ANNUAL REPORT

YEAR ENDED 30 SEPTEMBER 2023

Making lending about **people** again

BOARD CHAIR'S OVERVIEW

It is my pleasure to present MTF Finance's Annual Report for 2023 on behalf of your Board of Directors.

FY23 shows a stellar record result that has proven the strategic path for the business has been extremely successful for customers, originators and shareholders.

A number of significant achievements have been reached this year and deserve attention;

- Reaching $1billion in lending assets is a landmark result that provides important scale for MTF Finance and puts us near the top of non-bank lenders in New Zealand. Sales year on year increased a stunning 40%. This ultimately helps more New Zealanders with easier access to funding.
- The company NPAT result of $11.6m is also a record and up 38% on the previous year.
- The net asset backing per share has lifted from $2.95 to $3.40 (+15.5%) – showing our growing balance sheet strength and significant increase in share value.
- The Board approved a special dividend for the year in addition to a final dividend, showing an increase of 244% of dividends from the previous year.
- We distributed a total of $85.5m in commissions and fees to originators during the year, an increase of over 27% from the previous year. Not only did new franchises start strongly, but all franchises experienced solid growth. My congratulations to everyone for their own personal growth and results.
- The purchase of The Lending People has given us access to a new direct on-line and largely automated digital lending channel, and most importantly gives access to excellent digital systems we can apply across MTF Finance.
- New lending products recently introduced into the franchise and dealer channels over the last two years are gaining momentum which contributed strongly to our growth.
- We have continued with the Future Directors programme, and have now had three originators through the programme. It is great to see their enthusiasm and learnings taken, and we have committed to the programme for another year.
- The Board have continued to hold Board meetings around New Zealand so that we can connect with local originators. This is providing valuable connections.

The Senior Leadership Team under Chief Executive Chris Lamers have worked incredibly hard in a year where the strategic plan was executed with energy and skill, and we thank the whole team for their years' effort.

My final and special thanks to my Board colleagues who have worked constructively and tirelessly governing and directing the business through the pains and strains of growth and change. I am honoured to serve on MTF Finance's Board with this group of talented directors.

This Annual Report provides an opportunity to reflect on MTF Finance's journey, and I believe we have come a long way in recent years. This paradigm shift in scale sets us up well for future success.

Mark Darrow
Board Chair

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REPORT FROM THE CEO

In my working career, the past 12 months would be amongst the most satisfying I have experienced.

In the last annual report we saw the early signs of growth in the business, off the back of a well-established strategy.

Fast forward 12 months and what we have achieved as an organisation has exceeded expectations. To achieve the $1b milestone two years earlier than anticipated shows the potential of this business and I firmly believe there is more to come. But growth alone is not worth celebrating unless it is coupled with great customer experiences, positive loan outcomes and a team that comes to work and loves what they do. As you read the report, you will see we have hit milestones worth celebrating in all of these key areas.

What went well to get us here? We stayed focussed on a clear strategy that was designed to deliver growth and resilience. This involved improving our product offering and our systems, building momentum in franchises, reinvigorating the dealer channel, and leveraging partnerships to grow.

1. **Product and systems** – we commenced the transformation of our technology, which took a huge step forward with the acquisition of Lending People. We are now positioned to commence roll out of new and improved systems in 2024, making it easier for our originators to write loans, ensuring regulatory compliance and management of customer information.
2. **Franchise momentum** – we increased investment in marketing which led to an 84% increase in leads over the past 12 months. Regional market groups were established in Auckland and Wellington, further enhancing brand recognition. Some lending process restrictions were relaxed where it made sense, and responsible lending could still be ensured, helping realise a 25% increase in market share.
3. **Dealer reinvigoration** – it has been pleasing to see this channel flourish as greater investment and attention has been made to welcome new, and welcome back, dealers to the network with a nod to where it all started for our business. This allows us to directly compete in the dealer market, with our customer experience continually improving. While there is more work to be done, this channel offers significant growth potential.
4. **Leveraging partnerships** – partnering with businesses offering product synergies allows us to further help our customers and again improve their lending experience. The insurance partnerships initiated this year with AMI and Tower, have been a welcome addition to the incumbent offering of Autosure. These product offerings allow us to become a one-stop shop for our customer, growing the business and taking the pain out of the customer having to go away and secure these services for themselves. Our Partnership team continue to explore opportunities with other partners where synergies exist for the benefit of not only each party, but ultimately, our customer.

I am immensely proud to be part of the MTF Finance team and to achieve what we have. We have something very special in this business. And that is why it is important to recognise that what has been achieved over the past year was only possible because of the work over the 52 years before that.

But you can't lock in a future without taking some action, in fact taking no action is the fastest way to ensure you lose relevance. While it is good to celebrate our wins, what we do next matters more.

As we look forward, we need to stay focussed on looking after customers, particularly with respect to arrears. It is no secret that economic conditions have hardened in recent times. Continued increases to wholesale interest rates, stubborn levels of inflation fuelling a cost-of-living crisis, and an uptick in unemployment, is putting pressure on Kiwi households and businesses. We expect to see arrears trend up and it is imperative we remain vigilant and proactive, engaging with customers early and signalling our ability to help them through a tough time.

So where to next? We want to do more;

- **More for our customers** – our focus is on continuing to enhance our customer offering. We are in the early stages of launching the brokering of home loans through our franchise network. We will continue to enhance our product offering through both existing and new partnerships.
- **More for our community** – our key point of difference is being that we live and work in the communities we serve. This is something we relish and an area we wish to continue to invest in to further support our local base for the better.
- **More for the industry** – the reputation of non-bank lenders in New Zealand is not as favourable as our counterparts in Australia, the United Kingdon or United States. We need to reposition our part of the industry to enhance the reputation that we so necessarily trade on.

MTF Finance is a unique organisation. The business model is unique. We are expanding offices while others are closing them. We are growing faster than the market.

Every resource we have will be focused on keeping this momentum, growing in a controlled and responsible way, and helping more New Zealanders through our community-based lending model. I strongly believe we can be the organisation that redefines the sector, and I look forward to working with the team to reach the potential this business has.

To my team, thank you for delivering an amazing year, to our originators, you are what makes this a great business, to our Board, the work you do is often not seen, but the many hours you invest into this business has made all the difference, and to all shareholders, thank you for your ongoing belief and trust in MTF Finance.

Chris Lamers

Chris Lamers
Chief Executive Officer

Net Promoter Score

79

Franchise customers

25% year on year

Age 25-34

97% year on year

Gross receivables

$1,010m

Trustpilot rating

4.9/5

10,000+ reviews

Motor vehicles

17% year on year

Franchises

51

Loan size (30-40k)

46% year on year

Personal loans

87% year on year

Dealer customers

12% year on year

OUR VALUES

THE WAY WE WORK

STRONGER together

- **Supporting our customers is our number one priority.** We create exceptional customer experiences through providing great support to our originators and our internal stakeholders.
- **We challenge behaviours and actions** that fall short of what is expected: it's the right thing to do.
- Wherever, and however we work, **we are engaged, responsive, and committed** to delivering quality outcomes.

curiosity IS IN OUR DNA

- We're all on a journey – being **hungry for knowledge and learning** about the world around us is critical to our work.
- **We listen to understand**, and we see the world through other people's eyes. This means when we aren't sure, we keep searching.
- **We welcome feedback** because this helps us improve.
- **We step outside our comfort zones**, because that's how we learn.

LOVE MAKING THINGS happen

- **We run towards change, we explore and we push** for exceptional results for ourselves, our team and our customers.
- **We challenge our status quo** because there may be a better way.
- We recognise when a job is well done, and **celebrate our achievements as a team**
- **We own our mistakes so we learn** what we need to do to get it right next time.

TOGETHER, WE'RE ON A MISSION TO HELP NEW ZEALANDERS GET AHEAD BY MAKING LENDING ABOUT PEOPLE AGAIN

SUPPORTING OUR COMMUNITIES

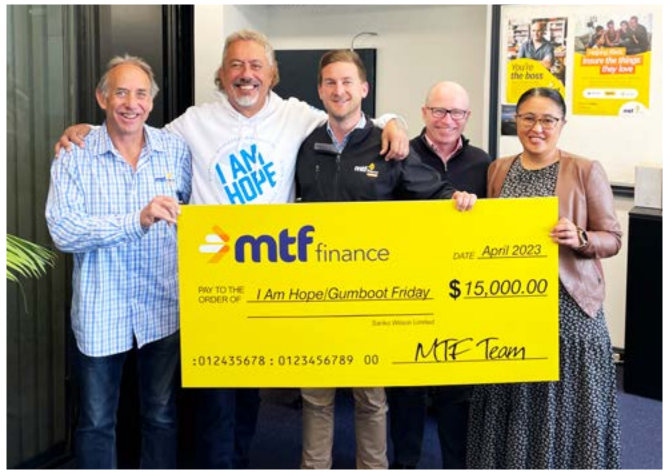
Partnering to do good

Because we're in every major community nationwide and are **financially invested** in our customers, we genuinely care about the wellbeing of the community and economy of the areas we live and work in. This means we make the effort to personally help those individuals we interact with **as individuals**, not just a number in a spreadsheet.

For many of our customers, getting a loan is a daunting ordeal, particularly those with families who may be impacted because of adverse circumstances. Financial stress is a leading cause of mental health issues, but as responsible lenders and owner-operators, our franchises in particular are uniquely positioned to help mitigate financial stress before things get out of hand.

The weather events in the North Island earlier this year affected MTF Finance business owners quite badly. With an army of people all over the country, it was decided to raise funds for flood relief in affected areas. After raising and distributing $138,000 to great community causes at grass-roots level, it became obvious that there was a desire among our MTF Finance staff to 'do more'.

Our experiences and pro-active solutions during Covid and the recent weather events has shown that we are among the business community's 'first responders' in minimising financial impact during national upheaval. We can point to real, tangible ways in which we've made a difference to the lives of many during these times.



MTF Finance Hastings: (left to right) John Sanko, Mike King (I Am Hope Founding Ambassador), George Wilson, Michael Knauf, Natasha Thompson

MTF Finance National Community Volunteering Challenge

The MTF Finance National Community Volunteering Challenge tasks MTF Finance teams across New Zealand with donating 2,024 volunteering hours to local communities and charitable organisations all over the country in the next 12 months. It aims to build on the company's 53-year history of serving local customers across its nationwide network of approved vehicle dealers and franchisee-owned stores across New Zealand.

MTF Finance CEO, Chris Lamers, said: "*To continue our ongoing support for the communities we serve, we've decided to build on our community support programme by launching the MTF Finance National Community Volunteering Challenge. We're encouraging all our teams and franchisees across the country to help us hit our target of 2,024 hours of community support over the next 12 months. It's been great to see so many of our colleagues donate their time to a host of charitable organisations in the Dunedin area on launch day.*"

RECOGNISING EXCELLENCE IN MARKETING

This year we celebrated remarkable accomplishments in marketing. MTF Finance was recognised as a finalist at the prestigious TVNZ Marketing Awards and clinched the Excellence in Marketing award at The Grand Business South Awards. These acknowledgments signify a year of exceptional efforts in creating and building brand momentum for the company.

The Grand Business South Awards 2023 Excellence in Marketing winner

The Marketing Team was honoured to be selected as the winner of the Excellence in Marketing Award at The Grand Business South Awards 2023.

Held every two years by Business South, the awards celebrate the innovation, creativity and success in the business sector. The high-profile Awards have been a highlight of the Southern region's business calendar for over 24 years.

MTF Finance Head of Marketing Gus Geary was on hand to accept the award.

"Accepting the award on behalf of our National Office team was very special. It represents all the ups and downs, blood, sweat and tears everyone sheds to make MTF Finance awesome.

Thank you to the Marketing Team for your dedication and hard work, and to the Senior Leadership Team for believing in creativity to help build brand momentum." – Gus Geary

(left to right) Andrew Haigh, Kyle Cameron, Sharon Grimsey, Gus Geary, Jamie Moran, Chris Lamers, Fraser Wilson, Sonia McGregor, Kelsey Fletcher, Rowena Davenport

TVNZ New Zealand Marketing Awards 2023 Marketing Excellence finalist

A nationwide celebration of excellence in Marketing now in its 32nd year, the TVNZ-NZ Marketing Awards shares the stories of creativity, energy, tenacity and results that have made a difference.

The celebratory Awards night was held on 6 September at Auckland's Spark Arena, with a dazzling display of the country's best marketing up for prizes.

MTF Finance was a finalist in the categories of:

- Excellence in Financial and Banking Marketing Strategy
- Excellence in Brand Transformation Strategy
- Excellence in Marketing Communication Strategy

While we didn't come home with the top prize this year, it was amazing to see MTF Finance up there in lights alongside New Zealand's household brands.

A massive shout-out to the MTF Finance Marketing Team and their support agencies for this great achievement.

LOCALS BACKING LOCALS

When we say we understand, we really mean it!

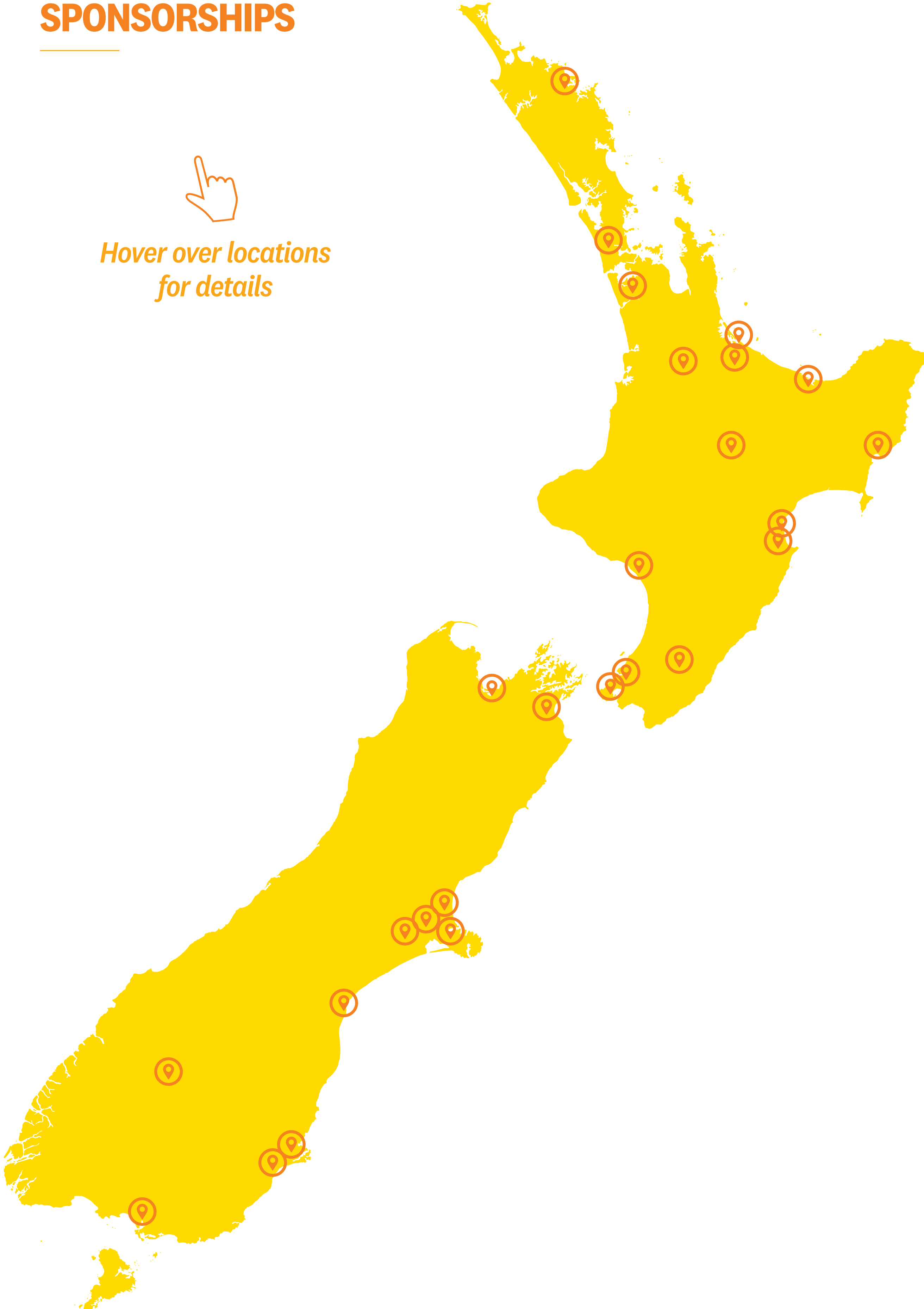
MTF Finance is a Kiwi-owned business with local offices across New Zealand, and we're proud to be strongly connected to our communities - after all, we've been part of the landscape for over 50 years.

At a time when banks are pulling out of communities, we continue to expand and grow our involvement. We prioritise a great customer experience with the goal of making lending about people again. Being able to talk face-to-face means that our customers are dealing with the decision-maker, wasting no time in getting what they need to do more.

MTF Finance Thorndon

LOCAL SPONSORSHIPS

Hover over locations for details



FINANCIAL SUMMARY

Year ended 30 September 2023	2023 $m	2022 $m
Operating result		
New loans	846.4	606.5
Profit after tax	11.6	8.4
Underlying profit after tax [1]	11.3	6.6
Total assets	1,096.8	845.2
Total paid to originators	85.5	67.3
Performance indicators		
Net interest income/average finance receivables	3.2%	3.3%
Expenses/average total assets [2]	3.1%	3.1%
Impaired asset expense/average finance receivables	0.04%	0.03%
Credit risk allowance/average finance receivables	0.44%	0.55%
Capital percentage	9.87%	11.79%
Shareholder value (per ordinary share)		
Adjusted net asset backing [3]	$3.40	$2.95
Underlying profit after tax [4]	$0.45	$0.29
Dividend for the year (net)	$0.2690	$0.0783

1 Underlying profit after tax (UPAT) removes the volatility of unrealised fair value movements and adjustment to credit risk assessment, to provide a more consistent measure of company performance.
2 Expenses excludes bad debt.
3 Adjusted net assets comprises net assets less perpetual preference shares.
4 Excludes dividends paid to perpetual preference shareholders.

	2023 $000	2022 $000
Profit after tax	11,555	8,366
Adjustments:		
Finance receivables at fair value (Note 12)	(6,300)	14,486
Adjustment to credit risk assessment	(88)	(40)
Interest rate swap derivatives at fair value (Note 7)	6,025	(16,888)
Total adjustments before tax	(363)	(2,442)
Tax on adjustments	102	684
Underlying profit after tax (UPAT)	11,294	6,608

FINANCIAL PERFORMANCE

Headlining the financial performance for the period is unprecedented growth in sales of 40% to $846m. This has had a positive impact on profitability, with all key performance metrics improving from 2022:

- Net interest income and fees have increased 32% to $45.8m
- Operating expense ratio has decreased 1%
- Profit after tax has increased 38% to $11.6m
- Underlying profit after tax has increased 71% to $11.3m
- Total originator earnings has increased 27% to $85.5m

The combination of strong sales growth and well-managed operating expense has allowed us to hold interest rates as low as possible for customers as well as deliver record returns to originators.

The result is particularly pleasing due to the hardening of economic conditions experienced during the period, notably the regular increases to wholesale interest rates and persistent inflation, squeezing margins.

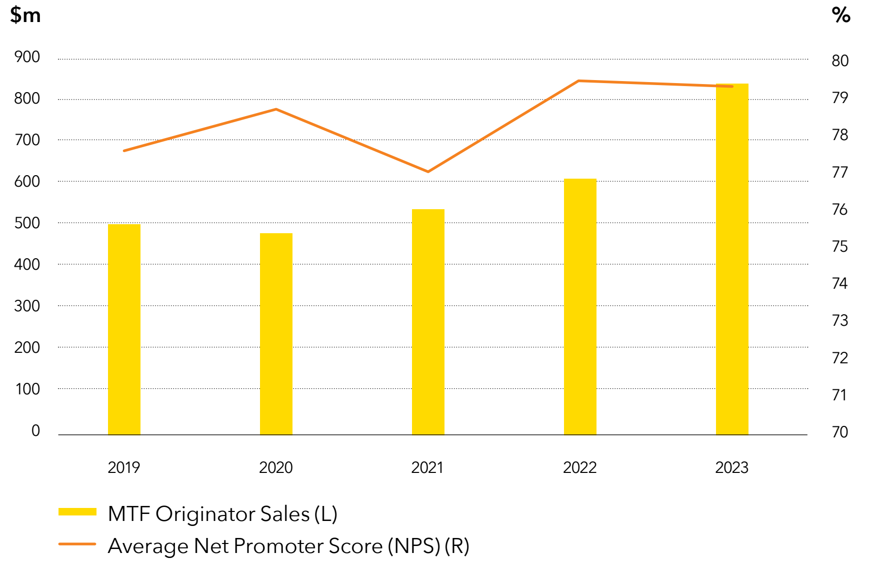
We were also able to continue our investment in business transformation, national brand marketing and the development of our non-recourse product, which will collectively deliver long term value to all stakeholders. On top of this, we acquired a new business in the Lending People.

an increase of 40% from $607m in 2022

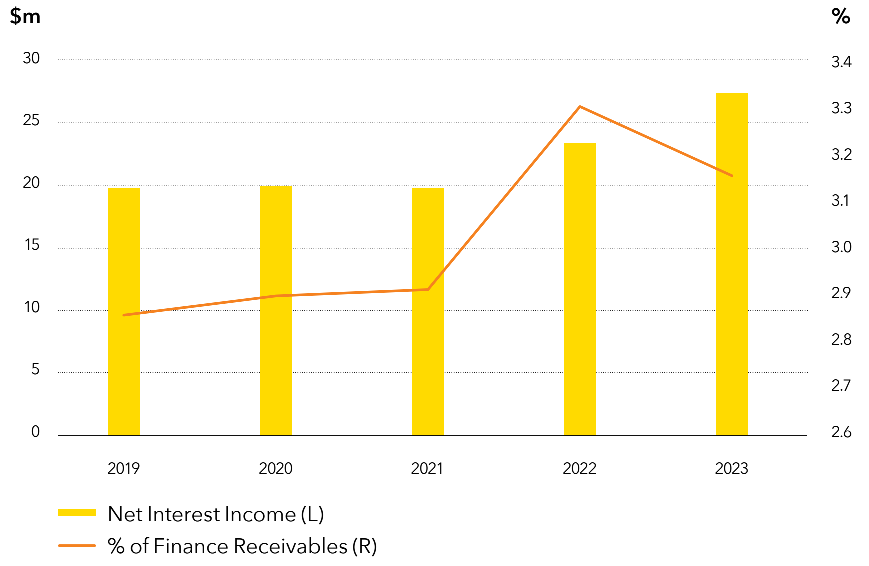
Sales for the year

$846m

New loans and net promoter score (NPS)



Net interest income/average finance receivables



FINANCIAL POSITION AND LIQUIDITY

The foundations of the business are strong, allowing management to continue to focus on quality growth. The capital ratio is 9.9%, providing scope to fund this continued growth, business transformation and buffer against a potential deterioration in credit performance over a period of forecast economic stress.

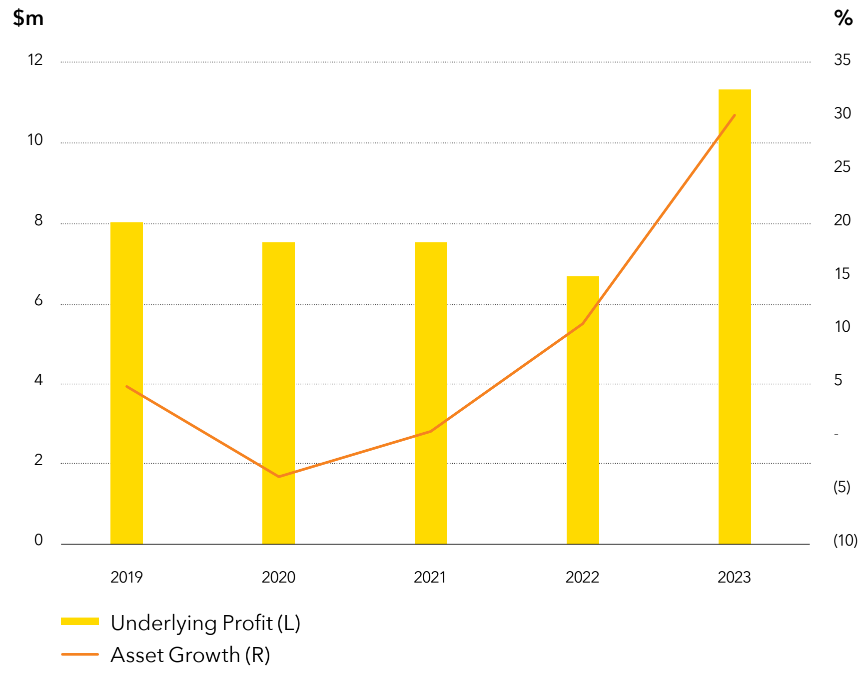
For the second consecutive year finance receivables have hit a record high, increasing 32% to $1,010m (before fair value and credit risk adjustments), on the back of record sales as the expansion of our product offering starts to gain traction.

Funding facilities have sufficient capacity to support existing receivables and fund growth with $342m undrawn at year end. A highlight has been the establishment and settlement of the Personal Loan Warehouse, enabling the securitisation of finance receivables backed by unsecured personal loans. This product is a significant contributor to business growth.

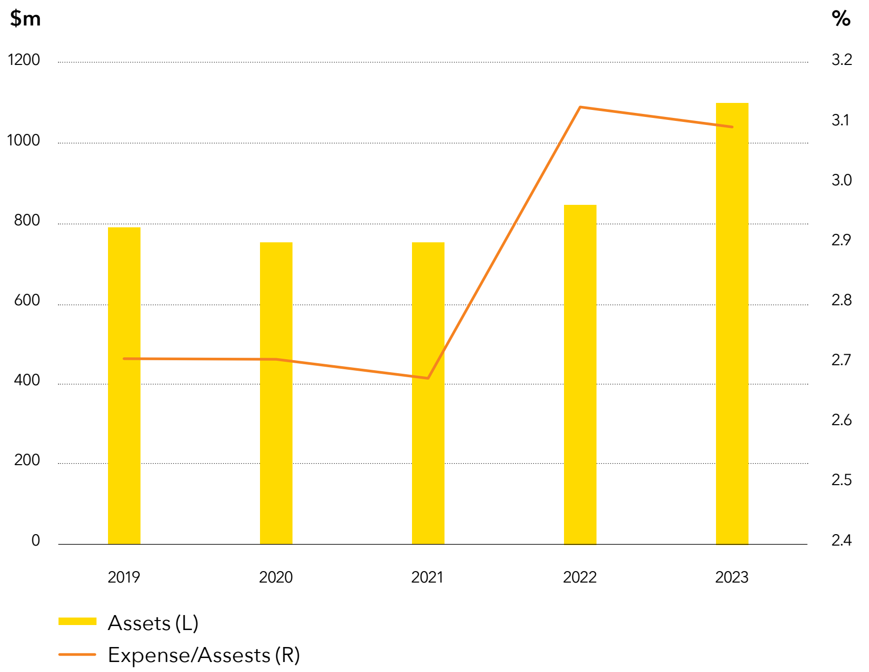
In March we completed our seventh public term securitisation transaction (the MTF Opala Trust 2023) comprising issuance of $280m of medium-term notes to institutional investors. This transaction was well supported by long standing repeat investors, and attracted interest from several new investors.

We intend to return to market in 2024, subject to market conditions. The success of our capital markets programme has been a key contributor to keeping our funding as efficient as possible, managing our capital and providing liquidity to other funding facilities.
We look forward to engaging with investors in the coming months.

Underlying profit and asset growth



Assets to expenses



CREDIT QUALITY

At the date of this report, 31+ day arrears stood at 0.69% (2022: 0.57%) and while this has crept up in recent months, it still trends lower than pre-Covid levels. We continue to be well provisioned to accommodate any deterioration in credit performance of our loan book.

OUR SHAREHOLDERS

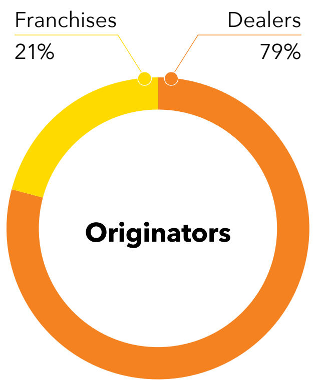
There has been a significant focus on shareholder engagement, with the following outcomes:

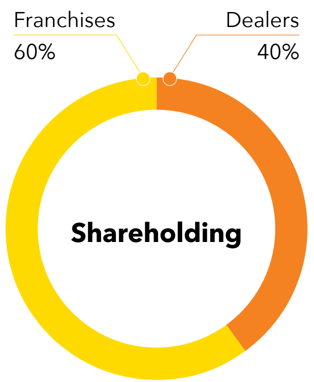
- Return on ordinary equity, using underlying profit after tax, is 13.4%, up from 9.2% for the same period last year, attributable to the financial performance of the business mentioned earlier.
- We are excited to announce a Shareholder Roadshow will commence in December. This will be a great opportunity for us to communicate some proposed changes at MTF Finance and consult with our shareholder base in person, to receive direct feedback and address any questions you may have.
- Shareholders have had the opportunity to engage directly with the Board, as regular meetings and shareholder events have been held across the country at Auckland, Wellington, Tauranga, Christchurch, and Dunedin locations.
- Perpetual preference share dividends totalling $2.0m (30 September 2022: $1.0m) were paid for the period. The dividend rate is set annually at 2.40% over the one-year swap rate, and was reset at 7.05% (2022: 3.50%) on 1 October 2022, for the twelve months to 30 September 2023.

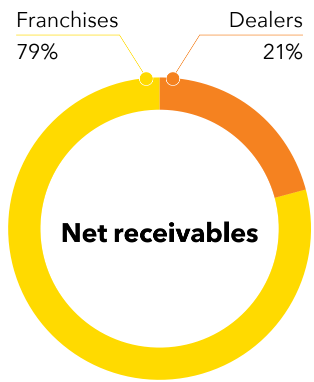
On 17 November 2023, the Board approved a final dividend of 6.38 cents per ordinary share, and a special dividend of 13.45 cents per ordinary share, for payment 7 December 2023. Total distribution relevant to the period will be 26.90 cents or $5.3m (2022: $1.5m). The special dividend declared is recognition of the strong performance of the business for the year and the delivery of a result that exceeded expectations.

A reminder to all shareholders that a dividend reinvestment plan (DRP) is in place at MTF Finance, allowing shareholders the ability to convert their dividends into additional shares. Shareholders are encouraged to participate. Further information on the DRP can be found at www.mtf.co.nz/about/investors.

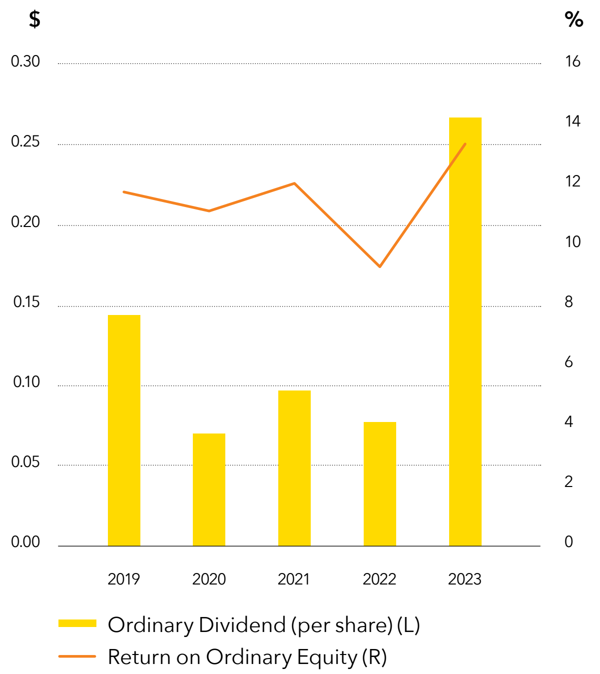
The Future Directors Programme launched last year has been a great success, with three candidates within the network having the opportunity to observe board dynamics under the mentorship of the existing Board, developing a director skillset within our shareholder base for the future. The second round of this programme has been launched and we are pleased to announce successful applicants Chris Elles, Dean Paterson and Simon Wolfgram as the next future directors to be involved from early 2024.



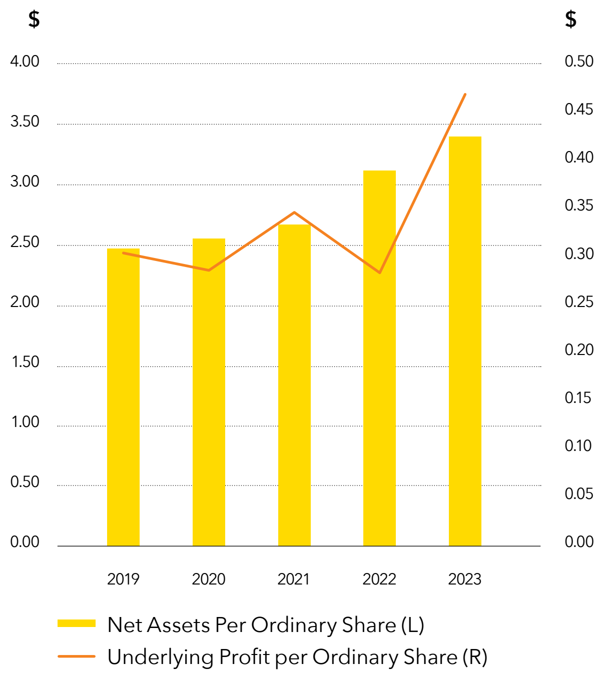




Ordinary dividend and return on ordinary equity



Net asset backing per ordinary share



OUR ORIGINATORS

Total income received by originators from MTF Finance has increased 27% to $85.5m.

Our franchise network continued to expand, with the addition of Richmond to mark our 51st location. We firmly believe this network underpins our ability to offer customers community lending and great personal service. While other lenders close down branch offerings and exit the bricks and mortar model, we proudly defy this thinking and continue to be there in person for our customers when they need us. FY24 will see the continued investment into expanding the network.

It is pleasing to see the reinvigoration and engagement within the vehicle dealer channel which continues to build. The non-recourse product offering continues to be refined, in light of valuable feedback. This demonstrates our commitment to our longstanding dealer relationships as the original genesis for the business, and a signal for how successful we know this channel can be for MTF Finance.

Thank you to all our originators for your ongoing support and trust in MTF Finance. The engagement National Office receives is a valuable tool to ensuring we continue to appropriately aim our strategic direction to what will ultimately deliver value for you all.

OUR PEOPLE

Leadership changes from last year are now well embedded, with a strong Leadership team in place. Key appointments this year were:

- Natasha Callister in February into the Chief Commercial Officer role, Natasha's background in sales and marketing across a number of industries, and most recently running NZME's automotive and lifestyle business portfolio, has proved valuable as we refine our brand position, grow the network and reengage dealers.
- Rowena Davenport was appointed Head of Credit. Rowena previously worked for MTF Finance in a variety of senior roles before time at Law firm Gallaway Cook Allen as CEO. Her experience in the sector, as a CEO and her governance experience from the Boards she serves on has helped drive a more strategic approach to Credit.

The culture of the business remains a focus and we have seen a lift in team engagement scores achieved.

It has no doubt been another busy year for the business, with product development, record sales growth, business transformation and the acquisition of a business. Each role has been impacted by this in some form, and true to MTF Finance's values, our people continue to roll up the sleeves, think pragmatically and above all, continue the mindset to act in the best interest of our customers, always.

OUTLOOK

The Board and management team remain positive about the growth potential for MTF Finance, despite the economic outlook for New Zealand. Since the Reserve Bank of New Zealand began hiking rates in October 2021, MTF Finance has been able to absorb much of the increases and have only passed on two increases since November 2022.

Combined with our unique community based lending model, new digital paths to market through Lending People and increased distribution via partnerships, we are confident that we will continue to grow market share.

The past three years have seen significant change in the regulatory environment, a change in Government has signalled they will also review the CCCFA. MTF Finance is well placed to prosper in a changing landscape due to the ability of the business to respond to change. We have kicked off a programme to modernise our systems and continue to build new capability in our people, and our originators have proved adept at meeting the changing needs of customers.

A growing focus on ESG will look to amplify the community-based lending model, to reinforce the positive impact our originators have on their communities, while playing our part in helping reduce the environmental impact of vehicles. As these strategies are finalised we will work with our originators to implement these. Most importantly, we remain committed to the purpose that defines MTF Finance, that we help New Zealanders get ahead by making lending about people again.

Mark Darrow
Board Chair

Chris Lamers
Chief Executive Officer

B&W
BLACK & WHITE
MOTOR COMPANY
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MOTOR COMPANY
mtf finance
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BLACK & WHITE
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FIVE YEAR FINANCIAL REVIEW

	2023 $000	2022 $000	2021 $000	2020 $000	2019 $000
Financial performance					
Net interest income and fees	45,822	34,765	31,123	31,678	32,337
Commission	(51,911)	(43,696)	(45,371)	(42,718)	(42,519)
Operating expenses (excluding bad debt)	(30,017)	(25,140)	(20,371)	(20,796)	(20,767)
Bad debt	(333)	(204)	(127)	(265)	(305)
Profit after tax	11,555	8,366	8,001	4,960	11,143
Underlying profit after tax [1]	11,294	6,608	7,449	7,503	7,949
Financial position					
Assets	1,096,767	845,198	761,354	753,809	784,017
Liabilities	988,570	745,570	667,503	656,327	688,088
Capital	108,197	99,628	93,852	97,482	95,929
Finance receivables	990,451	736,628	672,478	669,328	692,194
Performance indicators					
Net interest income/average finance receivables	3.16%	3.30%	2.92%	2.90%	2.86%
Operating expenses (excluding bad debt)/average total assets	3.09%	3.12%	2.67%	2.65%	2.59%
Return on assets (underlying profit after tax)	1.16%	0.82%	0.98%	0.98%	1.04%
Capital percentage	9.87%	11.79%	12.33%	12.93%	12.24%

1 Underlying profit after tax removes the volatility of unrealised fair value movements and adjustment to credit risk assessment, to provide a more consistent measure of company performance. A reconciliation of profit after tax to underlying profit after tax is shown on page 16.

GOVERNANCE

Framework

The MTF Finance Board (the Board) has adopted a corporate governance framework that encourages high standards of ethical conduct and provides appropriate accountability and control systems through the application of the Financial Markets Authority (FMA) 'Principles for corporate governance' detailed below. MTF Finance was founded as a co-operative company and maintains many elements of the co-operative model, including its governance structures.

Key governance policies are available on the MTF Finance website.

Principle 1: Ethical standards

Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation.

The Board recognises that high ethical standards and behaviours are central to good corporate governance, and it is committed to the observance of its written Code of Conduct.

The Board are committed to the highest standards of corporate governance and Director behaviour in relation to their obligations to MTF Finance and one another, recognising that behaviours demonstrated by the Board influence the behaviour and culture of the entire organisation.

MTF Finance has adopted this code as a basis for the behaviour it expects of Directors. It is aligned with the MTF Finance staff policy and is intended to drive behaviour that is in line with the Company's values, goals, and legal obligations.

The Code is available on the Company's website.

MTF Finance has a Securities Trading Policy to mitigate the risk of insider trading in its securities by employees and Directors. Additional trading restrictions apply to Restricted Persons including Directors and certain employees. Details of Directors' shareholding are on page 101 of the annual report.

Principle 2: Board composition and performance

To ensure an effective Board, there should be a balance of independence, skills, knowledge, experience and perspectives.

The Board is responsible for setting the strategic direction of the Company, overseeing the financial and operational controls of the business, putting in place appropriate risk management strategies and policies and enhancing shareholder value in accordance with good corporate governance principles.

The Board operates under a charter which:

- sets out the Board structure, role and responsibilities of Directors;
- sets procedures for the nomination, resignation and removal of Directors; and
- identifies procedures to ensure that the Board meets regularly, conducts its meetings in an efficient and effective manner and that each Director is fully empowered to perform their duties as a Director of the Company.

Day to day management of MTF Finance is undertaken by the senior leadership team under the leadership of the Chief Executive Officer, through a set of delegated authorities which are reviewed regularly.

To perform their duties, Directors have unrestricted access to information, data and advice provided by MTF Finance's senior management and external advisers. Directors have the right, with the approval of the Board Chair or by resolution of the Board, to seek independent legal or professional advice at the expense of MTF Finance for the proper performance of their duties.

Board composition and appointment

The number of elected Directors and the procedure for their re-election or retirement at Annual Shareholder Meetings is set out in the Constitution of the Company.

A nominations committee convenes when there is a Board vacancy to fill. The Board takes into consideration capability, diversity and skills when reviewing Board composition and new appointments.

At each Annual Shareholder Meeting, one-third of the current Shareholder Directors retire by rotation and are eligible for re-election. Any Shareholder Directors appointed since the previous annual meeting must also retire and are eligible for election.

The Board currently has six Directors, comprising two independent Directors and four Shareholder Directors. The Shareholder Directors are elected by Shareholders. Independent Directors are appointed by the Shareholder Directors to ensure ongoing balance in the Board composition in terms of finance and wider business knowledge.

Information on each Director is available on the MTF Finance website. Directors' interests are disclosed on page 102 of this report.

The Company encourages all Directors to undertake appropriate training so that they may best perform their duties including attending technical and professional development courses.

The Board undertakes regular performance evaluation as it recognises that it is an important feature of effective governance and helps the Board achieve a greater understanding of its performance in the key areas of: role, meetings, purpose, stakeholders, conformance, performance, Management and Board, culture and capability. The evaluation assists the Board and Directors to recognise strengths and weaknesses, assess and benchmark performance and identify opportunities to improve.

Future Directors programme

This programme commenced in 2022 to give up-and-coming board directors the opportunity to gain first-hand experience of the director role in preparation for taking on future directorships. Launched in conjunction with the Institute of Directors, the programme gives the opportunity for appointed candidates to observe board dynamics under the mentorship of the existing board. MTF Finance is committed to developing new directors from within the shareholder base with three new Future Directors serving consecutively over 18 months from 1 September 2022 with another three in 2024.

Diversity

MTF Finance believes that diversity and inclusion of background, experiences, thoughts and ways of working lead to greater creative and innovative solutions which ultimately lead to a superior outcome for its stakeholders socially, economically and environmentally.

Diversity in MTF Finance includes (but is not limited to) the following: gender, race, ethnicity and cultural background, thinking, physical capability, age, sexual orientation, and religious or political belief. Hiring policies are non-discriminatory and offer equal employment opportunities for all.

As at 30 September 2023, the gender balance of Directors and Senior Management was as follows:

	2023		2022	
	Male	**Female**	**Male**	**Female**
Directors	5	1	5	1
Senior Management	4	4	5	3

Senior Management are defined as being the Chief Executive Officer (CEO), specific direct reports of the CEO and those that hold key functional responsibility.

Board meetings and attendance

The table below sets out Directors' attendance at Board meetings during the year ended 30 September 2023. The Board held 12 meetings during the year.

	2023
Mark Darrow	12
Noel Johnston	12
Geoffrey Kenny	12
Stu Myles	11
Melanie Templeton	12
Grant Woolford	11

Principle 3: Board Committees

The Board should use committees where this will enhance its effectiveness in key areas, while still retaining Board responsibility.

The Board has four standing Committees, being the Audit and Risk Committee, the Credit Committee, the Nominations Committee and the Remuneration Committee. A further Committee, the Digital Transformation Steering Committee has been stood up for a set period to assist key technology decisions in 2023.

Committees allow issues requiring detailed consideration to be dealt with separately by members of the Board with specialist knowledge and experience, to improve the efficiency and effectiveness of the Board. The Board retains ultimate responsibility for the decisions and functions of its Committees and determines their responsibilities and may delegate powers to a Committee.

The Committees meet as required and have Charters to provide terms of reference, which are approved and reviewed by the Board.

Each Committee is able to seek any information it requires from employees in pursuing its duties and to obtain independent advice where necessary.

The membership of each Committee is reviewed after the Annual Shareholder Meeting.

Audit and Risk Committee

The role of the Audit and Risk Committee is to assist the Board in overseeing matters relating to accounting, audit and reporting of MTF Finance and its subsidiaries.

The Committee is to provide a specific governance focus on enterprise risks and the financial management, accounting, audit and reporting of MTF Finance and its subsidiaries. A charter outlines the Audit and Risk Committee's delegated authority, duties, responsibilities and relationship with the Board.

The Committee must be comprised solely of Directors of MTF Finance, have a minimum of three members, with at least one independent Director, and have at least one Director with an accounting or financial background. The Chair of the Committee cannot be Chair of the Board.

Management attend these meetings as required. To provide a forum for free and open communication, the Committee routinely has Committee-only time with the external auditors without Management present.

Members as at 30 September 2023 were Melanie Templeton (Chair), Geoff Kenny and Grant Woolford. It met 13 times during the financial year.

Credit Committee

The Credit Committee reviews the lending and credit policies of the Company. It is also responsible for the approval of lending policies, the review of originator facility applications in line with delegated authorities.

The Credit Committee members as at 30 September 2023 were Stu Myles (Chair), Noel Johnston and Geoff Kenny. It met 18 times during the financial year.

Nominations Committee

The Nominations Committee convenes to fill a Board vacancy as required to ensure appropriate Board skill sets and Director succession, and to oversee the process for identifying and recommending potential candidates for appointment as Directors.

The Nomination Committee members as at 30 September 2023 were Mark Darrow (Chair), Noel Johnston and Geoff Kenny. No meeting of the Committee was held in the current year.

Remuneration Committee

The Remuneration Committee reviews remuneration of Directors, the CEO and senior executive officers, annually.

The Remuneration Committee members as at 30 September 2023 were Mark Darrow (Chair), Stu Myles and Grant Woolford. It met four times during the financial year.

Digital Transformation Steering Committee

The Digital Transformation Steering Committee formed in 2022 as part of the strategic focus of the business to address the legacy technology debt and investment in digital capability.

The Digital Transformation Steering Committee members as at 30 September 2023 were Melanie Templeton (Chair), Noel Johnston and Grant Woolford. It met 10 times during the financial year.

Committee meeting attendance

	Audit and Risk		Credit		Digital Transformation		Remuneration	
	Held	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Mark Darrow							4	4
Noel Johnston			18	17	10	9		
Geoffrey Kenny	13	12	18	17				
Stu Myles			18	18			4	4
Mel Templeton	13	13			10	10		
Grant Woolford	13	13			10	9	4	4

Principle 4: Reporting and disclosure

The Board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures.

MTF Finance Directors are committed to keeping investors and the market informed of all material information about the Company and its performance and ensures compliance with legislative requirements.

In addition to all information required by law, MTF Finance also seeks to disclose all meaningful information to ensure stakeholders and investors are well informed, including financial and non-financial information. Compliance with NZX's listing rule 10.1.1 with respect to continuous disclosure is undertaken each meeting of the Board and documented in the minutes accordingly.

The Board is responsible for ensuring the consolidated financial statements give a true and fair view of the financial position of the Company and have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates and for ensuring all relevant financial reporting and accounting standards have been followed.

For the financial year ended 30 September 2023, the Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and facilitate compliance of the consolidated financial statements with the Financial Reporting Act 2013.

The Chief Executive and Chief Financial Officer have confirmed in writing to the Board that the MTF Finance financial reports present a true and fair view in all material aspects.

MTF Finance's full and half year consolidated financial statements are available on the Company's website.

Non-financial information

The Board recognises the importance of non-financial information disclosure. MTF Finance discusses its strategic objectives and its progress against these in the Chair and CEO's commentary in shareholder reports, and at the Annual Shareholder Meeting.

The Company is committed to providing fair and responsible products and services that includes adherence to the Responsible Lending Code, the Responsible Credit-Related Insurance Code, and other various Acts.

Principle 5: Remuneration

The remuneration of Directors and executives should be transparent, fair and reasonable.

Director remuneration

The level of remuneration paid to Directors is approved by Shareholders. Directors also receive reimbursement for reasonable travelling, accommodation and other expenses incurred in the course of performing their duties.

The annual fees were last approved by Shareholders at the Annual Shareholder Meeting in March 2023. Any proposed increases in Director remuneration will be put to Shareholders for approval. Directors have chosen not the seek any further increase in FY24. Director fees for MTF Finance are reviewed by the full Board using relevant market data with Directors having access to independent advice as necessary. Where independent advice is used by the Board, it will be disclosed to Shareholders as part of the approval process.

Board role	Approved remuneration
Board Chair	$124,000
Committee Chairs	$8,000 per chair position
Director	$65,000

Details of individual Directors' remuneration are detailed on page 101 of this report.

CEO remuneration

The review of the CEO's remuneration is the responsibility of the Remuneration Committee. The Committee has access to independent advice to assess CEO remuneration against the New Zealand market. The CEO's remuneration comprises a fixed base salary, a variable short term bonus and a variable long-term bonus. The short- and long-term bonuses are paid against key performance targets agreed at the commencement of the financial year.

Principle 6: Risk management

Directors should have a sound understanding of the material risks faced by the entity and how to manage them. The Board should regularly verify that the entity has appropriate processes that identify and manage potential and material risks.

MTF Finance is committed to proactively managing risk and this is the responsibility of the entire Board. The Board provides oversight of the risk management framework and monitoring compliance with that framework.

The Board delegates day to day management of the risk management framework to the Chief Executive. Senior Management are required to regularly identify major risks affecting the business and develop structures, practices and processes to manage and monitor these risks. The Board is satisfied that risk management processes effectively identify, manage and monitor the principal risks of MTF Finance.

Health and safety

The Board recognises the need to provide employees with a safe and healthy workplace. MTF Finance will make every reasonable effort in accident prevention, injury protection and promotion of the health, safety and welfare of all employees and, where appropriate, to contractors and visitors.

The Board of MTF Finance has overall responsibility for the effective management of health and safety. MTF Finance has a Health and Safety Policy which is monitored and implemented by the Health and Safety Committee and reviewed annually by the Board. Health and Safety reports, including incident reports and Committee minutes are reported monthly to the Board.

Principle 7: Auditors

The Board should ensure the quality and independence of the external audit process.

The Board's approach to the appointment and oversight of the external auditor ensures that audit independence is maintained, both in fact and appearance, such that MTF Finance's external financial reporting is viewed as being highly reliable and credible.

The Audit and Risk Committee provides additional oversight of the external auditor, reviews the quality and cost of the audit undertaken by the Company's external auditors and provides a formal channel of communication between the Board, Senior Management and external auditors. The Committee also assesses the auditor's independence on an annual basis.

For the financial year ended 30 September 2023, Deloitte Limited was the external auditor for MTF Finance. Deloitte Limited were automatically re-appointed under the Companies Act 1993 at the 2023 MTF Finance Annual Shareholder Meeting. Deloitte Limited are subject to regular partner rotations and cool off periods.

All audit work at MTF Finance is fully separated from non-audit services, to ensure that appropriate independence is maintained. The amount of fees paid to Deloitte Limited for audit and other services is disclosed in Note 6 of this report.

Deloitte Limited has provided the Board with written confirmation that, in their view, they were able to operate independently during the year.

Deloitte Limited attends the Annual Shareholder Meeting, and the lead audit partner is available to answer any questions from Shareholders.

Principle 8: Shareholder relations and stakeholder interests

The Board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the entity.

The Board is committed to open dialogue and to facilitating engagement with Shareholders.

MTF Finance has a calendar of key dates and events for Shareholders and maintains a comprehensive website which provides access to key corporate governance documents, copies of all major announcements, Company reports and presentations.

Shareholders are encouraged to attend the Annual Shareholder Meeting and may raise matters for discussion at this event. Shareholders have the ultimate control in corporate governance by voting Shareholder Directors on or off the Board.

In accordance with the Companies Act 1993 and MTF Finance's Constitution, MTF Finance refers major decisions which may change the nature of MTF Finance to Ordinary Shareholders for approval.

All Shareholders are given the option to elect to receive electronic communications from the Company. In addition to Shareholders, MTF Finance has a wide range of stakeholders and maintains open channels of communication for all audiences, including Shareholders, Originators and Investors.

This year, the Board have actively held originator shareholder meetings in various cities across New Zealand to enhance and foster shareholder engagement. The Board is committed to being available to shareholders and value this engagement to help deliver on all stakeholder interests.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 September 2023	Note	2023 $000	2022 $000
Gross interest income from finance receivables	2	113,298	84,261
Commission	3	(51,911)	(43,696)
Net interest income from finance receivables		61,387	40,565
Interest income from assets measured at amortised cost	4	5,191	1,391
Interest expense	5	(39,331)	(18,721)
Net interest income		27,247	23,235
Payment waiver		4,780	3,665
Fees		10,425	7,865
Brokerage		3,370	-
Net interest income and fees		45,822	34,765
Expenses			
Employee		(12,542)	(10,878)
Communication and processing		(9,160)	(6,638)
Depreciation and amortisation		(1,809)	(1,471)
Administration		(6,506)	(6,153)
Bad debt		(333)	(204)
	6	(30,350)	(25,344)
Profit before net gain (loss) from financial instruments at fair value		**15,472**	**9,421**
Net gain (loss) from financial instruments at fair value	7	532	2,442
Profit before tax		**16,004**	**11,863**
Tax	8	(4,449)	(3,497)
Profit after tax		**11,555**	**8,366**
Other comprehensive income		-	-
Total comprehensive income		**$11,555**	**$8,366**

The consolidated financial statements should be read in conjunction with the accounting policies and notes on the accompanying pages.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 September 2023	Note	Ordinary shares $000	Retained earnings $000	Perpetual preference shares $000	Total equity $000
Year ended 30 September 2023					
Balance at 1 October 2022		19,494	41,168	38,966	99,628
Total comprehensive income for the year:					
Profit after tax		-	11,555	-	11,555
Total comprehensive income for the year		-	11,555	-	11,555
Transactions with shareholders:					
Ordinary share dividends	9	-	(1,744)	-	(1,744)
Perpetual preference share dividends	9	-	(2,030)	-	(2,030)
Shares issued from treasury shares	9	892	(104)	-	788
Total transactions with shareholders		892	(3,878)	-	(2,986)
Balance at 30 September 2023		**$20,386**	**$48,845**	**$38,966**	**$108,197**
Year ended 30 September 2022					
Balance at 1 October 2021		19,437	35,449	38,966	93,852
Total comprehensive income for the year:					
Profit after tax		-	8,366	-	8,366
Total comprehensive income for the year		-	8,366	-	8,366
Transactions with shareholders:					
Ordinary share dividends	9	-	(1,714)	-	(1,714)
Perpetual preference share dividends	9	-	(1,008)	-	(1,008)
Shares cancelled on buyback	9	(20)	(26)	-	(46)
Shares issued from treasury shares	9	77	101	-	178
Total transactions with shareholders		57	(2,647)	-	(2,590)
Balance at 30 September 2022		**$19,494**	**$41,168**	**$38,966**	**$99,628**

The consolidated financial statements should be read in conjunction with the accounting policies and notes on the accompanying pages.

CONSOLIDATED BALANCE SHEET

As at 30 September 2023	Note	2023 $000	2022 $000
Funds employed			
Ordinary shares	9	20,386	19,494
Retained earnings		48,845	41,168
Perpetual preference shares	9	38,966	38,966
Total shareholder equity		**108,197**	**99,628**
Liabilities			
Bank overdraft		-	456
Provision for taxation		1,560	-
Accounts payable and accrued expenses	18	15,602	9,300
Unearned payment waiver administration fees		8,234	6,264
Committed cash advance	10	57,100	48,300
Securitised funding	10	902,825	677,966
Deferred tax	8	-	471
Lease liability	17	3,249	2,813
Total liabilities		**988,570**	**745,570**
Total funds employed		**$1,096,767**	**$845,198**
Employment of funds			
Cash at bank		165	-
Cash in restricted bank accounts	24	76,273	77,261
Taxation receivable		-	2,451
Accounts receivable		1,902	2,010
Finance receivables	12	990,451	736,628
Derivative financial instruments	13,25	15,175	21,201
Deferred tax	8	186	-
Property, plant and equipment	14	1,100	1,004
Right of use asset	17	2,921	2,564
Intangible assets	16	5,327	2,079
Goodwill	15	3,267	-
Total assets		**$1,096,767**	**$845,198**

Mark Darrow
Board Chair
Independent Director

Melanie Templeton
Audit & Risk Committee Chair
Independent Director

17 November 2023

The consolidated financial statements should be read in conjunction with the accounting policies and notes on the accompanying pages.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 30 September 2023	Note	2023 $000	2022 $000
Cash flow from operating activities			
Interest income		118,441	85,652
Fee income		14,370	7,863
Interest expense		(33,286)	(13,957)
Other funding and securitisation costs		(4,420)	(3,945)
Income tax paid		(3,046)	(2,763)
Commission		(52,186)	(43,895)
Payment waiver		7,010	3,826
Operating expenses		(23,755)	(23,252)
Net cash flow from operating activities before changes in operating assets and liabilities		23,128	9,529
Changes in operating assets and liabilities			
Finance receivable instalments		598,768	527,602
Increase in committed cash advance - net		8,800	42,100
Increase in securitised funding - net		225,560	35,063
Finance receivable advances		(846,366)	(606,393)
		(13,238)	(1,628)
Net cash flow from operating activities	31	**9,890**	**7,901**
Cash flow from investing activities			
Sale of property, plant and equipment		20	55
Purchase of property, plant and equipment		(555)	(447)
Purchase of intangible assets		(496)	(987)
Purchase of business		(4,804)	-
Net cash flow used in investing activities		**(5,835)**	**(1,379)**
Cash flow from financing activities			
Share buybacks		-	(46)
Lease payments		(295)	(239)
Trust establishment costs		(1,144)	-
Dividend to perpetual preference shareholders	9	(2,030)	(1,008)
Dividend to ordinary shareholders	9	(953)	(1,537)
Net cash flow used in financing activities		**(4,422)**	**(2,830)**
Net (decrease) increase in cash		(367)	3,692
Cash on hand at beginning of period		76,805	73,113
Cash on hand at end of period		**$76,438**	**$76,805**
Represented by:			
Cash at bank (overdraft)		165	(456)
Cash in restricted bank accounts		76,273	77,261
		$76,438	**$76,805**

The consolidated financial statements should be read in conjunction with the accounting policies and notes on the accompanying pages.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Basis of reporting

Reporting entity

The consolidated financial statements presented are those of Motor Trade Finance Limited (MTF Finance) and its subsidiaries (the Group). MTF Finance is the ultimate Parent of the Group.

MTF Finance is a profit-oriented entity, domiciled in New Zealand and registered under the Companies Act 1993. MTF Finance is an FMC reporting entity for the purposes of the Financial Markets Conduct Act 2013 and the consolidated financial statements comply with this Act.

The registered office of MTF Finance is Level 1, 98 Great King Street, Dunedin.

The principal activity of the Group consists of accepting finance receivables entered into with transacting shareholders.

The consolidated financial statements were approved by the Board of Directors on 17 November 2023.

Basis of preparation

The consolidated financial statements are prepared in accordance with Generally Accepted Accounting Practice (NZ GAAP), they comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable financial reporting standards as appropriate for profit-oriented entities. The consolidated financial statements also comply with International Financial Reporting Standards.

The Group is a tier 1 for-profit entity in terms of the External Reporting Board Standard A1: Application of the Accounting Standards Framework.

Basis of measurement

The consolidated financial statements are based on historical cost except for the revaluation of derivative financial instruments and finance receivables measured at fair value.

Cost is based on the fair value of the consideration given in exchange for assets.

Accounting policies are applied in a manner that ensures the resulting financial information satisfies the concepts of relevance and reliability, ensuring that the substance of the underlying transactions or other events is reported.

The accounting policies and computation methods used in the preparation of the consolidated financial statements have been applied consistently throughout the periods presented in the consolidated financial statements.

The consolidated financial statements have been prepared using the going concern assumption.

Functional and presentation currency

The reporting currency is New Zealand dollars which is the Group's functional currency. All financial information is rounded to the nearest thousand.

Critical judgements, estimates and assumptions

In the application of NZ IFRS, the Directors make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities that are not readily apparent from other sources. These estimates and associated assumptions are based on historical experience and factors considered reasonable under the circumstances. Actual results may differ from the estimates and assumptions.

Estimates and assumptions are regularly reviewed with any revision to accounting estimates recognised in the period the estimate is revised.

Accounting policies, and information about judgements, estimates and assumptions that have had a significant effect on the amounts recognised in the consolidated financial statements are disclosed in the relevant notes as follows:

- Determination of fair value of derivative financial instruments (Note 25)
- Consolidation of controlled entities (Note 27)
- Determination of fair value of finance receivables due to changes in accounting estimates associated with credit risk (Note 13)
- Determination of fair value of assets and liabilities acquired in business combination (Note 26)

Significant accounting policies

Significant accounting policies which are specific to certain transactions or balances are set out within the particular note to which they relate.

Basis of consolidation

The consolidated financial statements are prepared by combining the financial statements of MTF Finance and its subsidiaries. Subsidiaries are entities controlled by MTF Finance. Refer Note 27. Accounting policies of subsidiaries are consistent with those of the Group.

All inter-entity transactions, balances and unrealised profits or losses on transactions between Group entities are eliminated on consolidation.

New standards, interpretations and amendments on issue but not yet effective

The Group has done a preliminary assessment of the impact of the following new standards or interpretations on issue which have yet to be adopted and the impact is not expected to be significant:

- Amendments to NZ IAS 1 regarding the disclosure of accounting policies
- Amendments to NZ IAS 8 regarding the definition of accounting estimates
- Amendments to FRS-44 regarding disclosure of fees from audit firms

Note 2: Gross interest income from finance receivables

Policy

Gross interest income on financial instruments measured at FVTPL is recognised using the effective interest method excluding origination fees, transaction costs and commission. It is not included with the net gain/(loss) from financial instruments at fair value.

The effective interest method calculates the amortised cost of a financial asset and allocates the interest income over the expected life of the financial asset. The method has the effect of recognising income evenly in proportion to the amount outstanding over the expected life of the financial asset. Refer Note 28 for full policy.

	2023 $000	2022 $000
Gross interest income from finance receivables:		
Finance receivables measured at FVTPL	113,298	84,261
	$113,298	**$84,261**
Gross interest income from finance receivables includes income from:		
Non-impaired assets	113,280	84,206
Impaired assets	18	55
	$113,298	**$84,261**

Note 3: Commission

Policy

Commission is recognised as an expense on an accrual basis in line with the recognition of gross interest income from finance receivables. Refer Note 28 for full policy.

	2023 $000	2022 $000
Commission	51,911	43,696
	$51,911	**$43,696**

Note 4: Interest income from assets measured at amortised cost

Policy

Interest income on all financial instruments measured at amortised cost is recognised in profit or loss using the effective interest method.

The effective interest method calculates the amortised cost of a financial asset and allocates the interest income over the expected life of the financial asset. The method has the effect of recognising income evenly in proportion to the amount outstanding over the expected life of the financial asset.

	2023 $000	2022 $000
Interest income from assets measured at amortised cost:		
Cash in restricted bank accounts	4,193	1,323
Finance receivables measured at amortised cost	998	68
	$5,191	**$1,391**


mtf finance

Note 5: Interest expense

Policy

Interest expense is represented by the interest cost on the committed cash advance, the senior notes issued and bank loan entered, to fund the securitisation programmes, the realised net cost of interest rate swaps to hedge the funding activities with the cash flows from finance receivables, and the direct cost of running the securitisation programmes.

Interest expense on all financial instruments measured at amortised cost is recognised in profit or loss using the effective interest method.

The effective interest method calculates the amortised cost of a financial liability and allocates the interest expense, including any directly related transaction costs that are an integral part of the effective interest rate, over the expected life of the financial liability. The method has the effect of recognising expense evenly in proportion to the amount outstanding over the expected life of the financial liability.

All other expenses are recognised in the statement of comprehensive income as incurred.

	2023 $000	2022 $000
Committed cash advance	3,051	477
Senior notes/bank loan	50,704	19,140
Interest rate swaps - net	(17,230)	(3,236)
Securitisation programme	1,605	1,251
Other	1,201	1,089
	$39,331	**$18,721**

Note 6: Expenses

Policy

Bad debts are recognised at the time when financial receivable balances from originators are known to be unrecoverable.

Transaction costs are recognised as expenses at the time of initial recognition of the finance receivable in accordance with the provisions of NZ IFRS 9 for financial instruments measured at FVTPL.

Government grants and subsidies which compensate the Group for expenses incurred are recognised in the statement of comprehensive income on a net basis in the same line as the related expense.

Includes:	2023 $000	2022 $000
Auditor		
- Audit of Group financial statements	221	209
- Audit of Trust financial statements	79	108
- Tax compliance	67	31
- Other services	-	13
Depreciation		
- Computer hardware	253	343
- Right of use asset	397	305
- Office equipment, fixtures and fittings	145	117
- Motor vehicles	61	52
Amortisation		
- Intangible assets (software and websites)	953	654
Directors fees	533	430
Payment waiver	920	1,369
Employee expenses include:		
Defined contribution scheme payments (Kiwisaver)	229	136
Key management remuneration of:		
- Short term employee benefits	2,135	2,709
- Post employment benefits (Kiwisaver)	60	66
- Termination benefits	-	276

Auditor

The auditor of the Group is Deloitte Limited. Other services in 2022 comprise work on development of a Credit Risk Assurance Programme.

Note 7: Net gain (loss) from financial instruments at fair value

Policy

Net gain (loss) on financial instruments at FVTPL for recourse finance receivables comprises the remaining net change in fair value of the finance receivables at FVTPL including changes in market and credit risks.

Assessment of credit impairment on financial instruments at FVTPL is included in the net gain (loss) from financial instruments at fair value and forms part of the finance receivables fair value assessment. Refer to Note 28 for full policy and Note 25 for Derivatives policy.

	2023 $000	2022 $000
Net gain (loss) arising on financial instruments mandatorily measured at FVTPL:		
Finance receivables	6,557	(14,446)
Interest rate swap derivatives (unrealised gain)	(6,025)	16,888
	$532	**$2,442**

Note 8: Tax

8.1 Tax expense

Policy

Income tax comprises current tax and deferred tax. Income tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly within equity, in which case income tax is recognised in other comprehensive income or in equity.

Current tax is the amount of income tax payable or recoverable on taxable profit for the period and is calculated using tax rates and tax laws applicable to the period. Current tax for current and prior periods is recognised as a liability or asset to the extent that it is unpaid or refundable. Tax assets and liabilities are offset when the Group has a legally enforceable right to offset the recognised amounts, and intends to settle on a net basis.

	2023 $000	2022 $000
Profit before tax	**16,004**	**11,863**
Income tax expense calculated at 28% (2022: 28%)	4,481	3,322
Non-deductible expenses	74	17
Other adjustments	74	154
(Over) Under provision of taxation payable in previous year	(72)	5
(Under) Over provision of deferred tax asset in previous year	(108)	(1)
	$4,449	**$3,497**
Represented by:		
Current tax	4,959	2,847
Deferred tax	(510)	650
	$4,449	**$3,497**

Tax rate

The tax rate used in the reconciliation is the corporate tax rate of 28% (2022: 28%) payable by New Zealand corporate entities on taxable profits under New Zealand tax law for the 2023 income tax year.

Imputation credits

There were $27,556,000 imputation credits available for use as at 30 September 2023 (2022: $26,117,000).

Note 8: Tax continued...

8.2 Deferred tax

Policy

Deferred tax is recognised using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised.

Deferred tax assets and liabilities are measured at tax rates applicable to the period when the relevant asset and liability is expected to be realised or settled. The measurement of deferred tax liabilities and assets reflects the tax consequences that will follow from the manner in which the Group expects, at reporting date, to recover or settle the carrying amount of the assets and liabilities.

The deferred tax balances at 30 September 2023 are represented by:	Opening balance $000	Charged to income $000	Reclassification from provision for tax $000	Business combination $000	Closing balance $000
Deferred tax assets:					
Accounts payable and accrued expenses	379	525	967	-	1,871
Property, plant and equipment	40	(10)	-	-	30
Tax losses	-	(5)	-	184	179
	419	**510**	**967**	**184**	**2,080**
Deferred tax liabilities:					
Intangible assets	(80)	61	-	(1,005)	(1,024)
Derivative financial instruments	(4,682)	475	-	-	(4,207)
Finance and other receivables	3,872	(535)	-	-	3,337
	(890)	1	-	(1,005)	(1,894)
Total deferred tax	**(471)**	**511**	**967**	**(821)**	**186**

The deferred tax balances at 30 September 2022 are represented by:	Opening balance $000	Charged to income $000	Closing balance $000
Deferred tax assets:			
Accounts payable and accrued expenses	632	(253)	379
Property, plant and equipment	31	9	40
	663	**(244)**	**419**
Deferred tax liabilities:			
Intangible assets	(2)	(78)	(80)
Derivative financial instruments	(1,192)	(3,490)	(4,682)
Finance and other receivables	710	3,162	3,872
	(484)	(406)	(890)
Total deferred tax	**$179**	**($650)**	**($471)**

Note 9: Equity

9.1 Ordinary shares

Policy

Ordinary shares are classified as equity. Dividends are not guaranteed and are payable at the discretion of the Directors. Any dividend is recognised as a distribution within equity.

Ordinary shares

At 30 September 2023, there were 19,816,149 shares authorised and issued (2022: 20,590,914) with no unpaid shares outstanding (2022: nil). All fully paid ordinary shares have equal voting rights and share equally in dividends and surplus on winding up.

Dividend reinvestment plan

In 2022 the Group launched a dividend reinvestment plan. Participating shareholders have elected to have all or a portion of the ordinary dividend declared and paid converted into additional shares rather than cash. Shares have been issued from treasury shares held by the Group during the period.

Treasury shares

Treasury shares comprise the cost of the Company's shares held by the Group. The Board of Directors resolved in the current period to cancel all treasury shares. At 30 September 2023, treasury shares held were nil (2022: 1,076,620).

Ordinary shares:

	2023		2022	
	000	$000	000	$000
Balance at beginning of the year	19,494	19,494	19,437	19,437
Shares acquired and cancelled	-	-	(20)	(20)
Treasury shares acquired	-	-	-	-
Shares issued from treasury shares	322	892	77	77
	19,816	**$20,386**	**19,494**	**$19,494**

Ordinary share dividend:

	2023	2022
	$000	$000
Fully imputed dividend declared and paid during the year:		
Final dividend paid at 2.83 cents per share (2022: 2.83 cents)	361	550
Interim dividend paid at 7.07 cents per share (2022: 6.00 cents)	1,383	1,164
	$1,744	**$1,714**

Dividend

On 17 November 2023, the Directors declared a final dividend on paid-up ordinary shares of 6.38 cents per share amounting to $1.38m (fully imputed), and a special dividend of 13.45 cents per share amounting to $2.67m (fully imputed), for the period 1 October 2022 to 30 September 2023. These dividends are due for payment on 7 December 2023.

9.2 Perpetual preference shares

Policy

Perpetual preference shares (PPS) are classified as equity. The shares are non-redeemable and carry no voting rights. Dividends are not guaranteed and are payable at the discretion of the Directors. Any dividend is recognised as a distribution within equity. MTF Finance may redeem or repurchase all or part of the perpetual preference shares.

Perpetual preference shares

At 30 September 2023, there were 40,000,000 perpetual preference shares (2022: 40,000,000).

In the event of liquidation of MTF Finance, payment of the issue price and any dividend on the perpetual preference shares rank:

- before rights of holders of other classes of MTF Finance shares
- before profit distribution to transacting shareholders
- after rights of secured and unsecured creditors of MTF Finance

	2023	2022
	$000	$000
Face value	40,000	40,000
Issue fees and expenses	(1,034)	(1,034)
	$38,966	**$38,966**

Perpetual preference share dividend:

	2023	2022
	$000	$000
Fully imputed dividend declared and paid during the year at 5.08 cents per share (2022: 2.50 cents)	2,030	1,008
	$2,030	**$1,008**

PPS dividend

The dividend payable on perpetual preference shares is based on the benchmark rate plus 2.4% and is reset annually. The benchmark rate is the one-year interest rate swap on the reset day.

Note 10: Funding (secured)

Policy

MTF Finance funds a major portion of its business by the sale of finance receivables to securitisation entities established solely for purchasing finance receivables from MTF Finance.

MTF Finance recognises transactions with securitisation entities as financing arrangements; expenditure related to securitisation programmes is recognised as a cost of funding and the securitised assets and funding from securitisation programmes are recognised respectively as assets and liabilities in the balance sheet.

Funding is at floating interest rate and is measured at amortised cost using the effective interest method.

30 September 2023	Weighted average effective interest rate	Facility expiry date [1]	Limit	Undrawn	Drawn	Unamortised fees and expenses	Carrying amount
	%		$000	$000	$000	$000	$000
Committed cash advance facility	7.32	16/12/2023	115,000	57,900	57,100	-	57,100
Securitisation:							
Senior Warehouse notes	7.05	15/03/2024	520,000	219,073	300,927	-	300,927
Senior Pantera notes	6.69	15/06/2029	220,298	-	220,298	(122)	220,176
Senior Opala notes	7.54	16/09/2030	277,500	-	277,500	(534)	276,966
Senior Personal Loan Warehouse notes	7.69	08/09/2025	100,000	58,670	41,330	(416)	40,914
MUFG loan	7.00	15/11/2023	70,000	6,158	63,842	-	63,842
Total securitisation			1,187,798	283,901	903,897	(1,072)	902,825
Total			**$1,302,798**	**$341,801**	**$960,997**	**($1,072)**	**$959,925**

1 Refer to Note 29 for information of facility extensions subsequent to balance date.

30 September 2022	Weighted average effective interest rate	Facility expiry date	Limit	Undrawn	Drawn	Unamortised fees and expenses	Carrying amount
	%		$000	$000	$000	$000	$000
Committed cash advance facility	4.91	16/12/2023	90,000	41,700	48,300	-	48,300
Securitisation:							
Senior Warehouse notes	4.74	15/03/2024	360,000	74,049	285,951	-	285,951
Senior Pantera notes	4.35	15/06/2029	278,500	-	278,500	(357)	278,143
Senior Rambler notes	4.94	15/08/2027	69,183	-	69,183	(21)	69,162
MUFG loan	4.69	15/11/2022	65,000	20,290	44,710	-	44,710
Total securitisation			772,683	94,339	678,344	(378)	677,966
Total			**$862,683**	**$136,039**	**$726,644**	**($378)**	**$726,266**

Judgements

Under the MTF Finance securitisation programme, entities are created to purchase eligible finance receivables. Securitisation entities are consolidated where the Group has control. Controlled entities are disclosed in Note 27.

Committed bank facilities

MTF Finance has a committed bank facility provided by Bank of New Zealand. The facility is secured by a general security agreement over all unsecuritised assets, including unsecuritised finance receivables.

Securitisation programme

The activities of MTF Finance are funded through a master trust securitisation structure established on 18 June 2010. The Trust Deed provides for the creation of an unlimited number of trusts, each separate and distinct. The trusts currently active under the master trust structure are the Warehouse Trust, the Pantera Trust, the Opala Trust, the Personal Loan Warehouse Trust and the Honda Trust (Trusts). The senior notes are funded externally by banks and other investors.

The principal components of the securitisation programme are:

MTF Warehouse No. 1 Trust funds the purchase of eligible finance receivables from MTF Finance. Senior Notes are issued each time eligible finance receivables are sold into the Trust. The bank facilities that are used to subscribe to the Senior Notes have an Availability Period that ends on 15 March 2024. The Senior Notes are rated AAA(sf) (Standard & Poor's long term, structured finance rating, affirmed on 16 August 2021) and are secured by a first ranking fixed and floating charge over the assets of MTF Warehouse No. 1 Trust.

Note 10: Funding (secured) continued...

MTF Personal Loan Warehouse Trust funds the purchase of eligible finance receivables from MTF Finance. Senior Notes are issued each time eligible finance receivables are sold into the Trust. The bank facilities that are used to subscribe to the Senior Notes have an Availability Period that ends on 8 September 2025. The Senior Notes are not rated by an external rating agency. The Senior Notes are secured by a first ranking fixed and floating charge over the assets of the Personal Loan Warehouse Trust.

The Pantera Trust funds the purchase of qualifying finance receivables from the Warehouse Trust prior to 15 June 2023. The Trust has now entered amortisation and no new qualifying finance receivables can be acquired.

The Opala Trust funds the purchase of qualifying finance receivables from the Warehouse Trust. Senior Opala notes are issued for periods of up to 90 months past the issue date 2 March 2023. The Opala Trust has a revolving period of 18 months from issue date, during which the Trust may continue to acquire qualifying finance receivables from the Warehouse Trust. At the end of the Trust's revolving period, no new receivables may be acquired and the facility will amortise.

Senior Pantera and Senior Opala notes are secured by a first ranking mortgage debenture over the assets of the Pantera Trust and Opala Trust respectively and have structured finance (sf) ratings from Fitch Ratings.

Senior Rambler notes on issue	Fitch rating	2023	2022
		$000	$000
Class A	AAA(sf)	-	53,879
Class B	AA(sf)	-	5,958
Class C	A+(sf)	-	4,673
Class D	A+(sf)	-	2,453
Class E	A(sf)	-	2,220
		-	**$69,183**

Senior Pantera notes on issue	Fitch rating	2023	2022
		$000	$000
Class A	AAA(sf)	190,798	249,000
Class B	AA(sf)	9,600	9,600
Class C	A+(sf)	7,900	7,900
Class D	A(sf)	5,400	5,400
Class E	BBB(sf)	4,800	4,800
Class F	BBB-(sf)	1,800	1,800
		$220,298	**$278,500**

Senior Opala notes on issue	Fitch rating	2023	2022
		$000	$000
Class A	AAA(sf)	246,400	-
Class B	AA(sf)	9,100	-
Class C	A(sf)	9,200	-
Class D	BBB+(sf)	6,400	-
Class E	BB(sf)	4,800	-
Class F	B+(sf)	1,600	-
		$277,500	**-**

The Honda Trust funds the purchase of qualifying lease finance receivables from MTF Finance and MTF Leasing Limited by way of a cash commitment facility provided by Mitsubishi UFJ Financial Group (MUFG). The facility is secured by a first ranking mortgage debenture over the assets of the Honda Trust.

Trustees Executors Limited (TEL) is appointed as the Trustee of each of the trusts.

Under contracts with transacting shareholders, MTF Finance makes loans to transacting shareholders on terms that match the advances made by transacting shareholders to customers. As security for the repayment of the transacting shareholder loan, MTF Finance is given a security interest over transacting shareholder rights under the customer contract and the underlying asset. MTF Finance assigns absolutely and unconditionally its right, title and interest in, and to, the shareholder loan (and related rights), free of security interest to the Trustee. The legal and beneficial title to each finance receivable passes to the Trustee upon payment of the relevant sale price by the Trust.

As at 30 September 2023, non-recourse loans do not meet the criteria for securitisation.

MTF Finance is contracted, as Trust Manager and Trust Servicer, to administer the securitised receivables, including the liability and treasury activities.

Beneficial interest in the Trusts vests in the residual capital beneficiary and the residual income beneficiary, being MTF Treasury Limited (MTFT), a wholly owned subsidiary of MTF Finance. Net taxable annual income of the Trusts vests absolutely in MTFT, which has the right to receive distributions of that net taxable annual income, to the extent that funds are available for distribution under the prescribed cash flow allocation. The residual capital beneficiary has no right to receive distributions from the Trusts other than the right to receive the entire beneficial interest in a Trust, on the termination of that Trust.

Note 10: Funding (secured) continued...

Finance receivables securitised at balance date with the Trusts:

	2023 $000	2022 $000
Honda Trust	60,459	40,691
Opala Trust	250,897	-
Rambler Trust	-	60,998
Pantera Trust	192,794	241,332
Personal Loan Warehouse Trust	57,490	-
Warehouse Trust	333,244	294,139
	$894,884	**$637,160**

Amortisation

The establishment fees and expenses represent the cost incurred in setting up the securitisation programmes and are amortised over the life of each facility. For the year ended 30 September 2023, $1,072,000 (2022: $374,000) of amortisation is included in interest expense in the Consolidated statement of comprehensive income.

Note 11: Asset quality disclosures

	2023 $000	2022 $000
Asset quality - finance receivables		
Current	977,704	741,079
1-30 days past due	26,559	17,860
31-90 days past due	4,669	2,477
More than 90 days past due	1,473	1,305
Managed transacting shareholders	91	340
	1,010,496	763,061
Adjustments:		
Fair value adjustment	(16,234)	(22,534)
Credit risk adjustment	(3,600)	(3,858)
Expected credit losses	(211)	(41)
Total carrying amount	**$990,451**	**$736,628**

Credit risk adjustment

Credit risk is the risk of financial loss to MTF Finance if a transacting shareholder fails to meet its contractual obligations under an MTF Finance contract. MTF Finance has a range of credit enhancements against the transacting shareholder including, but not limited to, future commission payments (refer Notes 13 and 19).

For the non-recourse product the risk of financial loss is carried by MTF Finance.

Past due

A recourse financial asset is considered past due when a counterparty has failed to make payment when contractually obligated. All customer loss is for the account of the transacting shareholder; payment is contractually due to MTF Finance, from the transacting shareholder, when a customer account has been in arrears for 91 days or more.

A non-recourse financial asset is considered past due when a counterparty has failed to make payment when contractually obligated.

Past due > 90 days

Of total finance receivables at 30 September 2023, 0.15% (2022: 0.18%) had repayments that are past due more than 90 days.

Material restructured assets

The Group does not have any assets acquired through the enforcement of security (2022: Nil).

Note 12: Finance receivables

Policy

Recourse finance receivables are measured at fair value through profit or loss (FVTPL) as the business model and contractual cash flow characteristics of these assets do not meet the criteria for measurement at amortised cost or fair value through other comprehensive income as per NZ IFRS 9.

Non-recourse finance receivables are measured at amortised cost.

	2023 $000	2022 $000
Receivable within 12 months	230,309	206,803
Receivable beyond 12 months	760,142	529,825
Total finance receivables	**$990,451**	**$736,628**

Finance receivables per measurement basis:

	2023 $000	2022 $000
Finance receivables at FVTPL	974,877	734,641
Finance receivables at amortised cost	15,574	1,987
	$990,451	**$736,628**

Details of changes in the fair value recognised on the finance receivables on account of credit and market risk are:

	2023 $000	2022 $000
Finance receivables at FVTPL gain/(loss) due to credit risk	257	544
Finance receivables at FVTPL gain/(loss) due to market risk	6,300	(14,990)
	$6,557	**($14,446)**

Finance receivables

Finance receivables include securitised and non-securitised finance receivables.

Finance receivables are economically hedged by a combination of floating rate debt and interest rate swaps as part of a documented risk management strategy.

Fair value

Refer to Note 13 for disclosure on fair value of finance receivables as at 30 September 2023.

Impairment of financial assets

Recourse finance receivables are not assessed for impairment as the determination of fair value reflects the credit quality of the instrument and changes in fair value are recognised in the net gain (loss) from financial instruments at fair value in profit or loss in the consolidated statement of comprehensive income.

Credit risk accounting estimate

Non-recourse

The Group recognises a loss allowance for expected credit losses (ECL) on finance receivables that fall outside of the recourse arrangement. The amount of expected credit losses is updated at each reporting date to reflect changes since initial recognition of the non-recourse finance receivables.

The Group recognises lifetime ECL for non-recourse finance receivables where there has been a significant increase in credit risk since initial recognition. However, if credit risk has not increased significantly since initial recognition, the Group measures the loss allowance for these financial instruments at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial asset. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a finance receivables that are possible within 12 months after the reporting date.

Significant increase in credit risk
In assessing whether the credit risk on a finance receivable has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial asset at the reporting date with the risk of a default occurring on the financial asset at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, such as actual or expected changes in economic indicators (i.e. change in employment rates).

The nature of the Group's finance receivables means there is little or no updated credit risk information that is routinely obtained and monitored on an individual asset until a customer breaches the contractual terms. However, forward looking information relating to key economic indicators that could affect customers ability to meet their repayment obligations is assessed and if there are any declining trends, then this is factored into the assessment.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 31 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default
The Group considers that default has occurred when a financial asset is more than 61 days past due unless the Group has reasonable and supportable information to demonstrate that another default criteria is more appropriate.

Credit impaired financial assets
A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

- significant financial difficulty of the borrower;
- a breach of contract, such as a default or past due event; and
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Write off policy
The Group writes off a financial asset when there is information indicating that the borrower is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the borrower has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, considering legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses
The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information as described above.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. If the Group has measured the loss allowance for a financial asset at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12 month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

Sensitivity analysis
If the percentage of ECLs on performing non-recourse finance receivables increased/(decreased) by 1% higher / (lower) as at 30 September 2023, the loss allowance on non-recourse finance receivables would have been $155,000 higher/(lower).

If the percentage of ECLs on doubtful or in default non-recourse finance receivables increased/(decreased) 1% higher (lower) as at 30 September 2023, the loss allowance on non-recourse finance receivables would have been $1,000 higher/(lower).

Note 13: Fair value

Policy

The Group measures certain financial instruments at fair value at each reporting date.

Fair value is the price that would be received on sale of an asset or paid to transfer a liability between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

Fair value measurements recognised in the balance sheet:

	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
2023				
Financial assets mandatorily measured at FVTPL				
Finance receivables	-	-	974,877	974,877
	-	**-**	**$974,877**	**$974,877**
Financial assets at FVTPL				
Derivative financial assets (held for trading)	-	15,175	-	15,175
	-	**$15,175**	**-**	**$15,175**
2022				
Financial assets mandatorily measured at FVTPL				
Finance receivables	-	-	734,641	734,641
	-	**-**	**$734,641**	**$734,641**
Financial assets at FVTPL				
Derivative financial assets (held for trading)	-	21,201	-	21,201
	-	**$21,201**	**-**	**$21,201**

Judgements

Recourse finance receivables are mandatorily measured at FVTPL. As there is no active market, fair value is determined by the use of a discounted cash flow valuation model. To the extent possible, the model uses observable market data (interest rates). The main unobservable input to the valuation model is credit risk, which requires management to make judgments and estimates. Changes in the assumptions in the model and projections of future cash flows may affect the reported fair value of finance receivables.

Fair value of financial assets and liabilities

The carrying amount of all other financial assets and liabilities approximates fair value.

Note 13: Fair value *continued...*

Valuation techniques and assumptions for the purpose of measuring fair value

Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from observable market interest rates and adjustments for counterparty credit risk.

As there is no active market, fair value of finance receivables is measured using the present value of estimated future cash flows (net of commission), discounted based on a theoretical yield curve derived from a series of observable market interest rates and adjusted for credit risk.

Fair value hierarchy levels

Level 2 fair value measurements are derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly, i.e. as prices, or indirectly, i.e. derived from prices. Financial assets and financial liabilities fair valued based on Level 2 inputs in the Group are the interest rate swaps detailed in Note 25 of these consolidated financial statements.

Level 3 fair value measurements are derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). Financial assets of the Group fair valued based on Level 3 inputs are finance receivables. This assessment is based on the absence of observable market data for the sale and purchase of finance receivables in an open market.

No financial assets or liabilities were transferred between levels during the period.

Finance receivables:

	2023 $000	2022 $000
Balance at beginning of the year	734,641	672,478
Gain/(loss) recognised in net gain (loss) from financial instruments	6,557	(14,446)
Originations	830,666	604,065
Settlements	(596,987)	(527,456)
Balance at end of the year	**$974,877**	**$734,641**

Significant assumptions used in determining fair value of financial assets and liabilities

Fair value of finance receivables is determined by applying a theoretical yield curve from market interest rates.

Finance receivables yield at a fixed rate comprising the swap rate plus a credit margin. It is assumed that the credit margin remains fixed throughout the term. At the valuation date, the theoretical yield curve is adjusted to reflect the current market interest rate plus the weighted average credit margin (net of commission). The change in the credit risk of the finance receivables is reflected in the fair value model as a credit risk adjustment.

A credit risk adjustment of $3,600,000 (2022: $3,858,000) is determined in line with the assumptions set out below.

No assumption is made in regard to prepayment rates within the discounted cash flow model as these are deemed not to be material. Prepayment rates are considered as part of the credit risk adjustment as discussed below.

The fair value of the finance receivables at 30 September 2023 was based on cash flows discounted using a weighted average interest rate of 7.50% (2022: 5.92%).

Refer to Note 22 for details of sensitivity analysis.

Credit risk accounting estimate

Recourse

Credit risk is the risk of financial loss to MTF Finance if a transacting shareholder fails to meet its contractual obligations under an MTF Finance contract. MTF Finance has a range of credit enhancements against the transacting shareholder including, but not limited to, future commission payments (refer Note 20).

Given the recourse arrangement differs significantly from other market participants, the model focuses on projection of losses from originators with less weighting on market factors whilst incorporating considerations and allowances for future economic forecasts.

MTF Finance monitors the credit quality and performance of each transacting shareholder to ensure that the transacting shareholder is capable of indemnifying MTF Finance against any potential loss. MTF Finance's current process is based on a projection of losses calculated using the transacting shareholders arrears roll rates and historical prepayment rates along with an estimation of the impact of changes in future economic conditions.

Where expected losses are greater than expected future commission, the transacting shareholder is deemed to be in a net loss position. The total of each net loss across all transacting shareholders is the assessment of credit risk adjustment input into the fair value model for finance receivables.

Based on the historical modelling this resulted in a collective adjustment for credit risk of 0.25% (2022: 0.25%) of net receivables. This has been applied to all secured recourse finance receivables. To reflect heightened inherent risk in unsecured finance receivables, a 0.35% factor has been applied.

Due to forecasted deterioration in economic conditions and acknowledgement of sharp growth seen by the business over the past 18 months, a growth and economic overlay of 5-basis points each (total 10-basis points) has been applied to all recourse finance receivables. Management is satisfied this is justified and prudent in the current business and market environment.

Covid-19

In the current year, management re-assessed loans flagged as impacted by Covid-19 and noted these no longer present a material heightened credit risk. As such, the remaining provision was released in the current period to reflect this.

Note 14: Property, plant and equipment

Policy

Property, plant and equipment are measured at cost less accumulated depreciation and impairment loss.

Property, plant and equipment are depreciated on a straight line basis at rates which write off the cost less estimated residual value over the expected useful life.

Residual values, useful life and depreciation method are reviewed and adjusted, if appropriate, at balance date.

Computer hardware	3 years
Office equipment, fixtures and fittings	5 years
Motor vehicles	5 years

Property, plant and equipment are reviewed for evidence of impairment at least annually and when events indicate that assets may have suffered impairment. The carrying amount is written down to the recoverable amount if the carrying amount is greater than the estimated recoverable amount. The recoverable amount is the higher of fair value less cost to sell and value in use.

Carrying amount:

	2023 $000	2022 $000
Computer hardware	2,965	2,964
Less accumulated depreciation	(2,692)	(2,594)
Total carrying amount	**273**	**370**
Office equipment, fixtures and fittings	1,434	1,221
Less accumulated depreciation	(867)	(709)
Total carrying amount	**567**	**512**
Motor vehicles	390	311
Less accumulated depreciation	(130)	(189)
Total carrying amount	**260**	**122**
Total property, plant and equipment	**$1,100**	**$1,004**

Capital commitments

The estimated capital expenditure contracted for at balance date but not provided for is $nil (2022: $11,818).

Note 15: Goodwill

Policy

Goodwill represents the excess of the purchase consideration over the fair value of the identifiable tangible and identifiable intangible assets, liabilities and contingent liabilities of the subsidiary recognised at the time of acquisition of a business of subsidiary. Refer to Note 26. Goodwill is initially recognised as an asset at cost, and is subsequently measured at cost, less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Carrying amount:

	2023 $000	2022 $000
Balance at beginning of year	-	-
Recognised on acquisition of subsidiary	3,267	-
Balance at end of year	**3,267**	**-**

Allocation to CGUs:

	2023 $000	2022 $000
MTF Group:	3,267	-
Total Goodwill	**3,267**	**-**

Impairment

For the purposes of preparing these financial statements, management has reviewed the intangible assets and determined that there is no impairment of any intangible assets in the current year.

Note 16: Intangible assets

Policy

Computer software and websites are finite life intangible assets, recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over the estimated useful life, usually 3-5 years.

Finite life intangible assets are subject to the same impairment process as property, plant and equipment. Impairment is recognised in profit or loss.

The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition, assuming finite useful life - and will be amortised over 5 years. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

	2023 $000	2022 $000
Cost		
Balance at beginning of year	11,860	10,873
Additions	301	987
Acquired on business combination	3,900	-
Disposals	-	-
Balance at end of year	**16,061**	**11,860**
Amortisation and impairment		
Balance at beginning of year	9,781	9,127
Amortisation	953	654
Impairment	-	-
Balance at end of year	**10,734**	**9,781**
Total intangible assets	**$5,327**	**$2,079**

Capital commitments

The estimated capital expenditure contracted for at balance date but not provided for is $nil (2022: $27,144).

Note 17: Leases

Policy

The Group assesses whether a contract is, or contains, a lease, at the inception of the contract. The Group recognises a right of use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee.

Lease liabilities are initially measured at the present value of the remaining lease payments and discounted by the rate implicit in the lease. Where the rate cannot be readily determined, the Group's incremental borrowing rate (IBR) is applied. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the liability, using the effective interest method, and by reducing the carrying amount to reflect the lease payments made.

Right of use assets comprise the initial measurement of the corresponding lease liability. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right of use asset	**2023**	**2022**
	$000	**$000**
Balance at 30 September	2,564	2,869
Additions	754	-
Depreciation charge for the year	(397)	(305)
Total right of use asset	**$2,921**	**$2,564**

Lease liability – maturity analysis	**2023**	**2022**
	$000	**$000**
Lease liabilities under NZ IFRS 16:		
Less than one year	360	258
Between one and five years	1,781	1,227
More than five years	1,108	1,328
	$3,249	**$2,813**
Current	360	258
Non-current	2,889	2,555
Balance at end of the year	**$3,249**	**$2,813**

The Group leases three properties under non-cancellable leases expiring within varying timeframes.

	2023	**2022**
	$000	**$000**
Amounts recognised in the consolidated statement of comprehensive income:		
Depreciation of right of use assets	397	305
Interest expense on lease liabilities	165	118

The total cash outflow for leases in 2023 was $482,000 (2022: $357,000).

Note 18: Accounts payable and accrued expenses

Employee entitlements

Provision is made for entitlements accruing to employees in respect of salaries and leave entitlements when it is probable that settlement will be required and can be measured reliably.

Provision for entitlements expected to be settled within twelve months is measured at nominal value using the remuneration rate expected to be applied at the time of settlement.

Standard credit terms for trade payables is 30 days with most suppliers not charging interest during this period. The Group has financial risk management policies to ensure all payables are paid within pre-agreed credit terms.

	2023	**2022**
	$000	**$000**
Trade creditors	2,685	1,022
Sundry creditors and accruals	6,077	2,419
Unpaid commission	5,088	4,425
Employee entitlements	1,752	1,434
	$15,602	**$9,300**

Credit period

The average credit period for creditors and accruals is 30 days.

Commission withheld

Unpaid commission comprises accrued commission and withheld commission.

Accrued commission is commission earned by originators in the month of September but paid in the month of October. At 30 September this totalled $4.44m (2022: $3.50m).

Withheld commission is commission being retained by MTF Finance from originators. At 30 September this totalled $0.6m (2022: $0.9m).

Note 19: Related party transactions

Commission paid (during the period to 30 September) to companies (transacting shareholders) associated with the Directors:

	2023 $000	2022 $000
Noel Johnston	1,513	1,820
Geoffrey Kenny	788	944
Stu Myles	728	585
Grant Woolford	77	81
	$3,106	**$3,430**

Commission payable (as at 30 September) to companies (transacting shareholders) associated with the Directors:

	2023 $000	2022 $000
Noel Johnston	128	148
Geoffrey Kenny	66	66
Stu Myles	73	51
Grant Woolford	7	6
	$274	**$271**

Revenue received from companies (transacting shareholders) associated with the Directors:

	2023 $000	2022 $000
Noel Johnston	3,779	4,133
Geoffrey Kenny	1,804	1,956
Stu Myles	1,941	1,394
Grant Woolford	236	212
	$7,760	**$7,695**

Finance receivables outstanding with companies (transacting shareholders) associated with Directors:

	2023 $000	2022 $000
Noel Johnston	28,985	33,979
Geoffrey Kenny	12,892	12,628
Stu Myles	16,661	13,577
Grant Woolford	1,823	1,745
	$60,361	**$61,929**

Related parties

Directors Noel Johnston, Geoffrey Kenny, Stu Myles and Grant Woolford are Directors of companies with shareholdings in MTF Finance that derive commission from the Group on the same basis as all other transacting shareholders.

Directors fees are disclosed per Note 6.

Revenue

Revenue received from companies (transacting shareholders) associated with the Directors includes interest income, fee income and payment waiver admin fee income.

Note 20: Credit risk

Maximum exposures to credit risk:

	2023 $000	2022 $000
Cash at bank	165	-
Cash in restricted bank accounts	76,273	77,261
Accounts receivable	1,901	2,010
Derivative financial instruments	15,175	21,201
Honda Trust securitised finance receivables	60,459	40,691
Opala Trust securitised finance receivables	250,897	-
Rambler Trust securitised finance receivables	-	60,998
Pantera Trust securitised finance receivables	192,794	241,332
Personal Loan Warehouse Trust securitised finance receivables	57,490	-
Warehouse Trust securitised finance receivables	333,244	294,139
Non securitised finance receivables	95,735	99,468

Finance receivables credit risk by geographical location:

	2023 $000	2022 $000
Canterbury	185,896	94,105
Auckland	134,863	97,364
Wellington/Wairarapa	113,987	61,571
Bay of Plenty	111,344	86,537
Waikato	106,806	78,378
South Auckland	97,136	74,892
Otago	46,770	60,921
Nelson/Marlborough	44,525	31,079
Mid/South Canterbury	27,474	14,462
Northland	25,114	19,663
Manawatū/Whanganui	24,200	32,174
Gisborne	20,006	19,192
Hawkes Bay	17,399	23,197
Southland	16,426	19,322
West Coast	10,079	11,722
Taranaki	8,426	12,049
Finance receivables by geographical location	**$990,451**	**$736,628**

Finance receivables credit risk by security type:

	2023 $000	2022 $000
Passenger vehicle	429,645	308,116
Commercial vehicle	274,920	211,562
Utes/Trucks/Trailers	115,168	99,368
Motorcycle	41,429	38,566
Marine	25,235	23,313
Caravans	26,540	23,426
Vans/Buses	17,061	14,994
Equipment/Aircraft/Tractors/Machinery	4,513	3,649
Unsecured loan – no security	55,940	13,634
Finance receivables by security type	**$990,451**	**$736,628**

Finance receivables credit risk by transacting shareholder:

	2023 $000	2022 $000
0 - $5,000,000	98,307	107,335
$5,000,000 - $10,000,000	104,411	129,591
$10,000,000 - $20,000,000	394,476	334,520
$20,000,000+	393,257	165,182
Finance receivables by transacting shareholder	**$990,451**	**$736,628**

Note 20: Credit risk *continued...*

Finance receivables credit risk by individual contract size:

	2023 $000	2022 $000
0 - $5,000	52,467	50,895
$5,001 - $10,000	140,106	119,110
$10,001 - $20,000	323,113	211,701
$20,001 - $30,000	196,109	146,140
$30,001 - $40,000	117,489	92,044
$40,001- $50,000	65,267	47,866
$50,001+	95,900	68,872
Finance receivables by contract size	**$990,451**	**$736,628**

Credit risk

Credit risk is the risk of financial loss to MTF Finance if a transacting shareholder, or counterparty to a financial instrument, fails to meet its contractual obligations. Financial instruments which potentially subject the Group to credit risk principally consist of cash at bank, cash in restricted bank accounts, accounts receivable, finance receivables and derivative financial instruments.

MTF Finance launched a non-recourse product offering in the prior period. Credit risk with respect to this product is the risk of financial loss if a customer fails to meet its contractual obligations under an MTF Finance contract.

Management of credit risk

The Directors have overall responsibility for management of credit risk. This responsibility is delegated to the Credit Committee. The Credit Committee reviews credit risks, recommends credit policy and approves certain credit limits in addition to approving any large credit exposures.

The MTF Finance credit and compliance teams perform key credit risk management tasks for both recourse and non-recourse products, including assessing transacting shareholder applications, reviewing transacting shareholder accounts, setting and reviewing facility limits, managing asset quality, detecting transacting shareholder fraud, recovering bad debt and perfecting security interests. MTF Finance undertakes regular independent risk reviews with the Credit Committee ensuring any recommendations arising are investigated and appropriate action taken where necessary. The findings of the credit team are reported fortnightly to the Credit Committee.

Recourse customer loss is for the account of the transacting shareholder. The credit risk assumed by MTF Finance is to the individual transacting shareholder and its capacity to meet any customer shortfall. In the event of default by a transacting shareholder under an MTF Finance contract, MTF Finance has available as security the vehicle, or goods, subject to the contract and a right of action against the defaulting customer and any guarantors. MTF Finance requires each transacting shareholder to indemnify MTF Finance against any default and the indemnity includes the right to forfeit shares, dividends and commission, current and future, of any transacting shareholder in the event that the transacting shareholder fails to meet its obligations under the recourse arrangement.

MTF Finance may hold a range of additional credit enhancements against the transacting shareholder including, but not limited to, bank guarantees and personal guarantees.

MTF Finance closely monitors the credit quality, lending limits, performance and financial position of each transacting shareholder to ensure the quality of the business written meets minimum standards and that the transacting shareholder is capable of indemnifying MTF Finance against any potential loss. Transacting shareholders that are unable, or unwilling, to meet the credit and indemnity criteria have their MTF Finance facilities cancelled.

Exposure to credit risk

The credit risk on securitised finance receivables within the MTF Finance securitisation programme is limited to the subordinated notes subscribed to by MTF Finance and the Pantera notes issued to MTF Finance, in support of the credit enhancement of the securitisation programme. The balance of credit risk on MTF Finance securitised finance receivables is assumed by subscribers to the senior notes pursuant to the securitisation programme.

Subordinated notes on issue	Effective credit enhancement		Carrying amount	
	2023 %	2022 %	2023 $000	2022 $000
Opala Trust	0.89	-	2,500	-
Rambler Trust	-	3.74	-	2,804
Pantera Trust	0.68	0.54	1,500	1,500
Personal Loan Warehouse Trust	30.00	-	17,713	-
Warehouse Trust	10.63	11.11	38,902	35,518
			$60,615	**$39,822**

Non-securitised finance receivables under recourse are amounts owing by transacting shareholders and are secured by a specific charge over each asset held under various transacting shareholder loans. Transacting shareholders indemnify loss from default by their customers. For non-securitised finance receivables under non-recourse, MTF Finance incurs the loss from default by its customers.

Concentration of credit risk

The Group has a concentration of credit risk to its transacting shareholders for finance receivables. The position is mitigated by the limited exposure to transacting shareholders relative to the total asset base, the high number of individual loans that comprise the finance receivables and the risk assumed by the holders of senior notes on securitised finance receivables.

The credit risk above must be read in the context of the Group exposure to the securitised finance receivables being limited to the subordinated debt funding provided to the MTF Finance Trusts.

Note 21: Liquidity risk

Financial assets matched against financial liabilities at 30 September 2023 (undiscounted contractual cash flow):

	On demand $000	0 - 6 months $000	6 - 12 months $000	12 - 24 months $000	24 - 60 months $000	Total $000
Monetary assets						
Cash at bank	165	-	-	-	-	165
Cash in restricted bank accounts [1]	76,273	-	-	-	-	76,273
Accounts receivable	-	1,901	-	-	-	1,901
Finance receivables	-	205,831	224,348	375,689	388,241	1,194,109
	76,438	207,732	224,348	375,689	388,241	1,272,448
Monetary liabilities						
Bank overdraft	-	-	-	-	-	-
Committed cash advance	57,100	-	-	-	-	57,100
Accounts payable and accrued expenses	-	15,602	-	-	-	15,602
Senior notes - secured	-	176,856	157,426	418,226	266,635	1,019,143
	57,100	192,458	157,426	418,226	266,635	1,091,845
Net liquidity gap	**$19,338**	**$15,274**	**$66,922**	**($42,537)**	**$121,606**	**$180,603**
Net liquidity gap - cumulative	**$19,338**	**$34,612**	**$101,534**	**$58,997**	**$180,603**	

1 Not available for general use

Financial assets matched against financial liabilities at 30 September 2022 (undiscounted contractual cash flow):

	On demand $000	0 - 6 months $000	6 - 12 months $000	12 - 24 months $000	24 - 60 months $000	Total $000
Monetary assets						
Cash in restricted bank accounts [1]	77,261	-	-	-	-	77,261
Accounts receivable	-	2,010	-	-	-	2,010
Finance receivables	-	153,885	170,647	275,138	273,948	873,618
	77,261	155,895	170,647	275,138	273,948	952,889
Monetary liabilities						
Bank overdraft	456	-	-	-	-	456
Committed cash advance	48,300	-	-	-	-	48,300
Accounts payable and accrued expenses	-	9,300	-	-	-	9,300
Senior notes - secured	-	125,346	89,218	223,418	268,558	706,540
	48,756	134,646	89,218	223,418	268,558	764,596
Net liquidity gap	**$28,505**	**$21,249**	**$81,429**	**$51,720**	**$5,390**	**$188,293**
Net liquidity gap - cumulative	**$28,505**	**$49,754**	**$131,183**	**$182,903**	**$188,296**	

1 Not available for general use

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting contractual obligations associated with financial liabilities. The Group manages liquidity risk by maintaining sufficient liquid funds to meet its commitments, based on historical and forecast cash flow requirements.

The contractual maturity profile reflects the remaining period to contractual maturity of assets and liabilities at balance date. The finance receivable amount is based on undiscounted contractual cash flow and not based on the fair value amount in the balance sheet. The amounts in the liquidity profile include both interest and principal repayments. MTF Finance has unutilised facilities with its transacting shareholders at balance date; however, as MTF Finance is not contractually obligated to meet the funding obligations related to these facilities they are not included in the liquidity profile.

Liquidity risk management

Liquidity risk is managed primarily through access to the MTF Finance securitisation programme by which finance receivables are sold.

The Warehouse notes issued are subject to a credit rating by Standard and Poor's Rating Services, while Pantera and Opala notes are subject to a credit rating by Fitch Ratings.

For MTF Warehouse No. 1 Trust, the Senior Warehouse Note Maturity Date is a maximum of 72 months after the Expiry Date of the facility. The Expiry Date is 15 March 2024.

For MTF Personal Loan Warehouse Trust, the Senior Warehouse Note Maturity Date is a maximum of 12 months after the Expiry Date of the facility. The Expiry Date is 8 September 2025.

Senior Pantera and Opala notes have a maturity date of 96 months and 90 months respectively, after the issue dates of 15 June 2021 and 16 March 2023, respectively. Details of the securitisation programme are contained in Note 10 of these consolidated financial statements.

Other than the MTF Finance securitisation programme, the Group has access to committed credit facilities utilised to fund finance receivables that are not eligible to be securitised.

The Group manages non-securitised assets and liabilities to ensure maturities allow an adequate margin between the requirements to fund non-securitised assets and access to funding.

The Group sets a credit facility limit for each transacting shareholder, based on criteria such as the assessed quality of receivables introduced by the transacting shareholder and the transacting shareholders assessed financial position.

Concentration of funding risk

MTF Finance has concentration of funding risk to the MTF Finance securitisation programme for the future legal sale of finance receivables, which may arise in the event that MTF Finance is unable to meet the terms and conditions of the securitisation programme or in the event the programme is unable to provide a continuous source of funding, for reasons outside the control of MTF Finance. At 30 September 2023, MTF Finance complies with all covenants of the MTF Finance securitisation programme.

Note 22: Market risk

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises interest rate risk, currency risk and price risk.

Market risk management

The objective of market risk management is to control market risk exposure, to achieve optimal returns, while maintaining risk at acceptable levels. An annual review of treasury policy and risk management is performed, with the Directors ensuring that recommendations arising are investigated and actioned where necessary.

A Risk Management Group consisting of the Chief Executive Officer, Deputy CEO, General Counsel, Risk and Compliance Manager, Chief Technology Officer, Head of Credit, Head of Treasury and Funding, and Finance Manager meets regularly to consider all risks facing the group, including balance sheet risk and management, within the framework of Director-approved Treasury Policy.

Interest rate risk

Securitisation programme funding

To economically hedge the fixed rate income from securitised receivables, the Group enters into interest rate swaps to convert the floating rate interest liability on Warehouse, Personal Loan Warehouse, Pantera and Opala Trust senior notes and Honda Trust loan facility into fixed interest cost.

Actual loss incurred on early termination of a loan agreement is passed to the customer as part of the settlement process.

Other funding

Interest rate risk is managed by generally matching maturities on the non-securitised funding facilities with maturities on the non-securitised finance receivables. Interest rates on funding facilities are set out in Note 10.

Management monitors interest rates on an on-going basis, and from time to time, may lock in fixed rates on the next floating reset using swap contracts when it considers that interest rates will rise. At 30 September 2023, the committed cash advance facility had interest rate maturity of less than 90 days.

The committed cash advance is renegotiated at market rates upon maturity.

Management may economically hedge the perpetual preference share interest rate reset, which occurs annually on 30 September. The effect is to lock in fixed rates on the next rate reset, using swap contracts, when it considers that interest rates may rise.

Financial assets

Interest rates applicable to finance receivables are fixed for the term of the finance receivables. The weighted average interest rate applicable to finance receivables at 30 September 2023 was 7.50% (2022: 5.92%).

Cash at bank and cash in restricted bank accounts are at call with interest rate maturities of less than 30 days. The weighted average interest rate applicable to cash balances at 30 September 2023 was 5.50% (2022: 3.00%).

Interest rate sensitivity

The sensitivity analysis is based on the exposure to interest rates for both derivative and non-derivative instruments at balance date. A change in interest rates impacts the fair value of fixed rate assets and interest rate swaps. Fair value changes impact profit and loss only where the fixed rate assets are measured at FVTPL.

A 100 bp change (2022: 100 bp) represents the Group's best estimate of a reasonably possible change in interest rates and is considered appropriate for interest rate sensitivity based on historical and current economic forecasts.

Impact on profit (loss) after tax:

	2023 $000	2022 $000
100 bp increase in interest rates (2022: 100 bp)	9,095	2
100 bp decrease in interest rates (2022: 100 bp)	(9,351)	(4)

Impact on equity:

	2023 $000	2022 $000
100 bp increase in interest rates (2022: 100 bp)	9,095	2
100 bp decrease in interest rates (2022: 100 bp)	(9,351)	(4)

Note 23: Capital risk management

Capital structure:

	2023 $000	2022 $000
Ordinary shares	20,386	19,494
Retained earnings	48,845	41,168
Perpetual preference shares	38,966	38,966
Total capital for capital management purposes	**$108,197**	**$99,628**

Capital structure

The Group manages its capital to ensure that it will continue as a going concern, while optimising the return to transacting shareholders through an efficient mix of debt and equity instruments. For purposes of capital management, the capital structure of the Group consists of ordinary shares, retained earnings and perpetual preference shares.

In 2021, the Group purchased shares from non-transacting originators as to better align the interests of originators and shareholders. The last of these transactions was completed in the 2022 year.

Covenants

The Group is subject to externally imposed capital requirements through a variety of covenants under banking, securitisation and trustee arrangements. These covenants monitor capital as a percentage of securitised finance receivables, unsecuritised finance receivables, total net tangible assets and total assets, at a Group level.

These covenants are reflected in the Group treasury policy and performance is reported weekly to Management and monthly to the Directors and external funding parties. During the period, the Group complied with all covenants.

Risk management

The Directors are responsible for the Group system of risk management. The Directors regularly monitor the operational and financial risk aspects of the Group and, through the Audit & Risk Committee, consider the recommendations and advice of external advisors.

Note 24: Cash in restricted bank accounts

Cash in restricted bank accounts

Payments received from customers with respect to securitised finance receivables are paid into bank accounts maintained within the securitisation programme and are credited against the applicable securitised receivable account monthly in accordance with the programme payment cycle. Included in cash in restricted bank accounts is liquidity support required for the securitisation programme and cash required under the payment waiver programme.

Note 25: Derivative financial instruments

Policy

The Group enters into various financial instruments for the primary purpose of reducing exposure to fluctuations in interest rates. Derivative financial instruments, consisting of interest rate swap agreements, are classified as held for trading and are used to economically hedge the cash flows of the securitisation funding of finance receivables and perpetual preference share dividends. While these financial instruments are subject to risk that market rates may change subsequent to acquisition, such changes are usually offset by opposite effects on the items being economically hedged.

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately.

Fair value:

	2023 $000	2022 $000
Interest rate swaps	15,175	21,201
	$15,175	**$21,201**

Interest rate swaps:

	Average contracted interest rate		Notional principal amount		Fair value	
	2023	2022	2023	2022	2023	2022
	%	%	$000	$000	$000	$000
Less than 1 year	4.56	2.60	365,225	312,740	6,444	9,040
1 to 2 years	4.81	2.92	315,440	255,425	5,149	7,243
2 to 3 years	5.03	3.27	187,921	135,940	2,408	3,410
3 to 4 years	5.21	3.70	87,437	59,184	972	1,275
4 to 5 years	5.43	4.21	24,120	14,485	202	233
			$980,143	**$777,774**	**$15,175**	**$21,201**

Judgements

The fair value of derivative financial instruments is based on discounted cash flow using observable market data. The fair value includes adjusting for counterparty credit risk.

Interest rate swaps

The above table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding at reporting date.

The interest rate swaps have been entered into with trading banks. The Group exposure to credit risk from these financial instruments is limited because it does not expect non-performance of the obligations contained therein due to the credit rating of the financial institutions concerned. The Group does not require collateral or other security to support these financial instruments.

Note 26: The Lending People acquisition

Background

On 17 February 2023, MTF Finance purchased all of the shares in The Lending People Limited (TLP). TLP is a technology-driven specialist that uses online technology to streamline the origination of loan applications and provide access to a wide range of products and services from banks, finance companies, and credit unions.

MTF Finance's acquisition of TLP is part of a broader strategy to deliver the best lending experience across all channels to customers. It could boost MTF Finance's revenue and volume through a ready-made solution for transforming MTF Finance's digital product offerings and technology platform.

Purchase consideration and fair value of net assets acquired

TLP was acquired for a total cash consideration amounting to $5.1million. MTF Finance also paid $0.5m in an escrow fund which is subsequently used to settle TLP's GST payable. This is considered a separate transaction that is not part of the acquisition. The amount paid is therefore excluded in the purchase consideration and the external debt is included in the net identifiable assets of TLP.

The assets and liabilities recognised as a result of the acquisition are as follows:

	Book value	Fair value adjustment	Fair value on acquisition
	$000	$000	$000
Cash	296	-	296
Trade and other receivables	82	-	82
Property, plant & equipment	100	-	100
Right of use asset	340	-	340
Intangible assets	309	3,591	3,900
Deferred tax asset	184	-	184
Other assets	1	-	1
Trade payables and accruals	(1,455)	-	(1,455)
Borrowings	(270)	-	(270)
Lease liabilities	(340)	-	(340)
Deferred tax liabilities	-	(1,005)	(1,005)
Net identifiable assets required	**$(753)**	**$2,586**	**$1,833**
Add: Goodwill			3,267
Net assets acquired			**$5,100**

Note 26: The Lending People acquisition continued...

The goodwill is attributable to the high profitability potential of the acquired business and the synergies expected to be achieved from integration of TLP's operation to MTF Finance which is not separately recognised. It will not be deductible for tax purposes. The goodwill is allocated entirely to the MTF Group cash generating unit (CGU).

The fair value of acquired trade receivables are equal to its gross contractual amounts.

MTF Finance measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities.

Revenue and profit contribution

TLP contributed revenues of $3.4m and net loss of $0.5m to the Group for the period from 17 February 2023 to 30 September 2023.

If the acquisition had occurred on 1 October 2022, consolidated pro-forma net interest income and fees and profit for the year ended 30 September 2023 would have been $48.3m and $11.3m respectively. These amounts have been calculated using the TLP's results and adjusting them for:

- Differences in the accounting policies between the Group and TLP
- The additional depreciation and amortisation that would have been charged assuming the fair value adjustments to [e.g. property, plant and equipment and intangible assets] had applied from 1 October 2022, together with the consequential tax effects.

Cash flows and acquisition-related costs

The net cash flow on acquisition as presented in the Consolidated Statement of Cash Flows under the investing activities amounts to $4.8m pertains to the cash consideration net of cash balances acquired.

Acquisition-related costs of $0.3m that were not directly attributable to the issue of shares are included in Administration in the Consolidated Statement of Comprehensive Income and presented under the operating activities in the Consolidated Statement of Cash Flows.

Note 27: Investment in subsidiaries

Policy

Subsidiaries are entities controlled by MTF Finance. MTF Finance controls an entity when it has power over the entity, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Securitisation entities are designed so that their activities are not governed by way of voting rights. In assessing whether the Group has power over such entities, the Group considers factors such as:

- purpose and design of the entity
- ability to direct the relevant activities of the entity
- nature of the relationship with the entity; and
- size of its exposure to the variability of returns of the entity.

MTF Finance reassesses whether it controls an investee if facts and circumstances indicate that there have been changes to one or more elements of control.

Name of entity	Principal activity	Percentage held	
		2023	2022
MTF Leasing Limited	Leasing	100%	100%
MTF Securities Limited	Non-trading	100%	100%
MTFS Holdings Limited	Non-trading	100%	100%
MTF Finance Limited	Non-trading	100%	100%
MTF Direct Limited	Non-trading	100%	100%
MTF Limited	Non-trading	100%	100%
MTF Treasury Limited	Securitisation	100%	100%
The Lending People Limited	Finance brokering/lending	100%	-
MTF Warehouse Trust No.1	Securitisation	-	-
MTF Personal Loan Warehouse Trust No. 1	Securitisation	-	-
MTF Pantera Trust 2021	Securitisation	-	-
MTF Opala Trust 2023	Securitisation	-	-
Honda Trust	Securitisation	-	-

Note 27: Investment in Subsidiaries continued...

Judgements

The Group consolidates the securitisation entities, MTF Warehouse Trust No.1 (Warehouse Trust), MTF Personal Loan Warehouse Trust No. 1 (Personal Loan Warehouse Trust), MTF Pantera Trust 2021 (Pantera Trust), MTF Opala Trust 2023 (Opala Trust) and Honda Trust on its balance sheet.

Management make judgments about MTF Finance's power over the securitisation entities, its exposure to variable returns and its ability to affect those returns by exercising its power.

Subsidiaries

Each subsidiary and controlled entity has a balance date of 30 September and is domiciled in New Zealand.

Note 28: Categories of financial instruments

Policy

Financial assets and derivative financial instruments are classified into one of the following categories at initial recognition:

- financial assets measured at amortised cost
- fair value through profit or loss

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Financial assets measured at amortised cost

Cash at bank and in restricted bank accounts and accounts receivable are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest method, net of provisions for impairment.

For non-recourse finance receivables, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the financial asset.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any expected credit losses. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any expected credit losses.

Fair value through the profit or loss

The Group measures all recourse finance receivables at FVTPL, as the business model and contractual cash flow characteristics of these assets do not meet the criteria for measurement at amortised cost or fair value through other comprehensive income as per NZ IFRS 9.

The gain or loss on recourse finance receivables measured at FVTPL is recognised in the statement of comprehensive income via the following line items:

- Gross interest income from finance receivables measured at FVTPL – is recognised using the effective interest method excluding origination fees, transaction costs and commissions.
- Commissions – are recognised on an accrual basis in line with the recognition of gross interest income.
- Fees – origination fees are recognised as revenue at the time of initial recognition of the finance receivable in accordance with the provisions of NZ IFRS 9 for financial instruments measured at FVTPL.
- Communication and processing expenses – transaction costs are recognised as expenses at the time of initial recognition of the finance receivable in accordance with the provisions of NZ IFRS 9 for financial instruments measured at FVTPL.
- Bad debts – are recognised at the time when financial receivable balances from originators are known to be unrecoverable.
- Net gain/loss on financial instruments at fair value through profit or loss comprises the remaining net change in fair value of the financial instrument at FVTPL including changes in market and credit risks.

Derivative financial instruments, together with the floating rate funding, is used to manage the interest rate risk inherent in finance receivables. The derivatives are measured at fair value with movement recognised in profit before tax.

Financial liabilities

Debt and equity instruments are classified as financial liabilities or equity in accordance with the substance of the contractual arrangement.

Liabilities are recorded initially at fair value, net of transaction costs. Subsequently, all financial liabilities with the exception of derivative financial liabilities, are measured at amortised cost, with any difference between the initial recognised amount and the redemption value recognised in profit or loss in the consolidated statement of comprehensive income over the period of borrowing, using the effective interest rate method.

Note 28: Categories of financial instruments continued...

Offset financial instruments

The Group offsets financial assets and financial liabilities and reports the net balance in the consolidated balance sheet where there is a legally enforceable right to offset and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously. This is not applicable in the current year.

Categorisation of financial instruments at 30 September 2023:

	Financial instruments at FVTPL $000	Financial assets at amortised cost $000	Financial liabilities at amortised cost $000	Total carrying amount $000
Assets				
Cash	-	165	-	165
Cash in restricted bank accounts	-	76,273	-	76,273
Accounts receivable	-	1,902	-	1,902
Finance receivables	974,877	15,574	-	990,451
Derivative financial instruments (held for trading)	15,175	-	-	15,175
	$990,052	**$93,914**	**-**	**$1,083,966**
Liabilities				
Committed cash advance	-	-	57,100	57,100
Accounts payable and accrued expenses	-	-	15,602	15,602
Lease liability	-	-	3,249	3,249
Senior notes - secured	-	-	902,825	902,825
	-	**-**	**$978,776**	**$978,776**

Categorisation of financial instruments at 30 September 2022:

	Financial instruments at FVTPL $000	Financial assets at amortised cost $000	Financial liabilities at amortised cost $000	Total carrying amount $000
Assets				
Cash in restricted bank accounts	-	77,261	-	77,261
Accounts receivable	-	2,010	-	2,010
Finance receivables	734,641	1,987	-	736,628
Derivative financial instruments (held for trading)	21,201	-	-	21,201
	$755,842	**$81,258**	**-**	**$837,100**
Liabilities				
Bank overdraft	-	-	456	456
Committed cash advance	-	-	48,300	48,300
Accounts payable and accrued expenses	-	-	9,300	9,300
Lease liability	-	-	2,813	2,813
Senior notes - secured	-	-	677,966	677,966
	-	**-**	**$738,835**	**$738,835**

Note 29: Events after balance date

Dividend

On 17 November 2023, the Directors declared a final dividend on paid-up ordinary shares of 6.38 cents per share amounting to $1.38m (fully imputed), and a special dividend of 13.45 cents per share amounting to $2.67m (fully imputed), for the period 1 October 2022 to 30 September 2023. The dividend is due for payment on 7 December 2023.

Honda funding facility

On 6 November the Facility Lender (MUFG) agreed to both increase the total limit to $80 million and extend the expiry date through to 15 November 2024. This change became effective on 15 November 2023.

MTF Warehouse No. 1 Trust

Effective 15 November 2023, MTF Warehouse No. 1 Trust was restructured to introduce four new classes of notes subscribed to by a new mezzanine financier. The notes that are held externally are rated by S&P Global Ratings and range from AAA (sf) to BB (sf). The new notes partially refinance MTF Finance's subscription to subordinated notes. The overall limits provided by financiers were increased to $583.37m and the facilities that fund the notes extended to 15 November 2025.

Note 30: Segment information

Policy

NZ IFRS 8 requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. Information reported to the Group chief operating decision maker is presented in consolidated form and is not disaggregated by segment, product or geographical data.

Segments

The Group operates predominantly in one industry, being the sale of finance receivables.

The Group operates in one geographical location, New Zealand.

Note 31: Statement of cash flow

Policy

The consolidated statement of cash flow has been prepared exclusive of GST, consistent with the method used in the consolidated statement of comprehensive income.

Cash and cash equivalents

Cash reflects the balance of cash and liquid assets used in the day-to-day management of the entity.

Netting of cash flows

Certain cash flows are netted to provide more meaningful disclosure. Committed cash advances and senior notes cash flows result from the day-to-day cash management of the Group and involve the rapid turnover of financial instruments or arrangements not exceeding three months. The turnover of these cash flows is netted.

Investing activities are activities involving the acquisition and proceeds from the sale of property, plant and equipment and intangible assets.

Financing activities are activities relating to changes in equity and debt capital structure and activities relating to the cost of servicing equity capital.

Operating activities are the principal revenue activities of the Group and other activities that are not investing or finance activities.

	2023 $000	2022 $000
Reconciliation of profit after tax to net cash flow from operating activities		
Profit after tax	11,555	8,366
Depreciation and amortisation	1,809	1,471
	13,364	**9,837**
Movement in other items		
Decrease/(increase) in accounts receivable	108	389
Decrease in payment waiver indemnity prepayment	-	404
(Increase) in finance receivables	(253,823)	(64,150)
Increase/(decrease) in committed cash advance	8,800	42,100
(Increase)/Decrease in deferred tax	(657)	650
Decrease in tax receivable/(Increase) in provision for tax	4,011	83
Increase/(Decrease) in accounts payable and accrued expenses	6,302	(213)
Increase in unearned payment waiver fees	1,970	244
Increase in securitised funding	222,645	35,438
(Increase)/decrease in derivative financial assets	6,026	(16,888)
	(4,618)	**(1,943)**
Movement in working capital items classified as investing or financing activities	1,144	7
Net cash surplus from operating activities	**$9,890**	**$7,901**

Independent Auditor's Report

To the Shareholders of Motor Trade Finance Limited

Opinion

We have audited the consolidated financial statements of Motor Trade Finance Limited and its subsidiaries (the 'Group'), which comprise the consolidated balance sheet as at 30 September 2023, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements, on pages 38 to 94, present fairly, in all material respects, the consolidated financial position of the Group as at 30 September 2023, and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

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

We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other assignments for the Group in the areas of taxation compliance and the audit of Trust financial statements . These services have not impaired our independence as auditor of the Company and Group. In addition to this, partners and employees of our firm deal with the Company and its subsidiaries on normal terms within the ordinary course of trading activities of the business of the Company and its subsidiaries. The firm has no other relationship with, or interest in, the Company or any of its subsidiaries.

Audit materiality

We consider materiality primarily in terms of the magnitude of misstatement in the financial statements of the Group that in our judgement would make it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced (the 'quantitative' materiality). In addition, we also assess whether other matters that come to our attention during the audit would in our judgement change or influence the decisions of such a person (the 'qualitative' materiality). We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group financial statements as a whole to be $2,600,000.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter

Valuation of Finance Receivables at Fair Value Through Profit or Loss
 	
As disclosed in note 12, the Group has finance receivables measured at fair value through profit or loss of $975.0m at 30 September 2023.
 	
The Group estimates fair value using an internally developed discounted cash flow (DCF) model. At balance date, the discount rate used in the model reflects the current market interest rate and the weighted average credit margin in the finance receivable contracts (net of commission). The credit margin remains fixed throughout the term of the contract. The change in credit risk is reflected through a credit risk adjustment. The model uses a combination of observable data (market interest rates) and unobservable data (credit risk).
 	
There has been significant judgement required to consider the impact of forward-looking information to reflect future economic impacts.
 	
Disclosures about the fair value of finance receivables are included in note 13 of the financial statements.
 	
The valuation of finance receivables measured at fair value through profit or loss is a key audit matter due to the size of the balance and the level of judgement applied by the Group in estimating fair value.
	Our procedures focused on the appropriateness of the valuation methodology and the reasonableness of the assumptions in the model.
	
	Our procedures included, amongst others:
	• Assessing the design and implementation of the controls over the completeness and accuracy of inputs to the model;
	• Selecting a sample of finance receivables measured at fair value through profit or loss and:
	  ◦ Agreeing inputs (including outstanding principal, interest rate, maturity date, payment frequency and credit margin) to underlying contracts; and
	  ◦ Recalculating the contribution of the sample to the weighted average credit margin (net of commission), and testing the mathematical accuracy of the weighted average credit margin (net of commission) calculation used in the model;
	• Agreeing market interest rates to independent external market data sources;
	• Selecting a sample of finance receivables measured at fair value through profit or loss and utilising an internal valuation specialist to independently calculate the value which reflects current market interest rates (using models and inputs independent of those used by the Group) and the weighted average actual credit margin (net of commission). Where necessary we then investigated variances from the fair value calculated by the Group to assess whether a systemic bias or error exists;
	• Assessing the adequacy of the adjustment for credit risk by:
	  ◦ Assessing the design and implementation of controls over credit risk;
	  ◦ Assessing the internal process for credit monitoring and reviews of transacting shareholder credit quality and performance;
	  ◦ Challenging and evaluating the logic of management's credit risk methodology and the key assumptions.

Other information

The directors are responsible on behalf of the Group for the other information. The other information comprises the information in the Annual Report that accompanies the consolidated financial statements and the audit report.

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

Our responsibility is to read the other information obtained prior to the date of our audit report and consider whether it is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If so, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the consolidated financial statements

The directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

A further description of our responsibilities for the audit of the consolidated financial statements is located on the External Reporting Board's website at:

https://www.xrb.govt.nz/standards/assurance-standards/auditors-responsibilities/audit-report-1/

This description forms part of our auditor's report.

Restriction on use

This report is made solely to the Company's shareholders, as a body. Our audit has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte Limited

Mike Hawken, Partner
for Deloitte Limited
Dunedin, New Zealand
17 November 2023

STATUTORY INFORMATION

Reporting entity

Motor Trade Finance Limited (MTF Finance) is a finance company whose principal activity is the provision of motor vehicle and personal loan finance facilities to its transacting shareholders.

MTF Finance is incorporated under the Companies Act 1993, with its equity shares held by ordinary and perpetual preference shareholders.

Regulatory environment

The Company is regulated by the Financial Reporting Act 2013. The Company is an issuer for the purposes of the Financial Markets Conduct Act 2013.

The Company is obliged to comply with Financial Reporting (information disclosure) Regulations.

Auditor

Deloitte Limited has continued to act as auditor of the Company and has undertaken the audit of the consolidated financial statements for the 2023 financial year.

Director indemnity and insurance

The Company has arranged policies of Directors and Officers liability insurance that, together with an indemnity provided under the Company constitution, ensures that generally Directors will incur no monetary loss as a result of actions taken by them as Directors. Certain actions are excluded, for example, penalties and fines, which may be imposed in respect of breaches of law.

Information by Directors

There were no notices from Directors requesting the use of Company information received in their capacity as Directors that would not otherwise be available to them.

Donations

The Company made donations totalling $61,300 to various organisations impacted by Auckland flooding and Cyclone Gabrielle, as well as the Auckland Rescue Helicopter Trust during the year.

Director remuneration and shareholdings

Remuneration and benefits paid to Directors:

	2023 $000	2022 $000
Mark Darrow	129,833	115,000
Noel Johnston	70,833	60,000
Geoffrey Kenny	70,833	60,000
Stu Myles	78,833	65,000
Melanie Templeton	86,833	70,000
Grant Woolford	70,833	60,000
	$507,998	**$430,000**

The following entries are recorded in the Director interests register of the Company and its subsidiaries.

Director shareholdings

No Director owns ordinary shares in the Company. Noel Johnston, Geoffrey Kenny, Stu Myles and Grant Woolford are Directors of companies with shareholdings in MTF Finance and all four declared their interest in material matters affecting transacting shareholders of MTF Finance.

Shares held by associated companies of Directors:

	Ordinary shares	%
Noel Johnston	712,290	3.59
Geoffrey Kenny	346,376	1.75
Stu Myles	205,458	1.04
Grant Woolford	120,779	0.61
Total shares held	**1,384,903**	**6.99**
Total shares on issue	**19,816,149**	**100.00**

Director disclosure of interests

Disclosure of interest by Directors

In accordance with Section 140(2) of the Companies Act 1993, the Directors named below have made a general disclosure of interest by notice entered in the Company interest register.

Mark Darrow is also Chair of Armstrong's, Invivo & Co, Riverton Farms, TSB Bank, and the Inland Revenue Risk & Assurance Committee. He is also Acting Chair of Auckland Transport and Director of Eastside Holdings.

Noel Johnston is a Director of Noel Johnston Limited, Johnston Bentley Limited and Direct 2 U Cars Limited.

Geoffrey Kenny is a Director of Geoff Kenny Limited and GBK Developments Limited.

Stu Myles is a Director of Myles and Fairhall Limited and Two Dog Investments Limited, and the Chair Trustee of Nova Trust.

Melanie Templeton is a Director of Xerra Earth Observation Institute Limited, Holmes Group Trustee Limited, TSB Bank and Booster Investment Management Limited. She is also a member of the Audit & Risk Committee of Inland Revenue.

Grant Woolford is a Director of Motorcycle Spot Limited, Motorcycles North Limited, 4Sale Group Limited, MTA Group Investments Limited, Motor Trade Association Incorporated and Garage Café Limited, Australian Automotive Business Solutions Limited, Sam Computer Systems Limited, Systime Automotive Solutions Limited and Cyclespot Wellington Limited.

Shareholding

Twenty largest ordinary shareholders at 30 September 2023:

Shareholder rank and name		Holding	% Total ordinary shares
1	Honda New Zealand Limited	906,623	4.58
2	Odgers and Rushbrooke Limited	652,921	3.29
3	Noel Johnston Limited	538,026	2.72
4	Cheryl Renouf Limited	537,380	2.71
5	Paul A Robinson Limited	464,132	2.34
6	Troy Lister Limited	416,327	2.10
7	Ferguson Robertson Limited	366,787	1.85
8	Hamilton Parker Limited	358,319	1.81
9	Geoff Kenny Limited	346,376	1.75
10	Simon Jackson Limited	335,896	1.70
11	Hansen and Scott Limited	333,655	1.68
12	Mark and Joy Diggelmann Limited	330,687	1.67
13	Tony Gow Limited	328,840	1.66
14	Neil Wolfgram Limited	325,696	1.64
15	Collier Sendall Limited	284,348	1.43
16	Craig Hall Limited	283,278	1.43
17	Neil A Wolfgram Limited	269,536	1.36
18	John Davidson Limited	267,389	1.35
19	Grant Cashmore Limited	254,406	1.28
20	Dobson Scott Limited	250,148	1.26
	Other shareholders	11,965,379	60.38
Total shares on issue		**19,816,149**	**100.00**

Employee remuneration

The table below shows the number of employees and former employees who, in their capacity as employees, received remuneration and other benefits during the year ended 30 September 2023 totalling at least $100,000. This remuneration includes termination payments but excludes any long-term incentives that have not been triggered.

Range	Number of employees	
	2023	2022
$100,000 - $109,999	9	5
$110,000 - $119,999	5	9
$120,000 - $129,999	6	5
$130,000 - $139,999	3	4
$140,000 - $149,999	1	4
$150,000 - $159,999	5	3
$160,000 - $169,999	1	3
$170,000 - $179,999	-	-
$180,000 - $189,999	3	2
$190,000 - $199,999	-	-
$200,000 - $209,999	1	2
$210,000 - $219,999	1	1
$220,000 - $229,999	1	-
$270,000 - $279,999	1	-
$350,000 - $359,999	1	-
$360,000 - $369,999	-	1
$420,000 - $429,999	1	-
$500,000+	1	1
	40	**40**

DIRECTORY

Directors

Mark Darrow (Chair)
Stu Myles (Deputy Chair)
Noel Johnston
Geoffrey Kenny
Melanie Templeton
Grant Woolford

Senior Leadership Team

Chris Lamers (Chief Executive Officer)
Kyle Cameron (Deputy CEO)
Natasha Callister (Chief Commercial Officer)
Adam Chisnall (Lending People CEO)
Rowena Davenport (Head of Credit)
Hayley Guest (General Counsel, Risk and Compliance Manager)
Jane Stumbles (Head of People and Culture)
Dan Wilkinson (Chief Technology Officer)

Perpetual preference share registrar

Computershare Investor Services Limited
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enquiry@computershare.co.nz

Ordinary share registrar

Computershare Investor Services Limited
+64 9 488 8777
enquiry@computershare.co.nz

Trustee for securitisation programme

Trustees Executors Limited

Bankers

Bank of New Zealand
Commonwealth Bank of Australia
Mitsubishi UFJ Financial Group (MUFG)
Westpac New Zealand

Solicitors

Anderson Lloyd
Bell Gully
Dentons
Gallaway Cook Allan

Auditor

Deloitte Limited

Registered office

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volunteer