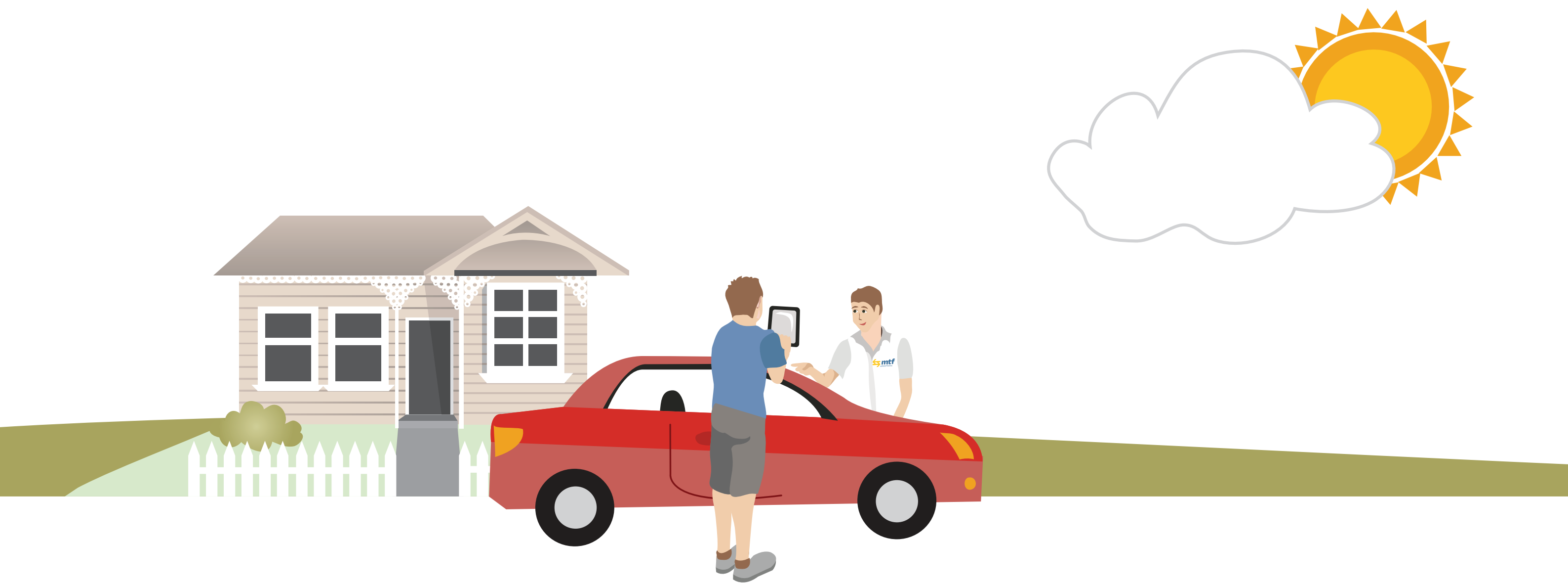
half-year report
31 march 2012



www.mtf.co.nz

vehicle finance

financial summary

	6 mths to 31/03/2012 $m	6 mths to 31/03/2011 $m	12 mths to 30/09/2011 $m
new loans	138.2	133.9	267.9
total income	35.1	37.3	72.7
profit after taxation	2.4	2.9	5.7
total assets	404.9	425.9	405.3
finance receivables	361.5	393.7	371.9
capital	70.4	67.9	69.3
net interest income/average finance receivables[1]	10.1%	8.6%	8.9%
expense/average total assets[1]	2.6%	2.3%	2.4%
bad debt expense/average finance receivables[1]	0.4%	0.2%	0.4%
capital percentage	17.4%	15.9%	17.1%
return (after tax) on average total shareholder equity[1]	6.8%	8.8%	8.3%
return (after tax) on average total assets[1]	1.1%	1.3%	1.3%
basic earnings per ordinary share	$0.07	$0.09	$0.18

[1] annualised

review of operations

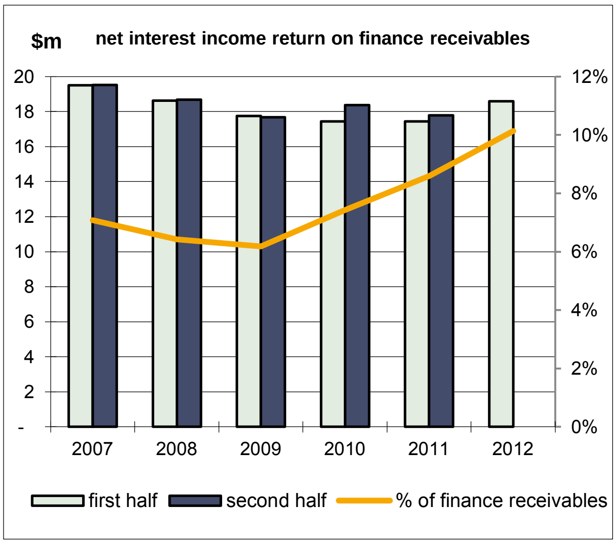
financial performance

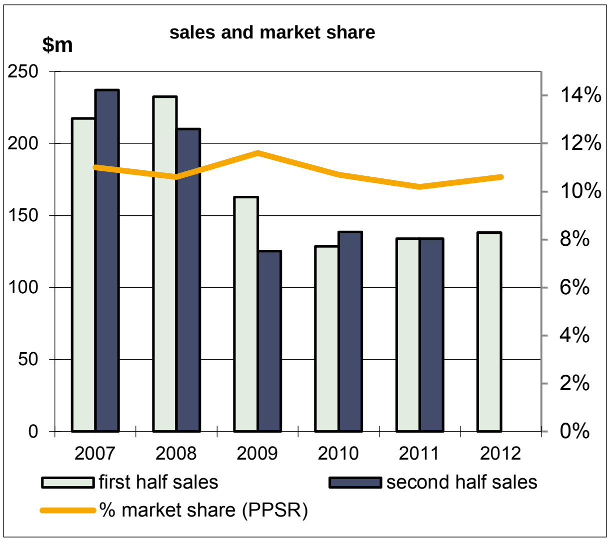
	6 months to 31/03/2012	6 months to 31/03/2011	
new loans	$138.2m	$133.9m	slow economic recovery
total assets	$404.9m	$425.9m	lease run off
profit before commission and other gains (losses)	$17.9m	$16.5m	solid margin
expense/average total assets	2.58%	2.34%	static expense, lower assets
net interest income/average finance receivables	10.10%	8.59%	risk based pricing

Profit before commission and other gains (losses) is up 9% to $17.9m, resulting from strong interest margin and funding efficiencies. Commission paid to shareholder originators increased by an equivalent 9%.

Unrealised losses on the fair value of financial instruments totalled $0.85m, against a gain of $0.2m a year ago, and has driven profit after tax down to $2.4m, compared to $2.9m last year. Fair value revaluation is a point in time accounting exercise, at the date of valuation, disclosing losses that would occur only in the event of liquidation. The revaluation has no impact on cash flow or on future profits, since all assets and liabilities are settled at face value.

Sales are tracking marginally ahead of last year and in recent months have shown encouraging signs of continuing improvement. Business and consumer confidence remains fickle and demand for credit is likely to remain inconsistent for some considerable time. Market share, measured by PPSR registrations, was 12.5% for March, an improvement on a previously steady 10%.





financial position

Total assets sit at $404.9m, down just 0.1% on 30 September 2011. The decline in finance receivables has slowed, with total finance receivables down only 2.8% since September 2011. Finance receivables consist of credit contract and lease, with the operating lease book in run off since we withdrew the product from the market in 2009. The credit contract book has been growing solidly since September 2011, with both credit quality and income indicators meeting performance targets. Net interest income as a percentage of finance receivables remains healthy at 10.1%, up from 8.6% a year ago.

Capital at 31 March 2012, at 17.4% of total assets, is sufficient to underpin projected growth over the near term.

credit quality

The focus on credit quality in recent years has continued to produce excellent results. 31+ day arrears continue to improve, and at the reporting date, stood at 0.93% (2011: 1.85%). This has been achieved through a systematic review of origination procedures to ensure quality, well documented lending, to desirable customers, and through improved reporting and active management.

Provisions total 1.3% of net receivables and are considered by management and the board as adequate, given continuing economic uncertainty and actual experience.

At the request of MTF, the Serious Fraud Office laid charges against several shareholders, and related parties, in connection with receivables originated with MTF between 2005 and 2009. Several of these parties have been found guilty, while others await trial. Full provision was made for the expected loss in previous years and recovery action will continue until all avenues are exhausted.

continuous improvement

The global financial crisis prompted businesses to review everything and we have made the necessary adjustments to most things we do to ensure we are well placed to manage through the still uncertain times ahead.

Our continued ability to produce good results in these times has been possible because of the quality and dedication of staff and the support of willing originators, for whom some of the changes and rules implemented may have sometimes seemed heavy handed.

Increasing regulation, a tough credit environment and the need to completely rebuild our funding platform, at a time when volumes of new business have been significantly less than previously experienced, have meant that resources have been stretched and sometimes unable to meet all expectations. Since 2007, staff numbers have been constant, operating expense maintained at the same level, and yet we have continued to create and implement new growth initiatives, develop new systems, and deliver improved returns, as measured by return on assets and return on equity.

MTF has continued to meet all funding and banking covenants throughout these challenging times and at no stage have banks or investors been threatened by the risk that MTF might not be able to meet any of its obligations.

The AA(sf) rated bank warehouse structure, implemented in 2010, provides a base from which to enter securitisation markets as they become more accessible. The work involved in putting this structure together has been significant and the fact that our bankers have been more than willing to provide support throughout the GFC, and in setting up the new funding structure, is a reflection of the quality of the company and all its stakeholders.

In December 2011, Honda New Zealand appointed MTF as administrator to a Honda funding arrangement with Bank of Tokyo Mitsubishi UFJ. As administrator, MTF provides asset and liability management and reporting. Honda has been an MTF shareholder since April 1994 and started origination under the new facility in December 2011.This is an exciting opportunity and provides MTF with an income stream from outside its traditional source.

The upgrade of Rapid, our loan origination system, has been placed on hold, while we review the specification, in light of additional regulatory and operating requirements.

shareholder returns

Perpetual preference share dividends totalling $1.1m were paid during the period. The dividend rate is set annually at 30 September, at 2.40% over the one-year swap rate, and was reset at 5.34% (last year: 5.77%) on 30 September 2011, for the twelve months to 30 September 2012.

Dividends totalling $0.7m were paid to ordinary shareholders for the period. On 18 April 2012, the directors approved a dividend of 6.25% on paid-up ordinary shares, for the quarter ending 31 March 2012. The dividend was paid on 30 April 2012.

directors

In December 2012, Warwick Cashmore and Mark Hatwell retired as shareholder directors of MTF. The board and management would like to thank Warwick and Mark for their contribution to the company.

Geoffrey Kenny and Brent Robertson were appointed as shareholder directors in December 2011 and re-elected at the annual meeting on 23 February 2012. Both have been successful and supportive shareholders of MTF for many years and bring considerable experience to the board table.

outlook

MTF is probably in a better position than it has ever been to face the future.

With the funding issues of recent years behind us, the board and management can now concentrate on executing growth strategies and looking for further opportunities to improve performance and increase returns to shareholders.

Angus Bradshaw
Managing Director

Stephen Higgs
Chairman

3 May 2012

statement of comprehensive income

six months ended 31 march 2012

	note	6 mths to 31/03/2012 $000 (unaudited)	6 mths to 31/03/2011 $000 (unaudited)	12 mths to 30/09/2011 $000 (audited)
interest income		29,680	32,564	63,323
interest expense		11,088	15,114	28,079
net interest income		**18,592**	**17,450**	**35,244**
payment waiver net income		839	459	780
fees		4,625	4,300	8,599
net interest income and fees		**24,056**	**22,209**	**44,622**
expense				
employee		2,704	2,568	5,277
communication and processing		1,020	1,036	1,973
depreciation and amortisation		536	733	1,073
administration		1,142	979	2,059
bad debt		736	394	980
operating expense		6,138	5,710	11,362
profit before commission and other gains (losses)		**17,918**	**16,499**	**33,261**
commission		13,651	12,490	25,390
profit before net gain (loss) from financial instruments designated at fair value		**4,267**	**4,009**	**7,871**
net gain (loss) from financial instruments designated at fair value	2	(850)	200	335
profit before taxation		3,417	4,209	8,205
taxation		1,064	1,293	2,553
profit after taxation		**2,353**	**2,916**	**5,653**
other comprehensive income		-	-	-
total comprehensive income		**$2,353**	**$2,916**	**$5,653**

statement of changes in equity

six months ended 31 march 2012

shareholder equity at beginning of period	69,281	66,244	66,244
ordinary share dividend (net)	(507)	(502)	(998)
perpetual preference share dividend (net)	(769)	(808)	(1,617)
total comprehensive income	2,353	2,916	5,653
shareholder equity at end of period	**$70,358**	**$67,850**	**$69,281**

balance sheet

31 march 2012

	note	31/03/2012 $000 (unaudited)	31/03/2011 $000 (unaudited)	30/09/2011 $000 (audited)
funds employed				
share capital		23,073	23,073	23,073
retained earnings		8,319	5,811	7,242
perpetual preference shares		38,966	38,966	38,966
total shareholder equity		70,358	67,850	69,281
liabilities				
bank overdraft		-	371	-
provision for taxation		5,014	3,066	5,309
accounts payable and accrued expense		5,819	8,040	7,859
unearned payment waiver fees		6,377	5,191	6,026
short-term loans - secured		-	11,600	-
bills of exchange - secured	3	39,733	130,388	80,011
senior warehouse notes - secured	4	250,328	168,758	208,857
senior settlement notes - secured	5	23,300	20,817	21,173
derivative financial instruments		3,464	6,801	5,123
deferred taxation		501	3,036	1,680
total liabilities		334,536	358,068	336,038
total funds employed		**$404,894**	**$425,918**	**$405,320**
employment of funds				
cash at bank		8,145	-	1,276
cash in restricted bank accounts		21,792	23,558	20,893
taxation refund due		4,017	650	3,070
accounts receivable		1,334	831	842
payment waiver indemnity prepayment		3,714	3,246	3,401
finance receivables	6	361,490	393,664	371,885
deferred taxation		217	913	460
property, plant and equipment		562	660	606
intangible assets		3,623	2,396	2,887
total assets		**$404,894**	**$425,918**	**$405,320**

Angus Bradshaw
Managing Director

Stephen Higgs
Chairman

3 May 2012

statement of cash flow

six months ended 31 march 2012

	note	6 mths to 31/03/2012 $000 (unaudited)	6 mths to 31/03/2011 $000 (unaudited)	12 mths to 30/09/2011 $000 (audited)
cash flow from operating activities				
interest and fee income		34,305	36,864	71,922
interest expense		(8,979)	(12,271)	(22,777)
other funding and securitisation costs		(2,596)	(3,231)	(5,214)
taxation paid		(3,242)	-	(2,339)
commission		(15,119)	(11,635)	(25,760)
operating expense		(6,763)	(7,055)	(12,218)
net cash flow from operating activities before changes in operating assets and liabilities		(2,394)	2,672	3,614
net changes in operating assets and liabilities:				
finance receivable instalments		145,333	157,159	310,818
(decrease) in bills of exchange		(40,278)	(236,970)	(287,347)
increase in senior warehouse notes		41,262	170,623	210,219
increase in senior settlement notes		2,126	20,817	21,173
finance receivable advances		(135,797)	(131,889)	(263,656)
decrease in prepayments		-	1,734	-
increase in short-term loans		-	11,600	-
		12,646	(6,926)	(8,793)
net cash flow from operating activities	7	10,252	(4,254)	(5,179)
cash flow from investing activities				
sale of property, plant and equipment		17	21	21
purchase of property, plant and equipment		(97)	(89)	(170)
purchase of intangible assets		(1,130)	(2,359)	(1,190)
net cash flow from investing activities		(1,210)	(2,427)	(1,339)
cash flow from financing activities				
proceeds from share issue		2	17	141
ordinary share dividend (net)		(507)	(502)	(998)
perpetual preference share dividend (net)		(769)	(808)	(1,617)
net cash flow from financing activities		(1,274)	(1,293)	(2,474)
increase (decrease) in cash		7,768	(7,974)	(8,992)
cash on hand at beginning of period		22,169	31,161	31,161
cash on hand at end of period		**$29,937**	**$23,187**	**$22,169**
represented by:				
cash at bank (overdraft)		8,145	(371)	1,276
cash in restricted bank accounts		21,792	23,558	20,893
		$29,937	**$23,187**	**$22,169**

notes to financial statements

note 1: presentation and accounting policies

(a) basis for preparation

reporting entity

The unaudited interim financial statements are those of Motor Trade Finances Limited (MTF or Company) and its subsidiaries (Group). The principal activity of MTF consists of accepting finance receivables entered into by transacting shareholders.

MTF is a profit oriented entity, incorporated in New Zealand under the Companies Act 1993. MTF is an issuer for the purpose of the Financial Reporting Act 1993. The interim financial statements have been prepared in accordance with the aforementioned Acts.

The registered office of the Company is 193 Princes Street, Dunedin.

statement of compliance

The unaudited interim financial statements are prepared in accordance with Generally Accepted Accounting Practice (NZ GAAP) and comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), as appropriate for interim financial statements (NZ IAS 34). The interim financial statements should be read in conjunction with the Group annual report for the year ended 30 September 2011.

note 2: net gain (loss) on financial instruments designated at fair value

	31/03/2012 $000 (unaudited)	31/03/2011 $000 (unaudited)	30/09/2011 $000 (audited)
net gain (loss) on:			
finance receivables	(2,698)	(904)	(2,403)
interest rate swap derivatives	1,659	1,566	3,244
collective impairment	(600)	(600)	(1,200)
specific impairment	789	138	694
	$(850)	**$200**	**$335**

note 3: bills of exchange (secured)

Bills of exchange (BOE) are issued to MTF Securities Ltd (MTFS) under a revolving liquidity facility (RLF), a standby bill endorsement facility, provided by Commonwealth Bank of Australia (CBA) and Westpac New Zealand Limited (WNZL). The RLF facility is in run off as the MTFS securitisation programme is replaced by the MTF Warehouse Trust No. 1 (Warehouse Trust) and the MTF Settlement Trust No.1 (Settlement Trust). No further finance receivables can be sold into the MTFS programme.

The facility has a renewal date of 30 August 2013.

Commitment is provided in the following proportion:

	carrying amount $000
31 March 2012	
CBA	28,608
WNZL	11,125
	$39,733
31 March 2011	
CBA	93,879
WNZL	36,509
	$130,388
30 September 2011	
CBA	57,608
WNZL	22,403
	$80,011

BOE with maturity dates between 7 and 28 days from balance date have been issued at an effective discount rate of 3.61% p.a. (31 March 2011 : 3.55% p.a.: 30 September 2011 3.67% p.a.). New bills are issued for periods up to 90 days.

note 4: senior warehouse notes (secured)

Senior warehouse notes are issued to the facility lenders, presently CBA and WNZL, under the Warehouse Trust. Warehouse notes which mature on 31 March 2018 have been issued at an effective discount rate of 4.54% p.a. (31 March 2011: 4.66% p.a.: 30 September 2011 4.81%). New notes are issued for a period of 72 months past the facility expiry date.

The notes issued are secured by a first ranking mortgage over the assets of the Warehouse Trust. The notes issued by the Warehouse Trust are rated AA(sf) (Standard and Poor's long-term, structured finance rating, 26 October 2011). The legal assets of MTF are not available as security to support the notes.

The facility has a renewal date of 31 August 2013.

Commitment is provided in the following proportion:

	limit $000	undrawn $000	notes issued $000
31 March 2012			
CBA	212,112	30,787	181,325
WNZL	82,488	11,973	70,515
total	**$294,600**	**$42,760**	**$251,840**
less: establishment fees and expense			(1,512)
total carrying amount			**$250,328**
31 March 2011			
CBA	143,712	20,863	122,849
WNZL	55,888	8,113	47,775
total	**$199,600**	**$28,977**	**$170,623**
less: establishment fees and expense			(1,865)
total carrying amount			**$168,758**
30 September 2011			
CBA	168,912	17,296	151,616
WNZL	65,688	6,726	58,962
total	**$234,600**	**$24,022**	**$210,578**
less: establishment fees and expense			(1,721)
total carrying amount			**$208,857**

note 5: senior settlement notes (secured)

Settlement notes are issued to CBA and WNZL under the Settlement Trust. The Settlement Trust funds the purchase of newly originated qualifying receivables, prior to transfer to the Warehouse Trust. Settlement notes with maturity dates between 18 and 40 days from balance date have been issued at an effective discount rate of 4.51% p.a. (31 March 2011: 4.66% p.a.: 30 September 2011 4.78%). New notes are issued for periods of up to 60 days.

The notes are secured by a first ranking mortgage over the assets of the Settlement Trust. The legal assets of MTF are not available as security to support the notes.

The facility has a renewal date of 30 August 2013.

Commitment is provided in the following proportion:

	limit $000	undrawn $000	notes issued $000
31 March 2012			
CBA	20,135	3,359	16,776
WNZL	7,830	1,306	6,524
total	**$27,965**	**$4,665**	**$23,300**
31 March 2011			
CBA	20,135	5,147	14,988
WNZL	7,830	2,001	5,829
total	**$27,965**	**$7,148**	**$20,817**
30 September 2011			
CBA	20,135	4,890	15,245
WNZL	7,830	1,902	5,929
total	**$27,965**	**$6,792**	**$21,173**

note 6: asset quality

	31/03/2012 $000 (unaudited)	31/03/2011 $000 (unaudited)	30/09/2011 $000 (audited)
(a) finance receivables			
neither past due nor impaired	362,507	392,023	372,082
individually impaired	3,402	6,150	4,494
past due but not impaired	141	196	58
specific impairment	(1,190)	(2,535)	(1,979)
collective impairment	(3,370)	(2,170)	(2,770)
total carrying amount	**$361,490**	**$393,664**	**$371,885**
(b) individually impaired assets			
finance receivables	3,402	6,150	4,494
available for offset, including collateral	(2,212)	(3,615)	(2,515)
specific impairment allowance	**$1,190**	**$2,535**	**$1,979**

note 7: reconciliation of profit after taxation to net cash flow from operating activities

profit after taxation	2,353	2,916	5,653
non-cash items	497	2,561	912
	2,850	5,477	6,565
movement in other items			
(increase) decrease in accounts receivable	(492)	(292)	41
decrease in prepayments	-	1,734	1,734
(increase) in payment waiver indemnity prepayment	(313)	-	(499)
(decrease) in accounts payable and accrued expense	(2,040)	(193)	(888)
increase in unearned payment waiver fees	351	-	1,349
increase (decrease) in provision for taxation	(295)	1,830	4,073
increase (decrease) in taxation refund due	(947)	924	(1,496)
(decrease) in deferred taxation	(936)	(1,461)	(2,364)
decrease in finance receivables	10,395	25,067	46,846
(decrease) in bills of exchange	(40,278)	(236,970)	(287,347)
increase in senior warehouse notes	41,471	168,758	208,857
increase in senior settlement notes	2,127	20,817	21,173
increase in short term loans	-	11,600	-
(decrease) in derivative financial instruments	(1,659)	(1,566)	(3,244)
	7,384	(9,752)	(11,764)
movement in working capital items classified as investing or financing activities	17	21	21
net cash surplus from operating activities	**$10,251**	**($4,254)**	**($5,179)**

note 8: contingent liabilities

MTF has a contingent liability arising from High Court proceedings, brought by the Commerce Commission for alleged breaches of the Credit Contracts & Consumer Finance Act 2003 and the Fair Trading Act 1986, in respect of various fees charged in particular credit contracts. The Company is vigorously defending the proceedings.

note 9: going concern

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

The directors are confident that funding arrangements in place provide reasonable expectation that the Group will have adequate funding to operate at forecast levels for the twelve months from the date of approving these interim financial statements. The directors believe the going concern assumption is a valid basis on which to prepare these interim financial statements.

note 10: events after balance date

On 18 April 2012, the directors declared a dividend of 6.25% (1.09 cents per share) totalling $252,000, on paid-up ordinary shares for the period from 1 January 2012 to 31 March 2012. The dividend was paid on 30 April 2012.

directory

directors

Stephen Higgs, BCom, FCA (Chairman)
Angus Bradshaw, BCA, ACA, F Fin (Managing Director)
Graeme Gibbons, BCom, CA
Geoffrey Kenny
Mike King
Stephen McKewen, BCom (Hons), LLB
Brent Robertson

management

Angus Bradshaw, BCA, ACA, F Fin, (Managing Director)
Glen Todd, BCom, ACA, A Fin, (Chief Financial Officer)
Kyle Cameron, BCom, BPhEd, Dip Grad, CA, (Financial Controller)
Rowena Davenport, BCom, NZDipBus, CTP, A Fin, (Manager - Treasury)
Yoel George, BApMgt (Manager - Compliance)
Jason Hughes, BCom, (Trust Manager)
Russell Walker, MBA, BCom, ACA, CMA, (Manager - Credit)

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