0
Matured 1-2 months	**0**	0
	9 091	0

Note 12 Prepaid expenses and accrued income

Amounts in TSEK	**2015/16**	2014/15
Accrued interest income	**0**	2
Other accrued income and prepayments	**2 871**	1 484
Total	**2 871**	1 486
of which Group companies	**0**	0

Note 13 Other liabilities

Amounts in TSEK	**2015/16**	2014/15
Accounts payable - trade	**17 967**	18 580
Tax liabilities	**26 944**	20 176
Other	**5 369**	6 976
Total other liabilities	**50 280**	45 732
of which Group companies	**3 117**	6 264

Note 14 Accrued expenses and deferred income

Amounts in TSEK	**2015/16**	2014/15
Accrued interest expenses	**242**	86
Accrued statutory fee	**3 086**	2 834
Pre-payed interest income	**0**	1 128
Accrued expenses and deferred income	**6 963**	4 852
Total accrued expenses and deferred income	**10 291**	8 900
of which Group companies	**242**	1 213

Note 15 Provisions

Amounts in TSEK	2015/16	2014/15
Provisions for pensions and similar commitments	**4 198**	3 602
Total provisions	**4 198**	3 602
of which credit insured via FPG	**4 198**	3 602

TMHCF AB's pension liabilities amounted to TSEK 4 198 as of 31 March 2016 (3 602). 2 percent of pension liabilities, i.e. TSEK 84 (72) is reported as an obligation to FPG (Försäkringsbolaget Pensionsgaranti).

Note 16 Guarantees

Amounts in TSEK	2015/16	2014/15
SEB Leasing Ltd	**220 943**	524 698
SEB Leasing & Factoring GmbH	**27 945**	81 629
Total guarantees	**248 888**	606 327

Since 1 January 2004, TMHCF AB has guaranteed its fellow subsidiary, BT Rental Ltd's, leasing commitments with financiers in the UK. Since 1 October 2005, TMHCF AB has guaranteed its fellow subsidiary, TMH Deutschland GmbH's leasing commitments with financiers in Germany.

Note 17 Untaxed reserves

Amounts in TSEK	2015/16	2014/15
Ezcess depreciation, equipment & leasing objects	**20 468**	20 468
Total	**20 468**	20 468

Note 18 Interest and rent which has been received and paid

Amounts in TSEK	2015/16	2014/15
Interest received	**215 570**	212 583
Rent received	**175 195**	123 037
Interest paid	**-123 793**	-130 131
Net interest and rent which has been received and paid	**266 972**	205 489

Note 19 Financial assets and liabilities

Amounts in TSEK

	Loan receivables and accounts receivable	Other financial liabilities	Total book amount	Fair value
Chargeable Treasury Bills etc	60 253	0	60 253	60 253
Lending to credit institutions	416 751	0	416 751	416 751
Lending to the general public	8 107 169	0	8 107 169	8 107 169
Accrued income	2 871	0	2 871	2 871
Other financial assets*	328 358	0	328 358	328 358
Total	**8 915 402**	**0**	**8 915 402**	**8 915 402**
Liabilities to credit institutions	0	7 979 833	7 979 833	7 979 833
Borrowing from the general public	0	570 612	570 612	570 612
Other liabilities*	0	50 280	50 280	50 280
Accrued expenses	0	10 291	10 291	10 291
Total	**0**	**8 611 016**	**8 611 016**	**8 611 016**

* Derivatives are measured at fair value based upon observable inputs (level 2)
and amounts to TSEK 5 157 respectively TSEK -2 575.

Note 20 Assets and liabilities in foreign currencies

Amounts in TSEK	**2015/16**	2014/15
Assets	**7 991 652**	7 083 483
Liabilities	**-7 613 954**	-6 656 710
Net difference in foreign currencies	**377 698**	426 773

Note 21 Transactions with related parties

Amounts in TSEK

Transactions with companies within the Group are presented below:

2015/16	**Income**	**Expenses**	**Receivables 2016-03-31**	**Liabilities 2016-03-31**
Parent Company (TMHE AB)	0	256	150 058	801
Other Group companies	222 499	3 440	8 116 705	573 174
Total	**222 499**	**3 696**	**8 266 763**	**573 975**

2014/15	**Income**	**Expenses**	**Receivables 2015-03-31**	**Liabilities 2015-03-31**
Parent Company (TMHE AB)	0	306	65 000	601
Other Group companies	217 355	2 057	8 276 156	148 908
Total	**217 355**	**2 363**	**8 341 156**	**149 509**

For information regarding remuneration to senior management, se note 4.

Our annual report was presented on September 20th, 2016

Mjölby, September 20th, 2016

Lars Hägerborg
Chairman of the Board

Sotirios Asimakopoulos
Managing Director

Takuo Sasaki

Toru Inagawa

Stefan Gradenwitz

Göran Åseborn

Our audit report was submitted on September 20th, 2016

Öhrlings PricewaterhouseCoopers AB

Peter Nilsson
Authorised Public Accountant
Auditor in charge

Theodor Hugosson
Authorised Public Accountant