investment statement and prospectus

Motor Trade Finances Limited

Offer of up to $35 million (with over-subscriptions of up to $5 million) of fully imputed Perpetual Preference Shares in Motor Trade Finances Limited

2006

Forsyth Barr

Lead Manager and Organising Participant: Forsyth Barr Limited

Underwriter: Forsyth Barr Group Limited

mtf

important information

(The information in this section is required under the Securities Act 1978.)
Investment decisions are very important. They often have long-term consequences. Read all documents carefully. Ask questions. Seek advice before committing yourself.

Choosing an investment

When deciding whether to invest, consider carefully the answers to the following questions that can be found on the pages noted below:

In addition to the information in this document, important information can be found in the current registered Prospectus for the investment. You are entitled to a copy of that Prospectus on request.(1)

Choosing an investment adviser

You have the right to request from any investment adviser a written disclosure statement stating his or her experience and qualifications to give advice. That document will tell you:

- whether the adviser gives advice only about particular types of investments;
- whether the advice is limited to the investments offered by one or more particular financial organisations; and
- whether the adviser will receive a commission or other benefit from advising you.

You are strongly encouraged to request that statement. An investment adviser commits an offence if he or she does not provide you with a written disclosure statement within 5 working days of your request. You must make the request at the time the advice is given or within 1 month of receiving the advice.

In addition:

- if an investment adviser has any conviction for dishonesty or has been adjudged bankrupt, he or she must tell you this in writing; and
- if an investment adviser receives any money or assets on your behalf, he or she must tell you in writing the methods employed for this purpose.

Tell the adviser what the purpose of your investment is. This is important because different investments are suitable for different purposes.

Combined document

This Offer Document is for an Offer by Motor Trade Finances Limited of Perpetual Preference Shares with an aggregate principal amount of $35 million, with the ability to accept over-subscriptions in respect of Perpetual Preference Shares with an aggregate principal amount of up to a further $5 million. This Offer Document is dated and prepared as at 30 May 2006.

Important notice

This Offer Document is a combined investment statement and prospectus for the purposes of the Securities Act 1978 and the Securities Regulations 1983. The purpose of the investment statement section of this Offer Document is to provide certain key information that is likely to assist a prudent but non-expert person to decide whether or not to subscribe for Perpetual Preference Shares under the Offer. However, investors should note that other important information about the Perpetual Preference Shares and the Offer is available in the prospectus section of this Offer Document and at the head office of Motor Trade Finances Limited.

The Offer of Perpetual Preference Shares contained in this Offer Document is subject to approval by each class of MTF shareholders by ordinary resolution at a special meeting to be held on 8 June 2006. An ordinary resolution is a resolution approved by a simple majority of the votes of those shareholders entitled to vote and voting on the resolution. If the ordinary resolution is not passed at the special meeting the Offer will not proceed.

Registration

A copy of this Offer Document duly signed by or on behalf of the Directors, and having attached to it copies of the documents required by section 41 of the Securities Act 1978 (including the original auditor's report and consent letter, acknowledgement by NZX (in accordance with Regulation 23(2) of the Securities Regulations 1983) and any material contracts) was delivered to the Registrar of Companies for registration in accordance with section 42 of the Securities Act 1978 on the date of this Offer Document.

Overseas investors

This Offer is limited to within the New Zealand jurisdiction and complies with statutory requirements of New Zealand. Motor Trade Finances Limited does not intend that this Offer will be made available outside of New Zealand. This Offer Document may not comply with statutory requirements outside the New Zealand jurisdiction.

Definitions

Capitalised terms in this Offer Document have a specific meaning and are defined in the glossary on page 59. All references to $ are to New Zealand dollars unless specified otherwise.

Guarantee

None of MTF's Directors, its subsidiaries, the Lead Manager nor any of their respective directors, officers or employees, or any other person guarantees the payment of Dividends or any other amounts due under the Perpetual Preference Shares or the amount of returns (if any) which investors may receive as Holders of Perpetual Preference Shares.

NZDX market listing

Application has been made to NZX for permission to list the Perpetual Preference Shares and all the requirements of NZX relating thereto that can be complied with on or before the date of the Offer Document have been duly complied with. However NZX accepts no responsibility for any statement in this Offer Document.

(1) This is the wording required by Schedule 3D to the Securities Regulations 1983 which contemplates a separate investment statement and prospectus. For this Offer the two documents have been combined and accordingly the prospectus available on request is identical to this document.

Cover image:
Like MTF, the strength and stamina of Dunedin's Northern Royal Albatross allows it to be recognised not only throughout New Zealand but around the southern hemisphere.
Photographer - Rod Morris

contents

Perpetual Preference Shares - key features

Issuer:	Motor Trade Finances Limited
Issue Price:	NZ$1.00
Maximum Principal Amount:	$35 million plus up to $5 million of over-subscriptions
Term:	Perpetual – no fixed redemption date
Initial Dividend Rate:*	9.75% per annum, inclusive of full Imputation Credits, payable quarterly in arrears until the first Dividend Reset Date
First Dividend Payment:	Payable to original subscriber on the First Dividend Payment Date
First Dividend Payment Date:	30 September 2006
Subsequent Dividend Payment Dates:	31 December, 31 March, 30 June and 30 September – in each year and if that day is not a Business Day, the next Business Day
Dividend Reset Date:	30 September 2007 and annually thereafter
Dividend Reset Margin:*	240 basis points (2.40%), including full Imputation Credits, above the Benchmark Rate
Minimum Application:	$5,000 and thereafter in $1,000 increments

The Offer of Perpetual Preference Shares contained in this Offer Document is subject to approval by each class of MTF shareholders by ordinary resolution at a special meeting to be held on 8 June 2006. An ordinary resolution is a resolution approved by a simple majority of the votes of those shareholders entitled to vote and voting on the resolution. If the ordinary resolution is not passed at the special meeting the Offer will not proceed.

*It is MTF's current intention that the Initial Dividend Rate be paid as detailed although this rate or payment of any Dividend is not promised or guaranteed. MTF reserves the right to increase the Initial Dividend Rate and/or Dividend Reset Margin to such greater rate as it might determine and advise to the market during the Offer period. Any increased rate would apply to all Perpetual Preference Shares, regardless of when they are allotted.

How to apply

Instructions on how to make an application are contained in the sections of this Offer Document entitled "application instructions" on pages 62 to 64.

Lead Manager

Forsyth Barr Limited.

Offer timetable

Important dates

Opening Date of Offer:	31 May 2006
Exchange Offer Closing Date:	16 June 2006
Priority Pool Closing Date:	16 June 2006
Allotment Date (Priority Pool):	19 June 2006
Closing Date of Offer:*	28 June 2006
Allotment Date (Exchange Offer):	30 June 2006
Quotation Date:	3 July 2006

Trading will commence on Quotation Date.

Perpetual Preference Shares will be allotted pursuant to the General Offer on a daily basis following receipt and acceptance of valid applications by MTF.

* This Offer will close on the earlier of 28 June 2006 or the date on which subscriptions are received and accepted for the maximum aggregate principal amount of the Perpetual Preference Shares (including any over-subscriptions). The Exchange Offer and Priority Pool will close on 16 June 2006. MTF in conjunction with the Lead Manager has the right to vary the Opening Date, the Closing Date, the Exchange Offer and Priority Pool Closing Date (including the right to extend or accelerate the Closing Date and Exchange Offer and Priority Pool Closing Date) upon providing written notice to NZX. This may have a consequential effect on the dates listed above.

five year financial summary - MTF Group

Year ending 30 September	2005 $000	2004 $000	2003 $000	2002 $000	2001 $000
Financial performance					
Total operating revenues	87,624	80,073	74,160	43,637	45,560
Interest paid	39,172	34,662	32,961	4,287	4,735
Profit before taxation	38,780	36,312	33,642	31,222	32,918
Taxation charge (benefit)	84	174	(42)	113	(53)
Profit after taxation	38,696	36,138	33,684	31,109	32,971
Dividends paid and provided	-	-	-	-	-
Dividend cents per share	-	-	-	-	-
Profit (Deficit) retained	(5,448)	(5,229)	1,904	(1,173)	12,919
Financial position					
Total assets	580,421	553,156	519,375	79,230	76,484
Total tangible assets	579,859	552,934	518,901	78,727	75,723
Total liabilities	568,997	536,363	497,155	58,819	54,881
Total shareholders' equity	11,424	16,793	22,220	20,411	21,603
Net tangible asset backing per Perpetual Preference Share unit	-	-	-	-	-

- During the year ended 30 September 2003, the group consolidated MTF Securities Ltd (MTFS). This is required under Financial Reporting Standard 37 (FRS-37): Consolidating Investments in Subsidiaries, which applies to general purpose financial reports covering periods ending on or after 31 December 2002. Accordingly, the 2002 and 2001 figures exclude the effect of consolidating MTFS as a subsidiary and therefore also exclude the securitised receivables as an asset and related funding as a liability. Otherwise, the accounting policies set out under the heading "Statement of Accounting Policies" on pages 20 to 23 of this Offer Document have been consistently applied for all financial periods presented.

- In preparing the 2005 financial statements set out on pages 18 to 38, certain minor reclassification changes were made to the 2004 comparative figures. Accordingly, minor differences arise between the figures presented in the 2004 financial performance and position as set out above and comparative figures included in the 2005 financial statements on pages 18 to 38.

- Pursuant to Section 8(3)(a)(ix) of the First Schedule of the Securities Regulations 1983 the figures above do not include any amounts derived using the equity method of accounting.

- The disclosure of distributions on a cents per share basis is a requirement of Section 8(3)(a)(xii) of the First Schedule to the regulations and is not relevant in the context of distributions made by MTF to its shareholders.

- The net tangible asset backing for the issue of $35 million, plus up to $5 million of over-subscriptions, of Perpetual Preference Shares, measured on the assumption that all securities had been allotted prior to 30 September 2005, would be $1.24 per share.

- The profits after taxation are distributed each year to the MTF Dealers. Over the five year period of the Summary of Financial Statements the Profit (Deficit) retained, as presented, fluctuates principally due to the timing of the distributions relative to when the profit after taxation was reported. In 2001 (when distributions were made six monthly) a Financial Reporting Standard change meant that a large portion of the distribution relating to the 2001 year was deferred until 2002. The effect was a significant portion of the 2001 Profit was retained. Similar deferments took place in subsequent years. In 2004 and 2005 the reported distributions were greater than the Profit after taxation (leading to a Deficit retained) because of the move to monthly profit distributions.

company highlights

Established leading business

Established in 1970, MTF is one of New Zealand's largest motor vehicle financiers, operating through over 700 transacting shareholder ("Dealer") outlets, in all major towns and cities, from Kaitaia to Invercargill.

MTF is a co-operative, with its shares owned by its Dealers.

A co-operative is a form of company which is owned and operated for the benefit of those using its services. A key feature of all co-operatives is that their main purpose is mutual support for members and/or the promotion of a specific purpose or benefit which, in the case of MTF, is dealer finance.

MTF has a well established brand and reputation both as a supplier of motor vehicle finance and as an issuer, having issued Capital Bonds listed on the NZDX Market to New Zealand investors since 1994 and commercial paper under its securitisation programme since 1995.

Consistent earnings record

The MTF Group has a consistent earnings history, reporting a net profit before Distribution to Dealers in every year since incorporation in 1970. For the financial year ending 30 September 2005, net profit available for Distribution was $38.7 million, having grown from $32.9 million in 2001. Throughout its history, MTF has not missed a Dealer Distribution and has always met its obligations to investors. With this history and recent investments in technology, in the opinion of the Directors, the MTF Group is well placed to perform in the future as it has in the past.*

Unique and successful operation

MTF is incorporated under the Companies Act 1993 and the Co-operative Companies Act 1996, with its ordinary shares held by its Dealers. The MTF Group provides its Dealers with economies of scale through access to the technology, funding, legal and credit resources of a skilled and experienced finance company, at the Dealer level.

Each Dealer participates in the profits of the business in proportion to the volume of business written by that Dealer. Accordingly, each Dealer has a compelling financial interest in the quality of the business written and the future success of the MTF Group.

Sound credit quality and controls

The MTF Group has a unique credit model, with credit risk assumed by individual Dealers for the business they write. In addition to the primary right of recourse to the security provided by the vehicle, Dealers indemnify the MTF Group against any losses from defaults by their customers. This indemnity includes the right to seize the shares and profits of any participating Dealer.

MTF regularly monitors the credit quality and lending limits of its Dealers. Those Dealers that do not satisfy the relevant criteria or maintain appropriate lending standards and performance are suspended or have their facilities withdrawn permanently.

MTF has a consistent track record of managing Dealer risk, to the extent that Dealer losses in the last five years have never exceeded 1.5% of profit distributable.

Diversified credit exposure

The MTF Group's exposure to any single counterparty is limited by its geographical, Dealer and customer diversity. The MTF Group has over 62,000 loans spread throughout New Zealand, with an average exposure of approximately $9,000. These loans are spread across over 700 Dealers, with the maximum exposure to any Dealer capped according to Board monitored prudential requirements, which include capital structure and ratios, personal guarantees and credit management requirements.

Established and efficient funding capability

The MTF Group's finance operations are primarily funded by way of a securitisation programme. This programme was established in 1995 and has a facility limit of $600 million. The commercial paper issued pursuant to the programme is rated A1+/P-1 (the ability of MTFS to meet its financial obligations under the commercial paper is extremely strong/superior) by Standard & Poor's/Moody's and reflects the MTF Group's strong focus on credit quality and the efficacy of its loan administration systems. A copy of these credit ratings can be obtained from MTF on request. For information regarding the rating criteria used by these rating agencies please refer to their respective websites: www.standardandpoors.com and www.moodys.com. These ratings do not apply to the Perpetual Preference Shares offered in this Offer Document.

MTF has committed standby credit facilities of $77 million, provided by four appropriately rated banks, to ensure ongoing funding.

* Past performance is not indicative of future performance.

Leading edge systems and processes

On 1 April 2005, the MTF Group launched MTF Direct, a web-based loan origination system, which enables the Dealer to process all new business electronically at the dealership. MTF Direct provides better credit assessment, fewer errors, faster processing and ultimately better credit quality than traditional manual processing methods, through access to customer, credit agency, vehicle and security database verification at point of sale.

Through the MTF Direct platform, MTF monitors Dealer credit management on a daily basis and is able to monitor loan origination as it happens. Together with its best practice financial reporting and accounting systems, this enables the MTF Group to manage its credit position and its funding requirements.

Focussed range of products and services

MTF's core activity is to provide credit products and back-office support to Dealers. In addition, MTF Direct provides access to third party payment protection insurance, guaranteed asset protection insurance, extended warranty, and comprehensive motor vehicle insurance. These products provide an additional layer of credit support to the credit products sold, and provide further income opportunities for Dealers.

Strong governance and experienced management

The Board consists of four Dealer Directors, two independent (non-Dealer) Directors and the Managing Director. The Board has established audit, credit, remuneration and nomination committees to enhance the Board's effectiveness, while preserving overall Board responsibility.

All functional areas of the MTF Group are subject to an annual risk management review, which is reported to the audit committee and the Board.

Dear Investor

On behalf of the Board of Directors of Motor Trade Finances Limited, I am pleased to present New Zealand resident investors with an offer to subscribe for Perpetual Preference Shares to be issued by Motor Trade Finances Limited.

Established in 1970, MTF has a proud history of reliably providing its Dealers and investors with attractive returns. The MTF Group recently produced a very satisfactory financial result for the year ending 30 September 2005, with a profit of $38.7 million distributed to Dealers.

The proceeds of this Perpetual Preference Share Offer will be used to refinance the redemption of existing Capital Bonds and to enable the MTF Group to continue to finance organic growth in its core activity of offering motor vehicle finance.

The Perpetual Preference Shares being offered are perpetual in nature and it is intended they will offer an initial gross Dividend return of 9.75% per annum, inclusive of full Imputation Credits, until the first Dividend Reset Date on 30 September 2007. Thereafter, the new Dividend Rate will be set annually at a Dividend Reset Margin of 240 basis points, including full Imputation Credits, over the Benchmark Rate.

As part of the Offer, existing Capital Bondholders will be offered the opportunity to exchange up to 100% of their Capital Bonds for Perpetual Preference Shares, subject to scaling.

The Board of Directors welcomes your participation in this Offer.

Yours sincerely

Roger Bonifant
Chairman

30 May 2006

Motor Trade Finances Ltd PO Box 885 Dunedin 9015 New Zealand **phone** 03 477 0530 **email** mtf@mtf.co.nz **website** www.mtf.co.nz

main terms of Offer

The following is a summary of the main terms of the Offer. Investors should refer to the more detailed information in the other sections of this Offer Document, including the sections entitled "answers to important questions" and "terms of the Perpetual Preference Shares".

Issuer

The issuer of the Perpetual Preference Shares is Motor Trade Finances Limited.

Offer amount

Perpetual Preference Shares with an aggregate principal amount of up to $35 million are offered for subscription. MTF reserves the right to accept over-subscriptions in respect of Perpetual Preference Shares with an aggregate principal amount of up to a further $5 million.

The Offer will include a $15 million Exchange Offer to existing MTF Capital Bondholders (the "Exchange Offer") whereby Capital Bondholders can apply to exchange up to 100% of the face value of their Capital Bonds for Perpetual Preference Shares subject to the terms of the Exchange Offer.

The Offer of Perpetual Preference Shares contained in this Offer Document is subject to approval by each class of MTF shareholders by ordinary resolution at a special meeting to be held on 8 June 2006. An ordinary resolution is a resolution approved by a simple majority of the votes of those shareholders entitled to vote and voting on the resolution. If the ordinary resolution is not passed at the special meeting the Offer will not proceed.

Type of instrument

Perpetual Preference Shares are perpetual securities that have no fixed term and will remain in existence unless and until they are redeemed for cash by MTF, are purchased by MTF and cancelled or, in the event of a liquidation of MTF, are redeemed (either in whole or part). Perpetual Preference Shareholders have no right to require redemption by MTF.

Perpetual Preference Shares carry no right to vote at meetings of ordinary shareholders of MTF except in limited circumstances and rank behind all secured and unsecured creditors of MTF but ahead of holders of other classes of shares of MTF and profit distributable to Dealers.

For further information on the Perpetual Preference Shares refer to the "terms of the Perpetual Preference Shares" on page 41.

Issue Price

The Issue Price of NZ$1.00 per Perpetual Preference Share must be paid in cash in full on application under the Offer.

Existing MTF Capital Bondholders participating in the Exchange Offer will not be required to make a cash payment for their Perpetual Preference Shares in respect of those Capital Bonds exchanged for Perpetual Preference Shares. Payment will be effected by directing the face value of their existing Capital Bonds payable to them by MTF on 30 June 2006 in satisfaction of the Issue Price of the Perpetual Preference Shares under the Exchange Offer.

Initial Dividend Rate

It is MTF's current intention that from the Allotment Date of the Perpetual Preference Shares until the first Dividend Reset Date, Dividends will be payable at the gross Initial Dividend Rate of 9.75% per annum, inclusive of full Imputation Credits, payable quarterly in arrears. MTF reserves the right to increase the Initial Dividend Rate to such greater rate as it might determine and advise to the market during the Offer period. Any increased rate would apply to all Perpetual Preference Shares, regardless of when they are allotted. Dividends are not promised or guaranteed and may be cancelled as detailed on page 41.

Subsequent Dividend Rates

On the Dividend Reset Date, Dividends on the Perpetual Preference Shares will be reset at the Dividend Reset Margin of 240 basis points (2.40%), inclusive of full Imputation Credits, above the Benchmark Rate. MTF reserves the right to increase the Dividend Reset Margin to such greater rate as it might determine and advise to the market during the Offer period. Any increased rate would apply to all Perpetual Preference Shares, regardless of when they are allotted. Dividends are not promised or guaranteed and may be cancelled as detailed on page 41.

Dividend payments on the Perpetual Preference Shares can be cancelled by the Board of MTF at its discretion, in accordance with paragraphs 1.6 and 1.7 of the terms of the Perpetual Preference Shares as detailed on page 41.

Exchange Offer

MTF has reserved a pool of $15 million Perpetual Preference Shares for existing MTF Capital Bondholders (43% of the aggregate principal amount of the Offer). Existing Capital Bondholders will be entitled to apply to exchange up to 100% of the face value of their Capital Bonds held as at 30 June 2006 for Perpetual Preference Shares. In the event that applications pursuant to the Exchange Offer exceed $15 million, applications seeking to exchange greater than 50% of their Capital Bonds for Perpetual Preference Shares may need to be scaled. Scaling will be at the discretion of MTF in association with the Lead Manager. Any Capital Bonds not exchanged into Perpetual Preference Shares will be redeemed in cash on 30 June 2006. The closing date for the Exchange Offer is 16 June 2006.

In addition to receiving Perpetual Preference Shares under the Exchange Offer, Capital Bondholders participating in the Exchange Offer will receive a cash payment on 30 June 2006 reflecting an interest payment of 10.7% per annum for each $1,000 face value of Capital Bonds held, representing accrued interest on the Capital Bonds for the six month period from 1 January 2006 up to and including 30 June 2006.

Any application made under the Exchange Offer is irrevocable. Once an application has been made existing Capital Bondholders who participate in the Exchange Offer will be unable to subsequently sell the portion of Capital Bonds in respect of which they have applied to exchange for Perpetual Preference Shares under the Exchange Offer and will not be entitled to the redemption amount on the Capital Bonds exchanged on maturity. Existing Capital Bondholders will be entitled to the final interest payment on all Capital Bonds in respect of the period to 30 June 2006 as detailed above. Perpetual Preference Shares issued pursuant to the Exchange Offer will be allotted on 30 June 2006.

Capital Bondholders who wish to apply for Perpetual Preference Shares in addition to those applied for under the Exchange Offer will need to contact their investment adviser and seek a firm allocation or apply under the Public Pool.

Firm allocation

Perpetual Preference Shares with an aggregate principal amount of up to $15 million (43% of the aggregate principal amount of the Offer) have been reserved for subscription by clients of NZX Firms and invited financial institutions on a firm allocation basis. MTF reserves the right to accept over-subscriptions by way of firm allocation.

Priority Pool

Perpetual Preference Shares with an aggregate principal amount of up to $5 million (14% of the aggregate principal amount of the Offer) have been reserved for Dealers, MTF staff, and Directors ("Priority Pool"). Perpetual Preference Shares issued pursuant to the Priority Pool will be allotted on 19 June 2006.

The balance of any Perpetual Preference Shares not taken up pursuant to the Priority Pool will be reserved for allocation at the discretion of MTF in conjunction with the Lead Manager. In the event that applications pursuant to the Priority Pool exceed $5 million, applications will be scaled at the discretion of MTF in association with the Lead Manager.

The closing date for applications made pursuant to the Priority Pool is 16 June 2006.

Public Pool

The residual amount of the Offer not taken up under firm allocation, the Exchange Offer or the Priority Pool, if any, will be available for subscription by members of the public ("Public Pool"). If MTF exercises its right to accept over-subscriptions in respect of Perpetual Preference Shares then some or all of those over-subscriptions may also be available for subscription by members of the public.

Reserved allocation

If MTF exercises its right to accept over-subscriptions in respect of Perpetual Preference Shares then some or all of those over-subscriptions may also be reserved for subscription by clients of NZX Firms and invited financial institutions by way of firm allocation. As such, 100% of over subscriptions may be reserved for firm allocations. The balance of any Perpetual Preference Shares (if any) will be available by way of the Public Pool.

Use of funds

The funds raised pursuant to the Offer will be used in part to repay $30 million of Capital Bonds being redeemed by MTF on 30 June 2006. In addition, the proceeds of the Offer will be used to enable the MTF Group to continue to finance organic growth in its core activity of offering motor vehicle finance.

Offer period

The Offer will be open from the Opening Date until the Closing Date, or such earlier date as advised by MTF, or in the case of the Exchange Offer or Priority Pool, until the Exchange Offer and Priority Pool Closing Date. MTF in conjunction with the Lead Manager has the right to vary any of these dates upon providing written notice to NZX.

Payment of Dividend

Dividends accrue on a daily basis from the Allotment Date. It is the current intention of MTF that the first Dividend will be payable on 30 September 2006, however, as this date is not a Business Day the Dividend will be payable on the next Business Day, being 2 October 2006, and is payable to the original subscriber, irrespective of any transfer of the Perpetual Preference Shares by that original subscriber prior to the First Dividend Payment Date. It is then proposed that subsequent Dividends will be payable in equal quarterly instalments in arrears on 31 December, 31 March, 30 June and 30 September in each year, or if that day is not a Business Day, the next Business Day. Dividends are not promised or guaranteed and may be cancelled as detailed on page 41.

Imputation

Dividends will consist of a combination of cash payments and Imputation Credits, to the maximum extent permitted by law. Accordingly, any cash payment received will be 67% of the Dividend Rate, under current legislation and assuming a corporate tax rate of 33%.

Applications

Applications to subscribe for Perpetual Preference Shares under the Offer must be for a minimum principal amount of $5,000 and thereafter in multiples of $1,000.

Applications under firm allocation or Public Pool must be made on the Application Form contained at the back of this Offer Document and must be lodged with the Registrar before 5:00pm on 28 June 2006 or returned to MTF or any Primary Market Participant through which a firm allocation was obtained or the Lead Manager or any other channel approved by NZX in time for such applications to be forwarded to the Registrar by 5:00pm on 28 June 2006.

Applications to subscribe for Perpetual Preference Shares under the Priority Pool by Dealers, MTF staff, and Directors must be lodged with the Registrar before 5:00pm 16 June 2006 or returned to MTF or to any Primary Market Participant or the Lead Manager or any other channel approved by NZX in time for such applications to be forwarded to the Registrar before 5:00pm 16 June 2006.

The aggregate principal amount of the Perpetual Preference Shares for which application is made must be paid in full on application. Cheques should be made payable to "MTF Preference Share Offer", crossed "Not Transferable" and must not be post-dated. MTF may refuse all or any part of any application without giving a reason.

Additional application instructions including how to apply can be found on pages 62 to 64.

Applications under the Exchange Offer

A personalised Red Application Form for applying for Perpetual Preference Shares under the Exchange Offer has been prepared for each Capital Bondholder showing the total aggregate principal amount of Capital Bonds held as at 25 May 2006. This Red Application Form has been sent separately to Capital Bondholders.

Capital Bondholders wishing to apply to exchange the aggregate principal amount of their Capital Bonds for Perpetual Preference Shares must complete the personalised Red Application Form and lodge it with the Registrar before 5:00pm 16 June 2006 or return it to MTF or any Primary Market Participant or the Lead Manager or any other channel approved by NZX in time for such applications to be forwarded to the Registrar before 5:00pm 16 June 2006.

Existing Capital Bondholders participating in the Exchange Offer will not be required to make a cash payment for the portion of Capital Bonds exchanged into Perpetual Preference Shares. Rather, payment will be effected by directing the face value of their existing Capital Bonds exchanged and payable to them by MTF on 30 June 2006 to the satisfaction of the Issue Price of the Perpetual Preference Shares allotted under the Exchange Offer.

A holder of Capital Bonds can apply to exchange up to 100% of the aggregate principal amount of the Capital Bonds held. To the extent applications exceed the $15 million Perpetual Preference Shares reserved, applications seeking to exchange greater than 50% of their Capital Bonds for Perpetual Preference Shares may need to be scaled. Scaling will be at the discretion of MTF in association with the Lead Manager. Any Capital Bonds not exchanged into Perpetual Preference Shares will be redeemed in cash on 30 June 2006.

In the event Capital Bondholders wish to apply for Perpetual Preference Shares outside of the Exchange Offer they will be need to seek a firm allocation of shares from a NZX Firm or invited financial institution or apply for Perpetual Preference Shares under the Public Pool and complete the relevant Application Form.

Allotment

The Offer of the Perpetual Preference Shares is subject to approval of the Offer by each class of MTF shareholder by ordinary resolution. If approval is not obtained the offer will not proceed.

Perpetual Preference Shares will be allotted at the sole discretion of MTF. Perpetual Preference Shares will be allotted pursuant to the General Offer on a daily basis following receipt and acceptance of valid applications by MTF.

Existing Capital Bondholders participating in the Exchange Offer will have their Perpetual Preference Shares allotted on 30 June 2006.

Perpetual Preference Shares issued pursuant to the Priority Pool will be allotted on 19 June 2006.

MTF will advise successful applicants of the allotment of Perpetual Preference Shares to them as soon as possible after the Allotment Date.

Refund

MTF reserves the right to refuse all or any part of an application without giving a reason. If MTF accepts an application in part, the balance of the application moneys will be refunded no later than five Business Days after the Allotment Date of the Perpetual Preference Shares to the applicant. Any applications received after the Closing Date or Exchange Offer or Priority Pool Closing Dates may not be accepted. Any application money received for applications that are not accepted will be refunded to the applicant no later than five Business Days after the Closing Date. No interest will be paid on refunds for applications that are not accepted.

Brokerage

No brokerage is payable by any subscriber for Perpetual Preference Shares under the Offer, although brokerage may be payable if Perpetual Preference Shares are bought and sold in the secondary market. Brokerage is payable by MTF to Primary Market Participants, the Lead Manager and other approved intermediaries on applications that bear their stamp at the rate of:

- 1.00% of the principal amount of Perpetual Preference Shares for which valid applications have been received and accepted pursuant to the General Offer and Priority Pool; and
- 0.50% of the principal amount of Perpetual Preference Shares accepted by MTF by way of over-subscription for which valid applications have been received and accepted pursuant to a firm allocation.

In addition MTF will pay the Lead Manager brokerage at the rate of 0.75% in respect of the principal amount of all applications received pursuant to the Exchange Offer, from which the Lead Manager will be responsible for paying brokerage at the rate of 0.50% to Primary Market Participants and other approved intermediaries in respect of valid Exchange Offer applications that have been received and accepted that bear their stamp.

Underwritten Amount

The Offer has been underwritten by Forsyth Barr Group Limited to a total principal amount of $35 million.

Lead Manager

Forsyth Barr Limited.

business overview

Introduction

MTF was formed in 1970 to enable selected motor vehicle dealers to finance sales of motor vehicles to the public. From a base of 12 Dunedin Dealers, the MTF Group has grown to become one of the largest financiers of motor vehicles in New Zealand with more than 700 Dealers, from Kaitaia to Invercargill.

The MTF Group, through its Dealer network, offers a range of finance products:
- credit contracts;
- finance leases; and
- operating leases.

In addition, the MTF Group offers a range of third party insurance products:
- payment protection insurance, for events affecting repayment, such as illness, redundancy or death;
- guaranteed asset protection, for the shortfall between the insured value and the outstanding loan;
- extended warranty; and
- comprehensive motor vehicle insurance.

MTF is incorporated under the Companies Act 1993 and the Co-operative Companies Act 1996, with its shares held by its Dealers. Operations are conducted on a co-operative basis with selected motor vehicle dealers becoming shareholders of MTF, upon approval for access to MTF facilities. The MTF Group accepts finance receivables entered into by Dealers with their customers and returns the net profit earned from these financial receivables to the respective Dealers, by way of monthly profit Distribution.

MTF employs a total of 55 people, 45 of whom support the Dealer network from the head office in Dunedin and ten who provide Dealer support throughout New Zealand.

Funding

The principal source of funding is a securitisation programme set up in 1995.

MTF has set up a special purpose company, MTF Securities Limited ("MTFS") whose sole purpose is to purchase qualifying finance receivables from MTF. Upon purchase, MTF transfers all its rights to MTFS, including recourse to the individual Dealer.

The securitisation programme provides facilities for MTFS to borrow up to an agreed limit (currently set at $600 million) on the euro commercial paper ("ECP") market. Registered banks provide MTFS with standby liquidity facilities which guarantee funding should it not be possible to roll over the ECP at maturity.

The ECP issued through the securitisation programme is rated A1+/P-1 (the ability of MTFS to meet its financial obligations under the commercial paper is extremely strong/superior) by Standard & Poor's/Moody's. Unsecured funding is provided to MTFS by MTF in support of the credit enhancement of the securitisation programme. The ECP holders assume the credit risk on the balance of securitised receivables. These ratings do not apply to the Perpetual Preference Shares.

The securitisation programme permits MTFS to apply the subordinated loan by MTF to fund losses it might incur on any of its purchased securitised receivables. MTF's exposure to any bad debts incurred by MTFS is limited to the subordinated loan invested.

To be eligible for securitisation, receivables must arise from finance receivables that are, inter alia:

a) credit contracts, operating leases or finance leases in relation to vehicle assets on a form approved for acceptance by MTFS;

b) for a term less than 60 months and a payoff amount greater than $1,000; and

c) registered at the Personal Property Securities Register ("PPSR").

Further details on the securitisation programme are set out on page 23 of this Offer Document.

Additional funding is available to MTF, in the form of committed standby credit facilities of $77 million, provided by four appropriately rated banks, to ensure ongoing funding of non-securitised finance receivables.

Non-securitised finance receivables currently comprise:

- finance receivables which have yet to qualify or that are awaiting the sale process to MTFS; and
- finance receivables which are excluded from the eligibility criteria.

The committed standby credit facilities comprise bank loans secured under the following arrangements:

- $63 million of committed standby credit facilities are secured by a composite debenture dated 17 May 2001 in favour of Bank of New Zealand over the assets of MTF and MTF Leasing Limited (MTFL). The security is also over the MTF subordinated loan to MTFS but not over the underlying assets of MTFS. There is a security sharing arrangement between MTF, Bank of New Zealand, Westpac Banking Corporation and ANZ National Bank.
- $14 million of committed standby credit facilities are secured by a first ranking fixed charge over the future interest cash flows from the instalments outstanding on the securitised receivables.

The committed standby credit facilities, which have interest maturities up to 30 days, have facility maturities between May 2007 and March 2008.

Recourse under finance contracts

In the event of any default by the borrower under a MTF Group contract, the MTF Group has available as security the vehicle or goods subject to the contract and a right of action against the defaulting borrower and any guarantor(s).

The MTF Group requires each Dealer to indemnify the MTF Group against any default by a borrower from that Dealer. This indemnity includes the right to forfeit the MTF shares and profits of any Dealer in the event that the Dealer fails to meet its obligations under the terms of the recourse arrangement. Dealers' profits accumulate and are paid out monthly, two months in arrears.

Credit quality

By way of its web-based origination system, MTF Direct, the MTF Group enables Dealers to assess the credit of each finance applicant on a loan by loan basis, at point of sale. This system has been developed by the MTF Group based on its 35 years of successful motor vehicle financing.

In addition to the credit quality of finance applicants, MTF closely monitors the credit quality, lending limits, performance and financial position of each Dealer to ensure the quality of the business written meets minimum standards and the Dealer is capable of indemnifying the MTF Group against any potential losses. Those Dealers that are unable or unwilling to meet the MTF Group credit and/or indemnity criteria have their facilities with the MTF Group cancelled.

At the date of this Offer Document, all credit measures remain well within target, a reflection of the Dealer selection process and the ongoing quality of the MTF Group credit management.

Credit management

The MTF Group provides a complete credit management service to the Dealer, through its web-based origination and management platform, MTF Direct. All internal and statutorily required notices are generated and mailed by MTF and Dealers are provided with real time access to customer arrears information. Whilst each Dealer has responsibility to meet MTF collection standards, MTF monitors arrears on a daily basis and provides technical and legal support to Dealers throughout the arrears cycle.

The credit status of each Dealer ledger of loans is assessed daily by MTF and profits are withheld if that status moves beyond agreed prudential levels. Where prudential levels are not restored within agreed time frames, the facility is suspended or withdrawn.

Because all customer losses are for the account of the Dealer, the credit risk assumed by MTF is to the individual Dealer and its capacity to meet any customer shortfall. From the year ended 30 September 2001 until the date of this Offer Document, losses due to Dealer failure have not exceeded $460,000.

Credit risk

The credit risk on securitised receivables is limited to the unsecured funding provided by MTF in support of the credit enhancement of the securitisation programme to MTFS which as at 31 March 2006 stood at $29,476,087. The balance of the credit risk on the securitised receivables is assumed by the holders of the ECP, pursuant to the securitisation programme. MTFS is bankruptcy remote, which from a legal perspective, limits MTF's maximum credit risk, with respect to securitised receivables, to the amount of the subordinated loan provided to MTFS.

Non-securitised receivables comprise amounts owing by customers of Dealers and are secured by a specific charge over each vehicle or goods. Dealers indemnify MTF for any losses from defaults by their customers. This indemnity includes the right to seize the shares and profits of any Dealer. MTF regularly monitors the credit quality and lending limits of its Dealers.

The exposure of the underlying finance receivables is mitigated by the limited exposure to larger customers relative to the total asset base and the high number of individual contracts which comprise the finance receivables.

Limits on exposures with counterparties have been set and approved by the trustees for the ECP holders and are monitored on a regular basis. The MTF Group limits concentration risk with counterparties and monitors this risk continuously.

Leading edge systems and processes

On 1 April 2005, the MTF Group launched MTF Direct, a web-based loan origination system, which enables the Dealer to process all new business electronically at the dealership. MTF Direct provides better credit assessment, fewer errors, faster processing and ultimately better credit quality, than traditional manual processing methods, through access to customer, credit agency, vehicle and security database verification at point of sale.

Through the MTF Direct platform, MTF monitors Dealer credit management on a daily basis and is able to monitor loan origination as it happens. Together with its best practice financial reporting and accounting systems, this enables the MTF Group to manage its credit position and funding requirements.

Through its website, MTF provides Dealers with online access to the reports required to successfully manage individual customer credit exposure.

The MTF Group has been an early adopter of leading edge technology in the finance sector.

Risk management

The Board is responsible for the MTF Group's system of internal control. The Board regularly monitors the operational and financial aspects of the MTF Group's activities and, through the audit committee, considers the recommendations and advice of external auditors.

An annual cycle of internal risk reviews is performed, covering treasury, finance, credit and information technology.

The Board ensures that recommendations arising from external or internal audits are investigated and, where considered necessary, suitable action is taken to ensure that the MTF Group has an appropriate environment in place to manage the risks identified.

The Board requires that management investigates ways of enhancing risk management strategies, including appropriate segregation of duties and the employment and training of suitably qualified and experienced personnel.

An asset liability committee consisting of the Managing Director, General Manager - Treasury, Financial Controller and Manager - Credit, meets regularly to consider balance sheet risk and management, within the framework of Board approved credit and treasury management policy.

Liquidity management

Liquidity is managed primarily through access to the securitisation programme by which receivables are sold to MTFS. Within the securitisation programme, revolving standby credit facilities exist with appropriately rated banks to provide ongoing funding to repay ECP on maturity should further paper not be able to be issued.

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

MTF sets a credit limit for each Dealer, which represents the facility it makes available in terms of receivables financed. Credit limits are based on criteria such as the assessed quality of receivables introduced by the Dealer and the Dealer's assessed financial position.

The securitisation programme has a facility limit of $600 million and is subject to credit rating by Standard & Poor's and Moody's. Other than the facility available to sell finance receivables pursuant to the securitisation programme, MTF has access to committed credit facilities of $77 million.

Commercial paper issued through the securitisation programme is rated A1+/P-1 (the ability of MTFS to meet its financial obligations under the commercial paper is extremely strong/superior) by Standard & Poor's/ Moody's, a reflection of the quality of paper written by Dealers and the continuing focus on credit quality. These ratings do not apply to the Perpetual Preference Shares.

Trading prospects and outlook

The MTF Group has succeeded because it takes a long run, conservative approach to motor vehicle lending. Annual asset growth is targeted at 5-10%, depending on economic conditions and the health of the motor vehicle market.

Market opportunities exist for motor vehicle receivables written by brokers, who do not sell the vehicle and the MTF Group has been trialling this business with selected brokers over the last two years. Because the lending rules remain the same, experience to date suggests that broker business delivers credit quality that matches that of Dealer generated business. Any expansion in this area will be closely monitored.

Product opportunities exist in risk management options that enhance the credit quality of finance receivables. MTF has sold third party risk management products successfully for a number of years and has collected a large amount of data on risk and profitability. Currently under consideration is a payment waiver, for an additional fee, that would be triggered in the event of illness, redundancy, bankruptcy or death. Actuarial advice suggests that the risk is manageable and profitable. The benefits to MTF and its Dealers would be additional income and lower risk. No decision will be made on this product until the Board is satisfied that all prudential, legal and statutory risks and requirements are clearly understood and capable of management.

MTF anticipates some softening in consumer spending, in the 2007 financial year, driven by increasing inflation and higher oil prices. This may have the effect of dampening the demand for new and used motor vehicles and consequently motor vehicle finance. Notwithstanding, for the six months to 31 March 2006, new loan sales, asset growth and credit quality indicators suggest that the levels of profitability recorded in respect of the 30 September 2005 financial year will continue for the full year to 30 September 2006.

Directors and management

Directors

Roger A Bonifant, MAgSc, MSc, CNZM ***(Chairman)***
Ashburton

Roger Bonifant was appointed to the Board in 1991, by BNZ Finance Limited, a then substantial provider of MTF funding. In 1994, he was appointed as the Motor Trade Association ("MTA") representative. He was reappointed as a Director by shareholders in March 2004, at which time he was elected Chairman. Roger was appointed an independent Director by the Board in February 2006. He is one of two independent Directors.

Roger retired as Managing Director of BNZ Finance Limited in 1995 and is now a full time company director.

Roger is Chairman of Ashburton Contracting Limited, Rawlinsons Limited and Deputy Chairman of Timaru District Holdings Limited. His directorships include Barrhill Chertsey Irrigation Limited, Hobsonville Land Company Limited, Loan and Building Society, Lynn River Limited, Rural Equities Limited and W Pinckney Limited. He is also a director of MTF Limited and MTF Leasing Limited.

Angus R Bradshaw, BCA, ACA, F Fin, FNZIM ***(Managing Director)***
Dunedin

Angus Bradshaw joined MTF as General Manager in December 1997 and was appointed as a Director in April 1998. Prior to joining MTF, Angus held a number of senior banking roles at The Rural Bank and The National Bank of New Zealand. He is also a director of MTF Securities Limited, MTF Leasing Limited and Wickliffe Limited.

Warwick N Cashmore
Auckland

Warwick Cashmore is Managing Director of Cashmore Motors (Hamilton) Limited, a used vehicle dealership and MTF shareholder, and has been involved in the motor trade for over 35 years. He is a director of Waikiwi Holdings Limited. Warwick is one of four Dealer Directors.

Warwick was national president of the Motor Vehicle Dealers Institute from 1991 to 1992 and was first elected to the Board in 1992.

Graeme D Gibbons, BCom, CA
Lower Hutt

Graeme Gibbons is Chief Executive Officer of The Colonial Motor Company Limited ("CMC"), a public listed company. CMC is the parent company of a number of Ford dealerships throughout New Zealand that have been shareholders in MTF since the early 1980s.

Graeme has been a Director since 1990, originally as a nominee of the MTA and elected by shareholders since 1996. Graeme is one of four Dealer Directors and is chairman of the credit committee.

Graeme is a director of The Colonial Motor Company Limited and its subsidiaries.

Stephen J Higgs, BCom, FCA
Dunedin

Stephen Higgs was appointed by the Board as an independent Director on 1 May 2006. Stephen is one of two independent Directors. Stephen is a founding partner of Polson Higgs, Chartered Accountants, with offices in Dunedin and Christchurch.

Stephen is Chairman of Mt Difficulty Wines Limited, Character Animation Technologies Limited and CAT IP Limited. He is a director of Citibus Limited and Cumberland Property Group Limited. He is also a Director of MTF Limited and MTF Leasing Limited. Stephen is company secretary of Combined Rural Traders Society Limited and lectures in taxation at the University of Otago.

Lawrance S Saunders
Blenheim
Lawrance Saunders joined the Board in 1991 as an appointee of the Motor Vehicle Dealers Institute. He was elected by shareholders as a Dealer Director in March 2005. Lawrance is one of four Dealer Directors.

Lawrance was Managing Director of Mayfield Motors Limited in Blenheim for 38 years to 2003. Lawrance is a director of Mayfield Motors Limited and Homeaway Rentals Limited.

Kenneth J Cummings
Mosgiel

Ken Cummings was elected by shareholders as a Director in March 2004. Ken is one of four Dealer Directors.

Ken holds a number of major franchises through his dealerships in Nelson, Christchurch, Dunedin and Invercargill and has been involved in the motor trade since 1973. Ken is a director of Southern Motor Group Limited, Southern Motor Holdings Limited, Christchurch Motor Group Limited, Southern Automotive Limited, Southland Honda Limited, Park Lane Finance Limited and Christchurch 4WD Limited.

The Directors can be contacted at the address of the registered office of MTF, which is set out in the Directory on the inside back cover of this Offer Document.

Duties of Directors

The Board carries out its responsibilities according to the following principles:

- the number of non-executive Directors will be no fewer than five, and no greater than six;
- a Director may not simultaneously hold the positions of Managing Director and Chair;
- the Directors meet regularly throughout the financial year; and
- all available information relating to items to be discussed at a meeting of the Board is provided to each Director prior to the meeting.

The primary responsibilities of the Directors include:

- working with management to create shareholder value;
- setting the long-term goals of MTF and the strategic plans to achieve those goals;
- approving budgets for the financial performance of the MTF Group, and monitoring results;
- managing risk by ensuring that the MTF Group has appropriate systems of internal control; and
- ensuring preparation of the annual and half-yearly financial statements.

As at the date of delivery of this Offer Document for registration, the Board consisted of four Dealer Directors, two independent Directors and the Managing Director.

Board Committees

Committees are used to enhance the Board's effectiveness, while preserving overall Board responsibility. Committees are assigned terms of reference by the Board for the roles they perform, and are required to report to the Board on their deliberations, together with any decisions requiring Board ratification.

The Board continually reviews the roles, membership and effectiveness of the committees. The Board has the following committees: audit, remuneration, credit and nominations. Other committees may be formed for specific purposes and disbanded as required.

Audit: Stephen Higgs (Chair), Roger Bonifant, Kenneth Cummings
The audit committee provides a forum for communication between the Board and the external auditor. The committee reviews:

- annual and half-yearly financial statements prior to their approval by the Board;
- effectiveness of management information systems and systems of internal control; and
- efficiency, effectiveness and independence of the external audit function.

This committee met twice during the year ended 30 September 2005.

Remuneration: Roger Bonifant (Chair), Graeme Gibbons
The remuneration committee reviews the remuneration packages of Directors and the Managing Director, annually. The committee met once during the year ended 30 September 2005.

Credit: Graeme Gibbons (Chair), Roger Bonifant, Warwick Cashmore, Lawrance Saunders
The credit committee reviews credit risks, recommends credit policy and approves certain credit limits. The committee met four times during the year ended 30 September 2005, in addition to regular approval of large exposures.

Nominations
The committee, consisting of the full Board, is convened when a Board vacancy occurs. The committee was not required to meet during the year ended 30 September 2005.

Managing Director

Angus R Bradshaw, BCA, ACA, F Fin, FNZIM

Angus Bradshaw joined MTF as General Manager in December 1997 and was appointed as a Director in April 1998. Prior to joining MTF, Angus held a number of senior banking roles at The Rural Bank and The National Bank of New Zealand. He is a director of MTF Securities Limited, MTF Leasing Limited, MTF Limited and Wickliffe Limited.

Treasury

Daniel Clarkson, BCom, DipGrad, SA Fin

Daniel Clarkson began his career with MTF in 1996. He was appointed Financial Controller in 1999, Treasurer in 2000 and Chief Financial Officer/Company Secretary in 2003. Daniel was appointed General Manager – Treasury/Company Secretary in 2004. Daniel is a member of the Institute of Chartered Accountants.

Credit

Russell Walker, MBA, BCom, ACA, CMA

Russell Walker was appointed Manager - Credit in 1992. His experience covers chartered accounting, development banking and finance.

Finance

Glen Todd, BCom, A Fin

Glen Todd joined MTF in 1999 as Financial Accountant and was appointed Financial Controller in May 2003. Glen is a member of the Institute of Chartered Accountants.

Information technology

Jannat Maqbool, BFA, ASA

Jannat Maqbool started her career at ING Bank in Sydney in 1997. She joined MTF in 2001 and was appointed Chief Information Officer in 2005.

Sales

Brent Dunshea

Brent Dunshea joined MTF as General Manager - Sales in 2002. Prior to joining MTF, Brent held senior positions with a number of leading finance companies.

Dealer support

Simon Hopkins

Simon Hopkins joined MTF in 2001. He was appointed Manager - Dealer Support in 2006.

historical financial information

This section of the Offer Document contains historical financial information in relation to the MTF Group including MTF, the issuer of Perpetual Preference Shares.

The historical information should be read together with the "business overview" on page 14, the risk factors set out in the section "What are my risks?" and other information contained in this Offer Document.

Summary of financial statements

A summary of the recent financial performance of the MTF Group is presented below for the five consecutive periods ending 30 September 2005.

The historical information is extracted from audited financial statements of the MTF Group for the periods ended 30 September 2001, 30 September 2002, 30 September 2003, 30 September 2004 and 30 September 2005.

Year ending 30 September	**2005 $000**	**2004 $000**	**2003 $000**	**2002 $000**	**2001 $000**
Financial performance					
Total operating revenues	87,624	80,073	74,160	43,637	45,560
Interest paid	39,172	34,662	32,961	4,287	4,735
Profit before taxation	38,780	36,312	33,642	31,222	32,918
Taxation charge (benefit)	84	174	(42)	113	(53)
Profit after taxation	38,696	36,138	33,684	31,109	32,971
Dividends paid and provided	-	-	-	-	-
Dividend cents per share	-	-	-	-	-
Profit (Deficit) retained	(5,448)	(5,229)	1,904	(1,173)	12,919
Financial position					
Total assets	580,421	553,156	519,375	79,230	76,484
Total tangible assets	579,859	552,934	518,901	78,727	75,723
Total liabilities	568,997	536,363	497,155	58,819	54,881
Total shareholders' equity	11,424	16,793	22,220	20,411	21,603
Net tangible asset backing per Perpetual Preference Share unit	-	-	-	-	-

- During the year ended 30 September 2003, the group consolidated MTF Securities Ltd (MTFS). This is required under Financial Reporting Standard 37 (FRS-37): Consolidating Investments in Subsidiaries, which applies to general purpose financial reports covering periods ending on or after 31 December 2002. Accordingly, the 2002 and 2001 figures exclude the effect of consolidating MTFS as a subsidiary and therefore also exclude the securitised receivables as an asset and related funding as a liability. Otherwise, the accounting policies set out under the heading "Statement of Accounting Policies" on pages 20 to 23 of this Offer Document have been consistently applied for all financial periods presented.
- In preparing the 2005 financial statements set out on pages 18 to 38, certain minor reclassification changes were made to the 2004 comparative figures. Accordingly, minor differences arise between the figures presented in the 2004 financial performance and position as set out above and comparative figures included in the 2005 financial statements on pages 18 to 38.
- Pursuant to Section 8(3)(a)(ix) of the First Schedule of the Securities Regulations 1983 the figures above do not include any amounts derived using the equity method of accounting.
- The disclosure of distributions on a cents per share basis is a requirement of Section 8(3)(a)(xii) of the First Schedule to the regulations and is not relevant in the context of distributions made by MTF to its shareholders.
- The net tangible asset backing for the issue of $35 million, plus up to $5 million of over-subscriptions, of Perpetual Preference Shares, measured on the assumption that all securities had been allotted prior to 30 September 2005, would be $1.24 per share.
- The profits after taxation are distributed each year to the MTF Dealers. Over the five year period of the Summary of Financial Statements the Profit (Deficit) retained, as presented, fluctuates principally due to the timing of the distributions relative to when the profit after taxation was reported. In 2001 (when distributions were made six monthly) a Financial Reporting Standard change meant that a large portion of the distribution relating to the 2001 year was deferred until 2002. The effect was a significant portion of the 2001 Profit was retained. Similar deferments took place in subsequent years. In 2004 and 2005 the reported distributions were greater than the Profit after taxation (leading to a Deficit retained) because of the move to monthly profit distributions.

statement of financial performance

year ended 30 September 2005

	note	group 2005 $000	group 2004 $000	parent 2005 $000	parent 2004 $000
Interest income					
Securitised receivables	3	75,918	72,288	66,879	65,188
Non-securitised receivables	3	4,234	4,942	4,234	4,942
Deposit interest	18	1,890	1,379	-	-
	32	82,042	78,609	71,113	70,130
Funding costs					
Interest	4	39,172	34,662	5,218	4,449
Securitisation funding costs	12	-	-	23,025	21,734
Capital bond issue expense amortised	23	84	62	84	62
Other		400	355	400	355
		39,656	35,079	28,727	26,600
Net interest income		42,386	43,530	42,386	43,530
Fees	32	5,582	1,509	5,582	1,509
Net interest income and fees		47,968	45,039	47,968	45,039
Expense					
Staff		4,655	4,167	4,655	4,167
Communication and processing		1,622	1,953	1,622	1,953
Depreciation		1,456	1,213	1,456	1,213
Administration		1,236	1,311	1,236	1,311
	5	8,969	8,644	8,969	8,644
Profit before bad debts and provisions		38,999	36,395	38,999	36,395
Bad debts and specific provisions	6	(1)	(75)	(1)	(75)
General and contingent debt provisions	6	220	158	220	158
Profit before taxation		38,780	36,312	38,780	36,312
Taxation expense	7	84	174	84	174
Profit after taxation		**$38,696**	**$36,138**	**$38,696**	**$36,138**

statement of movements in equity

	group 2005	group 2004	parent 2005	parent 2004
Shareholders' equity at start of year	16,794	22,220	16,794	22,220
Profit after taxation	38,696	36,138	38,696	36,138
Shareholders' contributions	517	442	517	442
Shares redeemed	(439)	(639)	(439)	(639)
Distribution to shareholders	(44,144)	(41,367)	(44,144)	(41,367)
Shareholders' equity at end of year	**$11,424**	**$16,794**	**$11,424**	**$16,794**

statement of financial position
30 September 2005

	note	group 2005 $000	group 2004 $000	parent 2005 $000	parent 2004 $000
Funds employed					
Share capital	8	6,877	6,637	6,877	6,637
Retained earnings		1,116	1,131	1,116	1,131
Distribution due to shareholders	14	3,431	9,026	3,431	9,026
Shareholders' equity		11,424	16,794	11,424	16,794
Liabilities					
Bank overdraft		367	(104)	428	(66)
Accounts payable and accrued expense	13	4,894	4,019	4,690	3,970
Approved distribution due to shareholders	14	3,125	-	3,125	-
Provision for taxation		352	(2)	352	(2)
Advance from MTFS	12	-	-	463,752	450,701
Short-term loans - secured	10	36,700	30,400	36,700	30,400
Euro commercial paper - secured	11	493,559	476,944	-	-
		538,997	511,257	509,047	485,003
Perpetual capital bonds	9	30,000	25,000	30,000	25,000
Total liabilities		568,997	536,257	539,047	510,003
Total funds employed		**$580,421**	**$553,051**	**$550,471**	**$526,797**
Employment of funds					
Cash in restricted bank accounts	18	29,807	26,243	-	-
Accounts receivable		338	191	111	138
Floorplan advances	15	2,149	2,755	2,149	2,755
Securitised receivables	16	498,198	485,583	498,198	485,583
Non-securitised receivables	17	45,166	35,142	27,551	29,538
Amounts owing by subsidiaries	20	-	-	17,214	5,210
Property, plant and equipment	21	4,201	2,915	4,201	2,915
		579,859	552,829	549,424	526,139
Deferred taxation	22	416	146	901	582
Intangible asset	23	146	76	146	76
Total assets		**$580,421**	**$553,051**	**$550,471**	**$526,797**

For and on behalf of the board

Angus Bradshaw
Managing Director

Roger Bonifant
Chairman

11 November 2005

notes to financial statements
30 September 2005

Note 1: statement of accounting policies
These financial statements have been prepared in accordance with the Companies Act 1993 and the Financial Reporting Act 1993. The financial statements are for Motor Trade Finances Ltd (MTF) and its trading subsidiaries.

(a) Basis for preparation

The historical cost method has been followed. The reporting currency is New Zealand dollars (NZD).

(b) Specific accounting policies

The following particular accounting policies which significantly affect the measurement and reporting of results, cash flows and financial position have been applied:

(i) Consolidation of subsidiaries

The consolidated financial statements include those of the parent company and all entities controlled by MTF pursuant to FRS-37: Consolidating Investments in Subsidiaries, accounted for using the purchase method. All inter-entity transactions, balances and unrealised profits or losses on transactions between group entities have been eliminated on consolidation.

(ii) Securitisation of receivables

MTF funds a major portion of its business by the sale of finance receivables to MTF Securities Ltd (MTFS), a special purpose company established solely for the purpose of purchasing finance receivables from MTF and funding the same by access to international credit markets supported by credit ratings issued by Standard & Poor's and by Moody's Investors Service.

Under the securitisation programme a substantial part of the risks and rewards of ownership are retained by MTF. MTF has the ability to control the contractual rights that comprise the financial assets transferred to MTFS.

MTF recognises transactions with MTFS as finance transactions; that is, the expenditure related to the securitisation programme is recognised as a cost of funding and the securitised assets and funding from MTFS are recognised respectively as assets and liabilities in the MTF Parent Statement of Financial Position.

(iii) Valuation of assets

Securitised finance receivables

Comprised of finance receivables and finance leases and valued at estimated realisable value. They have been recorded as the total of instalments due less the unearned interest on the agreements and provisions for doubtful debts. Known losses are written off or provided for in the period in which they become evident.

Non-securitised finance receivables

Comprised of finance receivables and finance leases and valued at estimated realisable value. They have been recorded as the total of instalments due less the unearned interest on the agreements and provisions for doubtful debts. Known losses are written off or provided for in the period in which they become evident.

Finance receivables – conditional purchase agreements

Valued at estimated realisable value. They have been recorded as the total of instalments due less the unearned interest on the agreements and provisions for doubtful debts. Known losses are written off or provided for in the period in which they become evident.

Finance leases

Comprised of vehicles on lease which are valued at estimated realisable value. They have been recorded as the total of instalments due less the unearned interest on the agreements and provisions for doubtful debts. The lease vehicles are accounted for under the finance method as finance leases. Known losses are written off or provided for in the period in which they become evident.

Floorplan advances

Valued at estimated realisable value. Known losses are written off or provided for in the period in which they become evident.

Impaired assets and provisions
Impaired assets are principally comprised of non-accrual assets. Such assets are classified as managed dealers.

Non-accrual assets comprise non-securitised receivables where individual contracts are in arrears and the company is either unable to obtain, or anticipates future difficulties in obtaining, recourse from the dealer.

The group generally does not hold or recognise restructured assets or other assets including real estate assets acquired through the enforcement of security. The group does hold past due assets where contracts are in arrears for 90 days or more and the dealer has not been placed in the managed dealer category.

Specific provision for non-accrual assets is determined with respect to each managed dealer, after assessing recoverable contract instalments, security in the vehicles and recoveries from dealers under recourse arrangements.

Bad and doubtful debts
A general provision is maintained for bad debts which are inherent in the receivables but have not been specifically identified and provided for. The level of general provision is determined having regard to asset quality and growth, economic conditions, and other general risk factors. All bad debts are written off against the provision in the period in which they are classified as irrecoverable.

The amount necessary to bring the provisions to their assessed levels, after net write offs and recoveries, is charged to the Statement of Financial Performance.

All receivables are subject to continuous management review.

Property, plant and equipment
Valued at cost less accumulated depreciation.

Other investments
Valued at cost less provision for any impairment.

(iv) Recognition of income

Securitised finance receivables
The interest on finance agreements accepted by the group during the period, adjusted for the unearned interest at the start and end of the period, is calculated on the actuarial basis.

Non-securitised finance receivables
The interest on finance agreements accepted by the group during the period, adjusted for the unearned interest at the start and end of the period, is calculated on the actuarial basis.

Finance leases
Recognised on an actuarial basis over the term of the lease.

Floorplan receivables
Recognised monthly, calculated on the actual level of receivables outstanding during the month.

Impaired assets
Impaired assets primarily comprise non-accrual assets of managed dealers. When a dealer is classified as managed, income continues to be recognised in the Statement of Financial Performance on a contract by contract basis to the extent that instalments are assessed as recoverable from the customer or the dealer via recourse arrangements.

Fees
Fee income, and associated expense, is recognised in the Statement of Financial Performance in the period the fee is charged to the receivable.

(v) Securitisation funding cost
The cost of securitisation is recognised as incurred. This cost is represented by the interest cost (in the form of discount expense) on euro commercial paper (ECP), denominated in United States dollars (USD), issued to fund the securitisation programme, the net cost of interest rate swap and foreign exchange contracts to hedge the funding activities with the cash flows from securitised receivables, and the direct cost of running the securitisation programme.

(vi) Depreciation

Plant and equipment are depreciated on a straight-line basis:
Hardware - 3 years
Software - 3 and 5 years
Office equipment, fixtures & fittings - 5 years
Motor vehicles - 5 years

(vii) Intangible asset

On 19 December 2000 MTF issued $10,000,000 in perpetual capital bonds. Expenditure associated with this issue is amortised on a straight-line basis in the Statement of Financial Performance over five years ending 31 December 2005. On 6 December 2004 MTF issued $5,000,000 in perpetual capital bonds. Expenditure associated with this issue is amortised on a straight-line basis in the Statement of Financial Performance over five years ending 31 December 2009.

(viii) Recognition of financial instruments

The group enters into various financial instruments with off-balance sheet risk for the primary purpose of reducing exposure to fluctuations in interest rates and foreign exchange rates. These derivative financial instruments consisting of interest rate swap agreements and foreign exchange contracts are primarily used to hedge the cash flows with the associated assets and liabilities in the securitisation programme. While these financial instruments are subject to risk that market rates may change subsequent to acquisition, such changes are generally offset by opposite effects on the items being hedged.

For interest rate swap agreements entered into in connection with the management of interest rate exposure, the differential to be paid or received is recognised as a net interest rate swap cost over the life of the agreement.

From time to time the company enters into financial instruments with off-balance sheet risk for the purposes of hedging exposure to fluctuations in interest rates relating to non-securitised funding. The differential to be paid on these interest rate swap contracts is charged as a component of interest or expense as swap contract cash settlements are made.

All other financial instruments are recognised on balance sheet, with the exception of contractual commitments in respect of operating leases.

(ix) Taxation

The estimated taxation liability in respect of the profit for the year has been determined after allowing for any permanent differences. Deferred taxation is calculated using the liability method applied on a partial basis and represents mainly the timing differences arising from income on finance leases.

The general provision for doubtful debts recognises bad debts inherent in the loan portfolio, but which have not been specifically identified. Directors have determined that as the timing of the eventual utilisation cannot be predicted, future income tax benefits associated with the general provision should not be recognised as they may not crystallise in the future.

With the exception of non-member income, and certain timing differences on member income, no taxation is incurred by the group.

In relation to member income, MTF operates as a co-operative and transactions are confined to shareholders. In accordance with the provisions of Part HF of the Income Tax Act 2004, the company is permitted a deduction for distribution of profit payable to shareholders within six months of balance date. Distributed profit is assessable in full to transacting shareholders.

(x) Statement of Cash Flows

The Statement of Cash Flows has been prepared using the direct approach, modified by the netting of certain items.

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 have been netted to provide more meaningful disclosure. Short-term loan cash flows result from the day to day cash management of the entity and involve the rapid turnover of financial instruments or arrangements not exceeding three months. The turnover of these cash flows has been netted.

"Investing activities" are those activities involving the acquisition of and proceeds from the sale of investments and other non-current assets.

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

"Operating activities" includes finance income which comprises gross interest and net income cash flows received during the period from securitised and non-securitised receivables and other transactions that are not investing or financing activities.

(xi) Foreign currency transactions
Transactions denominated in foreign currencies are translated into the reporting currency using the exchange rate in effect at the transaction date.

Monetary items receivable or payable in a foreign currency, other than those resulting from short-term transactions covered by forward exchange contracts, are translated at balance date at the closing rate. For transactions covered by short-term forward exchange contracts, the rates specified in those contracts are used as the basis for measuring and reporting the transaction.

Exchange differences on foreign currency balances are recognised in the Statement of Financial Performance.

(c) Changes in accounting policies
There are no material changes in accounting policies.

(d) Comparative information
Certain comparative figures have been reclassified to be consistent with current period presentation.

Note 2: securitisation programme

MTF is party to a securitisation programme with MTFS and other parties, including Commonwealth Bank of Australia (CBA). The principal components of the programme are:

(i) Under a loan purchase deed between MTF and MTFS, a revolving loan purchase facility is provided by MTFS to MTF. Under the contract with the dealer MTF is given a legal assignment by way of mortgage over the dealer's rights under the contract and the underlying motor vehicle. Upon securitisation of these assets MTF transfers all its rights, including recourse to the individual dealers, to MTFS.

(ii) MTFS is a special purpose company whose sole purpose is to purchase motor vehicle and other related finance receivables from MTF. MTFS is constituted for the specific purpose of purchasing the finance receivable agreements (securitised receivables) in the form of tranches of receivables from MTF on a weekly basis.

(iii) MTF is contracted to administer the securitised receivables in accordance with an administration agreement. CBA is contracted to manage the affairs, including the liability and treasury activities, of MTFS.

(iv) MTFS is nominally capitalised, revenue neutral and bankruptcy remote. The shareholders of MTFS are a discretionary trust, MTFS Holdings Ltd on behalf of certain charities (99%) and the Trustee as trustee for the beneficiaries under a Security Trust Deed (1%). MTFS has three directors, one each appointed by MTF and CBA, and an independent director.

(v) MTFS's constitution restricts the activities of MTFS and these can only be changed with the consent of all shareholders.

(vi) Credit enhancement and liquidity support are provided by appropriately rated banks and MTF. MTF provides credit enhancement support in the form of a subordinated loan representing seller hold-backs, being amounts held back by MTFS on the purchase of finance receivables.

(vii) At the date of sale, subject to the credit enhancement support, MTF receives the principal portion of the finance receivables. The interest instalments due to be paid on the finance receivables less the relevant fixed interest discount payable (MTFS funding costs) represent the purchase price balance payable to MTF on the purchase of the finance receivables.

(viii) The purchase price balance of each loan is paid to MTF progressively when each instalment is paid to MTFS. If MTFS is not paid, MTF is not paid.

(ix) To be eligible for securitisation the receivables must arise from finance receivables that are, inter alia:
a) hire purchase agreements, chattel security agreements, credit contracts, or finance leases in relation to vehicle assets on a form approved for acceptance by MTFS;
b) for a term less than 60 months and a payoff amount greater than $1,000;
c) registered at the Personal Property Securities Register (PPSR).

(x) Interest rate swap agreements are entered into with the issuance of the ECP required to fund each individual tranche of securitised receivables. Under these agreements the quantum and tenor of the money borrowed from the issuance of ECP is exactly matched in both value and timing to the aggregate cash flows due to MTFS. The interest cost of borrowing is fixed for the effective life of each tranche of securitised receivables and is fixed for each securitised receivable agreement that constitutes the tranche. In this manner the interest rate risk associated with funding fixed rate receivables with short-term, variable rate ECP is eliminated.

(xi) Foreign exchange forward agreements are entered into with the issuance of the ECP required to fund each individual tranche of securitised receivables. In this manner the foreign exchange risk associated with funding NZD denominated receivables with USD denominated ECP is eliminated.

(xii) The securitisation programme provides facilities for MTFS to borrow an agreed limit, currently set at NZD600,000,000 on the ECP market. Registered banks provide MTFS with standby liquidity facilities. These standby liquidity facilities guarantee funding should it not be possible to roll over the ECP at maturity.

(xiii) MTF is required to lend funds on a continuing basis to MTFS by way of a subordinated loan in support of the credit enhancement of the securitisation programme. The quantum of the subordinated debt required equates to 5.66% (2004: 5.67%) of the net finance receivables due to MTFS. The amount of the subordinated loan at 30 September 2005 was $29,609,000 (2004: $28,647,000).The loan made by MTF to MTFS in this manner is subordinated to all other borrowings of MTFS.

(xiv) During the year ended 30 September 2005 MTF sold $422,804,000 (2004: $432,516,000) of securitised receivables to MTFS. These receivables are recognised in the MTF Statement of Financial Position and no surplus or deficit is recognised as a result of these sales.

(xv) The securitisation programme permits MTFS to apply the subordinated loan to fund losses it might incur on any of its purchased securitised receivables. MTF exposure to any bad debts incurred by MTFS is limited to the subordinated loan invested.

The subordinated loan referred to in (vi), (xiii) and (xv) is represented by the following in the Parent Statement of Financial Position:

	parent	
	2005	2004
	$000	$000
Securitised receivables - (note 16)	498,198	485,583
add back general provision for doubtful debts	2,657	2,367
less advance from MTFS	(463,752)	(450,701)
	37,103	37,249
less timing differences on collection, recognition and pass through of income from MTFS to MTF	(7,494)	(8,602)
	29,609	28,647

	group 2005 $000	group 2004 $000	parent 2005 $000	parent 2004 $000
Note 3: finance income				
From securitised receivables				
Interest earned - securitised receivables	75,918	72,288	66,879	65,188
	$75,918	**$72,288**	**$66,879**	**$65,188**
From non-securitised receivables				
Interest earned - finance agreements	3,817	4,295	3,817	4,295
Floorplan advances	349	447	349	447
Non-member income	68	200	68	200
	$4,234	**$4,942**	**$4,234**	**$4,942**
Finance income includes income from:				
Non-impaired assets	80,030	76,905	70,991	69,805
Impaired assets	54	125	54	125
Non-member income	68	200	68	200
	$80,152	**$77,230**	**$71,113**	**$70,130**
Note 4: interest				
Perpetual capital bonds	3,082	2,415	3,082	2,415
Short-term loans	1,898	1,752	1,898	1,752
Euro commercial paper	32,945	25,495	-	-
Net interest rate swap outflow/(inflow)	(1,477)	1,737	-	-
Floorplan	238	282	238	282
Securitisation programme costs	2,486	2,981	-	-
	$39,172	**$34,662**	**$5,218**	**$4,449**
Note 5: expense				
Includes:				
Auditor - statutory audit	106	119	65	75
- other audit services	61	63	61	63
- compliance	108	64	108	64
Depreciation - hardware	478	233	478	233
- software	843	657	843	657
- office equipment, fixtures & fittings	51	226	51	226
- motor vehicles	84	97	84	97
Directors' fees	206	196	206	196
Rental and lease	202	270	202	270

	group 2005 $000	group 2004 $000	parent 2005 $000	parent 2004 $000
Note 6: bad debt provisions				
Specific provision				
Opening balance	-	7	-	7
Bad debts recovered	1	80	1	80
Transfer from general provision	-	150	-	150
Bad debts written off	-	(162)	-	(162)
Release to Statement of Financial Performance (1)	(75)	(1)	(75)	
Closing balance	**-**	**-**	**-**	**-**
Bad debts recovered				
Non-impaired assets	-	-	-	-
Impaired assets - managed dealers	1	80	1	80
	$1	**$80**	**$1**	**$80**
Charge (release) to Statement of Financial Performance				
Non-impaired assets	-	-	-	-
Impaired assets - managed dealers	(1)	(75)	(1)	(75)
	($1)	**($75)**	**($1)**	**($75)**
General Provision				
Opening balance	2,872	2,864	2,872	2,864
Charge (release) to Statement of Financial Performance	(1,024)	158	(1,024)	158
Transfer to specific provision	-	(150)	-	(150)
Closing balance	**$1,848**	**$2,872**	**$1,848**	**$2,872**
Contingent debt provision				
Opening Balance	-	-	-	-
Charge to Statement of Financial Performance	1,244	-	1,244	-
Closing balance	**$1,244**	**-**	**$1,244**	**-**

This note should be read in conjunction with the accounting policy on bad and doubtful debts.
Refer note 1(b)(iii).

Note 7: taxation

	group 2005	group 2004	parent 2005	parent 2004
Profit before taxation	38,780	36,312	38,780	36,312
Permanent differences				
- Profit distributable	(38,712)	(36,112)	(38,712)	(36,112)
- Other differences	187	327	187	327
	255	527	255	527
Taxation @ 33%				
Comprised of:	84	174	84	174
- current taxation	354	(16)	403	43
- deferred taxation	(270)	190	(319)	131
Charge to Statement of Financial Performance	**$84**	**$174**	**$84**	**$174**

	group		parent	
	2005 $000	2004 $000	2005 $000	2004 $000
Note 8: share capital				
A ordinary shares:				
6,726,000 shares of $1 issued	6,726	6,876	6,726	6,876
270,000 shares surrendered	(270)	(600)	(270)	(600)
530,000 shares allotted	530	450	530	450
6,986,000 shares of $1 issued	6,986	6,726	6,986	6,726
uncalled capital	(347)	(298)	(347)	(298)
Paid up capital A shares	6,639	6,428	6,639	6,428
B ordinary shares:				
500 shares of $1 fully paid (redeemed in 2005)	-	1	-	1
C ordinary shares:				
2,083,550 of $0.10 fully paid	208	188	208	188
57,268 shares surrendered	(6)	(13)	(6)	(13)
349,839 shares alloted	36	33	36	33
2,376,121 of $0.10 fully paid	238	208	238	208
Total issued and paid up capital	**$6,877**	**$6,637**	**$6,877**	**$6,637**

The company is registered under the Co-operative Companies Act 1996 and each share has a nominal value. The A ordinary shares are held by motor vehicle dealers who meet MTF requirements for participation. These shares confer the right to one vote per share and as a transacting shareholder the right to share in all profits arising from trading operations. The shares confer the right to payment in full of the nominal value of each A share upon a liquidation. Each transacting shareholder is required to hold 10,000 A shares. Shares can be redeemed by transacting shareholders in terms of certain criteria pursuant to the constitution.

The 500 B shares were held by the Motor Trade Association (Inc). These shares conferred the right to one vote per share but they had no rights to dividends nor to share in the distribution of surplus assets of the company upon a liquidation. The B shares were surrendered in August 2005.

The C shares are held by transacting shareholders who have elected to participate in the C share scheme. The non-voting C shares confer the right to dividends authorised by the Board and the right to share exclusively in the distribution of surplus assets of the company upon a liquidation after the A shareholders have received payment in full for the nominal value of their A shares.

Note 9: perpetual capital bonds

The capital bonds are unsecured, subordinated, interest bearing perpetual debt securities and are listed on the New Zealand Stock Exchange. The interest rate is reset annually on 30 June at a margin of 4.50% above the then one-year government stock yield. Until 30 June 2005 the interest rate was 10.60% p.a. and for the year ending 30 June 2006 the interest rate is 10.70% p.a. The bonds are subordinated to all other creditors except share capital, deposits and retained earnings (including distributions due to participating shareholders). The bonds carry no right of redemption by the holder. MTF may redeem all or part of the principal amount of the bonds outstanding at 30 June each year.

notes to financial statements

30 September 2005

Note 10: short-term loans (secured)

Short-term loans comprise bank loans secured under the following arrangements:

- $23,700,000 (2004: $17,400,000) is secured by a composite debenture dated 17 May 2001 in favour of Bank of New Zealand over the assets of MTF and MTF Leasing Limited (MTFL). The security is also over the MTF subordinated loan (refer note 2) to MTFS but not over the underlying assets of MTFS. There is a security sharing arrangement between MTF, Bank of New Zealand, Westpac Banking Corporation and ANZ National Bank.
- $13,000,000 (2004: $13,000,000) is secured by a first ranking fixed charge over the future interest cash flows from the instalments outstanding on the securitised receivables.

The short-term loans, which have interest maturities up to 90 days, have facility maturities between 30 December 2005 and 17 May 2006. At 30 September 2005 the interest rate was 7.26% (2004: 6.64%).

Note 11: euro commercial paper (secured)

ECP denominated in USD with maturity dates between 7 and 28 days from balance date has been issued at an effective NZD discount rate of 7.02% p.a. (2004: 6.49%).

New notes are issued at the maturity date of each note for periods of up to 90 days.

Borrowings are secured by a registered first charge over the assets of MTFS pursuant to the MTFS Security Trust Deed. The assets of MTF are not available as security to support the ECP.

Note 12: advance from MTFS

The advance from MTFS represents the funding provided by the securitisation programme to MTF. This advance is represented, in the financial statements of MTFS, by borrowings in the form of ECP, denominated in USD. The ECP is in turn supported, within the securitisation programme, by credit enhancements and liquidity support from appropriately rated banks.

The ECP currently has maturity dates between 7 and 28 days and new paper is issued at maturity for periods of up to 90 days. In the event new ECP cannot be issued the credit enhancements and liquidity support will be utilised to fund the remainder of the term of the finance receivables within MTFS.

The maturity profile of the advance from MTFS matches the maturity profile of the securitised receivables within MTFS.

The interest on the advance from MTFS is represented by the securitisation funding costs. At 30 September 2005 the securitisation funding costs represented an effective interest rate of 5.04% (2004: 5.08%) on the advance from MTFS.

	group		parent	
	2005 $000	**2004 $000**	**2005 $000**	**2004 $000**
Note 13: accounts payable and accrued expense				
Trade creditors	972	899	1,120	899
Sundry creditors & accruals	2,915	2,197	2,710	2,148
Employee entitlements	1,007	923	860	923
	$4,894	**$4,019**	**$4,690**	**$3,970**

Note 14: distribution due to shareholders

Profit was distributed quarterly up until 1 December 2004. Since 31 December 2004, profit has been distributed monthly to participating dealers. Distributions are applied, where applicable, to meet indemnities due from dealers or to pay amounts due on shares. The balance of the distribution is payable in cash.

On 29 September 2005, the board approved the payment of the August 2005 monthly profit distribution of $3,125,000. The distribution was paid/applied to participating shareholders on 31 October 2005.

Note 15: floorplan advances

	group 2005 $000	group 2004 $000	parent 2005 $000	parent 2004 $000
Gross advances	2,388	3,061	2,388	3,061
General provision for doubtful debts	(239)	(306)	(239)	(306)
	$2,149	**$2,755**	**$2,149**	**$2,755**

Floorplan advances are secured by way of floating debenture and/or mortgage and are receivable within 12 months.

	group		parent	
	2005	2004	2005	2004
	$000	$000	$000	$000
Note 16: securitised receivables				
Finance receivables				
Gross receivables	503,907	494,934	503,907	494,934
Unearned interest	(78,675)	(76,575)	(78,675)	(76,575)
General provision for doubtful debts	(2,657)	(2,367)	(2,657)	(2,367)
Net finance receivables	422,575	415,992	422,575	415,992
Receivable within 12 months	214,736	189,114	214,736	189,114
Receivable beyond 12 months	207,839	226,878	207,839	226,878
	$422,575	**$415,992**	**$422,575**	**$415,992**
Finance leases				
Gross receivables	87,254	80,115	87,254	80,115
Unearned interest	(11,631)	(10,524)	(11,631)	(10,524)
Net finance leases	75,623	69,591	75,623	69,591
Receivable within 12 months	31,436	30,853	31,436	30,853
Receivable beyond 12 months	44,187	38,738	44,187	38,738
	$75,623	**$69,591**	**$75,623**	**$69,591**
Summary				
Finance receivables	422,575	415,992	422,575	415,992
Finance leases	75,623	69,591	75,623	69,591
	$498,198	**$485,583**	**$498,198**	**$485,583**

Note 17: non-securitised receivables

	group 2005 $000	group 2004 $000	parent 2005 $000	parent 2004 $000
Finance receivables				
Gross receivables	33,870	37,471	33,870	37,471
Unearned interest	(6,123)	(7,752)	(6,123)	(7,752)
General provision for doubtful debts	(196)	(181)	(196)	(181)
Net finance receivables	27,551	29,538	27,551	29,538
Receivable within 12 months	11,550	12,007	11,550	12,007
Receivable beyond 12 months	16,001	17,531	16,001	17,531
	$27,551	**$29,538**	**$27,551**	**$29,538**
Finance leases				
Gross receivables	20,739	6,698	-	-
Unearned interest	(3,124)	(1,094)	-	-
Net finance leases	17,615	5,604	-	-
Receivable within 12 months	7,180	2,015	-	-
Receivable beyond 12 months	10,435	3,589	-	-
	$17,615	**$5,604**	**-**	**-**
Summary				
Finance receivables	27,551	29,538	27,551	29,538
Finance leases	17,615	5,604	-	-
	$45,166	**$35,142**	**$27,551**	**$29,538**

Note 18: cash in MTFS bank accounts

Payments received from customers with respect to securitised receivables are receipted into bank accounts maintained within the securitisation programme and are credited against the applicable securitised receivable account monthly in accordance with the tranche accounting cycle. The cash in these bank accounts is a restricted cash asset as the cash may only be applied, initially, to repay ECP borrowings within the securitisation programme.

Interest income of $1,890,000 (2004: $1,379,000) was earned on cash deposits within the securitisation programme.

Note 19: asset quality disclosures

The group provides for doubtful debts as discussed in Note 1(b)(iii). When management determines that recovery of a receivable is doubtful, the principal amount and accrued interest are written down to estimated net realisable value. Interest and charges are no longer taken to profit when their recovery is considered to be unlikely.

The inclusion of past due loans in the table below does not necessarily indicate that such receivables are doubtful.

	group		parent	
	2005 $000	2004 $000	2005 $000	2004 $000
Non-accrual assets - managed dealers				
Receivables net of unearned interest - opening balance	282	313	282	313
Net movement in non-accrual receivables	1,397	(31)	1,397	(31)
Receivables net of unearned interest - closing balance	1,679	282	1,679	282
Specific provisions (note 6)	-	-	-	-
Balances due to managed dealers available for offset	(1,679)	(282)	(1,679)	(282)
Net	**-**	**-**	**-**	**-**
Past due assets				
Receivables net of unearned interest - opening balance	566	620	352	434
Net movement in past due receivables	(192)	(54)	(27)	(82)
Receivables net of unearned interest - closing balance	374	566	325	352
Specific provisions (note 6)	-	-	-	-
Net	**374**	**566**	**325**	**352**
Total impaired assets				
Receivables net of unearned interest	2,053	848	2,004	634
Specific provisions and balances available for offset	(1,679)	(282)	(1,679)	(282)
Net	**$374**	**$566**	**$325**	**$352**

Note 20: investment in subsidiaries

Name of entity	Principal activity	Interest held by parent 2005	2004
MTF Leasing Ltd	Leasing	100%	100%
MTF Securities Ltd	Securitisation	-	-

Each subsidiary has a balance date of 30 September.
MTFS is a controlled entity of MTF and is consolidated into MTF (note 2).

Amount owing by subsidiaries:

	group		parent	
	2005 $000	2004 $000	2005 $000	2004 $000
MTF Leasing Ltd	-	-	17,214	5,210

Note 21: property, plant and equipment

	group and parent		
	Cost $000	Accumulated depreciation $000	Net book value $000
2005			
Hardware	1,731	(977)	754
Software	5,512	(3,076)	2,436
Office equipment, fixtures & fittings	703	(348)	355
Motor vehicles	352	(174)	178
	8,298	(4,575)	3,723
Capital work in progress	478	-	478
	$8,776	**($4,575)**	**$4,201**
2004			
Hardware	1,150	(890)	260
Software	4,217	(2,233)	1,984
Office equipment, fixtures & fittings	496	(290)	206
Motor vehicles	396	(145)	251
	6,259	(3,558)	2,701
Capital work in progress	214	-	214
	$6,473	**($3,558)**	**$2,915**

Note 22: deferred taxation

	group		parent	
	2005 $000	2004 $000	2005 $000	2004 $000
Opening balance	146	336	582	713
Current year timing differences (note 7)	270	(190)	319	(131)
Closing balance	**$416**	**$146**	**$901**	**$582**

Note 23: intangible asset

Capital bond issue and funding facility expense				
Opening balance	76	138	76	138
Capitalised during the period	154	-	154	-
Amortised during the period	(84)	(62)	(84)	(62)
Closing balance	**$146**	**$76**	**$146**	**$76**

Note 24: related party transactions

All related party transactions have taken place at arm's length.

Directors G D Gibbons, L S Saunders, W N Cashmore and K J Cummings are directors of companies with shareholdings in MTF that participate in the profit of the company on the same basis as all other transacting shareholders. Profit distributed to these companies is as follows:

	2005 $000	2004 $000
G D Gibbons	3,591	3,675
L S Saunders	61	60
W N Cashmore	7	5
K J Cummings	1,221	1,228
	$4,880	$4,968

The Managing Director A R Bradshaw is a director of MTFS. Transactions and balances with MTFS are as follows:

Loans sold to MTFS	(442,805)	(432,516)
Securitisation funding costs charged by MTFS	23,025	21,734
Advance from MTFS	(463,752)	(450,701)

A R Bradshaw is a director of Wickliffe Ltd. MTF received director's fees of $17,000 (2004 : $14,000). MTF purchases goods from Wickliffe Ltd under normal trade terms. Purchases totalled $123,000 (2004 : $166,000), with $6,000 outstanding at 30 September 2005 (2004 : $14,000).

Note 25: aggregate assets and liabilities

	group		parent	
	2005 $000	2004 $000	2005 $000	2004 $000
Current assets	297,196	263,178	267,737	237,215
Current liabilities	45,438	34,314	253,983	237,117
Receivables beyond 12 months	278,462	286,736	277,486	286,009
Term liabilities & capital bonds	523,559	501,943	285,064	272,886
Property, plant and equipment	4,201	2,915	4,201	2,915
Intangible assets	146	76	146	76
Deferred tax	416	146	901	582

Note 26: commitments

	group		parent	
	2005 $000	2004 $000	2005 $000	2004 $000
(a) Operating lease commitments (non-cancellable)				
Payable within one year	190	300	190	300
Payable between 1 and 2 years	180	232	180	232
Payable between 2 and 5 years	414	371	414	371
(b) Capital commitments	-	-	-	-
(c) Contingent Liabilities	-	-	-	-

The group has provided indemnities to certain financiers of dealer members. The exposure to such indemnities is considered remote and group risk is managed through monitoring the financial position of the dealers concerned.

Note 27: imputation credit

	group 2005	group 2004	parent 2005	parent 2004
Opening balance	1,145	1,090	802	747
Income tax paid (refund)	-	-	-	-
Imputation credits received	-	55	-	55
Closing balance imputation credits	1,145	1,145	802	802

Note 28: financial instruments

Credit risk

Financial instruments which potentially subject the group to credit risk principally consist of cash at bank, cash in restricted bank accounts, accounts receivable, floorplan advances, securitised receivables and non-securitised receivables.

Maximum exposures to credit risk are:

	group		parent	
	2005 $000	2004 $000	2005 $000	2004 $000
Cash at bank	-	103	-	65
Cash in restricted bank accounts	29,807	26,243	-	-
Accounts receivable	338	191	111	138
Floorplan advances	2,149	2,755	2,149	2,755
Securitised receivables credit enhancement	29,609	28,647	29,609	28,647
Non-securitised receivables	45,166	35,142	27,551	29,538

The maximum exposures are after provision for unearned interest and doubtful debts on these instruments.

The credit risk on securitised receivables is limited to the unsecured funding provided by MTF in support of the credit enhancement of the securitisation programme to MTFS (refer note 2). The balance of the credit risk on the securitised receivables is assumed by the holders of the ECP pursuant to the securitisation programme. As set out in note 2, securitised receivables have been legally purchased by MTFS. MTFS is bankruptcy remote, which from a legal perspective, limits MTF's maximum credit risk, with respect to securitised receivables, to the amount of the subordinated loan provided to MTFS.

In the normal course of business MTF buys back any impaired receivables from MTFS, although it is not legally required to do so. Whilst the securitisation programme is operating, MTF group and parent credit risk, in relation to the securitised receivables, is equal to the carrying value of these assets, $498,198,000 (2004: $485,583,000). The exposure of the underlying securitised receivables is also mitigated by the limited exposure to larger customers relative to the total asset base and the high number of individual contracts which comprise the securitised receivables.

Non-securitised receivables comprise amounts owing by customers of dealer shareholders and are secured by a specific charge over each vehicle. Participating dealers indemnify any losses from defaults by their customers. This indemnity includes the right to seize the shares and profits of any participating dealer. MTF regularly monitors the credit quality and lending limits of its dealer shareholders.

Counterparty credit risk exists to the banking sector in respect of derivative financial instruments entered into for the hedging of interest rate risk and exchange rate risk within the securitisation programme.

	group		parent	
	2005 $000	2004 $000	2005 $000	2004 $000
Forward exchange rate contracts	493,559	476,944	-	-
Interest rate swaps	530,629	512,013	-	-

Limits on exposures with counterparties have been set and approved by the Trustees for the ECP holders and are monitored on a regular basis. MTF limits concentration risk with counterparties and monitors this risk ontinuously.

Concentration of credit risk
In relation to the recourse arrangements with dealer shareholders, the group has a concentration of credit risk to the New Zealand motor vehicle industry for finance receivables and finance leases administered.

The position is mitigated by the limited exposure to larger customers relative to the total asset base, the high number of individual contracts which comprise the non-securitised receivables administered and the risk assumed by the holders of the ECP on the securitised receivables.

At 30 September 2005 gross securitised and non-securitised receivables and floorplan advances were $648,159,000 (group) (2004 : $622,279,000) and $627,419,000 (parent) (2004 : $615,581,000).

The group's concentrations of credit risk to individual counterparties, including customers, dealers under their recourse arrangement and financial institutions, that are equal to or greater than 10% of shareholders' equity are:

	group		parent	
	2005 $000	2004 $000	2005 $000	2004 $000
10% - 19%	1	2	1	2
150% - 159%	-	1	-	1
180% - 189%	-	1	-	1
200% - 209%	1	-	1	-
280% - 289%	1	-	1	-

Concentration of funding risk

MTF does not have any concentration of funding risk other than to MTFS for the future sale of finance receivables which may arise in the event that MTF is unable to meet the terms and conditions of the securitisation programme. At 30 September 2005, MTF complies with all covenants of the securitisation programme.

Interest rate risk

a) Securitisation programme funding

To hedge the fixed rate income from securitised receivables the group has entered into interest rate swaps to convert the floating rate interest liability on ECP into fixed interest cost.

Exposure to early termination of the interest rate swaps is the liability of MTF. Actual losses incurred on early termination of a loan agreement are able to be passed to the conditional purchaser as part of the settlement process.

	group		parent	
	2005 $000	2004 $000	2005 $000	2004 $000
Interest rate swaps	530,629	512,013	-	-

ECP denominated in USD has maturity dates between 7 and 28 days from balance date and has been issued at effective NZD rates of 7.02% (2004: 6.49%) p.a. New notes are issued at the maturity date of each note for periods of up to 90 days.

b) Other funding

Interest rate risk is managed by generally matching maturities on the non-securitised funding facilities with maturities on the non-securitised receivables. The interest rates on the company's finance facilities are set out in notes 9, 10 and 12.

Management monitors the level of interest rates on an ongoing basis, and from time to time, will lock in fixed rates on the next floating reset via swap contracts when they consider that interest rates may rise. At 30 September 2005 the bank overdraft and short-term loans had interest rate maturities of less than 90 days.

Bank overdraft and short-term loans are renegotiated at market rates upon maturity. The interest rate on the capital bonds is reset annually on 30 June at a margin of 4.50% above the one-year interpolated government stock yield.

c) Financial assets

Interest rates applicable to finance receivables (securitised and non-securitised) are fixed for the term of the receivable contracts. The maturity profile (receivable within 12 months and beyond 12 months) of the finance receivables (securitised and non-securitised) is shown in notes 16 and 17. The weighted average interest rate earned on finance receivables (securitised and non-securitised) at 30 September 2005 was 14.02% (2004: 14.31%).

Floorplan advances have a maturity profile of less than 12 months. The interest rate maturities applicable to floorplan advances are less than 30 days. The weighted average interest rate earned on floorplan advances at 30 September 2005 was 11.77% (2004: 12.53%).

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 2005 was 6.75% (2004: 6.25%).

Foreign currency risk

Foreign exchange exposures on ECP borrowings are fully hedged by forward exchange contracts.

Liquidity risk

Liquidity risk is managed primarily through access to the securitisation programme by which receivables are sold to MTFS. Within the securitisation programme revolving standby credit facilities exist with appropriately rated banks to ensure ongoing funding to repay ECP on maturity should further paper not be able to be issued.

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

The group sets a credit limit for each dealer which represents the facility it makes available in terms of receivables financed. Credit limits are based on criteria such as the assessed quality of receivables introduced by the dealer and the dealer's assessed financial position.

The group manages the aggregate credit limit established for all dealers against the funding lines available.

The securitisation programme has a facility limit of NZD600,000,000 and is subject to credit rating by Standard & Poor's and Moody's Investors Service. Other than the facility available to sell finance receivables pursuant to the securitisation programme, the group has access to committed credit facilities of NZD76,000,000.

Fair value of financial instruments

The fair value of financial instruments has been determined by market prices or by discounting future contractual cash flows by the market rate at balance date in respect of each instrument. Financial assets and liabilities are intended to be held to maturity, and unrealised fair value gains or losses are not expected to be realised.

	group				parent			
	2005 $000	2005 $000	2004 $000	2004 $000	2005 $000	2005 $000	2004 $000	2004 $000
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Assets								
Cash in restricted bank accounts	29,807	29,807	26,243	26,243	-	-	-	-
Floorplan advances	2,149	2,149	2,755	2,755	2,149	2,149	2,755	2755
Securitised receivables	498,198	500,361	485,583	484,055	498,198	500,361	485,583	484,055
Non-securitised receivables	45,166	45,591	35,142	38,265	27,551	27,693	29,538	31,401
Liabilities								
Overdraft facility	367	367	(104)	(104)	428	428	(66)	(66)
Perpetual capital bonds	30,000	30,690	25,000	26,588	30,000	30,690	25,000	26,588
Short term loans	36,700	36,700	30,400	30,400	36,700	36,700	30,400	30,400
Euro commercial paper	493,559	498,591	476,944	467,239	-	-	-	-
Non-recognised financial instruments								
Forward foreign exchange contracts	493,559	5,032	476,944	(9,705)	-	-	-	-
Interest rate swaps	530,629	784	512,013	232	-	-	-	-

In relation to the non-recognised financial instruments the fair value represents the unrealised gain or (loss).

Note 29: significant events after balance date

On 11 November 2005, the Board approved the payment of the September 2005 monthly profit distribution of $3,670,000. The distribution will be paid/applied to participating shareholders on 30 November 2005.

Note 30: segment information

The group operates predominantly in one industry, provision of finance facilities, and in one geographical location, New Zealand.

Note 31: transition to international financial reporting standards

In December 2002, the New Zealand Accounting Standards Review Board announced that New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) would apply to all New Zealand reporting entities for reporting periods beginning on or after 1 January 2007, with the option of early adoption for periods beginning on or after 1 January 2005. MTF intends to adopt from 1 October 2007. Accordingly, the adoption of NZ IFRS will be first reflected in the company's half-year report for the six month period ended 31 March 2008.

MTF will manage the transition to NZ IFRS beginning with an analysis of the key impacts. MTF has begun evaluating the company's existing accounting policies and the potential impacts of adopting NZ IFRS, to ensure the transition occurs within the required timeframes and the company is in a position to calculate its opening balance sheet effective 1 October 2006.

In the first year of compliance, entities are required to restate comparative financial statements to reflect the new standards. The majority of adjustments required on transition to NZ IFRS will be to reserves.

Whilst the implementation of NZ IFRS has no impact on MTF's underlying economic strength, risk management practices or cash flows, it may result in key, material differences in the financial statements. Key differences in accounting policies that are expected from adopting NZ IFRS include the recognition of derivative financial instruments, the calculation of deferred tax, the calculation of provisions, the recognition of fee income, and the classification of co-operative share capital. At this stage the impact on the financial statements, had they been prepared using NZ IFRS, has not been determined or quantified.

During the transition project, where the financial impact of NZ IFRS can be reliably estimated and will have a material impact, disclosure will be made in subsequent financial reports. The actual impact of adopting NZ IFRS may vary from the information presented and this variation may be material.

Note 32 : Total Income

	group		parent	
	2005 $000	2004 $000	2005 $000	2004 $000
Interest from securitised receivables	75,918	72,288	66,879	65,188
Interest from non-securitised receivables	4,234	4,942	4,234	4,942
Deposit interest	1,890	1,379	-	-
Fees	5,582	1,509	5,582	1,509
Total income	$87,624	$80,118	$76,695	$71,639

statement of cash flows

year ended 30 September 2005

	group 2005 $000	group 2004 $000	parent 2005 $000	parent 2004 $000
Cash flows from operating activities				
Cash was provided from:				
Finance income	83,953	76,762	74,913	69,662
Other income	17	120	17	120
Interest income from deposits	1,890	1,379	-	-
	85,860	78,261	74,930	69,782
Cash was applied to:				
Funding costs	39,468	34,776	5,141	4,508
Securitisation costs	-	-	23,397	21,789
Operating expenses	7,523	8,019	7,523	8,019
	46,991	42,795	36,061	34,316
Net cash flows from operating activities	**38,869**	**35,466**	**38,869**	**35,466**
Cash flows from investing activities				
Cash was provided from:				
Finance receivable instalments	367,301	420,960	321,892	381,299
Proceeds received from realisation of investment	-	20	-	20
Sale of property, plant and equipment	32	36	32	36
	367,333	421,016	321,924	381,355
Cash was applied to:				
Finance receivable advances	389,360	452,856	325,911	392,331
Purchase of property, plant and equipment	2,193	1,142	2,193	1,142
Payment of finance lease	112	-	112	-
	391,665	453,998	328,216	393,473
Net cash flows from investing activities	**(24,332)**	**(32,982)**	**(6,292)**	**(12,118)**
Cash flows from financing activities				
Cash was provided from:				
Short-term loans - net	6,300	-	6,300	-
Issue of capital bonds	5,000	-	5,000	-
Euro commercial paper - net	16,615	47,290	-	-
Advance from MTFS	-	-	13,051	45,768
	27,915	47,290	24,351	45,768
Cash was applied to:				
Repay share capital and dealership deposits	34	432	34	432
Short-term loans - net	-	7,700	-	7,700
Issue costs	154	-	154	-
Loans to subsidiaries	-	-	18,063	20,883
Profit distributed to shareholders	39,170	40,368	39,170	40,368
	39,358	48,500	57,421	69,383
Net cash flows from financing activities	**(11,443)**	**(1,210)**	**(33,070)**	**(23,615)**
Net increase (decrease) in cash	3,094	1,274	(493)	(267)
Add cash on hand at beginning of period	26,346	25,072	65	332
Cash on hand at end of period	**$29,440**	**$26,346**	**($428)**	**$65**
Represented by:				
Cash at bank (overdraft)	(367)	103	(428)	65
Cash in restricted bank accounts	29,807	26,243	-	-
	$29,440	**$26,346**	**($428)**	**$65**

statement of cash flows
year ended 30 September 2005

	group		parent	
	2005	**2004**	**2005**	**2004**
	$000	**$000**	**$000**	**$000**
Reconciliation of group profit after taxation to net cash flows from operating activities				
Reported group profit after taxation	38,696	36,138	38,696	36,138
Non-cash items				
- arrears fees capitalised	(1,981)	(1,464)	(1,981)	(1,464)
- loss on sale of property, plant and equipment	5	73	5	73
- depreciation	1,456	1,213	1,456	1,213
- amortised expense	84	62	84	62
- bad debts/provisions - net	219	83	219	83
	38,479	36,105	38,479	36,105
Movements in other items				
Deferred taxation	(270)	190	(319)	131
Provision for taxation	354	(14)	354	(14)
Accounts payable & accrued expenses	875	(491)	720	(300)
Accounts receivables	(147)	183	27	(34)
	812	(132)	782	(217)
Movement in working capital items classified as investing or financing activities	(422)	(507)	(392)	(422)
Net cash surplus from operating activities	**38,869**	**35,466**	**38,869**	**35,466**

appendix to financial statements

Additional disclosures pursuant to Securities Regulations:

Liquidity table

	0 - 6 months $000	6 - 12 months $000	12 - 24 months $000	24 - 60 months $000	Over 60 months $000
Monetary assets					
Floorplan advances		2,149			
Securitised receivables	125,856	120,316	145,801	106,225	
Non-securitised receivables	9,027	9,703	11,028	15,408	
Other assets	30,145				
	165,028	**132,168**	**156,829**	**121,633**	**-**
Monetary liabilities					
Approved distribution due to shareholders	3,125				
Short-term loans (secured)	36,700				
Euro commercial paper (secured)	493,559				
Perpetual capital bonds	30,000				
Other liabilities	5,613				
	568,997	**-**	**-**	**-**	**-**

Of the monetary assets receivable:
0.09% have repayments in excess of 3 months in arrears.
9.26% is owed by the company's 6 largest debtors.

The Euro commercial paper is refinanced monthly pursuant to facilities available under the Securitisation Programme. Euro commercial paper of $345,000,000 USD (2004: $311,500,000 USD) was converted to NZD using an average forward rate of .6990 (2004: .6531).

Update to subsequent events
MTF has announced its intention to redeem the perpetual capital bonds on 30 June 2006. The perpetual capital bonds will be refinanced upon redemption by Perpetual Preference Shares issued pursuant to a prospectus dated 30 May 2006.

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30 May 2006

The Directors
Motor Trade Finances Limited
P O Box 885
DUNEDIN

Dear Directors

AUDITORS' REPORT FOR INCLUSION IN PROSPECTUS

As auditors of Motor Trade Finances Limited (the 'Company') and subsidiaries (the 'Group') we have prepared this report pursuant to clause 42 of the First Schedule of the Securities Regulations 1983 for inclusion in a prospectus to be dated 30 May 2006 for the issue of fully imputed Perpetual Preference Shares in Motor Trade Finances Limited.

We have audited the financial statements of the Company and Group set out at pages 18 to 38. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 30 September 2005 and its financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 20 to 23.

We report on the summary of financial statements of the Group set out on page 17. The summary of financial statements has been taken from the audited financial statements for the financial years ended 30 September 2005, 2004, 2003, 2002, and 2001.

Board of Directors' Responsibilities
The board of directors (the 'directors') are responsible for the preparation of:
(a) the financial statements as required by clauses 23 to 38 of the First Schedule of the Securities Regulations 1983, that comply with the regulations; and subject to the regulations comply with generally accepted accounting practice in New Zealand; and give a true and fair view of the state of affairs of the Group as at 30 September 2005 and its financial performance and cash flows for the financial year ended on that date; and
(b) the summary of financial statements of the Group for the financial years ended 30 September 2005, 2004, 2003, 2002, and 2001, as required by clauses 8(2) and 8(3) of the First Schedule of the Securities Regulations 1983; and
(c) the financial statements which give a true and fair view of the financial position of Motor Trade Finances Limited, the parent company of the Group, as at 30 September 2005 and its financial performance and cash flows for the year ended on that date which are provided by the directors for investors' information.

Auditors' Responsibilities
It is our responsibility to:
(a) express an independent opinion on the financial statements of the Company and the Group as at 30 September 2005 and for the year ended on that date, prepared and presented by the directors, and report our opinion in accordance with clause 42(1) of the First Schedule of the Securities Regulations 1983; and
(b) report in accordance with clause 42(1)(g) of the First Schedule of the Securities Regulations 1983 on the amounts included in the summary of financial statements for the financial years ended 30 September 2005, 2004, 2003, 2002, and 2001 presented by the directors.

This report has been prepared for inclusion in the prospectus for the purpose of meeting the requirements of clause 42 of the First Schedule of the Securities Regulations 1983. We disclaim any assumptions of responsibility for reliance on this report or the amounts included in the financial statements or the summary financial statements, for any purpose other than that for which they were prepared. In addition, we take no responsibility for, nor do we report on, any part of the prospectus not specifically mentioned in this report.

Deloitte.

Basis of Opinion on the Financial Statements
An audit of the financial statements, for the year ended 30 September 2005, includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Board of Directors in the preparation of the financial statements; and
- whether the accounting policies are appropriate to the Company and Group circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Basis of Opinion on the Summary of Financial Statements
We have undertaken procedures to provide reasonable assurance that the amounts set out in the summary of financial statements on page 17 of this prospectus, pursuant to clauses 8(2) and 8(3) of the First Schedule of the Securities Regulations 1983, have been correctly taken from the audited financial statements of the Group for the financial years ended 30 September 2005, 2004, 2003, 2002, and 2001 as modified by the changes in accounting policies described at page 23. For a better understanding of the financial position and results of the Group's operations for the financial period the summary financial information should be read in conjunction with the related annual financial statements.

Other than in our capacity as auditor and provision of tax and other assurance advice, we have no relationship with or interests in Motor Trade Finances Limited or any of its subsidiaries.

Unqualified Opinion on the Financial Statements
We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the Group as far as appears from our examination of those records; and
- the financial statements of the Group on pages 18 to 38 of this prospectus, as required by clauses 23 to 38 of the First Schedule of the Securities Regulations 1983, and that are required to be audited, have been drawn up to:
  - comply with the Securities Regulations 1983, and
  - subject to these Regulations, comply with generally accepted accounting practice in New Zealand; and
  - give a true and fair view of the financial position of the Group as at 30 September 2005 and the results of its operations and cash flows for the financial year ended on that date; and
- the financial statements of the Company on pages 18 to 38 of this prospectus, give a true and fair view of the financial position of the Company as at 30 September 2005 and the results of its operations and cash flows for the financial year ended on that date.

Our audit of the financial statements on pages 18 to 37 was completed on 11 November 2005 and our unqualified opinion is expressed as at that date.

Unqualified Opinion on the Summary of Financial Statements
In our opinion, the amounts set out in the summary of financial statements, on page 17 of this prospectus, as required by clauses 8(2) and 8(3) of the First Schedule of the Securities Regulations 1983, have been correctly taken from the audited financial statements of the Group for the financial years ended 30 September 2005, 2004, 2003, 2002, and 2001 from which they were extracted.

In terms of Regulations 7(1)(b)(ii) of the Securities Regulations 1983 we hereby give our consent to the inclusion in the above mentioned prospectus of this report in the form in which it is included. We also confirm that we have not, before delivery of this prospectus for registration, withdrawn our consent to the issue thereof.

Yours faithfully

Deloitte

Deloitte
Chartered Accountants
Dunedin, New Zealand

terms of the Perpetual Preference Shares

The terms of the Perpetual Preference Share issue are set out below.

1. *Perpetual Preference Shares*

1.1 Dividend

The Perpetual Preference Shares carry the right to a Dividend, payable in accordance with paragraph 1.4 in priority to other Distributions, in respect of each Dividend Period equal to the Dividend Amount for that Dividend Period.

1.2 Dividend to be Fully Imputed

All Dividend Amounts shall be Fully Imputed. The only consequence of, or remedy for, a Dividend not being Fully Imputed shall be the payment of an amount referred to in paragraph 1.3. The Imputation Credits will be sourced from the tax paid on the pre-tax profits required to be retained to pay the Dividends on the Perpetual Preference Shares.

1.3 Imputation credit shortfall

If all or any part of a Dividend Amount is not Fully Imputed MTF shall pay to each Holder an amount equal to the shortfall in Imputation Credits of which Holders would otherwise have had the benefit. The amount payable under this paragraph 1.3:

(a) is due on the Dividend Payment Date of the Dividend Amount and, to the extent paid, substitutes for or replaces the corresponding obligation of MTF under paragraph 1.2; and

(b) shall be regarded as a variation in the rate at which Dividends are calculated.

To the extent that a Dividend is not Fully Imputed, resident withholding tax will be required to be deducted at the rate of 33% unless Holders have provided a certificate of exemption. Non-resident withholding tax ("NRWT") will be required to be deducted from Dividends paid to residents of foreign countries. The rate of NRWT is 15% to the extent the Dividend is Fully Imputed or if the Holder is resident in a country with which New Zealand has a Double Taxation Agreement; otherwise it will be 30%.

1.4 Dividend Payment Date

If a Dividend is paid in respect of any Dividend Period, it shall be paid on the Dividend Payment Date on which that Dividend Period ends.

1.5 Dividends to have priority

Dividends shall rank for payment in priority to the rights in respect of dividends or other Distributions of all holders of other classes of shares of MTF.

1.6 Cancellation of Dividends

Subject to paragraph 1.7, the Directors may, by notice sent to Holders not later than five Business Days after the end of a Dividend Period ("Dividend Cancellation Notice"), cancel the payment of Dividends in respect of that Dividend Period and all subsequent Dividend Periods, until such time as the Board gives a Dividend Resumption Notice.

1.7 Reasons for cancellation

The Board may give a Dividend Cancellation Notice if:

(a) the Board is satisfied on reasonable grounds that, immediately after making the payment, MTF would or could become insolvent, breach any covenant in relation to its bank debt, or breach any other legal obligation; or

(b) the Board has for any other reason determined in its sole discretion that a Dividend, or Dividends generally, should not be paid.

1.8 Dividend Resumption Notice

If the Board has given a Dividend Cancellation Notice, the Board may at any time thereafter send notice to Holders to the effect that Dividends should again be paid. If such a notice is given, Dividends shall again be payable as from and including the first Dividend Period commencing after the giving of that notice, unless and until a further Dividend Cancellation Notice is given.

1.9 Effect of cancellation

If a Dividend Cancellation Notice is given, any obligation of MTF to pay, and any right of Holders to receive, the Dividends referred to in paragraph 1.1 shall be cancelled absolutely. Dividends on the Perpetual Preference Shares are not cumulative.

1.10 Suspension period

If a Dividend Cancellation Notice is given, then for the period from the date of that Dividend Cancellation Notice until MTF has paid the next full Dividend payment, MTF shall not make any Distribution, including profit distributable to Dealers, other than payment of Dividends.

1.11 Rights in a liquidation

Each Holder shall have the right in a liquidation of MTF to payment, in priority to the holders of other classes of shares of MTF, and profit distributable to Dealers, of the Issue Price of the Perpetual Preference Shares held by that Holder and (subject to paragraph 1.6) Dividends payable on those Perpetual Preference Shares at the date of commencement of liquidation calculated on a daily basis from the end of the most recent Dividend Period to the date of commencement of liquidation.

Perpetual Preference Shares will rank equally in all respects and without preference among themselves, but behind the claims of all secured and unsecured creditors of MTF.

1.12 Voting

Holders shall have no right to receive notice of, or vote at meetings of shareholders of MTF, other than meetings pertaining to the amendment of the terms of the Perpetual Preference Shares.

1.13 Transfer

A Holder may transfer any Perpetual Preference Share:

(a) under a system of transfer approved under section 7 of the Securities Transfer Act 1991 which is applicable to MTF; and

(b) by an instrument of transfer which complies with the Constitution.

1.14 Systems of transfer

A Perpetual Preference Share which is disposed of in a transaction which complies with the requirements of a system of transfer authorised under paragraph 1.13(a) may be transferred in accordance with the requirements of that system. Where an instrument of transfer executed by a transferor outside New Zealand would have complied with the provisions of the Securities Transfer Act 1991, if it had been executed in New Zealand, it may nevertheless be registered by MTF if it is executed in a manner acceptable to MTF or the Registrar.

1.15 Instrument requirements

An instrument of transfer of Perpetual Preference Shares to which the provisions of paragraph 1.13 are not applicable shall:

(a) be in any common form or any other form approved by MTF or the Registrar; and

(b) be signed or executed by or on behalf of the transferor.

1.16 Delivery of instrument

An instrument transferring Perpetual Preference Shares must be delivered to MTF or to the Registrar, together with such evidence (if any) as MTF or the Registrar reasonably requires to prove the title of the transferor to, or right of the transferor to transfer, the Perpetual Preference Shares.

1.17 Refusal to register

Subject to section 84 of the Act (which imposes certain procedural requirements on a Board), the Board may refuse to register a transfer of any Perpetual Preference Share if:

(a) MTF has a lien on the Perpetual Preference Share;

(b) the transferor fails to produce such evidence as MTF or the Registrar reasonably requires to prove the title of the transferor to, or right of the transferor to transfer, the Perpetual Preference Share; or

(c) registration of the transfer, together with registration of any further transfer or transfers then held by MTF and awaiting registration, would result in less than 5,000 Perpetual Preference Shares held in the name of the transferee,

provided that the Board resolves to exercise its power under this paragraph within 30 Business Days after receipt of the relevant transfer and notice of the resolution is sent to the transferor and to the transferee within five Business Days of the resolution being passed by the Board.

1.18 Transferor to remain Holder until registration

A transferor of a Perpetual Preference Share is deemed to remain the Holder of the Perpetual Preference Share until the name of the transferee is entered in the register in respect of the share.

1.19 MTF to retain instruments
If MTF registers an instrument of transfer it shall retain the instrument.

1.20 Compulsory redemption
Subject to paragraph 1.21, MTF may redeem or repurchase Perpetual Preference Shares by giving a Redemption Notice to all Holders requiring Holders to transfer their Perpetual Preference Shares to MTF. A Redemption Notice shall take effect, and the Redemption Price shall be paid, on the day specified in the Redemption Notice, being not less than 30 days after the date on which the notice is given. Perpetual Preference Shareholders have no right to require redemption by MTF.

1.21 Timing of a Redemption Notice
A Redemption Notice may only be given:

(a) two years or more after the Closing Date; or

(b) at any earlier time if there has occurred any change in law, including any law relating to taxation, or in the interpretation or application thereof by any Court or governmental authority, or in any directive, regulation, request or requirement of a regulatory authority or other governmental agency, including a change to financial reporting standards, which materially adversely affects the value of the Perpetual Preference Shares to MTF.

1.22 Effect of Redemption Notice
If MTF gives a Redemption Notice then:

(a) each Holder shall be deemed, on the day on which MTF pays to that Holder the Redemption Price, to transfer that Holder's Perpetual Preference Shares to MTF, and MTF shall on that day enter the name of MTF on the Share Register as the Holder of those Perpetual Preference Shares; and

(b) each Holder shall be deemed to have authorised MTF to act on behalf of that Holder in respect of the transfer of that Holder's Perpetual Preference Shares to MTF, and to sign any document necessary to effect or record that transfer.

1.23 Partial redemption
MTF may give a Redemption Notice in respect of a specified proportion of the Perpetual Preference Shares held by each Holder in accordance with paragraph 1.21. If MTF does so, paragraphs 1.20 to 1.22 shall apply modified so as to refer to that proportion of each Holder's Perpetual Preference Shares. MTF may give notice of the nature referred to in this paragraph on more than one occasion.

1.24 Ability to hold as treasury stock
Where MTF repurchases Perpetual Preference Shares in accordance with paragraph 1.20, or acquires Perpetual Preference Shares on-market in accordance with the provisions of the Act, MTF may hold those Perpetual Preference Shares as treasury stock pursuant to its Constitution.

Pursuant to section 67A(1)(c) of the Act, the number of shares acquired, when aggregated with shares in the same class held by MTF at the time of purchase, must not exceed 5% of the shares of that class previously issued by MTF (excluding any shares in that class which have previously been cancelled). MTF may subsequently cancel or reissue shares held as treasury stock.

Pursuant to section 67B of the Act if a company holds a share in itself, MTF shall not:

(a) exercise any voting rights attached to that share; or

(b) make or receive any Distribution authorised or payable in respect of that share.

1.25 Amendment
The rights, privileges, limitations and conditions attaching to the Perpetual Preference Shares may be amended with the approval of:

(a) the Board; and

(b) a special resolution of Holders.

A meeting of Holders for the purposes referred to in paragraph (b) may be convened by the Board.

1.26 Conduct of meetings
A meeting of Holders to consider a resolution of the nature referred to in paragraph 1.25 shall be convened and held in accordance with the first schedule to the Act and clause 15 of the Constitution. At any such meeting:

(a) where voting is by show of hands or by voice every Holder present in person or by representative has one vote; and

(b) on a poll every Holder present in person or by representative has one vote in respect of each Perpetual Preference Share held by that Holder.

1.27 Deductions

MTF may make from Dividends any deduction or withholding on account of tax or on any other account which MTF is required by law to make.

1.28 Supplementary Dividend

If MTF at any time:

(a) pays a Dividend (as defined in section LE 2(1) of the Tax Act and in section OB 1 of that Act for the purposes of Part LE of that Act) to a Holder who is not resident in New Zealand for tax purposes at that time; and

(b) MTF attaches an Imputation Credit to such Dividend pursuant to section ME 6 of the Tax Act;

then MTF may pay a single supplementary Dividend (as defined in section OB 1 of the Tax Act) to that person.

1.29 Method of payment

A Dividend payable in cash may be paid in such manner as the Board thinks fit to the entitled shareholders or, in the case of joint shareholders, to the shareholder named first in the register, or to such other person and in such manner as the shareholder or joint shareholders may in writing direct. Any one of two or more joint shareholders may give a receipt for any payment in respect of the shares held by them as joint shareholders.

1.30 Notices

All notices shall be served and issued pursuant to the provisions of the Constitution of MTF.

answers to important questions

What sort of investment is this?

MTF is offering for subscription Perpetual Preference Shares with an aggregate principal amount of up to $35 million. MTF reserves the right to accept over-subscriptions in respect of Perpetual Preference Shares with an aggregate principal amount of up to a further $5 million.

The Offer of Perpetual Preference Shares contained in this Offer Document is subject to approval by each class of MTF shareholders by ordinary resolution at a special meeting to be held on 8 June 2006. An ordinary resolution is a resolution approved by a simple majority of the votes of those shareholders entitled to vote and voting on the resolution. If the ordinary resolution is not passed at the special meeting the Offer will not proceed.

Dividend: The Perpetual Preference Shares carry the right to a Dividend payable quarterly in arrears. The aggregate of cash Dividends paid, and Imputation Credits, and/or withholding tax deductions will equal the Dividend Rate. MTF has the right to cancel the payment of a Dividend or Dividends at its discretion. Such Dividend payments are not cumulative. Whilst Dividends are cancelled, MTF will not pay any Distribution on its ordinary shares or any instrument which ranks in subordination to the Perpetual Preference Shares including profit distributable to Dealers.

The Perpetual Preference Shares do not benefit from any capital growth in the ordinary shares of MTF and Perpetual Preference Shareholders will not participate in any dividend payable on those shares, or in any bonus issue, rights issue or other Distribution made in respect of those shares.

Perpetual: The Perpetual Preference Shares have no fixed term and will remain in existence unless and until they are redeemed or repurchased for cash and cancelled (unless held as treasury stock in accordance with paragraph 1.24 of the terms of the Perpetual Preference Shares) or MTF goes into liquidation. Perpetual Preference Shareholders have no right to require redemption by MTF.

Rights in liquidation: The Perpetual Preference Shares rank behind all secured and unsecured creditors of MTF but ahead of holders of other classes of shares of MTF and profit distributable to Dealers. In a liquidation of MTF, a Holder of Perpetual Preference Shares will be entitled to receive, in priority to the rights of other shareholders of MTF, the Issue Price of the Perpetual Preference Shares held by that Holder and Dividends payable on those Perpetual Preference Shares at the time of commencement of liquidation, but will not be entitled to participate further in the assets of MTF. The Perpetual Preference Shares will rank equally in all respects and without preference among themselves, but behind the claims of all secured and unsecured creditors of MTF.

Voting: The Perpetual Preference Shares have no voting rights other than the right to attend and vote at meetings of Perpetual Preference Shareholders.

Compulsory redemption: MTF has the right to repurchase or redeem all or part of the Perpetual Preference Shares at the expiration of 30 days' notice in certain circumstances as detailed in paragraphs 1.20 and 1.23 of the terms of the Perpetual Preference Shares.

The above is a simplified and general description of some of the rights and obligations of Holders of Perpetual Preference Shares. The full terms of the Perpetual Preference Shares are set out on page 41.

Who is involved in providing it for me?

Motor Trade Finances Limited (registered number 148074) is the issuer of the Perpetual Preference Shares. MTF was incorporated in New Zealand on 24 July 1970 under the Companies Act 1955 and was reregistered to become a company under the Companies Act 1993 on 3 February 1997. MTF is a co-operative company for the purposes of the Co-operative Companies Act 1996 with in excess of 700 motor vehicle dealers as shareholder Dealers. MTF can be contacted at its registered office, which is located at 193 Princes Street, Dunedin.

MTF was formed in 1970 to enable selected motor vehicle dealers to finance sales of motor vehicles to the public. Since that time, the MTF Group has grown to become one of the largest financiers of motor vehicles in New Zealand, administering advances to in excess of 62,000 borrowers.

From its inception, MTF has concentrated primarily on motor vehicle finance. Operations are conducted on a co-operative basis with selected dealers becoming shareholders of MTF upon approval for access to MTF's facilities. MTF accepts finance agreements entered into by Dealers with their customers and distributes the net profit earned from these financial activities to the respective Dealers by way of monthly profit Distribution. The principal source of funds for the financing of finance agreements is by securitisation.

For a more extensive overview of MTF's business, see the section of this Offer Document entitled "business overview".

How much do I pay?

The Issue Price of each Perpetual Preference Share is $1.00, which must be paid in full by applicants at the time of application. Cheques should be made payable to "MTF Preference Share Offer", crossed "Not transferable" and must not be post-dated. Applications to subscribe for Perpetual Preference Shares must be for a minimum principal amount of $5,000 and thereafter in multiples of $1,000.

Existing MTF Capital Bondholders participating in the Exchange Offer will not be required to make a cash payment for the portion of Capital Bonds exchanged into Perpetual Preference Shares. Payment will be effected by directing the face value of their existing Capital Bonds exchanged and payable to them by MTF on 30 June 2006 to the satisfaction of the Issue Price of the Perpetual Preference Shares allotted under the Exchange Offer.

General Offer and Priority Pool applications must be made on the Application Form contained at the back of this Offer Document while applications made pursuant to the Exchange Offer must be made on the personalised Red Application Form sent separately to Capital Bondholders. Applications must be lodged with the Registrar, or returned to MTF, or the Lead Manager (at the following addresses) or any Primary Market Participant through which a firm allocation was obtained, or any other channel approved by NZX, in time for such applications to be forwarded to the Registrar by 5:00pm on 28 June 2006, or 16 June 2006 in the case of the applications made under the Priority Pool or the Exchange Offer.

The Registrar
Link Market Services
138 Tancred Street
PO Box 384
Ashburton

The Lead Manager
Forsyth Barr Limited
Level 6, Forsyth Barr House
Cnr Lambton Quay and Johnston Street
PO Box 5266
Wellington

Motor Trade Finances Limited
193 Princes Street
PO Box 885
Dunedin

MTF reserves the right to vary the Opening Date, the Closing Date and the Exchange Offer and Priority Pool Closing Dates, on giving notice to NZX, and to refuse all or any part of any application without providing a reason.

Perpetual Preference Shares will be allotted at MTF's sole discretion. MTF will advise successful applicants of the allotment of Perpetual Preference Shares as soon as possible after Allotment Date.

Perpetual Preference Shares allotted in accordance with this Offer may be subject to scaling at MTF's discretion.

Further information on how to apply for Perpetual Preference Shares is set out in the section of this Offer Document entitled "application instructions – General Offer and Priority Pool" and "application instructions – Exchange Offer".

There is no cooling off period in respect of the Perpetual Preference Shares in which an applicant for the Perpetual Preference Shares may cancel the application for Perpetual Preference Shares.

Applications made under the Exchange Offer are irrevocable.

What are the charges?

Subscribers of Perpetual Preference Shares are not required to pay any charges to MTF, the Registrar or any other person in relation to the Offer, other than the issue price of $1.00 for each Perpetual Preference Share allotted to them or, in the case of the Exchange Offer, by directing the face value of their existing Capital Bonds exchanged and payable to them by MTF on 30 June 2006 to the satisfaction of the Issue Price of the Perpetual Preference Shares allotted under the Exchange Offer

Any fees or expenses payable to the Registrar and all the expenses of the Offer are to be paid by MTF.

Details of the fees and expenses incurred in respect of the Offer and payable by MTF are set out in the section of this Offer Document entitled "statutory information". Those expenses are estimated to be approximately $980,000, based on the Offer amount of $35 million.

No brokerage is payable by any subscriber for Perpetual Preference Shares under the Offer, although brokerage may be payable if Perpetual Preference Shares are bought and sold in the secondary market.

Brokerage is payable by MTF to Primary Market Participants, the Lead Manager and other approved intermediaries on applications that bear their stamp at the rate of:

- 1.00% of the principal amount of Perpetual Preference Shares for which valid applications have been received and accepted pursuant to the General Offer and Priority Pool; and
- 0.50% of the principal amount of Perpetual Preference Shares accepted by MTF by way of over-subscription for which valid applications have been received and accepted pursuant to a firm allocation.

In addition, MTF will pay the Lead Manager brokerage at the rate of 0.75% in respect of the principal amount of all applications received pursuant to the Exchange Offer from which the Lead Manager will be responsible for paying brokerage at the rate of 0.50% to Primary Market Participants and other approved intermediaries on valid applications that have been received and accepted that bear their stamp.

What returns will I get?

The information set out in this section should be read in conjunction with the information set out in the section of this Offer Document entitled "What are my risks?". Certain events could reduce or eliminate the returns intended to be derived from holding the Perpetual Preference Shares.

The returns to Perpetual Preference Shareholders are in the form of Dividend payments, if any, on the Perpetual Preference Shares held.

The key factors that will determine the returns to Holders of Perpetual Preference Shares are:

- the Dividend Rate paid;
- the performance by MTF of its obligations as the issuer of the Perpetual Preference Shares including whether Dividends are paid on the Dividend Payment Dates;
- if Perpetual Preference Shareholders choose to sell their Perpetual Preference Shares, the effect of market interest rates and other factors on the price at which Perpetual Preference Shares may be sold; and
- each Perpetual Preference Shareholder's individual circumstances for tax purposes.

Dividend Rate

The entity legally liable to pay Dividends on the Perpetual Preference Shares to Perpetual Preference Shareholders is Motor Trade Finances Limited.

It is the current intention of MTF that, from the Allotment Date of the Perpetual Preference Shares until the first Dividend Reset Date, Dividends will be payable at the Initial Dividend Rate of 9.75% per annum, inclusive of full Imputation Credits, payable quarterly in arrears.

On each Dividend Reset Date, Dividends will be reset and payable at the Dividend Reset Margin of 240 basis points, inclusive of full Imputation Credits, above the Benchmark Rate.

MTF reserves the right to increase the Initial Dividend Rate and Dividend Reset Margin to such greater rate as it might determine and advise to the market during the Offer period. Any increased rate will apply to all Perpetual Preference Shares, regardless of when they are allotted.

The first Dividend Payment Date will be 30 September 2006, however, as this date is not a Business Day the Dividend will be payable on the next Business Day being 2 October 2006 to the original subscriber of the Perpetual Preference Shares, irrespective of any transfer of the Perpetual Preference Shares by that original subscriber prior to the first Dividend Payment Date, on the daily rate basis from the Allotment Date.

Subsequent Dividend payments will be made quarterly in arrears on each Dividend Payment Date thereafter (being each 31 December, 31 March, 30 June and 30 September) to registered Perpetual Preference Shareholders on the record date for determining entitlement to Dividend payments. Except for the first Dividend due on 30 September 2006, Dividends will be paid in four equal amounts per year on the dates referred to above with the period between Dividend Payment Dates deemed to be exactly one quarter of one year.

MTF is entitled to cancel payments of Dividends if:

- the Board is satisfied on reasonable grounds that, as a result of making the payment, MTF would or could become insolvent, breach any covenant in relation to its bank debt or breach any other legal obligation; or
- the Board has for any other reason determined, in its discretion, that a Dividend, or Dividends generally, should not be paid.

As a result of MTF's ability to cancel payments of Dividends, no Dividend is promised or guaranteed. Dividends that are cancelled are not cumulative. Whilst Dividends are cancelled MTF will not pay any Distribution on shares or any instruments which rank subordinated to the Perpetual Preference Shares, including profit distributable to Dealers.

MTF may make from any Dividends any reduction or withholding on account of tax or on any other account which MTF is required by law to make.

Sale of Perpetual Preference Shares
Perpetual Preference Shareholders are entitled to, and, in certain circumstances, can be required to (see "terms of the Perpetual Preference Shares"), sell their Perpetual Preference Shares at any time subject to applicable securities laws and regulations. For further information, see the section of this Offer Document entitled "How do I cash in my investment?".

Taxation
General
The following statements are of a general nature. The statements are based on New Zealand tax legislation and interpretations of tax legislation current at the date of this Offer Document. The statements are not intended to deal with all relevant considerations or possible cases. No other taxation considerations are discussed. Prospective investors, including existing MTF Capital Bondholders who participate in the Exchange Offer, should seek their own advice in relation to their personal taxation position.

New Zealand resident shareholders
MTF will assume that Holders of Perpetual Preference Shares are New Zealand tax residents, unless it is satisfied to the contrary, and will act accordingly. Any liability for taxation is the responsibility of the Holder of Perpetual Preference Shares.

Dividends distributed to residents
Under New Zealand's dividend imputation system, corporate tax paid by a New Zealand tax resident company gives rise to tax credits (known as Imputation Credits), which can be attached to Dividends paid by MTF to its shareholders. Imputation Credits can be used by shareholders to offset their own personal income tax liability.

Dividends paid by MTF under the Offer will consist of a combination of cash payments and Imputation Credits. All Dividends paid under this Offer by MTF will be Fully Imputed. In the event MTF has insufficient Imputation Credits available it will pay an amount equal to the shortfall in Imputation Credits of which Holders would otherwise have had the benefit.

Dividends paid to New Zealand tax resident shareholders are ordinarily subject to resident withholding tax. As MTF intends to fully impute all Dividends, no resident withholding tax will be deducted. To the extent that a Dividend is not Fully Imputed, resident withholding tax will be required to be deducted at the rate of 33% unless Holders have provided a certificate of exemption.

Guarantee
None of MTF's Directors, the Lead Manager, any of their respective officers or employees, nor any other person guarantees the Perpetual Preference Shares or the returns that Perpetual Preference Shareholders may receive as Holders of Perpetual Preference Shares.

What are my risks?
The principal risks for Perpetual Preference Shareholders in the Perpetual Preference Shares are that:

- they may not receive timely, or any, Dividend payments on the Perpetual Preference Shares; or
- they may be unable to recoup their original investment amount.

This could happen for a number of reasons, including if:

- MTF cancels Dividend payments for any reason (for more information see the section of this Offer Document entitled "What returns will I get?");
- the price at which Perpetual Preference Shareholders are able to sell their Perpetual Preference Shares is less than the price they have paid for them due to interest rate movements, supply and demand, the market or for other reasons;
- Perpetual Preference Shareholders are unable to sell their Perpetual Preference Shares at all due to lack of demand; or
- MTF becomes insolvent, or otherwise unable to pay Dividends due on, or other amounts in respect of, the Perpetual Preference Shares.

Specific risks relating to the Offer
The Perpetual Preference Shares are perpetual, and have no fixed term. The only way in which a Holder of Perpetual Preference Shares can crystallise that Holder's investment is to sell the Perpetual Preference Shares. The price a Holder obtains will depend on the market for Perpetual Preference Shares, at the time of sale.

There is no guarantee that a liquid market will develop for the Perpetual Preference Shares.

A Holder of Perpetual Preference Shares may sell that Holder's Perpetual Preference Shares for less than the Issue Price. In the event of a liquidation of MTF, where there were insufficient funds to repay the Perpetual Preference Shares, it is reasonably possible that the Holder would receive less than the Issue Price.

Dividends payable in respect of the Perpetual Preference Shares may be cancelled at the discretion of the Board.

No Perpetual Preference Shareholder will be liable to pay any further amounts to MTF or any other person in respect of their Perpetual Preference Shares if MTF becomes insolvent.

In the event of a liquidation of MTF, the claims of any secured and unsecured creditors of MTF (including, without limitation, facilities with Commonwealth Bank of Australia, Bank of New Zealand, ANZ National Bank and Westpac Banking Corporation, legal and IRD expenses) would rank ahead of the claims of Holders of Perpetual Preference Shares. This means that no payment will be made to Perpetual Preference Shareholders until all other debts of MTF in this regard are paid in full.

Once all debts of MTF owing to secured and unsecured creditors have been paid, MTF is required to pay Perpetual Preference Shareholders the Issue Price of the Perpetual Preference Shares held by each Holder and, subject to paragraph 1.6 of the terms of the Perpetual Preference Shares, Dividends payable on those Perpetual Preference Shares as at the date of commencement of liquidation. The claims of Holders of Perpetual Preference Shares will rank equally amongst themselves. The Perpetual Preference Shares rank ahead of other shareholders of MTF and profit distributable to Dealers.

MTF key risks

Interest rate risk

Interest rate risk is the risk that market interest rates will change and impact on MTF's financial results by affecting the interest margin between interest earning assets and interest bearing liabilities. MTF monitors market interest rates on a daily basis and regularly reviews interest rate exposure. Management aims to limit interest rate risk by constantly monitoring the interest rate maturity profiles of finance borrowings and finance receivables.

Credit risk

Given that the MTF Group's core business is providing lending facilities to customers, there is a credit risk associated with customers not meeting their obligations under such lending facilities. These activities have an element of risk associated with counterparties either not meeting their obligations, or transactions deteriorating in credit quality to the extent that the likelihood of default increases. In the event of default, the financial performance of the MTF Group could be adversely impacted. Credit risk associated with debtors' advances is limited due to the large number of individual contracts held and the geographic distribution of loans throughout New Zealand.

Loans are managed within established credit policies. The MTF Group has formal provisioning policies that are monitored and reviewed by both management and the Board. The credit committee reviews credit risks, recommends credit policy and approves certain credit limits. The committee met four times during the year ended 30 September 2005, in addition to regular approval of large exposures.

In addition to the credit quality of finance applicants, the MTF Group requires each Dealer to indemnify the MTF Group against any default by a borrower from that Dealer. This indemnity includes the right to forfeit the shares and profits of the Dealer in the event that the Dealer fails to meet the obligations under the terms of the recourse arrangement. Dealers' profits accumulate and are paid out two monthly in arrears. Pre-acceptance examinations and ongoing reviews are conducted in relation to each Dealer's suitability to utilise the MTF Group's finance facilities.

MTF closely monitors the credit quality, lending limits, performance and financial position of Dealers to ensure the quality of the business written is up to standard and the Dealer is capable of indemnifying the MTF Group against any potential losses. Dealers who are unable or unwilling to meet MTF credit and/or equity criteria have their facilities with the MTF Group cancelled.

Concentration of credit risk

In relation to the recourse arrangements with Dealers, the MTF Group has a concentration of credit risk to the New Zealand motor vehicle industry for finance receivables and finance leases administered.

Concentration is mitigated by the geographical distribution of customers throughout New Zealand, limited exposure to larger customers relative to the total asset base, the high number of individual contracts which comprise non-securitised receivables administered and the risk assumed by the holders of the ECP on securitised receivables. The average size of a MTF Group loan is approximately $9,000 and, excluding an exposure to Honda New Zealand Limited which as at 30 April 2006 accounted for approximately 8.9% of outstanding receivables, the MTF Group's exposure to any individual customer is low, with the next largest customer accounting for approximately 0.4% of outstanding receivables.

Loss of key personnel

MTF believes it has assembled a high quality Board of Directors and management team. MTF has spent considerable time and effort in bringing together individuals who have the skills, experience and ability to work together effectively to achieve superior results. In the normal course of business, MTF faces the risk of the loss of one or more of those individuals for a variety of reasons.

The risk is mitigated by the depth of experience of the Board of Directors and management team, and by having a team structure within MTF to reduce exposure to any individual.

Economic downturn

The MTF Group is exposed to the risk of an economic downturn affecting customers' ability or willingness to borrow funds from the MTF Group and also the ability of those that have borrowed funds from the MTF Group to service their loan obligations. An economic downturn may adversely impact upon the ability of certain borrowers of funds from the MTF Group to realise certain assets from which to repay those loans. An economic downturn may have a negative impact on MTFS's credit rating which may adversely affect MTF's ability to utilise cost efficient funding provided by MTFS's securitisation programme.

MTF anticipates some softening in consumer spending, in the 2007 financial year, driven by increasing inflation and higher oil prices. This may have the effect of dampening the demand for new and used motor vehicles and consequently motor vehicle finance. Notwithstanding, for the six months to 31 March 2006, new loan sales, asset growth, and credit quality indicators suggest that the levels of profitability recorded in respect of the 30 September 2005 financial year will continue for the full year to 30 September 2006.

Liquidity risk and funding risk

Liquidity risk arises if the MTF Group is unable to generate or obtain sufficient funds at a reasonable price to meet its daily financial commitments. The MTF Group's financial performance may then be adversely impacted.

Liquidity is managed primarily through access to the securitisation programme by which receivables are sold to MTFS. Within the securitisation programme, revolving standby credit facilities exist with appropriately rated banks to ensure ongoing funding to repay ECP on maturity should further commercial paper not be able to be issued.

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

Currency risk

The MTF Group is potentially exposed to the risk that any material depreciation in the value of the New Zealand dollar may increase the prices of new and second hand cars, causing a fall in the demand for vehicles and a corresponding fall in the demand for motor vehicle finance.

The MTF Group's foreign exchange exposures on ECP borrowing are fully hedged by forward exchange contracts.

Operational risk

Operational risk is the risk of direct or indirect loss resulting from external events or inadequate or failed internal processes, people and systems, including fraud, caused by any factor other than credit, liquidity or market risk.

The Board is responsible for MTF's system of internal control. The Board regularly monitors the operational and financial aspects of the MTF Group's activities and, through the audit committee, considers the recommendations and advice of external auditors.

An annual cycle of internal risk reviews is performed, covering the treasury, finance, information technology and credit functions.

The Board ensures that recommendations arising from external audits or internal risk reviews are investigated and, where considered necessary, suitable action is taken to ensure that the MTF Group has an appropriate environment in place to manage the risks identified.

The Board requires that management investigates ways of enhancing risk management strategies, including appropriate segregation of duties and the employment and training of suitably qualified and experienced personnel.

Other operational and event risks
Demand for the MTF Group's products and services is partially dependent upon the performance of the New Zealand and world economies. Reduced or negative growth in these economies, or reduced demand for financial products and services, could have a material adverse effect on the financial results of the MTF Group.

Competition in the finance industry
The MTF Group faces competition from both existing financial service providers and new entrants. Dealers and customers are able to choose from a large number of providers in all of the areas of financial services provided by the MTF Group. Risks that may affect the MTF Group's ability to obtain new and retain existing Dealers and customers, thereby affecting the profitability of the MTF Group, include, but are not limited to, the relative position of the MTF Group against its competitors in the:

- pricing and performance of products and services;
- convenience and ease of access to products and services;
- level and efficiency of service provided; and
- ability to develop new products and service to meet the changing needs of customers.

The MTF Group is committed to providing superior customer service to new and existing Dealers, and customers, and is a recognised leader in this area.

Legal and regulatory environment
While the legal and regulatory framework governing finance companies in New Zealand is fairly well established, it is subject to change from time to time. Any such change has the potential to adversely impact on the MTF Group's financial performance.

While the MTF Group takes steps to mitigate the above risks, these risks cannot be eliminated.

Can the investment be altered?
The full terms of the Offer are set out in this Offer Document. Those terms and the terms and conditions on which applicants may apply for the Perpetual Preference Shares may be altered by an amendment to this Offer Document. Details of any such amendment must be filed with the Companies Office.

The Offer of Perpetual Preference Shares contained in this Offer Document is subject to approval by each class of MTF shareholders by ordinary resolution at a special meeting to be held on 8 June 2006. An ordinary resolution is a resolution approved by a simple majority of the votes of those shareholders entitled to vote and voting on the resolution. If the ordinary resolution is not passed at the special meeting the Offer will not proceed.

The rights attached to the Perpetual Preference Shares are governed by the Constitution and by the terms of issue specified in this Offer Document. Any amendments to the terms which affect the rights attaching to the Perpetual Preference Shares require the approval of the Board, and the approval by the Holders by way of a special resolution. Amendment of the Constitution requires approval of the ordinary shareholders of MTF, by way of a Special Resolution.

Dividends may be cancelled as detailed on page 41.

How do I cash in my investment?
Perpetual Preference Shareholders are entitled to sell or transfer their Perpetual Preference Shares at any time subject to MTF's Constitution, applicable securities laws and regulations. The Perpetual Preference Shareholders have limited rights of repayment and redemption.

Perpetual Preference Shareholders may sell their Perpetual Preference Shares at any time prior to redemption provided a buyer can be found. No charges are payable to MTF on such sale. MTF may redeem or repurchase the Perpetual Preference Shares in certain circumstances. For further information see the "Compulsory redemption" section under the "terms of Perpetual Preference Shares" on page 43.

Application has been made to NZX for permission to list the Perpetual Preference Shares and all the requirements of NZX relating thereto that can be complied with on or before the date of the Offer Document have been duly complied with. However, NZX accepts no responsibility for any statement in this Offer Document.

If permission is granted by NZX to list the Perpetual Preference Shares, and on the basis that they remain listed, MTF believes there will be an established market for the Perpetual Preference Shares on completion of the Offer. At the date of this Offer, in MTF's opinion, there is no established market for the Perpetual Preference Shares.

The Perpetual Preference Shares are expected to be quoted on the NZDX Market shortly after the Closing Date of the Offer. If you wish to sell your Perpetual Preference Shares you should contact your usual Primary Market Participant.

Perpetual Preference Shares may be transferred using a transfer document in the form prescribed by or otherwise approved by MTF or by any method to transfer securities which is not contrary to any law and which may be in accordance with the NZSX and NZDX Listing Rules.

MTF may refuse to register a transfer which would result in less than 5,000 Perpetual Preference Shares being held or if MTF has a lien on the Perpetual Preference Shares or the transferor has failed such evidence as MTF or the Registrar reasonably requires.

MTF has the ability to purchase and hold Perpetual Preference Shares as treasury stock which may subsequently be cancelled or reissued subject to the 5% limit outlined on page 43. Sales of Perpetual Preference Shares may be subject to brokerage charges.

Applicants should not attempt to sell Perpetual Preference Shares until they know whether, and, if so, how many, Perpetual Preference Shares have been allotted to them. None of the MTF Group, the Lead Manager or any of their respective officers and employees or any other person accepts any liability or responsibility should any applicant for Perpetual Preference Shares attempt to sell or otherwise deal with Perpetual Preference Shares before receiving a statement recording the number of Perpetual Preference Shares allotted to that applicant.

The amount a Perpetual Preference Shareholder receives from the sale of Perpetual Preference Shares may differ from what was paid for them. This is because changes in market interest rates after the date of purchase can affect their value. For instance, if market interest rates rise (fall) the value of the Perpetual Preference Shares can fall (rise). The proximity of the selling date to the next Dividend Payment Date or Dividend Reset Date can also affect the value of the Perpetual Preference Shares. MTF will not compensate Perpetual Preference Shareholders for any loss they may incur if they sell their Perpetual Preference Shares.

MTF may make from Dividends any deduction or withholding on account of tax or on any other account which MTF is required by law to make.

Who do I contact with enquiries about my investment?

Any enquiries about Perpetual Preference Shares should be directed to:

The Registrar
Link Market Services
138 Tancred Street
PO Box 384
Ashburton
Telephone: 0800 377 388
Facsimile: 03 308 1311
Email: info@linkmarketservices.com

Motor Trade Finances Limited
Attn: Daniel Clarkson
General Manager – Treasury
PO Box 885
193 Princes Street
Dunedin
Telephone: 03 474 6386
Facsimile: 03 471 7737
Email: dclarkson@mtf.co.nz
Website: www.mtf.co.nz

Is there anyone to whom I can complain if I have problems with the investment?

Any complaints about Perpetual Preference Shares can be directed to:

Motor Trade Finances Limited
Attn: Daniel Clarkson
General Manager – Treasury
PO Box 885
193 Princes Street
Dunedin
Telephone: 03 474 6386
Facsimile: 03 471 7737
Email: dclarkson@mtf.co.nz
Website: www.mtf.co.nz

There is no ombudsman for this type of investment and therefore complaints about the Perpetual Preference Shares are not able to be made to an ombudsman.

What other information can I obtain about this investment?

Other information about Perpetual Preference Shares and MTF is contained or referred to in this Offer Document and in the MTF Group's most recent financial statements.

You may obtain copies of this Offer Document, the MTF Group's most recent financial statements and other documents of, or relating to, MTF (including MTF's Constitution) without charge during normal business hours at MTF's registered office at 193 Princes Street, Dunedin. These documents are also filed on a public register with the Companies Office, Ministry of Economic Development. They are available for inspection on the Companies Office website at www.companies.govt.nz. Where relevant documents are not available on the website, a request for the documents can be made by contacting the Companies Office Contact Centre on 0508 266 726. A prescribed fee may be payable.

At any time until the Closing Date, you can also obtain copies of this Offer Document without charge on request in writing, or by telephone, from the Lead Manager or the Registrar.

Perpetual Preference Shareholders will be sent annually a copy of the MTF Group's annual report.

On request information

You may receive copies of:

- this Offer Document;
- the most recent annual report of the MTF Group;
- the most recently published financial statements of the MTF Group (together with all documents that are required to be registered with those financial statements);
- the Constitution of MTF;
- any other information that may be requested under regulation 23A of the Securities Regulations 1983 or the NZSX and NZDX Listing Rules; and
- credit ratings reports on the ECP issued by MTFS;

at any time free of charge, by contacting Motor Trade Finances Limited by email mtf@mtf.co.nz or by calling on 03 477 0530 or at the above address.

MTF will issue annual and half yearly reports to Perpetual Preference Shareholders at the same time as annual and half yearly reports are issued to ordinary shareholders of MTF.

statutory information

The following additional information is included in accordance with the requirements of the First Schedule to the Securities Regulations 1983.

1 Main terms of the Offer

The issuer of the Perpetual Preference Shares is Motor Trade Finances Limited, which has its registered office at 193 Princes Street Dunedin.

A description of the Perpetual Preference Shares, including the maximum amount being offered and the price to be paid for the Perpetual Preference Shares, is set out in the section of this Offer Document entitled "main terms of the Offer" on page 7.

2 Name and address of offeror

Motor Trade Finances Limited
PO Box 885
193 Princes Street
Dunedin
www.mtf.co.nz

The Offer by MTF of Perpetual Preference Shares is an aggregate principal amount of $35 million, with the ability to accept over-subscriptions with an aggregate principal amount of up to a further $5 million.

3 Details of incorporation of issuer

Motor Trade Finances Limited was incorporated on 24 July 1970 under the Companies Act 1955 and was registered to become a company under the Companies Act 1993 on 3 February 1997. Its registered number is 148074. MTF is a co-operative company for the purposes of the Co-operative Companies Act 1996.

The public file relating to the incorporation and registration of MTF can be viewed on the Companies Office website www.companies.govt.nz. Where relevant documents are not available on the website, a request for the documents can be made by contacting the Companies Office Contact Centre on 0508 266 726. A prescribed fee may be payable.

4 Principal subsidiaries of issuer

MTFL and MTFS are the only subsidiaries with total tangible assets exceeding 5% of the amount of total tangible assets of the MTF Group. The proportion of the issued capital held by members of MTF in MTFL is 100%. MTFS is not wholly owned by MTF but is a subsidiary by virtue of the financial reporting standards.

5 Directorate and advisers

The names, technical or professional qualifications (if any), and place of residence of each Director of MTF is set out in the section of this Offer Document entitled "Directors and management" on page 14. The address at which each Director can be contacted is, for the purposes of this Offer Document, the registered office of MTF, which is set out on the inside back cover of this Offer Document.

No Director has been adjudged bankrupt during the five years preceding the date of this Offer Document.

Angus Bradshaw, a Director of MTF, is also an employee holding the position of Managing Director.

The names of MTF's auditor, Registrar, sharebrokers and solicitors who have been involved in the preparation of this Offer Document are set out on the inside back cover of this Offer Document.

The Offer is being underwritten by Forsyth Barr Group Limited. The underwriter's address is set out on the inside back cover of this Offer Document.

5A Restrictions on Directors' powers

The principal modifications, exceptions or limitations on the powers of the Board imposed by the Act and MTF's Constitution are that the Board may not cause MTF to:

(a) issue, buy back or redeem shares, except in the circumstances permitted by the Act and MTF's Constitution;

(b) enter into a major transaction, as defined in the Act, or alter shareholders' rights, except in the circumstances permitted by the Act and MTF's Constitution.

The Act contains a number of other provisions that could have the effect, in certain circumstances, of imposing modifications, exceptions or limitations on the powers of the Board. These provisions apply to any company registered under the Act.

6 Substantial equity security holders of issuer

As all shareholders in MTF hold an equal 10,000 shares as at the date of delivery of this Offer Document for registration, it is not appropriate to detail the 10 largest holdings of equity securities in MTF.

No shareholder of MTF or any other person undertakes any liability in respect of the Perpetual Preference Shares being offered.

7 Description of activities of the issuing group

During the five years preceding the date of this Offer Document, the MTF Group's principal activities comprised providing motor vehicle finance. Further information about the activities of the MTF Group is set out in the section of this Offer Document entitled "business overview" on page 11.

The only principal fixed assets held by members of the MTF Group are motor vehicles owned and leased to customers in the ordinary course of its business by MTF.

8 Summary of financial statements

Financial statements, in summary form, for the MTF Group in respect of each of the five consecutive accounting periods ended 30 September 2005 are set out in the section of this Offer Document entitled "five year financial summary - MTF Group" on page 3.

The information contained in the summary of financial statements for the five consecutive accounting periods ended 30 September 2005 has been taken from the audited financial statements of the MTF Group for each accounting period. The auditor's report was not qualified in any respect.

9 Prospects and forecasts

A statement as to the trading prospects (including a description of all special trade factors and risks) of the MTF Group are set out under the heading "Trading prospects and outlook" in the section of this Offer Document entitled "business overview" on page 11 and under the heading "What are my risks?" on page 48.

10 Provisions relating to initial flotations

This is not the first offer of equity securities of MTF to the public.

11 Acquisition of business or subsidiary

No business, subsidiary or body corporate has been acquired or formed in the two years preceding the date of delivery of this Offer Document for registration.

12 Securities paid up otherwise than in cash

Since the date of incorporation of MTF, the MTF Group has not allotted any equity or participatory securities as fully or partly paid up otherwise than in cash.

13 Options to subscribe for securities of issuing group

There are no options to subscribe for securities of the MTF Group that have been granted to or are proposed to be granted to anyone by or on behalf of the MTF Group.

14 Appointment and retirement of Directors

In accordance with MTF's Constitution, there must not be less than five Directors or more than six Directors on the Board at any one time. A Managing Director may be appointed in addition to the maximum number of Directors permitted on the Board. Ordinary shareholders may change the minimum and/or the maximum number of Directors by ordinary resolution.

Pursuant to clause 16.2 of the Constitution, the Board has the power to appoint two Directors and the Managing Director. The remainder of the Board is to be appointed by ordinary resolution passed by Dealers who are holders of class A shares. The Constitution permits any of the following persons to be appointed by holders of class A shares:

- a Director of a Dealer;
- a current retailer of MTF;
- a trustee of a trust that owns or holds the majority of the voting shares in a current retailer of MTF;
- a holder of the majority of the voting shares in a current retailer of MTF; and
- a senior executive of a current retailer of MTF.

The Board may appoint a person to be a Director to fill a casual vacancy in respect of the Directors appointed by holders of class A shares provided that person qualifies under the above criteria. Any person appointed to fill a casual vacancy is required to retire at the next annual meeting of MTF and shall be eligible for reappointment.

Any Director or Managing Director appointed by the Board may be removed from office by resolution of the Board (provided that the Director or Managing Director in question may not vote on such resolution), or by an ordinary resolution of the holders of class A Shares. Any Director appointed by the holders of class A Shares may be removed by ordinary resolution of those shareholders.

The office of Director is deemed to be automatically vacated when a person holding office turns 70. The vacation of office is deemed to apply from the next annual meeting following that age being attained.

All Directors appointed by the Board pursuant to the terms of the Constitution have the right to vote on the election of other Directors of MTF.

Roger Bonifant and Stephen Higgs have been appointed as independent Directors by the Board under clause 16.2(a)(i) of the Constitution.

15 Directors' interests

Directors are not entitled to remuneration from MTF other than by way of Directors' fees.

There are no contracts or other provisions relating to retirement benefits or compensation for loss of office for Directors.

No material transactions have been entered into at any time in the five years preceding the date of delivery of this Offer Document for registration between MTF and any of the persons named in clause 15(4) of the First Schedule to the Securities Regulations 1983.

16 Promoters' interests

There is no promoter of the securities being offered.

17 Material contracts

The following material contracts have been entered into during the two years preceding the date of delivery of this Offer Document for registration:

- Underwriting Agreement dated 30 May 2006 between MTF and Forsyth Barr Group Limited.
- Third Supplemental Deed dated 30 November 2004, between MTF and Trustees Executors Limited (the Trustee).

18 Pending proceedings

There are no legal proceedings or arbitrations pending at the date of delivery of this Offer Document for registration that may have a material adverse effect on MTF.

19 Preliminary and issue expenses

Issue expenses, including underwriting fees, brokerage, issue management fees, legal and accounting fees, printing, advertising, distribution and other costs incurred by MTF in making the Offer are estimated to be $980,000, based on an issue size of $35 million.

This estimate includes:

(a) brokerage payable to Primary Market Participants, the Lead Manager, and other approved financial intermediaries at the rate of 1.00% of the principal amount of Perpetual Preference Shares in respect of valid applications received and accepted pursuant to the General Offer and Priority Pool which bear their stamp;

(b) brokerage payable to the Lead Manager in respect of all applications made pursuant to the Exchange Offer at the rate of 0.75% out of which the Lead Manager will pay brokerage at the rate of 0.50% to Primary Market Participants and other approved financial intermediaries in respect of valid Exchange Offer applications received and accepted which bear their stamp;

(c) in relation to any over-subscriptions accepted by MTF, brokerage payable to Primary Market Participants, the Lead Manager and other approved financial intermediaries at the rate of 0.50% pursuant to valid firm applications received and accepted which bear their stamp;

(d) a lead management fee payable to the Lead Manager at the rate of 0.50% of the principal amount of Perpetual Preference Shares allotted under the Offer; and

(e) an underwriting fee of 1.00% on the Underwritten Amount payable to Forsyth Barr Group Limited.

20 Restrictions on the MTF Group

The terms of the Perpetual Preference Shares provide that if Dividends on the Perpetual Preference Shares are cancelled MTF shall not make any Distribution to ordinary shareholders including profit distributable to MTF Dealers, from the date that the Dividends on the Perpetual Preference Shares are cancelled until MTF has paid the next full Dividend payment.

MTFS has entered into a securitisation programme with MTF and other parties. Under a loan purchase deed between MTF and MTFS dated 25 September 1995 (Loan Purchase Deed), MTFS purchases qualifying finance receivables from MTF. As a special purpose company set up to acquire, hold and administer such loans under the securitisation programme, MTFS is only permitted to borrow funds in accordance with, and as contemplated by, the transaction documents relating to the securitisation programme (Transaction Documents) and is restricted from borrowing funds for any other purpose. It is also restricted in certain circumstances (as described below) from making any payments or distributions to shareholders by way of return of paid up capital or Dividends.

By way of a debenture trust deed entered into between MTF and the Bank of New Zealand on 17 May 2001, MTF agreed to comply with certain financial and other covenants in consideration for a credit facility from debenture holders. The financial covenants provide that MTF will ensure that on the last day of each financial quarter:

(a) total adjusted capital funds will not be less than 15% of adjusted total tangible assets; and
(b) EBIT will not be less than 1.5 times interest and financing costs.

MTF have expressly covenanted in the debenture trust deed that they will not make a Distribution, without the consent of Bank of New Zealand, where to do so would result in a breach of these financial covenants. In addition, MTF is restricted from borrowing if to do so would result in a breach of the above financial covenants.

There are no restrictions on the MTF Group's ability to borrow.

21 Other terms of Offer and securities

There are no other terms of the Offer, or the Perpetual Preference Shares, which are not set out elsewhere in this Offer Document other than those:

(a) implied by law; or
(b) which are set out in a document that has been registered with a public official, is available for public inspection and is referred to in this Offer Document.

22-38 Financial statements

The financial statements of the MTF Group required by clauses 22 to 38 of the First Schedule of the Securities Regulations 1983 are set out in the section of this Offer Document entitled "historical financial information".

39 Places of inspection of documents

MTF's Constitution and, where relevant, any material contract may be viewed on the Companies Office website at www.companies.govt.nz for a nominal fee, or free of charge at the registered office of MTF, as detailed in the Directory on the inside back cover, during normal business hours. Where relevant documents are not available on the Companies Office website a request for the documents can be made by contacting the Companies Office Contact Centre on 0508 266 726. A prescribed fee may be payable.

40 Other material matters

NZX Regulation has ruled that the Perpetual Preference Shares are debt securities as that term is defined in the NZSX and NZDX Listing Rules.

The Offer of Perpetual Preference Shares contained in this Offer Document is subject to approval by each class of MTF shareholders by ordinary resolution at a special meeting to be held on 8 June 2006. An ordinary resolution is a resolution approved by a simple majority of the votes of those shareholders entitled to vote and voting on the resolution. If the ordinary resolution is not passed at the special meeting the Offer will not proceed.

There are no other material matters relating to the Offer, other than matters disclosed elsewhere in this Offer Document and in contracts entered into in the ordinary course of business of the MTF Group.

41 Directors' statement

The Directors, after due inquiry by them in relation to the period between 30 September 2005 and the date of delivery of this Offer Document for registration, are of the opinion that no circumstances have arisen that materially adversely affect:

(a) the trading or profitability of the MTF Group;
(b) the value of the MTF Group's assets; or
(c) the ability of the MTF Group to pay its liabilities due within the next 12 months.

42 Auditor's report

The auditor's report required by clause 36 of the First Schedule of the Securities Regulations 1983 is set out on page 38.

This Offer Document has been signed by each Director of MTF (by their agent authorised in writing, Angus R Bradshaw) and by MTF by:

Angus R Bradshaw

index for Securities Regulations 1983

For the purposes of Regulation 5(6) of the Securities Regulations 1983, the matters required to be stated or contained in this Offer Document by virtue of the First Schedule to the Securities Regulations 1983 are:

glossary

Act means Companies Act 1993;

Allotment Date in respect of a Perpetual Preference Share, means the date on which the application for that Perpetual Preference Share is allotted under this Offer Document;

Application Form means the application form contained in this Offer Document;

Benchmark Rate on any day means the rate per annum expressed on a percentage yield basis, and rounded up to the nearest two decimal places, which is:

(a) the average of the bid and offered swap rate displayed at or about 11:00am on that day on page FISSWAP (or any successor page) of the Reuters monitor screen for an interest rate swap with a one year term; or

(b) if a rate is unable to be determined in accordance with paragraph (a), or if MTF forms the view that the rate so determined is not an accurate reflection of market rates, the average of the bid and offered swap rates quoted by three registered banks in New Zealand at or about 11:00am on that day for an interest rate swap with a one year term;

Board means the board of Directors of MTF;

Business Day means any day other than a Saturday, Sunday or a statutory public holiday in Wellington, New Zealand;

Capital Bond means a capital bond issued by MTF;

Capital Bondholder means a holder of Capital Bonds;

Closing Date means 28 June 2006 or the date on which subscriptions are received and accepted for the maximum aggregate principal amount of the Perpetual Preference Shares (including any over-subscriptions) or such other date as MTF determines;

Constitution means the constitution of MTF;

Dealer means transacting shareholder;

Directors means the directors of MTF;

Directory means the directory set out in the section of this Offer Document entitled “Directory”;

Distribution has the meaning set out in section 2(1) of the Act and includes any profit distributable to Dealers;

Dividend means any dividend on the Perpetual Preference Shares payable pursuant to paragraph 1.1 of the terms of the Perpetual Preference Shares;

Dividend Amount in respect of a Dividend Period means a sum in respect of each Perpetual Preference Share calculated in accordance with the following formula:

$$\text{Issue Price } x \ \frac{\text{Dividend Rate \%}}{4}$$

Where:

Dividend Rate is:

(a) in respect of each Dividend Period commencing after 30 September 2007, the Benchmark Rate on the Relevant Reset Date plus the Dividend Reset Margin;

(b) in respect of each Dividend Period ending on or before 30 September 2007, 9.75%. MTF reserves the right to increase the Initial Dividend Rate to such greater rate as it might determine and advise to the market during the Offer period. Any increased rate would apply to all Perpetual Preference Shares, regardless of when they are allotted,

provided that the Dividend Amount in respect of the first Dividend Period shall be an amount calculated in accordance with the following formula:

$$X \ x \ \frac{Y}{91.25}$$

Where:

X is an amount calculated in accordance with the first formula set out in this definition; and

Y is the period in days from and including the Allotment Date to but excluding 30 September 2006;

The Dividend amounts so calculated are inclusive of Imputation Credits;

Dividend Cancellation Notice means a notice given by the Board pursuant to paragraph 1.6 of the terms of the Perpetual Preference Shares;

Dividend Payment Date means 31 December, 31 March, 30 June and 30 September in each year and if that day is not a Business Day, the next Business Day;

Dividend Period means each period commencing on and including a Dividend Payment Date and ending on but excluding the next Dividend Payment Date, or, in respect of the first Dividend Period, the period from and including the Allotment Date to but excluding 30 September 2006;

Dividend Rate means, in respect of the period until the first Dividend Reset Date, 9.75%, and in respect of the period after the first Dividend Reset Date, the Benchmark Rate on the relevant Reset Date plus the Dividend Reset Margin.

Dividend Reset Dates means 30 September 2007 and 30 September annually thereafter;

Dividend Reset Margin means 240 basis points, including full Imputation Credits above the Benchmark Rate;

Dividend Resumption Notice means a notice given pursuant to paragraph 1.8 of the terms of the Perpetual Preference Shares;

EBIT means earnings before interest and tax. EBIT is an indicator of a company's financial performance calculated as revenue less expenses excluding interest and tax;

ECP means commercial paper issued on the euro commercial paper market pursuant to the MTFS securitisation programme;

Exchange Offer means the $15 million exchange offer being made to existing MTF Capital Bondholders as set out in this Offer Document;

Exchange Offer Closing Date means 16 June 2006 or such other date as MTF determines;

First Dividend Payment Date means 30 September 2006, or if not a Business Day, the next Business Day;

Fully Imputed means in relation to a Dividend, that Imputation Credits are validly attached to the Dividend, so that the imputation ratio of the Dividend is the maximum imputation ratio permitted by law;

General Offer means the offer being made to clients of NZX Firms and invited financial institutions by way of firm allocation and the Public Pool;

Holder in respect of a Perpetual Preference Share means a person whose name is entered in the Register as the holder for the time being of that Perpetual Preference Share;

Initial Dividend Rate means the gross Dividend rate of 9.75% per annum payable from the Allottment Date of the Perpetual Preference Shares until the first Dividend Reset Date inclusive of full Imputation Credits, payable quarterly in arrears;

Imputation Credit means an imputation credit as defined in section OB 1 of the Tax Act;

Issue Price means $1.00 in respect of each Perpetual Preference Share;

Lead Manager means Forsyth Barr Limited;

Minimum Holding means a holding of a parcel of Perpetual Preference Shares with a face value of $5,000;

MTF means Motor Trade Finances Limited;

MTF Group means Motor Trade Finances Limited and any wholly owned subsidiary together with MTF Securities Limited, which is a subsidiary for accounting purposes only;

MTFS means MTF Securities Limited;

MTFL means MTF Leasing Limited;

NZX means the New Zealand Exchange;

Offer means the offer of Perpetual Preference Shares under this Offer Document;

Offer Document means this combined investment statement and prospectus dated 30 May 2006;

Opening Date means 31 May 2006;

Organising Participant means Forsyth Barr Limited;

Perpetual Preference Shareholders means the Holders of Perpetual Preference Shares;

Perpetual Preference Shares means the Perpetual Preference Shares offered for subscription under this Offer Document;

Primary Market Participant has the meaning given to it in the NZX Participant Rules;

Priority Pool means the pool of $5 million Perpetual Preference Shares reserved for Dealers, MTF Staff and Directors;

Public Pool means those Perpetual Preference Shares available for subscription by members of the public (if any), at MTF's absolute discretion;

Priority Pool Closing Date means 16 June 2006 or such other date as MTF determines;

Red Application Form means the personalised red application form sent separately to MTF Capital Bondholders upon which an application to subscribe for Perpetual Preference Shares under the Exchange Offer must be made;

Redemption Notice is a notice issued in accordance with paragraph 1.20 of the terms of the Perpetual Preference Shares;

Redemption Price in respect of each Perpetual Preference Share at any date means the aggregate of:

(a) the Issue Price; and

(b) subject to paragraph 1.6 of the terms of the Perpetual Preference Shares, Dividends payable on that Perpetual Preference Share as at that date calculated on a daily basis from the end of the most recent Dividend Period to that date;

Register means the register kept by MTF of the Perpetual Reference Shares;

Registrar means Link Market Services, an agent appointed by MTF to keep the Register of the Perpetual Preference Shares;

Relevant Reset Date means in respect of a Dividend Period, if that Dividend Period begins on a Reset Date, that Reset Date, and if that Dividend Period does not begin on a Reset Date, the Reset Date immediately preceding that Dividend Period;

Reset Date means 30 September 2007 and each 30 September (or the next Business Day) thereafter;

Special Resolution means a resolution approved by a majority of 75% of the votes of those shareholders entitled to vote and voting on the question;

Tax Act means the Income Tax Act 2004;

Underwritten Amount means $35 million;

$* or *NZ$ means New Zealand dollars.

Where there is a reference to a date in this Offer Document, and that date is not a Business Day, the reference shall be deemed to be to the next day which is a Business Day.

application instructions:
General Offer and Priority Pool

Insert details

Insert full name(s), address and telephone numbers. Applications must be in the name(s) of natural persons, companies or other legal entities, up to a maximum of three names per application. At least one full given name and surname is required for each natural person. Applications in the name of a minor, fund, estate, business, firm or partnership, club or other unincorporated body cannot be accepted. In those cases, applications must be made in the individual name(s) of the person(s) who is (are) the legal guardian(s), trustee(s), proprietor(s), partner(s), or office bearer(s) (as appropriate).

Insert the principal amount of Perpetual Preference Shares you wish to apply for. The application must be for a minimum of $5,000 and thereafter in multiples of $1,000.

Insert your IRD number.

If you have been allocated a holder number by the Registrar or have been allocated a Common Shareholder Number ("CSN"), please provide.

If you are applying pursuant to the Priority Pool, tick the appropriate box to indicate your eligibility.

Signing

Read the Application Form and this Offer Document carefully and sign and date the form. It must be signed by the applicant(s) personally, or by two directors of a company, or one director if there is only one director, or by an attorney. If your Application Form is signed by an attorney, the power of attorney document is not required to be lodged, but the attorney must complete the certificate below. Joint applicants must each sign the Application Form.

Payment

Payment of the application amount in full must accompany the Application Form. Payment must be in New Zealand dollars and for immediate value. Cheques must be drawn on a registered New Zealand bank.

Cheques must be made out in favour of "MTF Preference Share Offer", crossed "Not transferable" and must not be post-dated.

Closing dates

General Offer: Application Forms must be received by the Registrar by 5:00pm on 28 June 2006, or MTF or any Primary Market Participant through which a firm allocation was obtained, or the Lead Manager or any other channel approved by NZX in time to be forwarded to the Registrar by 28 June 2006.

Priority Pool: Application Forms must be received by the Registrar by 5:00pm on 16 June 2006, or MTF or any Primary Market Participant, or the Lead Manager or any other channel approved by NZX in time to be forwarded to the Registrar by 16 June 2006.

Delivery

Applications cannot be revoked or withdrawn.

Application Forms and your payment may be mailed or delivered to the Registrar, or MTF, or to any Primary Market Participant through which a firm allocation was obtained, or the Lead Manager or any other channel approved by NZX in time to be forwarded to the Registrar by the applicable date. MTF is not obliged to accept applications which are received by the Registrar after the Closing Date or the Priority Pool Closing Date.

Link Market Services
138 Tancred Street
PO Box 384 Ashburton
Telephone: 0800 377 388
Facsimile: 03 308 1311
Email: info@linkmarketservices.com

application instructions: Exchange Offer

Holders of Capital Bonds who wish to exchange up to 100% of the aggregate principal amount of their holding of Capital Bonds into an equivalent amount of Perpetual Preference Shares should follow the instructions below.

Each holder of Capital Bonds will receive a personalised Red Application Form separate from this Offer Document which shows their name and the aggregate principal amount of Capital Bonds held by them. You should check that the details contained in the personalised Red Application Form are correct and amend where necessary.

A holder of Capital Bonds can apply to exchange up to 100% of the aggregate principal amount of the Capital Bonds held. To the extent applications exceed the $15 million Perpetual Preference Shares reserved, applications seeking to exchange greater than 50% of their Capital Bonds for Perpetual Preference Shares may need to be scaled. Scaling will be at the discretion of MTF in association with the Lead Manager.
Any Capital Bonds not exchanged into Perpetual Preference Shares will be redeemed in cash on 30 June 2006.

Any holder of Capital Bonds who wishes to apply for Perpetual Preference Shares with an aggregate principal amount which is greater than the aggregate principal amount of Capital Bonds being exchanged by that holder must complete and lodge a separate Application Form for those additional Perpetual Preference Shares (see "applications instructions: General Offer and Priority Pool" on page 62 of the Offer Document).

Holders of Capital Bonds should be aware that those who elect to exchange all, or part, of their holding for new Perpetual Preference Shares under the Exchange Offer will not be disadvantaged by electing to do so, as those holders will continue to receive interest at a rate of 10.7% per annum applicable to the Capital Bonds until 30 June 2006 (being the redemption date applicable to the Capital Bonds), at which time the Initial Dividend Rate on the Perpetual Preference Shares allotted under the Exchange Offer will apply.

Once an application has been made to exchange some or all of a holder's Capital Bonds under the Exchange Offer, the Capital Bonds to which the application relates will be unable to be transferred to another party.

For further information regarding the Exchange Offer please refer to the "main terms of the Offer" on page 7.

Insert details

- Insert the aggregate principal amount of Capital Bonds to be exchanged into Perpetual Preference Shares in the relevant box on the personalised Red Application Form.
- An application for Perpetual Preference Shares must be for a principal amount of a minimum of $5,000 and in multiples of $1,000 thereafter.
- Insert your address and other details.
- Insert your Common Shareholder Number (CSN) and your IRD number.
- If you hold a current Resident Withholding Tax Exemption Certificate, tick the relevant box and attach a copy of the certificate.
- Select the payment method by which you wish to receive Dividend payments in relation to the Perpetual Preference Shares.
- If you select payment to your bank account, tick the appropriate box and insert the bank account into which you wish Dividend payments to be deposited.
- If you select payment to Cash Management Account, tick the appropriate box, insert the name of the NZX Firm where your Cash Management Account is held and provide your Cash Management Client Account Number.

Signing

Read the Red Application Form and this Offer Document carefully and sign and date the form. It must be signed by the applicant(s) personally, or by two directors of a company, or one director if there is only one director, or by an attorney. If your Red Application Form is signed by an attorney, the power of attorney document is not required to be lodged, but the attorney must complete the certificate below. Joint applicants must each sign the Red Application Form.

Payment

No payment is required under the Exchange Offer.

Closing dates

Application Forms pursuant to the Exchange Offer must be received by the Registrar by 5:00pm on 16 June 2006, or MTF, or any Primary Market Participant, or the Lead Manager or any other channel approved by NZX in time to be forwarded to the Registrar by 16 June 2006.

Delivery

Applications cannot be revoked or withdrawn.

Red Application Forms may be mailed or delivered to the Registrar, or MTF, or any Primary Market Participant, or the Lead Manager or any other channel approved by NZX in time to be forwarded to the Registrar by 16 June 2006. MTF is not obliged to accept applications which are received by the Registrar after the Exchange Offer Closing Date.

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notes

notes

Motor Trade Finances Limited
Application Form: General Offer and Priority Pool

BROKER'S STAMP
BROKER'S CODE

This Application Form is issued with the combined Prospectus and Investment Statement ("Offer Document") prepared as at 30 May 2006, issued by Motor Trade Finances Limited ("MTF"). Please attach your cheque to this application and return it to the Registrar, or MTF, or any Primary Market Participant through which a firm allocation was obtained, or the Lead Manager or any other channel approved by NZX in time for it to be forwarded to the Registrar by 28 June 2006 in the case of General Offer applications or 16 June 2006 in the case of applications made pursuant to the Priority Pool.

1. Applicant(s) to complete (block letters please)

Please enter name(s) in full (including all first names)

Title	Legal First Name(s)	Legal Family Name	IRD Number

Corporate Name:

☐ If you hold a current Resident Withholding Tax Exemption Certificate, please tick this box and attach a copy of the certificate.

☐ If you wish to receive annual and interim reports by email only, please tick this box and provide your email address below.

Postal Address:

Suburb: City: Postcode:

Ph - Home: ( ) Ph - Work: ( ) Ph - Mobile:

Email:

If you have a CSN number, please insert it here:

2. Application - important

- Cheques should be made payable to "MTF Preference Share Offer" and crossed "Not transferable".
- MTF may refuse to accept applications it receives after 5.00 p.m. on the Closing Date or Priority Pool Closing Date or any other application at its discretion.
- The minimum investment amount is $5,000 and in multiples of $1,000 thereafter.

Principal amount of Perpetual Preference Shares applied for: **$** **Cheque attached for:** **$**

3. Dividend payment instruction options (please complete only one option):

☐ Option 1: Payment to my nominated bank account

☐ Option 2: Payment to my Cash Management Account with an NZX Firm

For option 1, my nominated bank account is:

Account Name(s):

Bank	Branch	Account Number	Suffix

The account nominated above will be used for all payments of Dividends and principal when they become payable.

For option 2, the details of my Cash Management Account are as follows:

Name of NZX Firm where Cash Management Account Held:

Cash Management Client Account Number:

4. Priority Pool

Please tick the box if you are:

☐ An MTF staff member or Director

Please enter your Dealer number in the box if you are an MTF Dealer.

If you are one or both of the above, your application will be included in the reserved allocation for the Priority Pool of $5 million. Where applications under the Priority Pool exceed $5million applications will be subject to scaling.

4. Signature(s) of applicant(s)

I/We have read the Offer Document and hereby apply for the Perpetual Preference Shares as set out above subject to the terms and conditions of the Offer Document as issued by MTF and on the reverse of this form. I/We agree to accept the investments as applied for or any lesser amount that may be issued to me. **Please read the back of this Application Form before signing.**

Signature of Applicant: Date:

Signature of Applicant: Date:

application instructions: General Offer and Priority Pool

1. Complete details

- Insert your full name(s), IRD number(s), address(es), telephone number(s) and email address(es) (optional).
- Applications must be in the name(s) of natural persons, companies or other legal entities.
- Applications by a minor, trust, fund, estate, business, firm or partnership, club or other unincorporated body cannot be accepted unless they are made in the individual name(s) of the person(s) who is (are) the legal guardian(s), trustee(s), proprietor(s), partner(s) or office bearer(s) (as appropriate).
- If you hold a current Resident Withholding Tax Exemption Certificate, tick the relevant box and attach a copy of the certificate.
- An application for Perpetual Preference Shares must be for a principal amount of a minimum of $5,000 and in multiples of $1,000 thereafter.
- Select the payment method by which you wish to receive payments in relation to the Perpetual Preference Shares.
- If you select payment to your bank account, tick the appropriate box and insert the bank account into which you wish Dividend payments to be deposited.
- If you select payment to Cash Management Account, tick the appropriate box, insert the name of the NZX Firm where your Cash Management Account is held and provide your Cash Management Client Account Number.
- If you are applying pursuant to the Priority Pool indicate the basis of your eligibility by ticking the appropriate box.

2. Signing

- Read the Application Form carefully and sign (and date) the form.
- The form must be signed by the applicant(s) personally, or by two directors of a company or one director if there is only one director or under company seal, or by an attorney.
- If the Application Form is signed by an attorney, an original or certified copy of the relevant power of attorney is not required to be lodged with the Application Form; however, the attorney must complete the certificate of non-revocation below.
- Joint applicants must each sign the Application Form.

3. Payment

- Payment of the total application amount in full must accompany the Application Form.
- Payment must be made in New Zealand dollars for immediate value, with a cheque drawn on a New Zealand bank.
- Where an application is for Perpetual Preference Shares of a principal amount of $500,000 or more, payment must be made by bank cheque or such method of payment agreed as acceptable to the Lead Manager.
- Cheques must be made out in favour of “MTF Preference Share Offer”, and crossed “Not transferable”.

4. Closing dates

- Closing Date is 5:00 pm on 28 June 2006, or such earlier or later date as the issuer may determine.
- Priority Pool Closing Date is 5:00 pm on 16 June 2006, or such earlier or later date as the issuer may determine.

5. Delivery

- Applications cannot be revoked or withdrawn.
- Application forms may be mailed or delivered to the Registrar, or MTF or any Primary Market Participant through which a firm allocation was obtained, or the Lead Manager or any other channel approved by NZX in time for them to be mailed to the Registrar by the Closing Date or the Priority Pool Closing Date.
- MTF may refuse to accept applications it receives after the Closing Date or the Priority Pool Closing Date or any other application it receives at its discretion. MTF will refuse to accept applications for less than the minimum amount.

Please read this before signing

I/We agree to be bound by the provisions of this Offer Document dated 30 May 2006.

I/We have read and understood this Offer Document. I/We have taken this Application Form from that document.

I/We agree that the information I/we have disclosed in this form may be used by MTF and the Lead Manager for the purposes of processing this application and sending me/us information relating to the Perpetual Preference Shares.

I/We agree that MTF and the Lead Manager may disclose this information to third parties, only when such disclosure is necessary for the above purposes. If requested, I/we will be provided with details of such third parties.

The information received from me/us will be held securely by MTF, the Lead Manager. I/We may request access to the information, and I/we may also request that it be corrected.

If signed under power of Attorney, the Attorney hereby certifies that no notice or information has been received of revocation by death or otherwise of that power. I/We certify that, where information is provided by me/us in this form about another person, I am/we are authorised by such person to disclose the information to you and to give authorisation.

In the case of joint applications, the joint applicants agree that, unless otherwise expressly indicated in this Application Form, the Perpetual Preference Shares will be held jointly as joint tenants.

Certificate of non-revocation of power of attorney

Complete this section if you are acting on behalf of someone for whom you hold power of attorney.

I, ______________________________ (Name of Attorney)

of ______________________________ (Address and Occupation of Attorney)

Hereby certify

1. That as Attorney of ______________________________ under a deed dated: ______________
   given to me by him/her/MTF. Day Month Year
2. That I have executed the application for Perpetual Preference Shares on the face hereof as Attorney under the said power of attorney and pursuant to the powers hereby conferred on me.
3. That at the date hereof I have not received any notice of information of the revocation of the said power of attorney by death or otherwise.

Signed at: ______________________________ ______________

Day Month Year

Signature ______________________________

Directory

Directors
Roger A Bonifant MAgSc, MSc, CNZM *(Chairman)*
Angus R Bradshaw BCA, ACA, F Fin, FNZIM *(Managing Director)*
Warwick N Cashmore
Graeme D Gibbons BCom, CA
Stephen J Higgs BCom, FCA
Lawrance S Saunders
Kenneth J Cummings

Registered Office of MTF
193 Princes Street
PO Box 885
Dunedin
phone 03 477 0530
email mtf@mtf.co.nz

Registrar
Link Market Services
138 Tancred Street
PO Box 384
Ashburton
phone 0800 377 388
fax 03 308 1311

Legal Advisers to the Offer
Phillips Fox
7th Floor
Tower Building
50-64 Customhouse Quay
PO Box 2791
Wellington

Lead Manager
Forsyth Barr Limited
Forsyth Barr House
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Cnr Lambton Quay & Johnston Street
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