

Volkswagen Financial Services Australia Pty Limited

ACN 097 071 460

Annual report – 31 December 2012

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Volkswagen Financial Services Australia Pty Limited
Directors' report
31 December 2012

Your directors present their report on Volkswagen Financial Services Australia Pty Limited (referred to hereafter as the Company) for the year ended 31 December 2012.

Directors

The following persons were directors of the Company during the whole of the financial year and up to the date of this report:

Mr Dirk Birke	Managing Director
Mr David Maloney	Managing Director

Mr Oliver Schmitt and Mr Patrick Welter were both appointed as non-executive Directors on 1 September 2012.

Secretary

Mr Wilson Leung

Principal registered office in Australia

Level 1, 24 Muir Road
Chullora NSW 2190
+61 2 9695 6311

Auditor

PricewaterhouseCoopers
Darling Park Tower 2
201 Sussex Street
Sydney NSW 1171

Bankers

ANZ Bank
115 Pitt Street
Sydney NSW 2000

Website Address

www.vwfs.com.au

Principal activities

The Company's principal activities during the year consisted of the provision of automotive financial services.

Review of operations

The Company's operations during the year ended 31 December 2012 resulted in an operating profit after income tax of \$7,007,725 (2011: \$5,809,693).

Dividends

The directors recommend that no amount be paid as dividend for the current year.

Significant changes in the state of affairs

There were no other significant changes to the Company's state of affairs during the financial year.

Matters subsequent to the end of the financial year

There are no matters or circumstances that have arisen since 31 December 2012 that have significantly affected, or may significantly affect:

- (a) the Company's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the Company's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the Company's operations and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the Company.

Volkswagen Financial Services Australia Pty Limited
Directors' report
31 December 2012

Environmental regulation

The Company is subject to normal State and Federal environmental legislation and does not operate within an industry with specific environmental guidelines or limits.

Insurance of officers

During the financial year, the Company paid no premiums to insure the directors, secretary or other officers of the Company.

Meetings of Directors

The number of meetings of the Company's board of directors held during the year ended 31 December 2012, and the numbers of meetings attended by each director were:

	Full meetings of directors	
	A	B
D. Birke	5	5
D. Maloney	5	5
O Schmitt	2	2
P Welter	2	2

A: Number of meetings attended

B: Number of meetings held during the time the director held office during the year

Proceedings on behalf of Company

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

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Auditors' Independence declaration

A copy of the auditors' independence declaration, as required under section 307C of the *Corporations Act 2001*, is set out on Page 3.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

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



David Maloney
Director

Sydney
30 May 2013



Dirk Birke
Director

Sydney
30 May 2013



Auditor's Independence Declaration

As lead auditor for the audit of Volkswagen Financial Services Australia Pty Limited for the year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Volkswagen Financial Services Australia Pty Limited during the period.

A handwritten signature in blue ink, appearing to read 'Ian Hammond', written over a horizontal line.

Ian Hammond
Partner
PricewaterhouseCoopers

Sydney
30 May 2013

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Volkswagen Financial Services Australia Pty Limited

Financial report – 31 December 2012

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This financial report covers Volkswagen Financial Services Australia Pty Limited (the Company) as an individual entity. The financial report is presented in Australian currency.

Volkswagen Financial Services Australia Pty Limited is a Company limited by shares, incorporated and domiciled in Australia. Its principal place of business and registered office are:

Volkswagen Financial Services Australia Pty Limited
Level 1, 24 Muir Road
Chullora NSW 2190

A description of the nature of the company's operations and its principal activities is included in the directors' report on page 1.

The financial report was authorised for issue by the Directors on 30 May 2013. The Company has the power to amend and re-issue the financial report.

Volkswagen Financial Services Australia Pty Limited
Income Statement
For the year ended 31 December 2012

	Notes	31 December 2012 \$	31 December 2011 \$
Revenue from continuing operations			
Interest and other finance revenue	4	181,661,006	154,157,753
Commission expense		(30,263,200)	(20,982,938)
Net Interest and other finance revenue		151,397,806	133,174,815
Finance costs	4	(118,806,908)	(109,091,609)
Net interest revenue		32,590,898	24,083,206
Non – interest revenue	5	9,741,074	8,262,068
Gains less losses on financial instruments at fair value (hedge ineffectiveness of designated relationships)		201,652	157,703
Total income from operations		42,533,624	32,502,977
Employee benefits expense	7c	(9,952,569)	(7,666,322)
Bad and doubtful debts expense		(7,832,307)	(3,679,799)
Professional advisors		(5,714,596)	(1,892,535)
Depreciation and amortisation expense	7a	(919,831)	(796,054)
Other expenses from ordinary activities	7b	(8,262,013)	(8,183,400)
Profit before income tax		9,852,308	10,284,867
Income tax expense	8	(2,844,583)	(4,475,174)
Profit for the year attributable to owners		7,007,725	5,809,693

The above income statement should be read in conjunction with the accompanying notes

Volkswagen Financial Services Australia Pty Limited
Statement of Comprehensive Income
For the year ended 31 December 2012

	Notes	31 December 2012 \$	31 December 2011 \$
Profit for the year		7,007,725	5,809,693
Other comprehensive income			
Adjustment of correction of error		-	(9,413,783)
Change in fair value of cash flow hedges		<u>7,665</u>	<u>8,652,013</u>
Other comprehensive income for the year (restated)		<u>7,665</u>	<u>(761,770)</u>
Total comprehensive income for the year attributable to owners		<u><u>7,015,390</u></u>	<u><u>5,047,923</u></u>

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

Volkswagen Financial Services Australia Pty Limited
Balance Sheet
As at 31 December 2012

	Notes	31 December 2012 \$	31 December 2011 (restated) \$	1 January 2011 (restated) \$
Current assets				
Cash and cash equivalents	9	43,860,474	31,208,633	89,893,967
Loans and receivables	10	1,169,592,188	899,062,344	754,501,331
Derivative financial instruments	23	36,827,915	16,895,333	4,270,909
Other assets	12	27,241,981	21,422,635	9,257,836
Total current assets		1,277,522,558	968,588,945	857,924,043
Non – current assets				
Loans and receivables	10	1,264,603,083	1,042,243,597	860,169,260
Property, plant and equipment	13	3,857,071	2,012,737	783,247
Intangible assets	14	2,367,685	1,643,746	930,614
Deferred tax assets	15	-	4,460,292	9,040,655
Total non-current assets		1,270,827,839	1,050,360,372	870,923,776
Total assets		2,548,350,397	2,018,949,317	1,728,847,819
Current liabilities				
Borrowings	16	973,462,452	770,287,106	460,328,294
Derivative financial instruments	23	38,341,191	9,869,584	38,792
Employee entitlements	18	1,587,954	924,020	733,043
Other liabilities	17	56,824,408	55,837,177	32,332,523
Total current liabilities		1,070,216,005	836,917,887	493,432,652
Non-current liabilities				
Borrowings	16	1,325,000,000	1,069,300,000	1,127,300,000
Deferred tax liabilities	19	3,416,817	5,029,244	5,460,905
Total non-current liabilities		1,328,416,817	1,074,329,244	1,132,760,905
Total liabilities		2,398,632,822	1,911,247,131	1,626,193,557
Net assets		149,717,575	107,702,186	102,654,262
Equity				
Contributed equity	20	140,440,000	105,440,000	105,440,000
Other reserves	22	(752,313)	(759,977)	1,793
Retained earnings / (accumulated losses)	21	10,029,888	3,022,163	(2,787,531)
Total equity		149,717,575	107,702,186	102,654,262

The above balance sheet should be read in conjunction with the accompanying notes

Volkswagen Financial Services Australia Pty Limited
Statement of changes in equity
For the year ended 31 December 2012

	Notes	Contributed equity \$	Other reserves \$	Retained earnings \$	Total equity \$
Balance at 31 December 2010		105,440,000	1,932,295	(2,787,530)	104,584,765
Adjustment on correction of error (net of tax)		-	(1,930,502)	-	(1,930,502)
Restated total equity at the beginning of the financial year		105,440,000	1,793	(2,787,530)	102,654,263
Profit for the year		-	-	5,809,693	5,809,693
Adjustment on correction of error		-	(9,413,783)	-	(9,413,783)
Other comprehensive income		-	8,652,013	-	8,652,013
Total comprehensive income for the year (restated)		-	(761,770)	5,809,693	5,047,923
Balance at 31 December 2011		105,440,000	(759,977)	3,022,163	107,702,186
	Notes	Contributed equity \$	Other reserves \$	Retained earnings \$	Total equity \$
Balance at 31 December 2011		105,440,000	(759,977)	3,022,163	107,702,186
Profit for the year		-	-	7,007,725	7,007,725
Other comprehensive income		-	7,665	-	7,665
Total comprehensive income for the year		-	7,665	7,007,725	7,015,390
Contribution of equity	18	35,000,000	-	-	35,000,000
Balance at 31 December 2012		140,440,000	(752,313)	10,029,888	149,717,575

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

Volkswagen Financial Services Australia Pty Limited

Statement of cash flows

For the year ended 31 December 2012

	Notes	31 December 2012 \$	31 December 2011 \$
Net Income			
Receipt from customers		607,920,561	447,649,658
Net cash outflow from lending activities		(909,042,957)	(613,142,801)
Payments to suppliers and employees		(53,543,437)	(39,500,827)
Receipts from invoicing activities to other financial institutions on behalf of related company		(6,081,763)	(2,437,132)
Payments to related company		6,081,763	2,437,132
Borrowing costs		(119,440,214)	(104,688,300)
Net cash (outflow) from operating activities	30	<u>(474,106,047)</u>	<u>(309,682,271)</u>
Cash flows from investing activities			
Payments for property, plant and equipment and software		(3,473,112)	(1,772,064)
Net cash (outflow) from investing activities		<u>(3,473,112)</u>	<u>(1,772,064)</u>
Cash flows from financing of activities			
Proceeds from borrowings of Bank Loans		629,000,000	22,000,000
Repayment of borrowings of Bank Loans		(528,000,000)	(22,000,000)
Net repayment of Intercompany Loan		(101,769,000)	(148,231,000)
Increase in issued equity	20	35,000,000	-
Proceeds from the issue of Medium Term Notes		600,000,000	515,000,000
Repayment of Medium Term Notes		(165,000,000)	(158,000,000)
Proceeds from issue of Commercial Paper (net)		21,000,000	44,000,000
Net cash inflow from financing activities		<u>490,231,000</u>	<u>252,769,000</u>
Net increase / (decrease) in cash held		12,651,841	(58,685,334)
Cash at the beginning of the financial year		31,208,633	89,893,967
Cash at the end of the financial year	9	<u>43,860,474</u>	<u>31,208,633</u>

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

Volkswagen Financial Services Australia Pty Limited
Notes to the financial statements
31 December 2012

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Note 1. Summary of significant accounting policies

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

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

Compliance with IFRS

The financial statements of Volkswagen Financial Services Australia Pty Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

New and amended standards adopted by the Company

The adoption of new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 January 2012 did not have any impact on the current period or any prior periods, and is not likely to affect future periods.

Early adoption of standards

The Company has elected to apply the following pronouncement to the annual reporting period beginning 1 January 2012:

- AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009—2011 Cycle*

This includes applying the revised pronouncement to the comparatives in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. None of the items in the financial statements had to be restated as a result of applying this standard. However, the amendments removed the requirement to provide additional comparative information in all relevant notes where line items in the financial statements are affected as a result of a retrospective restatement (e.g. because of an error). Following the amendments, it is now sufficient if an entity includes a third balance sheet and explains the impact of the restatement on individual line items in the note that sets out the reasons for the restatement. The Company has done so in Note 6 and is not disclosing additional comparatives in each of the notes that are affected by the restatement for the error.

Historical cost convention

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

Volkswagen Financial Services Australia Pty Limited
Notes to the financial statements
31 December 2012

Critical accounting estimates

The preparation of the financial statements 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.

Foreign currency translation

Functional and presentation currency:

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

Transactions and balances:

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses are presented in the income statement on a net basis within other income or other expenses. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

(b) Revenue recognition

Finance leases

Finance leases, in which the Company is the lessor, are included in loans and receivables and are accounted for using the finance method, whereby income determined on an actuarial basis is taken to account over the term of the lease in proportion to the outstanding investment balance.

Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(c) Finance and other costs

Finance costs

Finance costs are recognised in the income statement for borrowings measured at amortised cost using the effective interest method.

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Commission expense

Commission paid to dealers are capitalised when occurring and are amortised over the lifetime of the contracts on an effective interest rate basis and are presented as commission expense in profit and loss.

(d) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the Company has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(e) Impairment of assets

Intangible and other assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to

Volkswagen Financial Services Australia Pty Limited
Notes to the financial statements
31 December 2012

sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(f) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and for the purpose of the cash flow statement, bank overdrafts. Bank overdrafts are shown within due to other financial institutions on the balance sheet.

(g) Financial assets

Classification

The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise they are classified as non-current.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. They are recognised initially at fair value, and subsequently measured at amortised cost less provision for impairment (note 1(h)). They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

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(h) Provision for impairment of loans and receivables

Collections of loans and receivables are reviewed on an ongoing basis. Loans and receivables which are known to be uncollectible are written off by reducing the carrying amount directly. The Company has individually assessed provisions and collectively assessed provisions. A specific provision for impairment of loans and receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the contract. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the assets's carrying value and the amount determined by management as to be likely of collection. The amount of the impairment loss is recognised in profit or loss within other expenses. When loans and receivables for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

All other loans and receivables that do not have an individually assessed provision are assessed collectively for impairment. Collectively assessed provisions are maintained to reduce the carrying amounts of the portfolios of similar loans and receivables to their estimated carrying amounts at balance sheet date.

(i) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities of a firm commitment (fair value hedges), or
- hedges of the cash flows of recognised liabilities and highly probable forecast transactions (cash flow hedges).

The Company documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 23. Movement in the cash flow hedge reserve in shareholder's equity is shown in note 22. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Volkswagen Financial Services Australia Pty Limited
Notes to the financial statements
31 December 2012

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in profit or loss within finance costs, together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognised in profit or loss within other income or other expenses.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and equity in the cash flow hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in the profit or loss within other income.

Amounts accumulated in equity are reclassified to profit and loss in the periods when the hedged item will affect profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the profit or loss within finance costs.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the profit or loss and when a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

(ii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

(j) Property, plant and equipment

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

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

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

Asset Class	Method	Useful Life
Leasehold improvements	Straight-line	2-20 years
Computer and office equipment	Straight-line	3-10 years

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The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the Company, whichever is the shorter.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

(k) Intangible assets

IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service and direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from 3 to 5 years. IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the Company has an intention and ability to use the asset.

(l) Other liabilities

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. Other liabilities are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(m) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

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(n) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs on the loan to the extent that it is probable that some or all of the facility will be drawn down. Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs. Interest-bearing liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(o) Employee benefits

Wages and salaries, annual leave

Liabilities for wages and salaries, including annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liability is settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at rates paid or payable. The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

Bonus plans

The Company recognises a liability and an expense for bonuses. The Company recognises a provision where it is contractually obliged or where there is past practice that has created a constructive obligation. The obligations are presented as current liabilities in the balance sheet if the Company does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(p) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(q) Contributed equity

Ordinary shares are classified as equity.

(r) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

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Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(s) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 2012 reporting periods. The Company's assessment of the impact of these new standards and interpretations is set out below.

AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures (effective for annual reporting periods beginning on or after 1 January 2015)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. The Company has not yet decided when to adopt AASB 9.

AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets (effective for annual reporting periods beginning on or after 1 July 2011)

In November 2010, the AASB made amendments to AASB 7 *Financial Instruments: Disclosures* which introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. They are not expected to have any significant impact on the Company's disclosures.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Company has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Company will adopt the new standard from its operative date, which means that it will be applied in the annual reporting period ending 31 December 2013.

AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income (effective 1 July 2012)

In September 2011, the AASB made an amendment to AASB 101 *Presentation of Financial Statements* which requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. This will not affect the measurement of any of the items recognised in the balance sheet or the profit or loss in the current period. The Company intends to adopt the new standard from 1 January 2013.

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AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (effective 1 July 2013)

In July 2011 the AASB decided to remove the individual key management personnel (KMP) disclosure requirements from AASB 124 *Related Party Disclosures*, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the *Corporations Act 2001*. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments apply from 1 July 2013 and cannot be adopted early. The *Corporations Act* requirements in relation to remuneration reports will remain unchanged for now, but these requirements are currently subject to review and may also be revised in the near future.

AASB 2012-3 Amendments to Australian Accounting Standard - Offsetting Financial Assets and Financial Liabilities and AASB 2012-2 Disclosures - Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014 and 1 January 2013 respectively)

In June 2012, the AASB approved amendments to the application guidance in AASB 132 *Financial Instruments: Presentation*, to clarify some of the requirements for offsetting financial assets and financial liabilities in the balance sheet. These amendments are effective from 1 January 2014. They are unlikely to affect the accounting for any of the entity's current offsetting arrangements. However, the AASB has also introduced more extensive disclosure requirements into AASB 7 which will apply from 1 January 2013. When they become applicable, the Company will have to provide a number of additional disclosures in relation to its offsetting arrangements. The Company intends to apply the new rules for the first time in the financial year commencing 1 January 2014.

AASB 2012-5 Amendments to Australian Accounting Standard arising from Annual Improvements 2009-2011 cycle (effective for annual periods beginning on or after 1 January 2013)

In June 2012, the AASB approved a number of amendments to Australian Accounting Standards as a result of the 2009-2011 annual improvements project. The Company does not expect that any adjustments will be necessary as the result of applying the revised rules.

(t) Comparatives

Certain comparative information has been represented in these financial statements to improve comparability as follows:

- To net the deferred tax asset against the deferred tax liability on the face of balance sheet for temporary tax differences.
- To present intangible assets for software and software under development separately from property, plant and equipment.
- Finance cost in relation to borrowings are presented as other assets against total amounts of borrowings.
- Unamortised commission had been reclassified from other assets to loan and receivables.

Note 2. Financial risk management

The Company's activities expose it to a variety of financial risks; market risk (including fair value interest rate risk and price risk), credit risk, liquidity risk and interest rate risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company. The Company uses derivative financial instruments such as interest rate swaps to hedge certain risk exposures.

(a) Market risk

Financial risk management is carried out by a central treasury department (Asia - Pacific) under policies approved by the Board of Directors. Treasury identifies, evaluates and hedges financial risks. The Board and Executive Committee (EC) provides written principles for overall risk management, as well as written policies covering specific areas, such as mitigating interest rate and credit risks, use of derivative financial instruments and investing excess liquidity.

(b) Credit risk

Credit is any transaction that creates an obligation on borrowers to meet interest and principal repayments. Credit risk arises as there is the potential for a borrower to fail to meet its obligations to the Company in accordance with the agreed terms of a borrowing arrangement.

The Company has no significant concentrations of credit risk. Exposure to credit risks managed through the policies in place to ensure the credit worthiness of each retail and wholesale customer. The Company manages credit risk by placing limits on the amount of risk accepted in relation to a borrower as well as the financial capacity of a borrower to enter into an arrangement. Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The Company has policies that limit the amount of credit exposure to any one financial institution. The analysis of the quality of financial assets is disclosed in Note 23.

(c) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, treasury aims at maintaining flexibility in funding by keeping committed credit lines available.

The maturity analysis of interest bearing liabilities and the credit standby arrangements are disclosed in Note 16.

(d) Interest rate risk

The Company has significant interest-bearing assets however the interest rates on these assets are fixed for the entire maturity of these assets.

The Company's interest rate risk arises from long – term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. At year end 72.60% (2011: 82.16%) of borrowings were at fixed rates.

The Company manages its cash flow interest rate risk by using floating to fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally if the Company raises long term borrowings at floating rates it will swap them into fixed rates. Under the interest rate swaps, the Company agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

Note 3. Critical accounting estimates and judgements

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

Critical accounting estimates and assumptions

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 discussed below.

Provision for impairment of loans and advances

The Company reviews its loans and receivables portfolios to assess impairment regularly. In determining whether an impairment loss should be recorded in the income statement, the Company makes judgements as to whether there is any observable data indicating an impairment trigger followed by measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of the borrowers in a Company, or national or local economic conditions that correlate with defaults on assets in the Company. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

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Note 4. Interest revenue and finance costs

The following table shows the average balance of each of the major categories of interest – bearing assets and liabilities, the amounts of interest revenue or expense and the average interest rate. Annual averages have been used, as they are representative of the Company's operations during the year.

2012	Average Balance	Interest	Average Rate
	\$	\$	%
Interest Revenue			
Loans and receivables	2,152,121,823	181,661,006	8.44
Finance Costs			
Borrowings	2,071,684,500	118,806,908	5.73

2011	Average Balance	Interest	Average Rate
	\$	\$	%
Interest Revenue			
Loans and receivables	1,752,728,895	154,157,753	8.80
Finance costs			
Borrowings	1,717,684,500	109,091,609	6.35

	2012	2011
	\$	\$
Finance costs expensed		
Interest and finance charges paid/payable	118,806,908	109,091,609
	<u>118,806,908</u>	<u>109,091,609</u>

Note 5. Non – interest revenue

	2012	2011
	\$	\$
Non – interest revenue		
Acceptance fee income	5,840,724	4,670,598
Other fee income	(2,428)	2,565
Wholesale transfer fee income	187,770	464,299
Administration fee income	(2,204)	37,691
Dishonour fee income	506,485	437,842
Finalisation fee & prepayment fee income	1,508,054	1,079,525
Late payment fee income	425,661	373,032
Insurance income	1,277,012	1,196,514
	<u>9,741,074</u>	<u>8,262,068</u>

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Note 6. Restatement of comparatives

During 2012, the Company undertook a review of the accounting for its hedges and discovered that certain derivatives had been incorrectly accounted for. There was no impact to the income statement. The error has been corrected by restating each of the affected financial statement line items for the prior periods as follows:

	2011	Increase / (Decrease)	2011 Restated	2010	Increase / (Decrease)	2010 Restated
	\$	\$	\$	\$	\$	\$
Balance sheet (extract)						
Derivative financial instruments (assets)	32,721,786	(15,826,453)	16,895,333	6,624,862	(2,353,953)	4,270,909
Deferred tax assets	13,274,407	(8,814,115)	4,460,292	15,182,614	(6,141,959)	9,040,655
Derivative financial instruments (liabilities)	(8,783,903)	(1,085,681)	(9,869,584)	(365,116)	326,324	(38,792)
Deferred tax liabilities	(18,705,194)	13,675,950	(5,029,244)	(12,430,223)	6,969,318	(5,460,905)
Total Liabilities	(1,924,498,526)	13,251,395	(1,911,247,131)	(1,636,430,673)	(10,237,116)	(1,626,193,557)
Net Assets	119,046,470	(11,344,284)	107,702,186	104,584,764	(1,930,502)	102,654,262
Reserves	(10,584,307)	11,344,284	759,977	(1,932,295)	1,930,502	(1,793)
Total Equity	(119,046,470)	11,344,284	(107,702,186)	(104,584,764)	1,930,502	(102,654,262)

Note 7. Expenses

Profit before income tax includes the following specific expenses:

7a. Depreciation and amortisation expense

	2012 \$	2011 \$
<i>Depreciation</i>		
Leasehold improvements (Note 13)	115,897	109,169
Computer and office equipment (Note 13)	44,776	194,615
Total depreciation	160,673	303,784
<i>Amortisation</i>		
Software (Note 14)	759,158	492,270
Total depreciation and amortisation expenses	919,831	796,054

7b. Other expenses from ordinary activities

	2012 \$	2011 \$
Expenses paid to related companies	933,549	164,298
Insurance costs	55,510	58,098
IT expenses	1,343,924	1,964,150
Communication expenses	355,605	323,887
Travel & Accommodation	590,744	699,812
Printing & Stationery	111,716	120,947
Other expenses	4,870,965	4,852,208
Total other expenses	8,262,013	8,183,400

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7c. Employee benefit expenses

	2012 \$	2011 \$
Wages and salaries	8,067,696	6,214,812
Superannuation contributions	663,670	541,843
Other employee benefits expenses	1,221,203	909,667
Total employee benefits expenses	<u>9,952,569</u>	<u>7,666,322</u>

Note 8. Income tax expense

8a. Income tax expense

	2012 \$	2011 (restated) \$
Deferred tax expense	<u>2,844,583</u>	<u>4,475,174</u>
Income tax expense	<u>2,844,583</u>	<u>4,475,174</u>

Income tax expense is attributable to:

Profit from continuing operations	<u>2,844,583</u>	<u>4,475,174</u>
Income tax expense	<u>2,844,583</u>	<u>4,475,174</u>

Deferred tax expense included in income tax benefit comprises:

(Increase) / decrease in deferred tax assets	<u>(116,054)</u>	<u>1,908,207</u>
Increase in deferred tax liabilities	<u>2,960,637</u>	<u>2,566,967</u>
Income tax expense	<u>2,844,583</u>	<u>4,475,174</u>

8b. Numerical reconciliation of income tax benefit to prima facie tax payable

Profit from continuing operations before income tax expense	<u>9,852,308</u>	<u>10,284,867</u>
Tax at the Australian tax rate of 30% (2012: 30%)	<u>2,955,692</u>	<u>3,085,460</u>
Tax effect of amounts which are not (taxable) deductible in calculating taxable income	<u>(111,109)</u>	<u>1,389,714</u>
Income tax expense	<u>2,844,583</u>	<u>4,475,174</u>

8c. Amounts recognised directly in equity

Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity

Net deferred tax direct to equity (Note 22)	<u>(3,284)</u>	<u>326,743</u>
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Note 9. Cash and cash equivalents

	2012 \$	2011 \$
Cash at bank and in hand	46,790,020	83,926,823
Bank overdrafts	<u>(2,929,546)</u>	<u>(52,718,190)</u>
	<u>43,860,474</u>	<u>31,208,633</u>

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Note 10. Loans and receivables

	2012	2011
	\$	\$
Retail Receivables	1,874,050,928	1,533,109,466
Less: Unearned Income	(178,186,402)	(180,557,543)
	<u>1,695,864,526</u>	<u>1,352,551,923</u>
Unamortised Dealer Commissions	53,214,626	40,252,969
Wholesale Receivables	697,472,516	558,354,681
Total loans and advances	<u>2,446,551,668</u>	<u>1,951,159,573</u>
Less: Provision for impairment of loans and receivables (Note 11)	<u>(12,356,397)</u>	<u>(9,853,632)</u>
	<u>2,434,195,271</u>	<u>1,941,305,941</u>
Maturity analysis (net of unearned income)		
Not longer than 3 months	196,200,116	85,347,994
Longer than 3 months and not longer than 12 months	973,392,072	813,714,350
Longer than 1 year not longer than 5 years	1,264,603,083	1,042,243,597
	<u>2,434,195,271</u>	<u>1,941,305,941</u>

Concentration of exposures

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

Note 11. Provision for impairment of loans and receivables

	2012	2011
	\$	\$
Individually Assessed Provision		
Opening balance	2,014,381	1,996,413
Amounts written off	(18,555,433)	(8,603,024)
Charged to income statement	19,687,855	8,620,992
Closing balance	<u>3,146,803</u>	<u>2,014,381</u>
Collectively Assessed Provision		
Opening balance	7,839,251	7,558,563
Charged to income statement	1,370,343	280,688
Closing balance	<u>9,209,594</u>	<u>7,839,251</u>
Total provision for impairment of loans and receivables	<u>12,356,397</u>	<u>9,853,632</u>

Note 12. Other assets

	2012	2011
	\$	\$
Other debtors with related parties – maturity not longer than 3 months	<u>27,241,981</u>	<u>21,422,635</u>

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Note 13. Property, plant and equipment

	2012 \$	2011 \$
Leasehold improvements		
Leasehold improvements – at cost	3,622,939	7,645
Less: Accumulated depreciation	<u>(115,897)</u>	<u>(7,645)</u>
Net book value	3,507,042	-
Computer and office equipment		
Computer and office equipment – at cost	445,467	181,006
Less: Accumulated depreciation	<u>(95,438)</u>	<u>(50,663)</u>
Net book value	350,029	130,343
Assets under construction	-	1,882,394
Total property, plant and equipment	<u><u>3,857,071</u></u>	<u><u>2,012,737</u></u>

	Leasehold improvements	Computer and office equipment	Assets under construction	Total
	\$	\$	\$	\$
Carrying amount at 1 January 2011	85,157	203,087	495,004	783,248
Additions	24,012	121,871	1,387,390	1,533,273
Depreciation (Note 7a)	<u>(109,169)</u>	<u>(194,615)</u>	-	<u>(303,784)</u>
Carrying amount at 31 December 2011	-	130,343	1,882,394	2,012,737
Additions	1,012,116	208,849	784,042	2,005,007
Transfers	2,610,823	55,613	(2,666,436)	-
Depreciation (Note 7a)	<u>(115,897)</u>	<u>(44,776)</u>	-	<u>(160,673)</u>
Carrying amount at 31 December 2012	<u><u>3,507,042</u></u>	<u><u>350,029</u></u>	<u><u>-</u></u>	<u><u>3,857,071</u></u>

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Note 14. Intangible assets

	2012 \$	2011 \$
Computer software – at cost	6,172,601	4,527,033
Less: Accumulated amortisation	(4,771,215)	(4,012,057)
Net book value	1,401,386	514,976
Software under development	966,299	1,128,770
	<u>2,367,685</u>	<u>1,643,746</u>

	Computer Software	Software under development	Total
	\$	\$	\$
Carrying amount at 1 January 2011	930,614	-	930,614
Additions	76,632	1,128,770	1,205,402
Amortisation (Note 7a)	(492,270)	-	(492,270)
Carrying amount at 31 December 2011	514,976	1,128,770	1,643,746
Additions	510,506	972,591	1,483,097
Transfers	1,135,063	(1,135,063)	-
Amortisation (Note 7a)	(759,158)	-	(759,158)
Carrying amount at 31 December 2012	<u>1,401,387</u>	<u>966,298</u>	<u>2,367,685</u>

Note 15. Deferred tax assets

	2012 \$	2011 \$
The balance comprises temporary differences attributable to:		
Tax losses	-	4,460,292
Deferred tax assets	<u>-</u>	<u>4,460,292</u>
Movements:		
Opening balance at 1 January	4,460,292	9,040,655
Charged to income statement	(4,460,292)	(4,580,363)
Closing balance at 31 December	<u>-</u>	<u>4,460,292</u>
Deferred tax assets expected to be recovered within 12 months	-	4,460,292
	<u>-</u>	<u>4,460,292</u>

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Note 16. Borrowings

	2012 \$	2011 \$
Unsecured		
Bank loans	280,000,000	179,000,000
Medium Term Notes	1,525,000,000	1,090,000,000
Commercial Paper	350,000,000	329,000,000
Intercompany Loan	-	101,769,000
Related Entity Loan	144,300,000	144,300,000
Total Unsecured	2,299,300,000	1,844,069,000
Less: Capitalised finance costs	(837,548)	(4,481,894)
Total borrowings	2,298,462,452	1,839,587,106
 Maturity analysis		
Not longer than 3 months	530,000,000	649,769,000
Longer than 3 months not longer than 12 months	444,300,000	125,000,000
Longer than 1 year not longer than 5 years	1,325,000,000	1,069,300,000
	2,299,300,000	1,844,069,000
 Credit standby arrangements		
Total bank loan facility	555,000,000	269,000,000
Used at balance date	179,000,000	179,000,000
Unused at balance date	376,000,000	90,000,000
 Total bank overdraft facility	10,000,000	10,000,000
Used at balance date	-	-
Unused at balance date	10,000,000	10,000,000

Bank loans include maturities between 1 to 5 years duration with an average rate of 4.00% (2011: 5.78%).

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice.

The current interest rate is 4.53% (2011: 4.55%) on the overdraft facility.

The Medium Term Note and bank loan program include maturities between 1 to 5 years duration with an average rate of 5.99% (2011: 6.50%).

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Note 16. Borrowings (continued)

The Commercial Paper program includes maturities between 30 to 182 days duration with an average rate of 3.60% (2011: 5.10%).

The related entity loan is provided from Volkswagen Financial Services NV and is provided at a commercial interest rate of 6.66% (2011: 6.66%). It is due to mature in August 2013.

Concentration of exposures

Amounts due to other financial institutions represent borrowings from four Australian licensed deposit taking institutions.

Note 17. Other liabilities

	2012 \$	2011 \$
Amounts payable to related entities	32,348,895	20,109,577
Other creditors	<u>24,475,513</u>	<u>35,727,600</u>
	<u>56,824,408</u>	<u>55,837,177</u>

The maturity of these other liabilities is no more than 3 months.

Note 18. Employee entitlements

	2012 \$	2011 \$
Provision for entitlements leave	564,021	487,788
Provision for staff bonus	<u>1,023,933</u>	<u>436,232</u>
	<u>1,587,954</u>	<u>924,020</u>

Movements in provisions	Annual Leave \$	Staff Bonus \$	Total \$
Carrying amount at start of year	487,788	436,232	924,020
Additional provisions recognised	76,233	848,720	924,953
Reductions in provisions	-	(261,019)	(261,019)
Carrying amount at end of year	<u>564,021</u>	<u>1,023,933</u>	<u>1,587,954</u>

Volkswagen Financial Services Australia Pty Limited
Notes to the financial statements
31 December 2012

Note 19. Deferred tax liabilities

	2012 \$	2011 \$
The balance comprises temporary differences attributable to:		
Unamortised dealer commissions	15,964,387	12,075,891
Loans and receivables	1,165,312	2,093,172
Doubtful debts	(3,706,919)	(2,956,090)
Deferred income from leases	(2,990,474)	(2,340,139)
Other provisions & accruals	(3,241,352)	(2,412,252)
Derivative financial instruments	(322,421)	325,704
Other	(3,451,716)	(1,105,634)
Net deferred tax liabilities	<u>3,416,817</u>	<u>5,029,244</u>
Movements:		
Opening balance at 1 January	5,029,244	5,460,905
Charged to income statement	(1,290,006)	(575,365)
Charged to equity	(322,421)	325,704
Closing balance at 31 December	<u>3,416,817</u>	<u>5,029,244</u>
Net deferred tax liabilities expected to settled within 12 months	(9,821,399)	(8,608,983)
Net deferred tax liabilities expected to be settled after 12 months	<u>13,238,216</u>	<u>13,638,227</u>
	<u>3,416,817</u>	<u>5,029,244</u>

Deferred tax assets and liabilities are set off on the balance sheet as there is a legally recognised right to set off and that the deferred tax assets and liabilities relate to income taxes levied on the same taxable entity.

Note 20. Contributed equity

	2012 Shares	2012 \$	2011 Shares	2011 \$
(a) Share capital				
Ordinary shares – fully paid	105,440,000	140,440,000	105,440,000	105,440,000

(b) Movements in ordinary share capital:

Date	Details	Number of shares	Issue price	\$
1 January 2004	Opening balance	26,000,000	\$1.00	26,000,000
18 March 2004	Share Issue	11,000,000	\$1.00	11,000,000
23 July 2009	Share Issue	43,440,000	\$1.00	43,440,000
15 December 2010	Share Issue	25,000,000	\$1.00	25,000,000
07 December 2012	Increase in issued capital			35,000,000
31 December 2012	Balance	<u>105,440,000</u>		<u>140,440,000</u>

(c) Ordinary shares

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

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one

Volkswagen Financial Services Australia Pty Limited
Notes to the financial statements
31 December 2012

vote, and upon a poll each share is entitled to one vote.

(d) Capital risk management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for its parent company and act as a captive financier to its brand partners in Australia. In order to maintain or adjust the capital structure in line with its capital management and liquidity strategy, the company can request additional capital injection from its parent company or raise additional debts within the capital markets in accordance with the Australian regulatory framework and requirements.

Note 21. Retained earnings / (accumulated losses)

	2012	2011
	\$	\$
Retained earnings / (accumulated losses) at the beginning of the financial year	3,022,163	(2,787,530)
Net profit for the year	7,007,725	5,809,693
Retained earnings at the end of the financial year	<u>10,029,888</u>	<u>3,022,163</u>

Note 22. Reserves

	2012	2011
	\$	(Restated) \$
Cash flow hedge reserve	<u>(752,313)</u>	<u>(759,977)</u>
	<u>(752,313)</u>	<u>(759,977)</u>
Movements:		
<i>Cash flow hedge reserve</i>		
Opening balance at 1 January	(759,977)	1,793
Revaluation – gross	10,948	(1,088,243)
Deferred tax (note 8c)	(3,284)	326,473
Balance as at 31 December	<u>(752,313)</u>	<u>(759,977)</u>

Nature and purpose of hedging reserve for cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in Note 1(i). Amounts are recognised in the income statement when the associated hedged transaction affects profit and loss.

Volkswagen Financial Services Australia Pty Limited
Notes to the financial statements
31 December 2012

Note 23. Financial instruments

	2012 \$	2011 (restated) \$
Assets		
Interest rate swap contracts	<u>36,827,915</u>	<u>16,895,333</u>
Total derivative financial instrument assets	<u>36,827,915</u>	<u>16,895,333</u>
Liabilities		
Interest rate swap contracts	<u>38,341,191</u>	<u>9,869,584</u>
Total derivative financial instrument liabilities	<u>38,341,191</u>	<u>9,869,584</u>

(a) Instruments used by the Company

The Company is a party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates in accordance with the Company's financial risk management policies (refer to Note 2).

(i) Interest rate swap contracts

Interest bearing liabilities currently bear an average variable interest rate of 5.06% (2011: 5.99%). It is the Company's policy to protect part of the loans from exposure to increasing interest rates. Accordingly, the Company has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

Swaps currently in place cover approximately 82.42% (2011: 81.34%) of the interest bearing liabilities outstanding and are timed to expire as each bank loan repayment or maturity of commercial paper falls due. Fixed interest rates range between 3.90% and 7.75% (2011: from 3.85% to 6.53%) and the variable rates are between 3.51% and 5.83% (2011: from 4.44% to 7.75%).

The notional principal amounts, carrying values and the remaining terms of interest rate contracts outstanding at the reporting date are:

	2012 Notional \$	2011 Notional \$
Not longer than 3 months	70,000,000	55,000,000
Longer than 3 months not longer than 12 months	395,000,000	350,000,000
Longer than 1 year not longer than 5 years	<u>1,430,000,000</u>	<u>1,095,000,000</u>
	<u>1,895,000,000</u>	<u>1,500,000,000</u>

The gain or loss from revaluing the cash flow hedging instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and re-classified into profit and loss when the hedged interest expense is recognised. The ineffective portion is recognised in the income statement immediately. In the year ended 31 December 2012, a gain of \$201,652 (2011: gain of \$157,703) was included in the income statement.

Volkswagen Financial Services Australia Pty Limited
Notes to the financial statements
31 December 2012

Note 23. Financial instruments (continued)

(b) Credit risk exposures

The credit risk on financial assets which have been recognised in the balance sheet is generally the carrying amount, net of any provisions for impairment of loans and receivables.

(c) Interest rate risk exposures

The Company's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in note 23 (g). For interest rates applicable to each class of asset or liability refer to individual notes to the financial statements.

(d) Fair value of financial instruments

The fair values of financial assets and liabilities approximate the carrying amounts as disclosed on the balance sheet.

(e) Risk of counterparty default

The following table shows the quality of the financial assets:

2012	Gross carrying amount	Neither past due nor impaired	Past due and not impaired	Impaired
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	43,860,474	43,860,474	-	-
Loans and receivables	2,446,551,668	2,382,139,118	61,678,251	2,734,299
Derivative financial instruments	36,827,915	36,827,915	-	-
Other assets	27,241,981	27,241,981	-	-
Total	2,554,482,038	2,490,069,488	61,678,251	2,734,299
2011				
Financial Assets				
Cash and cash equivalents	31,208,633	31,208,633	-	-
Loans and receivables	1,951,159,573	1,910,224,474	38,433,431	2,501,668
Derivative financial instruments	16,895,333	16,895,333	-	-
Other assets	21,422,635	21,422,635	-	-
Total	2,020,686,174	1,979,751,075	38,433,431	2,501,668

Volkswagen Financial Services Australia Pty Limited
Notes to the financial statements
31 December 2012

Note 23. Financial instruments (continued)

The age analysis according to classes of financial assets that are past due but not impaired:

2012	Past due and not impaired	Up to 1 month	1 to 3 months	More than 3 months
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	-	-	-	-
Loans and receivables	61,678,251	40,651,569	15,142,613	5,884,069
Derivative financial instruments	-	-	-	-
Other assets	-	-	-	-
Total	61,678,251	40,651,569	15,142,613	5,884,069
2011				
Financial Assets				
Cash and cash equivalents	-	-	-	-
Loans and Receivables	38,433,431	26,176,256	10,873,546	1,383,629
Derivative financial instruments	-	-	-	-
Other assets	-	-	-	-
Total	38,433,431	26,176,256	10,873,546	1,383,629

Collateral obtained in the financial year just ended for financial assets that are past due but not impaired and impaired financial assets that are scheduled for disposal:

	31 December 2012	31 December 2011
	\$	\$
Vehicles	13,347,919	4,929,652

(f) Liquidity risk

The age analysis of undiscounted cash outflows from financial liabilities is as follows:

2012	Cash outflows	Up to 3 months	3 months to 1 year	1 year to 5 years
	\$	\$	\$	\$
Financial liabilities				
Borrowings	2,518,865,508	556,721,156	512,454,729	1,449,689,623
Derivative financial instruments (net inflow)	(23,002,247)	(7,554,135)	(1,533,238)	(13,914,874)
Other liabilities	56,824,408	56,824,408	-	-
Total	2,552,687,669	605,991,429	510,921,491	1,435,774,749
2011				
Financial liabilities				
Interest bearing liabilities	2,018,397,122	671,309,930	182,921,947	1,164,165,245
Derivative financial instruments (net inflow)	2,461,608	3,452,348	7,488,391	(8,479,131)
Other liabilities	55,837,177	55,837,177	-	-
Total	2,076,695,907	730,599,455	190,410,338	1,155,686,114

Derivative financial instruments represent the Net Settlement amount of Interest rate swaps. Effective interest rate swaps require settlement of the net interest receivable or payable every 90 days. Settlement dates coincide with the dates on which the interest is payable on the underlying borrowings with the fixed and floating cash flows settled on a net basis.

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Notes to the financial statements
31 December 2012

Note 23. Financial instruments (continued)

(g) Interest rate risk exposures

	Note	Floating Interest Rate	Fixed interest maturing 1 year or Less	Over 1 to 5 years	Non Interest Bearing	Total
2012						
Financial Assets						
Cash and cash equivalents	9	43,860,474	-	-	-	43,860,474
Loans and receivables	10	697,472,516	470,237,851	1,225,626,675	53,214,626	2,446,551,668
Other assets	12	-	-	-	27,241,981	27,241,981
		<u>741,332,990</u>	<u>470,237,851</u>	<u>1,225,626,675</u>	<u>80,456,607</u>	<u>2,517,654,123</u>
Weighted average interest rate		6.45%	8.44%	8.45%	-	
Financial Liabilities						
Borrowings	16	-	974,300,000	1,325,000,000	-	2,299,300,000
Other liabilities	17	-	-	-	56,824,408	56,824,408
		-	974,300,000	1,325,000,000	56,824,408	2,356,124,408
Swaps		(1,895,000,000)	465,000,000	1,430,000,000	-	-
		<u>(1,895,000,000)</u>	<u>1,439,300,000</u>	<u>2,755,000,000</u>	<u>56,824,408</u>	<u>2,356,124,408</u>
Weighted average interest rate		5.67%	5.32%	5.79%		
Net Financial assets / (liabilities)		<u>2,636,332,990</u>	<u>(969,062,149)</u>	<u>(1,529,373,325)</u>	<u>23,632,199</u>	<u>161,529,715</u>

Interest Rate Risk Exposures	Note	Floating Interest Rate	Fixed interest maturing 1 year or Less	Over 1 to 5 years	Non Interest Bearing	Total
2011						
Financial assets						
Cash and cash equivalents	9	31,208,633	-	-	-	31,208,633
Loans and receivables	10	558,354,681	361,671,195	990,880,728	40,252,969	1,951,159,573
Other assets	12	-	-	-	21,422,635	21,422,635
		<u>589,563,314</u>	<u>361,671,195</u>	<u>990,880,728</u>	<u>61,675,604</u>	<u>2,003,790,841</u>
Weighted average interest rate		6.46%	9.22%	9.34%	-	
Financial liabilities						
Interest bearing liabilities	16	-	774,769,000	1,069,300,000	-	1,844,069,000
Other liabilities	17	-	-	-	55,837,177	55,837,177
		-	774,769,000	1,069,300,000	55,837,177	1,899,906,177
Swaps		(1,500,000,000)	405,000,000	1,095,000,000	-	-
		<u>(1,500,000,000)</u>	<u>1,179,769,000</u>	<u>2,164,300,000</u>	<u>55,837,177</u>	<u>1,899,906,177</u>
Weighted average interest rate		5.67%	5.32%	5.79%	-	5.44%
Net Financial assets / (liabilities)		<u>2,089,563,314</u>	<u>(818,097,805)</u>	<u>(1,173,419,272)</u>	<u>5,838,427</u>	<u>103,884,664</u>

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Note 23. Financial instruments (continued)

(h) Interest rate sensitivity analysis

The Company's main interest rate risk arises from movements in short and long term borrowings which are set at variable interest rates. As mentioned in Note 2, the Company analyses its interest rate exposure on a dynamic basis and by using floating to fixed interest rate swaps. Various scenarios are simulated taking into account refinancing, renewal of existing positions and new business introduced. Under the interest rate swaps the Company agrees with other parties to exchange at specific intervals (mainly quarterly), the difference between fixed contract rate and floating interest rate amounts calculated by reference to the agreed notional principal amounts.

At 31 December 2012 if interest rate changed by $\pm 1.00\%$ from the year end rate of 5.62% (2011: 6.71%) with all other variables held constant, profit before income tax would have been \$(6,564,825) higher (2011: \$6,612,818) as a result of the change in funding costs associated with this variation and is presented in the following table.

2012	<u>Carrying amount</u>	<u>Profit</u> <u>-1.00%</u>	<u>Profit</u> <u>1.00%</u>
Financial Assets			
Cash and cash equivalents	43,860,474	(438,605)	438,605
Loans and receivables	2,434,195,271	(6,974,725)	6,974,725
Other assets	27,241,981	-	-
Financial Liabilities			
Borrowings	2,299,300,000	-	-
Derivative financial instruments*	1,513,276	848,505	(800,512)
Other liabilities	56,824,408	-	-
Total increase /(decrease)		(6,564,825)	6,612,818

2011	<u>Carrying amount</u>	<u>Profit</u> <u>-1.00%</u>	<u>Profit</u> <u>1.00%</u>
Financial Assets			
Cash and cash equivalents	31,208,633	(312,086)	312,086
Loans and receivables	1,951,305,941	(5,583,547)	5,583,547
Derivative financial instruments*	7,025,749	525,854	(520,647)
Other assets	21,411,635	-	-
Financial Liabilities			
Borrowings	1,844,069,000	-	-
Other liabilities	55,837,177	-	-
Total increase / (decrease)		(5,369,779)	5,374,986

* Derivative financial instruments represent the carrying amount of interest rate swaps. The notional amounts of the interest rate swaps are disclosed in Note 23(a). The interest rate sensitivities have been calculated on those notional amounts.

Volkswagen Financial Services Australia Pty Limited
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(i) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- (a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- (b) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
- (c) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

Based on the hierarchy definition above, the financial assets and financial liabilities of the Company would be included as level 2 financial assets and financial liabilities.

Volkswagen Financial Services Australia Pty Limited
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Note 24. Remuneration of auditors

	2012 \$	2011 \$
During the year, the auditor and its related practices earned the following remuneration:		
Remuneration for audit of the financial reports of the Company:		
Auditor of the Company – PricewaterhouseCoopers	<u>191,749</u>	<u>90,000</u>
	191,749	90,000
Remuneration for other services:		
Auditor of the Company – PricewaterhouseCoopers:		
Taxation	419,445	24,000
Total Remuneration	<u><u>611,194</u></u>	<u><u>114,000</u></u>

Note 25. Commitments for expenditure

	2012 \$	2011 \$
Lease commitments		
<i>Operating leases</i>		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	1,044,531	1,324,038
Later than one year but not later than 5 years	3,033,116	3,140,327
Greater than 5 years	<u>4,033,993</u>	<u>4,746,875</u>
Commitments not recognised in the financial statements	<u><u>8,111,640</u></u>	<u><u>9,211,240</u></u>

Note 26. Related parties

(a) Directors

The names of persons who were directors of the Company during the financial year:

Mr David Maloney
Mr Dirk Birke
Mr Oliver Schmitt
Mr Patrick Welter

Volkswagen Financial Services Australia Pty Limited
Notes to the financial statements
31 December 2012

Note. 26 Related parties (continued)

(b) Other Key management personnel compensation

The following persons had authority and responsibility for the planning, directing and controlling of the activities for the Company, directly or indirectly, during the financial year. They are responsible for both the short term and long term strategic planning of the organisation as well as the implementation of policies and procedures which adhere to those of the parent entity. They also ensure local compliance with regulatory bodies.

Name	Position
David Maloney	Managing Director
Dirk Birke	Managing Director
Wilson Leung	GM Finance
Trent Knox (Resigned on 15 January 2013)	GM Sales
Mark Braithwaite (Started on 4 February 2013)	GM Sales
Stephen Butel	GM IT & Projects
Mark Hughes	GM Operations
Michail Kalavrezos	Senior Risk Manager

(c) Key management personnel compensation

	2012	2011
	\$	\$
Short-term employee benefits	1,169,856	1,451,517
	1,169,856	1,451,517

Transactions within the wholly owned group

During the financial year there were recharges of expenses within the wholly owned group of entities of the Volkswagen Group. Amounts receivable and payable to the parent entity are included in Note 17.

Controlling entities

The ultimate parent entity is Volkswagen AG (incorporated in Germany). The intermediate parent entity is Volkswagen Financial Services AG which at 31 December 2012 owns 100% (2011: 100%) of the issued ordinary shares of Volkswagen Financial Services Australia Pty Limited.

Volkswagen Financial Services Australia Pty Limited
Notes to the financial statements
31 December 2012

Note. 26 Related parties (continued)

Other related parties

Aggregate amounts included in the determination of profit from continuing operations before income tax that resulted from transactions with each class of other related parties:

During the year, the Company paid \$9,610,380 (2011: \$9,610,380) in interest expense to Volkswagen Financial Services Netherland NV for the intercompany loan of \$144,300,000.

Expenses incurred by parent Company on behalf of Volkswagen Financial Services Australia Pty Limited were repaid during the year. These were in the form of \$1,067,260 (2011: \$977,806) for guarantee fees and treasury services, payment for IT support in the form of \$202,788 (2011: \$121,962) and \$505,879 (2011: \$303,704) for expert technical assistance.

During the year Volkswagen Financial Services Australia Pty Limited offered retail finance campaigns that were assisted from contributions by Audi Australia Pty Limited and Volkswagen Group Australia Pty Ltd. These contributions totalled \$17,400,164 (2011: \$2,902,634).

During the year amounts receivable from Volkswagen Group Australia and Audi Australia were in the total of \$112,445,000 (2011: \$61,689,000).

Motor vehicles were provided to Volkswagen Financial Services Australia Pty Limited during the year from commonly controlled entities. The costs for these vehicles totalled \$321,882 (2011: \$374,174) and were made on normal commercial terms and conditions.

At balance date the following balances existed with other related parties:

	2012 \$	2011 \$
Receivables		
Amounts (receivable) from parent entity	<u>(134,294)</u>	<u>(67,479)</u>
Payables		
Amounts payable to commonly controlled entities	144,300,000	144,300,000
Intercompany loan	-	101,769,000
Amounts payable to Volkswagen Group Australia and Audi Australia	32,348,894	20,109,577
Total	<u>176,648,894</u>	<u>266,178,577</u>

Note 27. Credit commitments

The Company has outstanding commitments to extend credit in the normal course of business which are not reflected in the financial report.

Outstanding credit commitments provided to customers currently undrawn are as follows:

	2012 \$	2011 \$
Wholesale Customers	90,524,974	52,123,794
Total	<u>90,524,974</u>	<u>52,123,794</u>

Volkswagen Financial Services Australia Pty Limited
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31 December 2012

Note 28. Events occurring after balance sheet date

There are no material events to the Company which have occurred after balance sheet date.

Note 29. Contingent liabilities

There are no contingent liabilities as at 31 December 2012 (2011: Nil)

Note 30. Reconciliation of Profit from continuing operations after income tax to net cash outflow from operating activities

	2012	2011
	\$	\$
Profit from continuing operations after income tax	7,007,725	5,809,693
Depreciation	919,831	796,054
Fair value (gain) / loss on derivatives	(201,652)	(157,703)
Change in operating assets and liabilities		
Decrease / (increase) in other operating assets	(5,819,346)	(12,164,799)
Decrease / (increase) in receivables	(492,889,330)	(326,635,350)
Decrease / (increase) in deferred tax asset	4,460,292	4,580,363
Decrease / (increase) in derivative financial instruments	8,345,037	(8,138,190)
Increase / (decrease) in other operating liabilities	5,019,891	25,605,023
Increase / (decrease) in deferred tax liability	(1,612,427)	431,661
Increase / (decrease) in other provisions	663,932	190,977
Net cash outflow from operating activities	<u>(474,106,047)</u>	<u>(309,682,271)</u>

Volkswagen Financial Services Australia Pty Limited

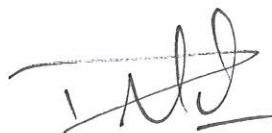
Directors' declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 4 to 41 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Company's financial position as at 31 December 2012 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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



David Maloney
Director

Sydney
30 May 2013



Dirk Birke
Director

Sydney
30 May 2013



Independent auditor's report to the members of Volkswagen Financial Services Australia Pty Limited

Report on the financial report

We have audited the accompanying financial report of Volkswagen Financial Services Australia Pty Limited (the Company), which comprises the balance sheet as at 31 December 2012, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

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

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757

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Auditor's opinion

In our opinion:

- (a) the financial report of Volkswagen Financial Services Australia Pty Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's financial position as at 31 December 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the Company's financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

A handwritten signature in blue ink, appearing to read "PricewaterhouseCoopers", written over the printed name.

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read "Ian Hammond", written over the printed name.

Ian Hammond
Partner

Sydney
30 May 2013