



08

*annual report 2008*



## ***contents***

financial highlights	.....	2
chairman's report	.....	3
management review	.....	4
governance	.....	7
five year financial review	.....	9
income statement	.....	10
balance sheet	.....	11
statement of cash flow	.....	12
notes to the financial statements	.....	14
audit report	.....	58
statutory information	.....	60
directory	.....	61

## *financial highlights*

	2008 \$m	2007 \$m
new loans	442.6	454.7
total income	99.2	90.5
profit (loss) after taxation	3.7	(1.2)
profit distributed to transacting shareholders	32.3	40.0
fees and commission paid direct	13.4	11.9
total transacting shareholder earnings	46.1	47.6
total assets	623.9	599.1
net loans under administration	585.4	565.2
total shareholders' interests	49.6	49.5
capital	43.3	42.5
total transacting shareholder earnings / average loans under administration	7.97%	8.66%
expense / average total assets	1.75%	1.78%
profit before distribution to transacting shareholders / average total assets	6.20%	6.57%
capital percentage	6.94%	7.10%
capital percentage including share capital repayable on demand	7.95%	8.26%

## *chairman's report*

A year is a long time in business and the year just past would have to be the most testing for most businesses and is probably only a rehearsal for the year ahead. The result reported here is the tail end of an era of economic growth and benign credit conditions and we are now moving into a period that may not have been experienced by most participants in the economy.

Our shareholders have seen a significant drop in used car sales, as the economy has slowed and the gap between new and used car prices has narrowed. An overheated economy, driven onshore by inflated property prices, and the failure of the financial system offshore, has reduced consumer confidence and we have seen this reflected in lower finance sales since the start of the new financial year. In periods of uncertainty, it is important that companies are well prepared for the hard times ahead and we believe that MTF has done everything within its control to ensure that the business is a survivor.

The difficulties faced by financial institutions occur on both sides of the balance sheet. Non-performing assets have a negative impact on cash flow, funding difficulties usually follow and both acting together usually result in failure.

At MTF, we believe that everything we have been able to control, has been controlled, to the degree that can reasonably be expected. Our lending policy is conservative but we can be sure there will be some mistakes, simply because business conditions are much worse than we could reasonably expect. As mentioned in previous reports, we have slowed our expansion into asset markets outside motor vehicles. We have imposed more stringent credit conditions on our transacting shareholders and sought increased security, where warranted. This has sometimes disappointed our shareholders but has been done in their best interests. We expect arrears to increase as we move into 2009 and we are working with dealers and customers to position them well before the usual post Christmas increase. We will do all we can to accommodate both dealers and borrowers but a debt due is a debt due and we must meet our obligations to our perpetual preference shareholders, bankers and investors.

Funding has been a challenge for all finance companies and MTF is no exception. We continue to work with our bankers to ensure the continuation of our liquidity and short-term facilities and we believe that the quality and performance of our asset book stands us in good stead.

We have embarked on an ambitious capital restructuring programme to ensure that we meet future regulatory requirements. The capital raising that is an integral part of the restructure will test our transacting shareholders at a difficult time but the support we received for the restructuring proposal gives us confidence that we will be successful.

This business succeeds because of the people who work in the business, at the dealer coalface, on the road around the country or on the end of a phone in Dunedin. All the participants have been under considerable pressure this year and I would like to record my thanks for their encouragement and support.



Roger Bonifant  
Chairman

11 November 2008

## management review

### financial performance

	2008	2007
	\$000	\$000
profit after taxation	3,717	(1,158)
taxation	1,342	(833)
financial instruments designated at fair value	538	789
distribution to transacting shareholders	32,301	40,033
<b>profit attributable to shareholders</b>	<b>37,898</b>	<b>38,831</b>
perpetual preference share dividend (gross)	(4,428)	(3,092)
non member income	(788)	(20)
<b>profit available for distribution to transacting shareholders</b>	<b>\$32,682</b>	<b>\$35,719</b>
<b>paid direct to transacting shareholders</b>		
fees	8,572	7,844
payment waiver premium	4,454	3,993
insurance commission	350	73
	13,376	11,910
<b>total transacting shareholder earnings</b>	<b>\$46,058</b>	<b>\$47,629</b>

These accounts are prepared under New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

Profit after taxation and before perpetual preference share dividends is recorded in these accounts as \$3.717 million (last year: loss \$1.158 million), and includes a fair value loss of \$0.538 million, arising from the recognition of finance receivables and interest rate derivatives at fair value, rather than historical cost.

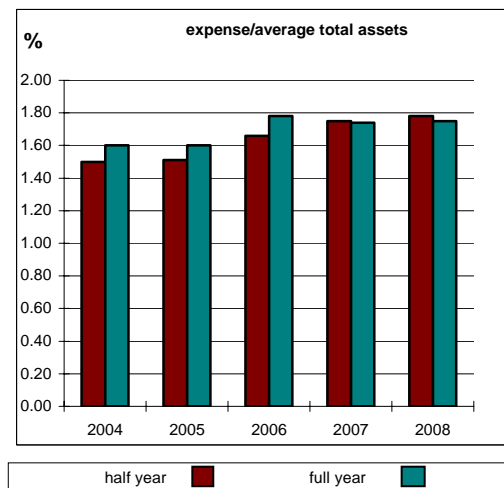
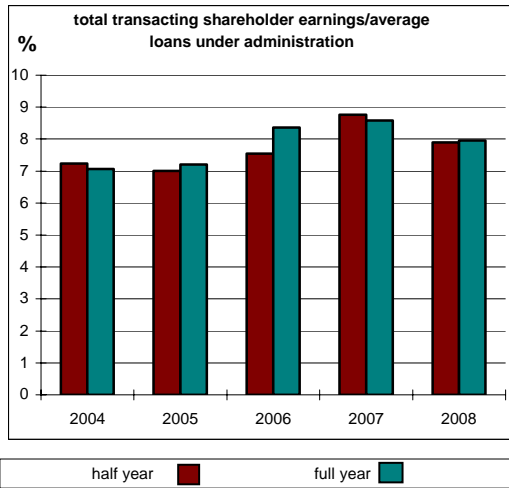
Transacting shareholders received \$46.1m (last year: \$47.6m), through their participation in MTF, including \$13.4m (last year: \$11.9m) in fees and payment waiver premium, paid directly.

- new loan sales were \$442.6m (last year: \$454.7m)
- expense, as a percentage of average total assets, was 1.75% (last year: 1.78%)
- return on assets was 8.0% (last year: 8.7%)
- average earnings per transacting shareholder increased 5% to \$73,000

At ninety seven percent of the previous year, sales were better than expected, but we can expect volumes to drop significantly in the coming year, as vehicle sales slow and the recession has an impact on consumer appetite for debt. Already, we are seeing a slowing in early settlements and increasing pressure on arrears, although indicators remain within benchmark, at the date of writing. The credit crisis has seen a number of smaller competitors disappear from the market and, more recently, two large, foreign owned finance companies have withdrawn from New Zealand.

Cost of funds has risen by 44bp and credit margin on securitised funding has increased from 72bp to 89bp. Although interest rates have now started to fall, volatility in credit margins and continuing uncertainty in debt markets provide little suggestion that interest margins will improve in the near future. Investors have all but disappeared and banks are still wary of lending to each other. Reserve Bank attempts to manage housing demand through increasing interest rates merely attracted foreign investors and the rapid drop in interest rates is now having a negative impact on the New Zealand dollar, as investors look for safer havens. Government support for the banking system around the world has created more uncertainty, as countries, and companies, are now competing for investments off the back of government support.

Administration expense is up 21% on the previous year, due primarily to the costs involved with regulatory requirements, including IFRS. All other expense categories lie within the boundaries of inflation. In the coming year, we expect the cost of regulation to be a continuing burden.



## financial position

Total assets increased by 4.1%, to \$623.9m.

The balance sheet remains sound, with capital, including perpetual preference shares and share capital repayable on demand, of \$49.6m, and a capital percentage of 8.0%.

## restructuring proposal

Regulation remains a constant source of cost and confusion. The introduction of the government guarantee scheme has effectively brought non-bank deposit taker regulation forward by two years, with the guarantee scheme setting the rules for capital and issuer rating, by proxy.

At MTF, we had already started to prepare for the new regulations, through a restructuring proposal, approved by transacting shareholders at a Special Meeting on 29 October 2008. Transacting shareholders voted overwhelmingly to support the proposal, which includes the issue of further shares, capitalisation of undistributed profits as bonus shares, cancellation of registration under the Co-operative Companies Act 1996 and the adoption of a new constitution. We expect to issue a prospectus towards the end of November 2008. If the offer is successful, and following the bonus issue, MTF will have total capital of approximately \$60m, including perpetual preference shares of \$39m.

## funding

Commercial paper, issued through the securitisation programme, continues to be rated A1+/P-1 (extremely strong/superior) by Standard & Poor's/Moody's, a reflection of the quality of paper written by transacting shareholders and of our continuing focus on credit quality.

Commercial paper issuance has been difficult, and, at the date of writing, securitised loans are funded by bills of exchange, provided by banks, under a revolving liquidity facility (RLF), an integral part of the securitisation programme since 1995. The sub-prime crisis has changed funding for the short to medium term and we are evaluating a number of options, to ensure that MTF remains efficiently and cost effectively funded.

## credit quality

Bad debt expense includes full provision for potential losses from individual transacting shareholder failure, usually arising from irregular lending.

At the date of this report, all credit measures remain within target, with arrears below the long-term trend line. Arrears normally increase following the Christmas period and we are actively working now to maintain manageable levels in advance of that period.

MTF had 58,000 loans outstanding at 30 September 2008, with an average balance of \$10,000. These loans are spread throughout New Zealand, primarily in provincial areas, where our transacting shareholders are more likely to know the borrower and be able to react if the loan does not perform. All loans are managed and guaranteed by the transacting shareholders. MTF monitors the performance of each transacting shareholder and each portfolio of loans on a regular basis and carries out regular reviews of lending policy and process.

## **continuous improvement**

The restructuring proposal enables MTF to consider a move from recourse to non-recourse. The need for recourse has diminished, as improved loan origination systems provide improved access to external credit information. Rapid, our credit scoring loan origination system, has been in place since 2005, and has proven its value in the verification of internal and external credit data. As their systems have improved, other finance companies have moved away from vendor recourse and replaced it with non-recourse or direct to customer models. If the restructuring proposal is completed as planned, and subject to the completion of some enhancements to Rapid, MTF will offer non-recourse from the middle of 2009. We will continue to work through vendors and MTF Direct and will only make non-recourse available to originators who meet the same stringent requirements that have always applied to recourse finance. The existing recourse ledger will run off over at least three years and the non-recourse ledger will grow progressively over the same period, enabling MTF to grow into the new method of operating.

Economic uncertainty has slowed the roll out of the MTF Direct brand, our direct finance business, but we still expect to have nine franchises operating by year-end, against an earlier target of twelve. We have been more cautious in accepting applications, and potential franchisees are quite correctly taking a more conservative view of the franchise opportunity. MTF Direct is an important part of the future of MTF and we have already attracted a group of enthusiastic and realistic franchisees. At the time of writing, all franchisees are performing to our expectations.

## **staff and shareholders**

In a period when dealers are experiencing slowing vehicle sales and lower finance penetration, we are encouraged by the resilience of our shareholders and staff. Shareholder support for the restructuring proposal and for the tough credit conditions makes the challenge faced by our staff that much easier.

## **outlook – we have to remain positive**

At the half year, we anticipated a slow down in new business sales and tough economic conditions until at least the end of the first quarter of 2009. Although we may have been optimistic, the measures we have taken to ensure we have a sustainable business remain relevant for however long the economy remains at a standstill. We have tightened credit criteria and we are working with shareholders to ensure that arrears are managed as hard as is reasonably possible for the company and customers alike. Arrears remain within internal benchmarks, primarily because we have always taken a conservative view on lending and because we have stuck to our core business of lending to the borrower, rather than the vehicle.

Funding continues to be difficult and expensive. The notes to these accounts and the audit report refer to the rollover of our liquidity facilities. In these uncertain times, our bankers are supportive but, until the agreement is signed, there is less certainty than we have previously experienced. We are confident that MTF is a survivor and it will be as long as it continues to receive the support of its bankers, its shareholders and its customers. We have taken the steps to ensure we have sufficient capital and, if successful, this will allow us to work with our bankers to put more enduring and efficient funding in place.

We remain positive because we have a proven business model, which we continue to improve to meet ever-changing market requirements and conditions. At the risk of repetition, our focus remains on simple, cost efficient distribution, supported by a nationwide network of dedicated business people and customers who get value for money.



Angus Bradshaw  
Managing Director

11 November 2008

# ***governance***

## **framework**

The directors are responsible for the governance of the company.

MTF is incorporated under the Companies Act 1993 and the Co-operative Companies Act 1996, with its equity shares held by its transacting and perpetual preference shareholders.

## **board**

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

- the number of directors will be no fewer than six, and no greater than seven
- a director may not simultaneously hold the positions of Managing Director and Chair
- the directors meet regularly throughout the financial year
- all available information relating to items to be discussed at a meeting of the board is provided to each director prior to that meeting

The primary responsibilities of the directors include:

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

At 30 September 2008, the board consisted of four transacting shareholder directors, two independent directors and the Managing Director. Information about directors is set out on page 60 of this report. The board met eight times during the year ended 30 September 2008.

## **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
- efficiency, effectiveness and independence of the external audit function.

The committee met three times during the year ended 30 September 2008.



*Remuneration: Roger Bonifant (Chair), Graeme Gibbons*

The remuneration committee reviews the remuneration of directors and the Managing Director, annually.

The committee met once during the year ended 30 September 2008.

Particulars of director remuneration are set out on page 60 of this report.

*Credit: Graeme Gibbons (Chair), Roger Bonifant, Warwick Cashmore.*

The credit committee reviews credit risk, recommends credit policy and approves large exposures.

The committee met two times during the year ended 30 September 2008, in addition to regular approval of large exposures.

*Nominations: full board*

The committee, is convened when a board vacancy occurs. There were no board vacancies in the year ended 30 September 2008.

A sub-committee was formed to manage the selection of a shareholder director, following the announcement of Lawrance Saunders' retirement. The nominations committee reviewed the sub-committee's recommendation and the appointment of Mark Hatwell was confirmed on 1 October 2007.

## **risk management**

The board is responsible for the company's system of internal control. The board regularly monitors the operational and financial aspects of the company'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 audit risk reviews are investigated and, where considered necessary, suitable action is taken to ensure that the company 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, Chief Financial Officer and General Manager-Credit, meets regularly to consider balance sheet risk and management, within the framework of board approved treasury management and credit policy.

## five year financial review

	NZ IFRS		superseded NZ GAAP		
	2008 \$000	2007 \$000	2006 \$000	2005 \$000	2004 \$000
<i>financial performance</i>					
total income	98,424	90,485	91,258	87,624	80,118
profit before taxation and distribution to transacting shareholders	37,898	38,831	40,508	38,780	36,312
profit (loss) before taxation	5,059	(1,991)	40,508	38,780	36,312
taxation	1,342	(833)	474	84	174
profit (loss) after taxation	3,717	(1,159)	40,034	38,696	36,138
profit available for distribution to transacting shareholders	32,682	35,719	39,641	38,712	36,112
<i>financial position</i>					
assets	623,893	599,107	581,447	580,421	553,051
liabilities	580,611	556,575	523,818	568,997	536,257
capital	43,282	42,532	57,629	11,424	16,794
total shareholders' interests	49,574	49,481	57,629	41,424	41,794
net loans under administration	585,374	565,185	548,756	549,554	527,132
<i>performance indicators</i>					
total transacting shareholder earnings /average loans under administration	7.97%	8.66%	8.40%	7.53%	7.10%
expense/average total assets	1.75%	1.78%	1.78%	1.58%	1.60%
profit before distribution to transacting shareholders/average total assets	6.20%	6.57%	6.90%	6.80%	6.70%
capital percentage including share capital repayable on demand	7.95%	8.26%	9.90%	7.10%	7.60%

These accounts have been prepared in accordance with NZ IFRS. The figures in the tables above, for 2006 and prior years have, not been restated in accordance with NZ IFRS. A summary of the significant impacts of the transition to NZ IFRS in the 2007 and 2008 financial years is:

- for 2007 and 2008 distributions to transacting shareholders has been recorded as an expense directly in the income statement. Under superseded NZ GAAP, distribution to transacting shareholders was recorded in equity. This has directly impacted the reported profits before and after taxation.
- financial receivables and derivative financial instruments are now recorded a fair value, with any movements in fair value recognised through profit and loss.
- ordinary shares no longer meet the technical definition of capital under NZ IFRS because of their redeemable nature. From transition date ordinary share capital is classified as share capital repayable on demand.

A detailed explanation of the effects of transition to NZ IFRS is provided in note 35 of these accounts on page 52.

## ***income statement***

year ended 30 september 2008

	note	group		parent	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
interest income	3	87,868	80,113	70,799	65,701
interest expense	4	49,576	41,087	32,507	26,675
<b>net interest income</b>		<b>38,292</b>	<b>39,026</b>	<b>38,292</b>	<b>39,026</b>
fees		10,556	10,372	10,556	10,372
<b>net interest income and fees</b>		<b>48,848</b>	<b>49,398</b>	<b>48,848</b>	<b>49,398</b>
<b>expense</b>					
employee	5	4,766	4,695	4,766	4,695
communication and processing	5	1,954	1,929	1,954	1,929
depreciation and amortisation	5	1,929	1,912	1,929	1,912
administration	5	2,093	1,731	2,093	1,731
bad debt		208	300	208	300
<b>total expense</b>		<b>10,950</b>	<b>10,567</b>	<b>10,950</b>	<b>10,567</b>
<b>profit before distribution to transacting shareholders and other gains (losses)</b>		<b>37,898</b>	<b>38,831</b>	<b>37,898</b>	<b>38,831</b>
profit distributed to transacting shareholders		32,301	40,033	32,301	40,033
<b>profit (loss) before net gain (loss) from financial instruments designated at fair value</b>		<b>5,597</b>	<b>(1,202)</b>	<b>5,597</b>	<b>(1,202)</b>
net gain (loss) from financial instruments designated at fair value and foreign	6	(538)	(789)	11,699	(2,860)
currency translation					
<b>profit (loss) before taxation</b>		<b>5,059</b>	<b>(1,991)</b>	<b>17,296</b>	<b>(4,062)</b>
taxation	8	1,342	(833)	5,421	(1,517)
<b>profit (loss) after taxation</b>		<b>\$3,717</b>	<b>\$(1,158)</b>	<b>\$11,875</b>	<b>\$(2,545)</b>

## ***statement of changes in equity***

year ended 30 september 2008

total equity at beginning of period		42,532	46,303	42,354	47,512
perpetual preference share dividend	10	(2,967)	(2,613)	(2,967)	(2,613)
profit (loss) after taxation		3,717	(1,158)	11,875	(2,545)
<b>total equity at end of period</b>		<b>\$43,282</b>	<b>\$42,532</b>	<b>\$51,262</b>	<b>\$42,354</b>

## ***statement of changes in total equity and shareholder interests***

year ended 30 september 2008

total equity and shareholders' interests at beginning of period		49,481	53,268	49,303	54,477
ordinary shares issued		257	430	257	430
ordinary shares redeemed		(914)	(446)	(914)	(446)
perpetual preference share dividend	10	(2,967)	(2,613)	(2,967)	(2,613)
transactions with shareholders		(3,624)	(2,629)	(3,624)	(2,629)
<b>profit (loss) after taxation</b>		<b>3,717</b>	<b>(1,158)</b>	<b>11,875</b>	<b>(2,545)</b>
total attributable revenue and expense		3,717	(1,158)	11,875	(2,545)
<b>total equity and shareholders' interests at end of period</b>		<b>\$49,574</b>	<b>\$49,481</b>	<b>\$57,554</b>	<b>\$49,303</b>

The financial statements should be read in conjunction with the accounting policies and notes on pages 14 – 57.

## balance sheet

30 september 2008

		group		parent	
	note	2008	2007	2008	2007
		\$000	\$000	\$000	\$000
<b>funds employed</b>					
retained earnings	22	4,316	3,566	12,296	3,388
perpetual preference shares	10	38,966	38,966	38,966	38,966
<b>total shareholder equity</b>		<b>43,282</b>	<b>42,532</b>	<b>51,262</b>	<b>42,354</b>
share capital repayable on demand	9	6,292	6,949	6,292	6,949
<b>total equity and shareholders' interests</b>		<b>49,574</b>	<b>49,481</b>	<b>57,554</b>	<b>49,303</b>
<b>liabilities</b>					
bank overdraft		481	584	530	583
provision for taxation		-	516	2,687	516
accounts payable and accrued expense	15	10,178	9,925	10,110	9,527
advance from MTFS	14	-	-	489,862	489,768
short-term loans - secured	11	28,400	21,300	28,400	21,300
euro commercial paper - secured	12	149,572	126,648	-	-
bills of exchange - secured	13	366,636	364,326	-	-
derivative financial instruments	7	12,541	24,642	-	-
deferred taxation	8	6,511	1,685	2,505	520
<b>total liabilities excluding share capital repayable on demand</b>		<b>574,319</b>	<b>549,626</b>	<b>534,094</b>	<b>522,214</b>
<b>total funds employed</b>		<b>\$623,893</b>	<b>\$599,107</b>	<b>\$591,648</b>	<b>\$571,517</b>
<b>employment of funds</b>					
cash in restricted bank accounts	17	26,915	26,309	-	-
provision for taxation refund due		588	-	-	-
accounts receivable		3,037	2,252	2,957	1,822
finance receivables	16	585,374	565,185	569,225	556,156
derivative financial instruments	7	-	-	-	195
amounts owing by subsidiaries	19	-	-	15,079	7,983
deferred taxation	8	3,592	-	-	-
property, plant and equipment	20	786	1,178	786	1,178
intangible assets	21	3,601	4,183	3,601	4,183
<b>total assets</b>		<b>\$623,893</b>	<b>\$599,107</b>	<b>\$591,648</b>	<b>\$571,517</b>



Angus Bradshaw  
Managing Director



Roger Bonifant  
Chairman

11 November 2008

The financial statements should be read in conjunction with the accounting policies and notes on pages 14 – 57.

**statement of cash flow**  
**year ended 30 september 2008**

	group		parent	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
<b>cash flow from operating activities</b>				
interest and fee income	97,060	89,742	79,991	75,330
funding and securitisation costs	(49,584)	(40,909)	(32,515)	(26,497)
income taxation paid	(1,215)	-	(1,215)	-
profit distributed to transacting shareholders	(30,603)	(37,567)	(30,603)	(37,567)
operating expense	(7,555)	(7,242)	(7,555)	(7,243)
net cash flow from operating activities before changes in operating assets and liabilities	8,103	4,024	8,103	4,023
<i>net changes in operating assets and liabilities:</i>				
finance receivable instalments	445,166	444,689	380,955	385,641
increase (decrease) in bills of exchange - net	(12,820)	382,724	-	-
increase (decrease) in euro commercial paper - net	13,520	(346,713)	-	-
increase (decrease) finance receivable advances	(455,031)	(465,837)	(381,917)	(393,267)
increase (decrease) short-term loans - net	7,100	(16,400)	7,100	(16,400)
increase in advance from MTFS	-	-	94	37,602
loan to subsidiaries	-	-	(8,953)	(13,492)
	(2,065)	(1,537)	(2,721)	84
<b>net cash flow from operating activities</b>	<b>6,038</b>	<b>2,487</b>	<b>5,382</b>	<b>4,107</b>
<b>cash flow from investing activities</b>				
sale of property, plant and equipment	14	46	14	46
purchase of property, plant and equipment	(129)	(604)	(129)	(604)
purchase of intangible assets	(843)	(1,552)	(843)	(1,552)
<b>net cash flow from investing activities</b>	<b>(958)</b>	<b>(2,110)</b>	<b>(958)</b>	<b>(2,110)</b>
<b>cash flow from financing activities</b>				
repay share capital and transacting shareholder deposits	(751)	(319)	(751)	(319)
dividend to perpetual preference shareholders	(3,620)	(1,960)	(3,620)	(1,960)
<b>net cash flow from financing activities</b>	<b>(4,371)</b>	<b>(2,279)</b>	<b>(4,371)</b>	<b>(2,279)</b>
net increase (decrease) in cash	709	(1,902)	53	(281)
add cash on hand at beginning of period	25,725	27,627	(583)	(302)
<b>cash on hand at end of period</b>	<b>\$26,434</b>	<b>\$25,725</b>	<b>\$(530)</b>	<b>\$(583)</b>
represented by:				
cash at bank (overdraft)	(481)	(584)	(530)	(583)
cash in restricted bank accounts	26,915	26,309	-	-
	<b>\$26,434</b>	<b>\$25,725</b>	<b>\$(530)</b>	<b>\$(583)</b>

The financial statements should be read in conjunction with the accounting policies and notes on pages 14 – 57.

	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
<b>reconciliation of profit (loss) after taxation to net cash flow from operating activities</b>				
profit (loss) after taxation	3,717	(1,159)	11,875	(2,546)
non-cash items	2,664	3,400	2,860	3,204
<b>movement in other items</b>				
increase in accounts receivable	(784)	(1,797)	(1,135)	(1,647)
increase (decrease) in accounts payable and accrued expense	253	3,886	583	3,746
increase (decrease) in provision for taxation	(1,104)	246	2,171	246
increase (decrease) in deferred taxation	1,234	(1,079)	1,985	(2,032)
increase in finance receivables	(20,189)	(18,400)	(13,069)	(43,247)
increase (decrease) in bills of exchange	2,310	364,326	-	-
increase (decrease) in euro commercial paper	22,924	(354,064)	-	-
increase (decrease) in derivative financial instruments	(12,101)	23,482	-	-
increase (decrease) in short term loans	7,100	(16,400)	7,100	(16,400)
(increase) decrease in loans to subsidiaries	-	-	(7,096)	25,135
increase in advance from MTFs	-	-	94	37,602
	(357)	200	(9,367)	3,403
movement in working capital items classified as investing or financing activities	14	46	14	46
<b>net cash surplus from operating activities</b>	<b>6,038</b>	<b>2,487</b>	<b>5,382</b>	<b>4,107</b>

The financial statements should be read in conjunction with the accounting policies and notes on pages 14 – 57.

## **notes to financial statements**

### **note 1: statement of accounting policies**

#### **(a) basis for preparation**

##### *reporting entity*

The financial statements presented are those of Motor Trade Finances Limited ("MTF or Company") and its subsidiaries ("Group"). MTF's principal activities relate to accepting finance receivables entered into by transacting shareholders with their customers and returning the net profit earned from these finance receivables to the respective transacting shareholder, by way of monthly profit distribution.

MTF is a profit oriented entity, incorporated in New Zealand under the Companies Act 1993 and is registered under the Co-operative Companies Act 1996. MTF is an issuer for the purpose of the Financial Reporting Act 1993. The 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 financial statements have been prepared in accordance with Generally Accepted Accounting Practice ("NZ GAAP"), which complies with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"). The financial statements comply with International Financial Reporting Standards.

The Group has adopted NZ IFRS with effect from 1 October 2007. The transition to NZ IFRS is accounted for in accordance with NZ IFRS 1 *First Time Adoption of New Zealand Equivalents to International Financial Reporting Standards* with 1 October 2006 as the date of transition. An explanation of how the transition to NZ IFRS has affected the reported Balance Sheet, Income Statement and Statement of Cash Flows of the Group is provided in note 35.

##### *basis of measurement*

The financial statements have been prepared based on historical cost except for the revaluation of derivative financial instruments and certain financial assets measured at fair value through profit or loss.

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

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

##### *functional and presentation currency*

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

##### *critical judgements, estimates and assumptions*

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

Estimates and assumptions are reviewed by management on an on-going basis with any revisions to accounting estimates recognised in the period the estimate is revised.

Judgements made in the application of NZ IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next period include:

#### **(i) determination of fair value of finance receivables**

Finance receivables are designated at fair value through profit and loss. As there is no active market, fair value is determined by the use of various valuation techniques including discounted cash flow models. To the extent possible models use only observable data. Inputs to the valuation model such as credit risk, volatility and correlation, require management to make judgements and estimates. Changes in the assumptions in these models and projections of future cash flows may affect the reported fair value of finance receivables.

#### **(ii) determination of fair value of derivative financial instruments**

The fair value of derivative financial instruments is based on discounted cash flow models using observable market data.

### **(iii) securitisation**

The Group consolidates the securitisation entity (MTFS) on its balance sheet. The Group makes judgements about its exposure to the risk and rewards, as well as its ability to make operational decisions for the securitisation entity. In many instances elements are present that considered in isolation indicate control, or lack of control, but when considered together the Group has assessed it has control of the securitisation entity.

## **(b) specific accounting policies**

The accounting policies have been applied consistently to all periods presented in these financial statements and in preparing an opening NZ IFRS balance sheet at 1 October 2006, for the purpose of transition to NZ IFRS.

### **(i) consolidation of subsidiaries**

Subsidiaries are those entities that are controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity, to obtain benefit from its activities.

The consolidated financial statements are prepared by combining the financial statements of the Company and its subsidiaries. All inter-entity transactions, balances and unrealised profits or losses on transactions between group entities are eliminated on consolidation.

### **(ii) securitisation of finance receivables**

MTF funds a major portion of its business by the sale of finance receivables to MTF Securities Ltd (MTFS), a special purpose entity 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 of the finance receivables is retained by MTF. MTF has the ability to control the contractual rights that comprise the finance receivables transferred to MTFS.

MTF recognises transactions with MTFS as financing arrangements; 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 balance sheet.

### **(iii) recognition of revenue and expense**

#### *finance receivables and derivative financial instruments*

Net gain/loss on financial instruments at fair value through profit or loss (FVTPL) comprises realised and unrealised fair value gains and losses.

Interest income on all financial instruments measured at FVTPL is reported within interest income using the effective interest method and not included with the net gain/(loss) from financial instruments designated at fair value.

Provision for credit impairment on financial instruments designated at FVTPL is included in the net gain/(loss) from financial instruments designated at fair value.

#### *other financial instruments*

Interest income and interest expense for all financial instruments measured at amortised cost are recognised in the income statement as they accrue, using the effective interest method.

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

#### *fees*

Fee income that relates to the execution of a significant act is recognised at the time the service is provided. All other fee income is recognised as income no later than when the financial asset is disbursed.



#### (iv) securitisation funding cost

The cost of securitisation is recognised as incurred. Costs are represented by the interest cost on euro commercial paper (ECP) and bills of exchange (BOE), denominated in United States dollars (USD), issued to fund the securitisation programme, the net cost of interest rate swaps and foreign exchange contracts to hedge the funding activities with the cash flows from securitised finance receivables, and the direct cost of running the securitisation programme.

#### (v) financial instruments

##### *categories of financial instruments*

- **financial assets and derivative financial instruments**

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

- loans and receivables
- fair value through profit or loss

The Group does not use available for sale or held to maturity categories.

##### *loans and receivables*

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

##### *fair value through profit or loss*

The Group designates all finance receivables at fair value through profit or loss (FVTPL), as doing so significantly reduces accounting mismatches that may arise from measuring such assets on a different basis.

Derivative financial instruments, transacted to manage the risk inherent in the finance receivables, are measured at fair value with movements recognised in the Income Statement. An accounting inconsistency may arise if the corresponding finance receivables were measured at amortised cost. By designating finance receivables at FVTPL, the fair value movements in the Income Statement on the finance receivables will substantially offset the fair value movements on derivatives used to hedge these financial instruments.

Once a financial instrument has been designated at FVTPL upon initial recognition, the Group cannot subsequently change the designation.

Gains and losses arising from changes in the fair value of finance receivables are included in "Net gain/(loss) from financial instruments designated at fair value" in the Income Statement.

##### *derivative financial instruments*

The Group enters into various financial instruments 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 used to economically hedge the cash flows of the associated finance receivables. 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 economically hedged.

Derivatives are measured at fair value with any gains or losses included in "Net gain/(loss) from financial instruments designated at fair value" in the Income Statement.

##### *fair value measurement*

The determination of fair values of financial assets and financial liabilities is based on quoted market prices for financial instruments traded in active markets, or by using valuation techniques. Valuation techniques include the discounted cash flow method.

The value produced by a model or other valuation technique reflects all factors market participants take into account when entering a transaction. The model takes into account model risk, liquidity risk and credit risk as well as other factors.

### *impairment of financial assets*

Financial assets at fair value through profit and loss are not assessed for impairment as the determination of fair value reflects the credit quality of the instrument and changes in fair value are recognised in the income statement.

### *asset quality*

Impaired assets consist of restructured assets, assets acquired through the enforcement of security and other individually impaired assets.

“Restructured assets” means any credit exposure for which:

- the original terms have been changed to grant the counterparty a concession that would not have otherwise been available, due to the counterparty's difficulties in complying with the original terms.
- the revised terms of the arrangement are not comparable with the terms of new arrangements with comparable risks.
- the yield on the asset following restructuring is equal to or greater than the Group's average cost of funds, or a loss is not otherwise expected to be incurred.

Financial assets acquired through enforcement of security enforcement are those assets acquired through foreclosure in full or partial settlement of a debt.

Other individually impaired assets comprise financial assets where components of transacting shareholders contracts are in arrears and the group is either unable to obtain or anticipates future difficulties in obtaining recovery but do not include restructured assets or financial assets acquired through the enforcement of security.

The Group holds 90 day past due assets where components of transacting shareholders contracts are in arrears for 90 days or more and the transacting shareholder has not been placed in the managed shareholder category.

### • **financial liabilities**

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

Liabilities are recorded initially at fair value, net of transaction costs. Subsequently, liabilities are measured at amortised cost with any difference between the initial recognised amount and the redemption value recognised in the Income Statement over the period of borrowing, using the effective interest rate method. Interest expense is recognised in the Income Statement using the effective interest method.

### *share capital repayable on demand*

Ordinary A shares are issued to transacting shareholders who meet the requirements for participation and are issued in lots of 10,000 shares per transacting shareholder, at a nominal value of \$1 each. These shares are redeemable under certain conditions as set out in the Group constitution. Due to the fact they are redeemable the shares are classified as a liability under NZ IAS 32.

Share capital repayable on demand is measured at amortised cost.

### • **offset financial instruments**

The Group offsets financial assets and financial liabilities and reports the net balance in the Balance Sheet where there is a legally enforceable right to offset and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

## **(vi) property, plant and equipment**

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

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

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

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

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

#### **(vii) finite life intangible assets**

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

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

#### **(viii) taxation**

Income tax on the profit before taxation for the period comprises current tax and deferred tax. Income tax is recognised in the Income Statement, except to the extent that it relates to items recognised directly within equity, in which case the income tax is recognised in equity.

##### *current tax*

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

In relation to member income, the Company operates as a co-operative and transactions are confined to transacting shareholders. In accordance with the provisions of subpart HE of the Income Tax Act 2007, the Company is permitted a deduction for distribution of profit paid or applied to transacting shareholders within six months of balance date. Distributed profits are assessable in full to the transacting shareholder.

##### *deferred tax*

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

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

Deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arose from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Deferred tax liabilities are not recognised for taxable temporary differences arising on investments in subsidiaries where the Group is able to control the reversal of the temporary differences and it is probable that any temporary differences will not reverse in the foreseeable future.

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

#### **(ix) statement of cash flow**

The Statement of Cash Flow has been prepared exclusive of GST, consistent with the method used in the Income Statement.

##### *Cash and cash equivalents*

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

##### *Netting of cash flows*

Certain cash flows are netted to provide more meaningful disclosure. 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 is netted.

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

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

“Operating activities” are the principal revenue-producing activities of the Group and other activities that are not investing and finance activities.

**(x) foreign currency transactions**

In preparing the financial statements of the Group, transactions in currencies other than the Group functional currency are recorded at rates of exchange prevailing at the dates of the transactions. At balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing at balance sheet date. Non-monetary items carried at fair value, which are denominated in foreign currencies, are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items which are measured at historical cost in a foreign currency are not re-measured.

**(xi) GST**

MTF is predominantly involved in the supply of financial services. The Group has elected to treat the supply of qualifying financial services as zero rated for GST purposes. The Group is able to obtain a refund for a proportion of the GST content of its expenditure.

**(xii) employee entitlements**

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

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

Provisions made in respect of employee benefits which are not expected to be settled within twelve months are measured at the present value of the estimated future cash out flows to be made by the Group in respect of services provided by employees up to reporting date.

**(xiii) operating leases**

Operating lease expense / rental is recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are derived.

**(xiv) provisions**

Provisions are recognised when the Group has a present obligation, the future sacrifice of benefits is probable, and the amount of the provision can be measured reliably.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value of money is material, provisions are discounted using a pre tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provisions resulting from the passage of time is recognised as a finance cost.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

**(xv) segment reporting**

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

**(xvi) perpetual preference shares**

Perpetual preference shares are classified as equity, as the shares are non-redeemable and carry no voting rights. Dividends are not guaranteed and are payable at the discretion of the Board of Directors. Any dividend is recognised as a distribution within equity.

**(xvii) standards and interpretations issued but not yet adopted**

Standards and interpretations which have been issued or amended but are not yet effective that have not been adopted by the Group for the annual reporting period ended 30 September 2008 and which are relevant are as follows:

reference	title	summary	application date of standard	impact on group financial report	application date for group
NZ IFRS 8	Operating Segments	Specifies how an entity should report information about its operating segments in annual financial reports	1 January 2009	NZ IFRS 8 is a disclosure standard so will have no impact on the amounts included in the Group's financial statements. The amendments may result in changes to the operating segments disclosure included in the Group's financial report.	30 September 2010
NZ IAS-1	Presentation of Financial Statements – Revised Standard	The revised NZ IAS 1 requires the presentation of all recognised income and expenses in one statement (a statement of comprehensive income) or in two statements (an income statement and a statement of comprehensive income), separately from owner changes in equity	1 January 2009	The revised NZ IAS 1 is a disclosure standard so will have no impact on the amounts included in the Group's financial statements. The amendments will result in changes to presentation of the Income Statement and Statement of Changes in Equity included in the Group's financial report.	30 September 2010

Initial application of the following Standards and Interpretations is not expected to have any material impact to the financial report of the Group:

standard/interpretation	effective for annual reporting periods beginning on or after:	expected to be initially applied in the financial year ending:
Amendments to NZ IFRS-4 'Insurance Contracts – The Scope of Insurance Activities and Differential Reporting Concessions'	1 January 2009	30 September 2010
NZ IFRIC-12 'Service Concession Arrangements'	1 January 2008	30 September 2009
NZ IFRIC-13 'Customer Loyalty Programmes'	1 July 2008	30 September 2009
NZ IFRIC-14 'NZ IAS-19 – The Limit on the Defined Benefit Asset, Minimum Funding Requirements and their Interaction'	1 January 2008	30 September 2009
NZ IFRIC-15 'Agreements for the Construction of Real Estate'	1 January 2009	30 September 2010
NZ IFRIC-16 'Hedges of a Net Investment in Foreign Operation'	1 October 2008	30 September 2009
NZ IAS-23 'Borrowing Costs' – revised 2007	1 January 2009	30 September 2010
Amendments to NZ IFRS-2 'Share Based payment' – Vesting Conditions and Cancellations	1 January 2009	30 September 2010
NZ IFRS-3 'Business Combinations' – revised 2008	1 July 2009	30 September 2010
NZ IAS-27 'Consolidated and Separate Financial Statements' - revised 2008	1 July 2009	30 September 2010

standard/interpretation	effective for annual reporting periods beginning on or after:	expected to be initially applied in the financial year ending:
Revised Amendments to NZ IAS 32 'Financial Instruments: Presentation' and NZ IAS 1 'Presentation of Financial Statements' – Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009	30 September 2010
Improvements to New Zealand Equivalents to International Financial Reporting Standards 2008	Various*	30 September 2010
Amendments to NZ IFRS 1 'First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards' and NZ IAS 27 'Consolidated and Separate Financial Statements' – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 July 2009	30 September 2010
Omnibus Amendments	1 January 2008	30 September 2009
Amendments to NZ IAS 39 'Financial Instruments : Recognition and Measurement – Eligible Hedged Items'	1 July 2009	30 September 2010

\* The effective date and transitional provisions vary by Standard. Most of the improvements are effective for annual periods beginning on or after 1 January 2009, with earlier adoption permitted, and they are to be applied retrospectively.

## *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 transacting shareholder MTF is given a legal assignment by way of mortgage over the transacting shareholder's rights under the contract and the underlying asset. Upon securitisation of these assets MTF transfers all its rights, including recourse to the individual transacting shareholders, 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 finance receivables) in the form of tranches of finance receivables from MTF on a weekly basis.
- (iii) MTF is contracted to administer the securitised finance 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 (Bills of Exchange facility) 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 finance 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 European Commercial Paper (ECP)/Bills of Exchange (BOE) required to fund each individual tranche of securitised finance receivables. Under these agreements the quantum and tenor of the money borrowed from the issuance of ECP/BOE is exactly matched in both value and timing to the aggregate cash flows due to MTFS from the securitised finance receivables. The interest cost of borrowing is fixed for

the effective life of each tranche of securitised finance receivables and is fixed for each securitised finance receivable agreement that constitutes the tranche. In this manner the interest rate risk associated with funding fixed rate finance receivables with short-term, variable rate ECP/BOE is eliminated.

- (xi) Foreign exchange forward agreements are entered into with the issuance of the ECP/BOE required to fund each individual tranche of securitised finance receivables. In this manner the foreign exchange risk associated with funding NZD denominated finance receivables with USD denominated ECP/BOE 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 liquidity facilities guarantee funding, in the form of BOE, should it not be possible to roll over the ECP at maturity, normally every 28 - 34 days.
- (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 5.67% (2007: 5.66%) of the net finance receivables due to MTFS. The amount of the subordinated loan at 30 September 2008 was \$31,008,324 (2007: \$30,989,000). 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 2008 MTF sold \$413,952,000 ( 2007 : \$450,025,000 ) of securitised finance receivables to MTFS. These finance receivables are recognised in the MTF balance sheet 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) and the MTF credit enhancement referred to in Note 27(ii) is represented by the following in the Parent Statement of Financial Position:

	parent	
	2008	2007
	\$000	\$000
total finance receivables	569,225	556,156
less non securitised finance receivables	(40,421)	(27,744)
securitised finance receivables	528,804	528,412
less advance from MTFS	(489,862)	(489,768)
	38,942	38,644
less timing differences on collection, recognition and pass through of income from MTFS to MTF	(7,934)	(7,655)
	31,008	30,989

In certain circumstances as outlined in note 28(i) MTF is required to repurchase securitised finance receivables from MTFS.

	group		parent	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
<b>note 3: income</b>				
<b>interest income</b>				
finance receivables designated as FVTPL	85,349	77,799	70,799	65,657
floorplan advances at amortised cost	-	44	-	44
cash in restricted bank accounts	2,520	2,270	-	-
	<b>\$87,868</b>	<b>\$80,113</b>	<b>\$70,799</b>	<b>\$65,701</b>
<b>interest income includes income from:</b>				
non-impaired assets	87,465	79,952	70,396	65,540
impaired assets	403	161	403	161
	<b>\$87,868</b>	<b>\$80,113</b>	<b>\$70,799</b>	<b>\$65,701</b>

**note 4: interest expense**

short-term loans	2,323	1,878	2,323	1,878
euro commercial paper/bills of exchange	43,861	35,903	-	-
floorplan	-	35	-	35
securitisation programme costs	3,138	2,866	-	-
securitisation funding costs	-	-	29,660	24,357
other	253	405	524	405
	<b>\$49,576</b>	<b>\$41,087</b>	<b>\$32,507</b>	<b>\$26,675</b>

**note 5: expense**

<b>includes:</b>				
auditor				
- statutory audit	96	105	33	68
- other audit services	97	40	97	40
- compliance	90	84	90	84
- other fees	134	-	134	-
depreciation				
- hardware	313	389	313	389
- office equipment, fixtures and fittings	115	99	115	99
- motor vehicles	77	88	77	88
amortisation				
- intangible assets - software	1,424	1,336	1,424	1,336
directors' fees	243	229	243	229
rental and lease	262	238	262	238
<b>employee expense includes key management remuneration of:</b>				
short term employee benefits	1,798	1,718	1,798	1,718
post employment benefits	1	-	1	-

The Auditor of the Group is Deloitte. Other audit services include assistance with IFRS transition and internal risk reviews. Other fees includes assistance with reviewing the development of finance receivables valuation methodologies and internal business planning.



	group		parent	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
<b>note 6: net gain (loss) from financial instruments designated at fair value and foreign currency translations</b>				
<b>net gain(loss) arising on:</b>				
finance receivables	12,296	(3,055)	12,296	(3,055)
interest rate swap derivatives - unrealised	(12,432)	2,266	(195)	195
interest rate swap derivatives - realised	(402)	-	(402)	-
foreign currency derivatives - unrealised/realised	24,533	(25,749)	-	-
foreign currency translation of ECP/BOE	(24,533)	25,749	-	-
	<b>\$(538)</b>	<b>\$(789)</b>	<b>\$11,699</b>	<b>\$(2,860)</b>

**note 7: derivative financial instruments**

	group		parent	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
<b>fair value</b>				
interest rate swaps	(11,972)	460	-	195
foreign exchange contracts	(569)	(25,102)	-	-
	<b>\$(12,541)</b>	<b>\$(24,642)</b>	<b>-</b>	<b>\$195</b>

The group enters into interest rate swaps to hedge fixed rate income from finance receivables against variable rate funding in the securitisation programme. In addition the parent entity enters into interest rate swaps from time to time to hedge future funding costs. The interest rate swaps are designated at fair value with gains and losses recognised through the income statement. The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at reporting date.

<i>interest rate swaps</i>	average contracted		notional principal		fair value	
	interest rate		amount			
	2008	2007	2008	2007	2008	2007
	%	%	\$000	\$000	\$000	\$000
<b>group</b>						
less than 1 year	6.42	8.02	231,509	274,002	(5,007)	307
1 to 2 years	6.81	6.42	173,670	171,079	(3,757)	82
2 to 3 years	7.17	6.81	108,604	107,745	(2,351)	52
3 to 4 years	7.86	7.17	34,223	34,950	(741)	16
4 to 5 years	7.98	7.85	5,342	6,035	(116)	3
			<b>\$553,348</b>	<b>\$593,811</b>	<b>\$(11,972)</b>	<b>\$460</b>
<b>parent</b>						
less than 1 year	-	8.05	-	40,000	-	195
			<b>-</b>	<b>\$40,000</b>	<b>-</b>	<b>\$195</b>

Foreign exchange forward agreements are entered into with the issuance of the ECP/BOE 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/BOE is eliminated. The notional amount, remaining terms and fair value of these contracts at reporting date is:

<i>foreign exchange contracts</i>	weighted average foreign exchange rate	group only		fair value
		foreign currency denominated notional amount	local currency notional amount	
	\$	USD \$000	\$000	\$000
<b>2008</b>				
less than 1 year	0.6674	343,481	516,777	(569)
		<b>\$343,481</b>	<b>\$516,777</b>	<b>\$(569)</b>
<b>2007</b>				
less than 1 year	0.7455	364,108	516,076	(25,102)
		<b>\$364,108</b>	<b>\$516,076</b>	<b>\$(25,102)</b>

**note 8: taxation**

**taxation recognised in income statement**

The prima facie income taxation expense on profit (loss) before taxation reconciles to the income taxation expense in the financial statements as follows:

<i>(a) taxation expense</i>	group		parent	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
profit (loss) before tax	5,059	(1,991)	17,296	(4,062)
income taxation expense calculated at 33%	1,669	(657)	5,708	(1,341)
non deductible expenses	21	23	21	23
non assessable Income	(216)	-	(216)	-
change in taxation rate	(291)	-	(250)	-
(over) under provision of income taxation in previous year	159	(199)	159	(199)
	<b>\$1,342</b>	<b>(\$833)</b>	<b>\$5,422</b>	<b>(\$1,517)</b>
represented by:				
current taxation	160	516	3,437	515
deferred taxation	1,182	(1,349)	1,985	(2,032)
	<b>\$1,342</b>	<b>(\$833)</b>	<b>\$5,422</b>	<b>(\$1,517)</b>

The prima facie taxation rate used in the above reconciliation is the corporate taxation rate of 33% payable by New Zealand corporate entities on taxable profits under New Zealand taxation law for the 2008 income taxation year. Deferred taxation at 30 September 2008 has been recalculated at the corporate taxation rate of 30% applying from the 2009 income taxation year onwards.

**(b) deferred taxation**

The deferred taxation balances at 30 September 2008 are represented by:

Taxable and deductible temporary differences arise from the following:

	opening balance	charged to income	changes in taxation rate charged to income	other	closing balance
<b>group - 2008</b>	\$'000	\$'000	\$'000	\$'000	\$'000
deferred taxation assets:					
accounts payable and accrued expense	(1,191)	1,759	(52)	-	516
taxation losses	5,356	(252)	(459)	(52)	4,593
	4,165	1,507	(511)	(52)	5,109
deferred taxation liabilities:					
property, plant and equipment	(69)	(56)	11	-	(113)
intangible assets	(155)	(253)	37	-	(371)
finance receivables	(5,475)	(2,824)	754	-	(7,544)
derivative financial instruments	(152)	152	-	-	-
	(5,851)	(2,981)	802	-	(8,028)
<b>total deferred taxation</b>	<b>(\$1,685)</b>	<b>(\$1,474)</b>	<b>\$291</b>	<b>(\$52)</b>	<b>(\$2,919)</b>
represented by:					
deferred taxation asset					3,592
deferred taxation liability					(6,511)
<b>total deferred taxation</b>					<b>(\$2,919)</b>

The deferred tax asset arises in an entity outside the MTF taxation Group.

	opening balance	charged to income	changes in taxation rate charged to income	other	closing balance
<b>parent - 2008</b>	\$'000	\$'000	\$'000	\$'000	\$'000
deferred taxation assets:					
accounts payable and accrued expense	(1,191)	1,759	(52)	-	517
	(1,191)	1,759	(52)	-	517
deferred taxation liabilities:					
property, plant and equipment	(68)	(56)	11	-	(113)
intangible assets	(155)	(253)	37	-	(371)
finance receivables	958	(3,749)	254	-	(2,538)
derivative financial instruments	(64)	64	-	-	-
	671	(3,994)	302	-	(3,022)
<b>total deferred taxation</b>	<b>(\$520)</b>	<b>(\$2,235)</b>	<b>\$250</b>	<b>-</b>	<b>(\$2,505)</b>

	opening balance	charged to income	changes in taxation rate charged to income	other	closing balance
<b>group - 2007</b>	\$'000	\$'000	\$'000	\$'000	\$'000
deferred taxation assets:					
taxation losses	4,058	1,568	-	(270)	5,356
	4,058	1,568	-	(270)	5,356
deferred taxation liabilities:					
accounts payable and accrued expense	(2,593)	1,402	-	-	(1,191)
property, plant and equipment	20	(88)	-	-	(68)
intangible assets	44	(198)	-	-	(154)
finance receivables	(4,888)	(588)	-	-	(5,476)
derivative financial instruments	596	(748)	-	-	(152)
	(6,821)	(220)	-	-	(7,041)
<b>total deferred taxation</b>	<b>(\$2,763)</b>	<b>\$1,348</b>	<b>-</b>	<b>(\$270)</b>	<b>(\$1,685)</b>
represented by:					
deferred taxation asset					-
deferred taxation liability					(1,685)
<b>total deferred taxation</b>					<b>(\$1,685)</b>

	opening balance	charged to income	changes in taxation rate charged to income	other	closing balance
<b>parent - 2007</b>	\$'000	\$'000	\$'000	\$'000	\$'000
deferred taxation liabilities:					
accounts payable and accrued expense	(2,593)	1,402	-	-	(1,191)
property, plant and equipment	20	(88)	-	-	(68)
intangible assets	43	(198)	-	-	(155)
finance receivables	(22)	980	-	-	958
derivative financial instruments	-	(64)	-	-	(64)
	(2,552)	2,032	-	-	(520)
<b>total deferred taxation</b>	<b>(\$2,552)</b>	<b>\$2,032</b>	<b>-</b>	<b>-</b>	<b>(\$520)</b>

	group		parent	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
<b>note 9: share capital repayable on demand</b>				
A ordinary shares:				
6,856,000 shares of \$1 issued	6,856	7,066	6,856	7,066
640,000 shares surrendered	(640)	(460)	(640)	(460)
150,000 shares allotted	150	250	150	250
6,366,000 shares of \$1 issued	6,366	6,856	6,366	6,856
uncalled capital	(74)	(204)	(74)	(204)
paid up capital A shares	6,292	6,652	6,292	6,652
C ordinary shares:				
2,969,836 of \$0.10 fully paid	297	266	297	266
2,969,836 shares surrendered	(297)	(8)	(297)	(8)
shares allotted	-	39	-	39
	-	297	-	297
<b>total issued and paid up capital repayable on demand</b>	<b>\$6,292</b>	<b>\$6,949</b>	<b>\$6,292</b>	<b>\$6,949</b>

The A ordinary shares are classified as liabilities as MTF does not have the unconditional right to refuse redemption.

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 transacting shareholders that meet MTF requirements for participation. A shares confer the right to one vote per share and the right to share in 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 including a share of surplus assets. 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 C shares were held by transacting shareholders who had elected to participate in the C share scheme. The non-voting C shares conferred 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 had received payment in full for the nominal value of their A shares. The C shares were originally issued in the mid nineties to enable MTF to distribute income earned from non-member activities to co-operative members. The last dividend distributed to C shareholders was in 2004 and the Board did not envisage the company participating in a non-member income yielding investment in the foreseeable future. In accordance with the constitution, the shareholders voted in favour of redeeming the C shares, at a special meeting on 13 March 2008.

### **note 10: perpetual preference shares**

#### **perpetual preference shares**

face value	40,000	40,000	40,000	40,000
issue fees and expenses	(1,034)	(1,034)	(1,034)	(1,034)
	<b>\$38,966</b>	<b>\$38,966</b>	<b>\$38,966</b>	<b>\$38,966</b>

The perpetual preference shares are non-redeemable and carry no voting rights. Dividends are paid quarterly in arrears and are non-cumulative. Dividends are not promised or guaranteed and may be cancelled at the board's discretion.

The dividend payable on the perpetual preference shares is based on the benchmark rate plus 2.4% and is reset annually on 30 September. Dividends were declared throughout the year ended 30 September 2008 at a gross rate of 11.07% and amounted to \$2,967,000 (\$2,613,000 : 2007) fully imputed. The dividend rate was reset on 30 September 2008 at a gross rate of 9.42%. Dividends at the relevant reset rate are declared subject, in all cases, to the applicable board resolutions being passed.

MTF may redeem or repurchase all or part of the perpetual preference shares.

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

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

perpetual preference share dividend	group and parent	
	2008	2007
	total	total
	\$000	\$000
dividend paid and payable	2,967	2,613
	<b>\$2,967</b>	<b>\$2,613</b>

### note 11: short-term loans (secured)

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

	maturity	rate	group		parent	
			2008	2007	2008	2007
			\$000	\$000	\$000	\$000
Commonwealth Bank of Australia (i)	23-Dec-09	8.20%	14,000	-	14,000	-
Westpac Banking Corporation (ii)	30-Jun-10	8.23%	5,400	-	5,400	-
Bank of New Zealand (ii)	31-Dec-10	8.35%	5,000	21,300	5,000	21,300
ANZ National Bank (ii)	31-Mar-10	8.53%	4,000	-	4,000	-
			<b>\$28,400</b>	<b>\$21,300</b>	<b>\$28,400</b>	<b>\$21,300</b>

- (i) \$14,000,000 (2007: \$nil) facility with the Commonwealth Bank of Australia (CBA) is secured by a first ranking fixed charge over the future interest cash flows from the instalments outstanding on the securitised finance receivables. A first ranking floating charge has security over the rights and titles to, and interests in, the bank account into which the securitised finance receivables net interest margin is paid.
- (ii) \$14,400,000 (2007: \$21,300,000) is secured by a composite debenture dated 17 May 2001 in favour of Bank of New Zealand, Westpac Banking Corporation and ANZ National Bank over the assets of MTF and MTF Leasing Limited (MTFL) and 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, MTFL, Bank of New Zealand, Westpac Banking Corporation and ANZ National Bank.

### note 12: 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 8.34% p.a. (2007 : 8.90%).

New notes may be issued at the maturity date of each note for periods of up to 90 days. In practice, the funding under the securitisation programme generally rolls over every 28 – 34 days. In the event new ECP cannot be issued, liquidity support, via Bills of Exchange (refer note 13), is utilised.

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.

	carrying value at forward	group exchange gain (loss) on translation	carrying value at spot			
				\$000	\$000	\$000
				<b>2008</b>		
euro commercial paper - secured	146,873	(2,699)	149,572			
	<b>\$146,873</b>	<b>\$(2,699)</b>	<b>\$149,572</b>			
<b>2007</b>						
euro commercial paper - secured	133,352	6,704	126,648			
	<b>\$133,352</b>	<b>\$6,704</b>	<b>\$126,648</b>			

At the time ECP/BOE paper is drawn the carrying value is assessed based on the forward rate that will be delivered using the foreign currency forward exchange contracts entered into at the same date. The funding arrangement is structured such that the difference between the forward rate and spot rate at balance sheet date will always agree with the fair value of the foreign exchange forward contract fair value.

**note 13: bills of exchange (secured)**

Bills of Exchange (BOE) are issued to MTFs under the Revolving Liquidity Facility Agreement (RLF). This is a USD standby bill endorsement facility with a limit of NZD600,000,000 and provides rolling liquidity cover from banks rated A-1+/P-1 or better, presently CBA and Westpac Banking Corporation. This liquidity facility is solely available in the event MTFs is unable to source ECP funding under the securitisation programme.

The facility has a renewal date of 24 December 2008. Commitment is provided in the following proportion:

		group				
		total RLF limit	undrawn facilities	carrying value at forward	exchange gain (loss) on translation	carrying value at spot
		\$000	\$000	\$000	\$000	\$000
<b>2008</b>						
Commonwealth Bank of Australia	72%	432,000	165,669	266,331	2,353	263,978
Westpac Banking Corporation	28%	168,000	64,427	103,573	915	102,658
		<b>\$600,000</b>	<b>\$230,096</b>	<b>\$369,904</b>	<b>\$3,268</b>	<b>\$366,636</b>
<b>2007</b>						
Commonwealth Bank of Australia	72%	432,000	156,439	275,561	13,247	262,314
Westpac Banking Corporation	28%	168,000	60,837	107,163	5,151	102,012
		<b>\$600,000</b>	<b>\$217,276</b>	<b>\$382,724</b>	<b>\$18,398</b>	<b>\$364,326</b>

BOE with maturity dates between 7 and 28 days from balance date have been issued at an effective NZD discount rate of 8.41% p.a. (2007 : 8.82% p.a.). New bills are issued, for periods of up to 90 days, if it is not possible to roll over existing or issue new ECP.

At the time ECP/BOE paper is drawn the carrying value is assessed based on the forward rate that will be delivered using the foreign currency forward exchange contracts entered into at the same date. The funding arrangement is structured such that the difference between the forward rate and spot rate at balance sheet date will always agree with the fair value of the foreign exchange forward contract fair value.

**note 14: advance from MTFs**

The advance from MTFs represents the funding provided by the securitisation programme to MTF. This advance is funded within MTFs, by borrowings in the form of ECP (refer note 12) and BOE (refer note 13), denominated in USD.

The maturity profile of the advance from MTFs matches the maturity profile of the underlying securitised finance receivables originated by transacting shareholders.

The interest on the advance from MTFs is represented by the securitisation funding costs. At 30 September 2008 the securitisation funding costs represented an effective interest rate of 6.06% (2007 : 5.17%) on the advance from MTFs.

	group		parent	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
<b>note 15: accounts payable and accrued expense</b>				
trade creditors	1,321	2,113	1,321	2,113
sundry creditors and accruals	6,755	5,841	6,687	5,443
distributions to transacting shareholders withheld	1,292	1,022	1,292	1,022
employee entitlements	810	949	810	949
	<b>\$10,178</b>	<b>\$9,925</b>	<b>\$10,110</b>	<b>\$9,527</b>

	group		parent	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
<b>note 16: finance receivables</b>				
receivable within 12 months	233,917	236,378	228,279	233,310
receivable beyond 12 months	351,457	328,807	340,946	322,846
<b>total finance receivables</b>	<b>\$585,374</b>	<b>\$565,185</b>	<b>\$569,225</b>	<b>\$556,156</b>

Finance receivables have been designated at fair value through profit and loss. The finance receivables have been matched with interest rate swaps as part of a documented risk management strategy. An accounting mismatch would arise if the finance receivables were accounted for at amortised cost because the related derivatives (interest rate swaps) are measured at fair value, with movements in fair value recognised in the income statement.

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

finance receivables at fair value through profit or loss	574	-	574	-
	574	-	574	-

Credit impairment on finance receivables designated at fair value through profit or loss has been reviewed by the Group as being \$574,000 (2007 : \$nil). The impact is included in the overall fair value movement.

#### **note 17: cash in restricted bank accounts**

Payments received from customers with respect to securitised finance 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/BOE borrowings within the securitisation programme. Interest income of \$2,520,000 (2007 : \$2,270,000) was earned on cash deposits within the securitisation programme during the year.

#### **note 18: asset quality disclosures**

Individually impaired finance receivables are principally comprised of non-accrual assets and are classified as managed transacting shareholders. In assessing fair value a specific impairment allowance is taken in relation to the assets of these managed transacting shareholders and takes into account the value of the collateral held as part of the recourse obligation including, but not limited to, future rebates and shares, value of the goods subject to each contract, bank guarantees, personal guarantees and first ranking mortgages over property.

A financial asset is considered past due when a counterparty has failed to make a payment when contractually obligated. All customer losses are for the account of the transacting shareholder; payment is contractually due to MTF, from transacting shareholders, when a customer account has been in the arrears process for 84 days or more. All contracts that remain unpaid past this point are classified as past due but not impaired. The inclusion of past due finance receivables in the table below does not necessarily indicate that such finance receivables are doubtful. Past due but not impaired finance receivables excludes those finance receivables of managed transacting shareholders.



	group		parent	
	2008	2007	2008	2007
<i>asset quality</i>	\$000	\$000	\$000	\$000
<b>(a) asset quality - finance receivables</b>				
neither past due nor impaired	582,746	564,128	566,613	555,140
individually impaired	2,504	750	2,504	750
past due but not impaired	208	566	192	525
total impairment	(84)	(259)	(84)	(259)
total carrying amount	\$585,374	\$565,185	\$569,225	\$556,156
<b>(b) aging of past due but not impaired assets</b>				
past due 90 -120 days	174	447	158	415
past due 120 days+	34	119	34	110
carrying amount of past due assets	\$208	\$566	\$192	\$525
<b>(c) 90 day past due assets</b>				
balance at beginning of year	626	700	539	668
net movement in past due assets	462	(74)	548	(51)
carrying amount at end of year	\$1,088	\$626	\$1,087	\$539
<b>(d) individually impaired assets - managed transacting shareholders</b>				
finance receivables	2,504	750	2,504	750
balances available for offset	(2,420)	(491)	(2,420)	(491)
impaired	(\$84)	(\$259)	(\$84)	(\$259)

MTF has available, as collateral, registered security on the goods subject to the contract. In addition to this MTF may hold credit enhancements against the transacting shareholder including, but not limited to, rights to seize shares and profits of the transacting shareholders, bank guarantees, personal guarantees and first ranking mortgages over property.

Of the total amount recorded as finance receivables at 30 September 2008, 0.19% (2007 : 0.11%) have repayments that have been past due more than 90 days.

The Group and Parent do not have any restructured assets or assets acquired through the enforcement of security (2007 : nil).

#### **note 19: investment in subsidiaries**

name of entity	principal activity	interest held by parent	
		2008	2007
MTF Leasing Ltd	leasing	100%	100%
MTF Securities Ltd	securitisation	-	-

Each subsidiary has a balance date of 30 September and is incorporated in New Zealand.

MTFS is a controlled entity of MTF and is consolidated into the MTF Group (note 2).

	group		parent	
	2008	2007	2007	2006
	\$000	\$000	\$000	\$000
<b>amount owing by subsidiaries</b>				
MTF Leasing Ltd	-	-	15,079	7,983

*note 20: Property, plant and equipment*

carrying amounts	group		parent	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
computer hardware	1,881	1,975	1,881	1,975
less accumulated depreciation	(1,767)	(1,584)	(1,767)	(1,584)
<b>total carrying amount</b>	<b>114</b>	<b>391</b>	<b>114</b>	<b>391</b>
office equipment, fixtures and fittings	940	931	940	931
less accumulated depreciation	(491)	(376)	(491)	(376)
<b>total carrying amount</b>	<b>449</b>	<b>554</b>	<b>449</b>	<b>554</b>
motor vehicles	416	373	416	373
less accumulated depreciation	(192)	(140)	(192)	(140)
<b>total carrying amount</b>	<b>223</b>	<b>233</b>	<b>223</b>	<b>233</b>
<b>total property, plant and equipment</b>	<b>\$786</b>	<b>\$1,178</b>	<b>\$786</b>	<b>\$1,178</b>

Reconciliation of the carrying amounts for each class of property, plant and equipment is as follows:

<b>computer hardware</b>				
balance at beginning of year	391	620	391	620
additions	36	160	36	160
disposals	(0)	-	(0)	-
depreciation	(313)	(389)	(313)	(389)
<b>balance at end of year</b>	<b>114</b>	<b>391</b>	<b>114</b>	<b>391</b>
<b>office equipment</b>				
balance at beginning of year	554	328	554	328
additions	10	325	10	325
disposals	-	-	-	-
depreciation	(115)	(99)	(115)	(99)
<b>balance at end of year</b>	<b>449</b>	<b>554</b>	<b>449</b>	<b>554</b>
<b>motor vehicles</b>				
balance at beginning of year	233	256	233	256
additions	84	119	84	119
disposals	(17)	(54)	(17)	(54)
depreciation	(77)	(88)	(77)	(88)
<b>balance at end of year</b>	<b>223</b>	<b>233</b>	<b>223</b>	<b>233</b>
<b>total property, plant and equipment</b>	<b>\$786</b>	<b>\$1,178</b>	<b>\$786</b>	<b>\$1,178</b>

**note 21: intangible assets**

	group		parent	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
<b>cost</b>				
balance at beginning of year	9,502	7,455	9,502	7,455
additions	843	2,325	843	2,325
eliminated on disposal	-	(278)	-	(278)
balance at end of year	10,345	9,502	10,345	9,502
<b>amortisation and impairment</b>				
balance at beginning of year	5,320	4,261	5,320	4,261
amortisation expense	1,424	1,336	1,424	1,336
eliminated on disposal	-	(278)	-	(278)
balance at end of year	6,744	5,320	6,744	5,320
<b>total intangible assets</b>	<b>\$3,601</b>	<b>\$4,183</b>	<b>\$3,601</b>	<b>\$4,183</b>

**note 22: retained earnings**

opening balance	3,566	7,337	3,388	8,546
profit(loss) after tax	3,717	(1,158)	11,875	(2,545)
perpetual preference share dividend	(2,967)	(2,613)	(2,967)	(2,613)
<b>closing balance</b>	<b>\$4,316</b>	<b>\$3,566</b>	<b>\$12,296</b>	<b>\$3,388</b>

**note 23: related party transactions**

Directors G D Gibbons, M B Hatwell, 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 companies (transacting shareholders) associated with the following directors is as follows:

	group and parent	
	2008 \$000	2007 \$000
G D Gibbons	2,108	3,047
W N Cashmore	64	15
K J Cummings	903	1,229
M B Hatwell	536	693
	<b>\$3,611</b>	<b>\$4,984</b>

The finance receivables outstanding with companies (transacting shareholders) associated with the following directors is as follows:

	2008	2007
	\$000	\$000
G D Gibbons	36,785	40,970
W N Cashmore	1,372	672
K J Cummings	20,973	20,994
M B Hatwell	7,134	6,286
	<b>\$66,264</b>	<b>\$68,921</b>

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

	parent	
	2008 \$000	2007 \$000
loans sold to MTF	413,952	450,025
securitisation funding costs charged by MTF	29,660	24,357
advance from MTF	489,862	489,768

A R Bradshaw resigned as a director of Wickliffe Ltd in February 2008. MTF received director's fees of \$4,500 (2007 : \$20,250). MTF purchases goods from Wickliffe Ltd under normal trade terms. Purchases up to the date of resignation totalled \$48,000 (2007 : \$114,000), with \$nil outstanding at 30 September 2008 (2007 : \$7,000).

M J Hade is a director of MTF appointed by Commonwealth Bank of Australia Ltd. He is a senior executive of Commonwealth Bank of Australia Ltd, the ultimate parent of Securitisation Advisory Services Pty Ltd, which manages the securitisation programme and provides credit services to MTF. Commonwealth Bank of Australia Ltd provides credit and funding facilities to MTF. Transactions and balances between Commonwealth Bank of Australia and MTF are as follows:

	group	
	2008 \$000	2007 \$000
management fees	300	300
facility fees	1,366	824
swap break costs paid/(break gain received)	318	(489)
interest swap fees	391	411
bills of exchange - secured	263,978	262,315
short term loans - secured	14,000	-

	group		parent	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
<b>note 24: commitments</b>				
<b>(a) operating lease commitments (non-cancellable)</b>				
payable within one year	182	193	182	193
payable between 1 and 2 years	85	168	85	168
payable between 2 and 5 years	-	84	-	84
<b>(b) capital commitments</b>	<b>108</b>	<b>108</b>	<b>108</b>	<b>108</b>

**note 25: imputation credit account**

opening balance	(160)	1,145	(502)	802
income taxation paid	1,212	-	1,212	-
attached to dividends paid	(1,783)	(1,305)	(1,783)	(1,305)
consolidation of imputation credit accounts	-	-	343	-
<b>closing balance imputation credits (deficit)</b>	<b>(\$731)</b>	<b>(\$160)</b>	<b>(\$731)</b>	<b>(\$502)</b>

**note 26: categories of financial instruments**

The table below sets out the Group's classification of each class of financial asset and liability

classification of financial instruments at 30 September 2008

<b>group</b>	designated at fair value	available for sale	loans and receivables	held to maturity	financial liabilities at amortised cost	total carrying amount
	\$000	\$000	\$000	\$000	\$000	\$000
<b>assets</b>						
cash in restricted bank accounts	-	-	26,915	-	-	26,915
accounts receivable	-	-	3,037	-	-	3,037
finance receivables	585,374	-	-	-	-	585,374
	<b>\$585,374</b>	-	<b>\$29,952</b>	-	-	<b>\$615,326</b>
<b>liabilities</b>						
share capital repayable on demand	-	-	-	-	6,292	6,292
bank overdraft	-	-	-	-	481	481
accounts payable and accrued expense	-	-	-	-	10,178	10,178
short-term loans - secured	-	-	-	-	28,400	28,400
euro commercial paper - secured	-	-	-	-	149,572	149,572
bills of exchange - secured	-	-	-	-	366,636	366,636
derivative financial instruments	12,541	-	-	-	-	12,541
	<b>\$12,541</b>	-	-	-	<b>\$561,559</b>	<b>\$574,100</b>
<b>parent</b>						
	\$000	\$000	\$000	\$000	\$000	\$000
<b>assets</b>						
accounts receivable	-	-	2,957	-	-	2,957
finance receivables	569,225	-	-	-	-	569,225
amounts owing by subsidiaries	-	-	15,079	-	-	15,079
	<b>\$569,225</b>	-	<b>\$18,036</b>	-	-	<b>\$587,261</b>
<b>liabilities</b>						
share capital repayable on demand	-	-	-	-	6,292	6,292
bank overdraft	-	-	-	-	530	530
accounts payable and accrued expense	-	-	-	-	10,110	10,110
short-term loans - secured	-	-	-	-	28,400	28,400
advance from MTFs	-	-	-	-	489,862	489,862
	-	-	-	-	<b>\$535,194</b>	<b>\$535,194</b>

<b>group</b>	designated at fair value	available for sale	loans and receivables	held to maturity	financial liabilities at amortised cost	total carrying amount
	\$000	\$000	\$000	\$000	\$000	\$000
<b>assets</b>						
cash in restricted bank accounts	-	-	26,309	-	-	26,309
accounts receivable	-	-	2,252	-	-	2,252
finance receivables	565,185	-	-	-	-	565,185
	<b>\$565,185</b>	-	<b>\$28,561</b>	-	-	<b>\$593,746</b>
<b>liabilities</b>						
share capital repayable on demand	-	-	-	-	6,949	6,949
bank overdraft	-	-	-	-	584	584
accounts payable and accrued expense	-	-	-	-	9,925	9,925
short-term loans - secured	-	-	-	-	21,300	21,300
euro commercial paper - secured	-	-	-	-	126,648	126,648
bills of exchange - secured	-	-	-	-	364,326	364,326
derivative financial instruments	24,642	-	-	-	-	24,642
	<b>\$24,642</b>	-	-	-	<b>\$529,732</b>	<b>\$554,374</b>
<b>parent</b>						
	designated at fair value	available for sale	loans and receivables	held to maturity	financial liabilities at amortised cost	total carrying amount
	\$000	\$000	\$000	\$000	\$000	\$000
<b>assets</b>						
accounts receivable	-	-	1,822	-	-	1,822
finance receivables	556,156	-	-	-	-	556,156
derivative financial instruments	195	-	-	-	-	195
amounts owing by subsidiaries	-	-	7,983	-	-	7,983
	<b>\$556,351</b>	-	<b>\$9,805</b>	-	-	<b>\$566,156</b>
<b>liabilities</b>						
share capital repayable on demand	-	-	-	-	6,949	6,949
bank overdraft	-	-	-	-	583	583
accounts payable and accrued expense	-	-	-	-	9,527	9,527
short-term loans - secured	-	-	-	-	21,300	21,300
advance from MTFs	-	-	-	-	489,768	489,768
	-	-	-	-	<b>\$528,127</b>	<b>\$528,127</b>

All financial instruments designated at fair value are so designated upon initial recognition.

### **note 27: credit risk**

Credit risk is the risk of financial loss to MTF if a customer or counterparty to a financial instrument fails to meet its contractual obligations under the contract. Financial instruments which potentially subject the group to credit risk principally consist of cash in restricted bank accounts, accounts receivable and finance receivables.

#### **(i) management of credit risk**

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

A separate credit team reports to the credit committee. The credit team's role includes assessing transacting shareholder applications, reviewing transacting shareholder accounts, setting and reviewing facility limits, managing asset quality, detecting transacting shareholder fraud, recovering bad debt and perfecting security interests. MTF undertakes regular independent credit risk reviews with the Board ensuring any recommendations arising are investigated and appropriate action taken where necessary.

All customer losses are for the account of the transacting shareholder. The credit risk assumed by MTF is to the individual transacting shareholder and its capacity to meet any customer shortfall. In the event of any default by a transacting shareholder under a MTF contract, MTF has available as security the vehicle or goods subject to the contract and a right of action against the defaulting conditional purchaser and any guarantor(s). MTF requires each transacting shareholder to indemnify MTF against any default by a conditional purchaser from that transacting shareholder. This transacting shareholder indemnity includes the right to forfeit the shares and profits of any transacting shareholder in the event that the transacting shareholder fails to meet the obligations under the terms of the recourse arrangement. In addition to this MTF

may hold a range of additional credit enhancements against the transacting shareholder including, but not limited to, bank guarantees, personal guarantees and first ranking mortgages over property.

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

From time to time MTF will take possession of vehicles or goods through enforcement of its security interests. These assets are generally disposed of via public auction with proceeds being applied to any outstanding amounts. As at year end MTF had an immaterial amount of such assets in its possession and transactions of this type throughout the year were of an immaterial level.

## (ii) maximum exposures to credit risk

	group		parent	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
cash in restricted bank accounts	26,915	26,309	-	-
accounts receivable	3,037	2,252	2,957	1,822
non securitised finance receivables	537,653	527,064	528,804	528,412
securitised finance receivables	47,721	38,121	40,421	27,744

Except for the circumstances set out under note 28(i) requiring MTF to repurchase securitised finance receivables from MTFS the credit risk on securitised finance 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 finance receivables is assumed by the holders of the ECP/BOE pursuant to the securitisation programme. As set out in note 2, securitised finance receivables have been legally purchased by MTFS. MTFS is bankruptcy remote, which, from a legal perspective, limits MTF's credit risk, with respect to securitised finance receivables, to the amount of the subordinated loan provided to MTFS.

In the normal course of business, MTF buys back any impaired finance 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 finance receivables, is equal to the carrying value of these assets.

Non-securitised finance receivables comprise amounts owing by transacting shareholders and are secured by a specific charge over each vehicle held under various transacting shareholder loans. Transacting shareholders largely indemnify any losses from defaults by their customers. This indemnity includes the right to seize the shares and profits of any transacting shareholder.

## (iii) concentration of credit risk

The group has a concentration of credit risk to its transacting shareholders for finance receivables. The position is mitigated by the limited exposure to transacting shareholders relative to the total asset base, the high number of individual contracts which comprise the finance receivables and the risk assumed by the holders of the ECP/BOE on the securitised finance receivables.

Transacting shareholders provide MTF with an indemnity for losses from default by their customers (recourse). In certain loss situations, MTF will not enforce the recourse, if the default loan meets all the qualifying criteria under the terms of a contingent debt arrangement. The terms of this arrangement revolve around the credit process recommended during the loan origination process. Any losses under this arrangement are recognised in the income statement when incurred and totalled \$186,000 for the year ending 30 September 2008 (2007 : \$132,000).

Concentration of credit risk by geographical location	group		parent	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Auckland	85,251	81,126	82,147	80,549
Christchurch	78,624	77,278	75,665	74,319
Dunedin	62,027	58,869	60,293	56,613
Gisbourne	16,406	14,604	16,187	14,569
Hawkes Bay	30,731	33,546	30,115	33,246
Manawatu	28,694	27,199	28,247	26,786
Nelson	36,468	37,469	35,983	37,367
North Auckland	16,244	15,637	16,013	15,587
Rotorua	20,809	18,568	19,897	18,290
South Auckland	11,552	11,245	11,232	10,986
Southland	38,618	35,298	37,515	35,084
Taranaki	28,745	26,405	27,558	25,848
Tauranga	18,017	17,667	17,674	17,398
Waikato	72,201	70,023	70,919	69,411
Wellington	40,987	40,252	39,777	40,102
Overseas	-	-	-	-
<b>total concentration of credit risk by geographical location</b>	<b>\$585,374</b>	<b>\$565,185</b>	<b>\$569,225</b>	<b>\$556,156</b>

#### Concentration of credit risk by security type

passenger vehicle	418,156	401,567	406,768	398,133
commercial vehicle	91,924	85,028	90,853	84,672
motorcycle	56,785	57,390	55,906	57,206
marine	7,373	8,376	7,295	8,355
caravan	6,516	7,139	6,448	2,119
equipment	4,619	5,685	1,955	5,671
<b>total concentration of credit risk by security type</b>	<b>\$585,374</b>	<b>\$565,185</b>	<b>\$569,225</b>	<b>\$556,156</b>

#### Concentration of credit risk by transacting shareholder exposure

0 - \$5,000,000	363,437	368,785	366,144	361,338
\$5,000,000 - \$10,000,000	60,794	35,817	47,544	35,585
\$10,000,000 - \$50,000,000	48,172	59,153	49,887	58,950
\$50,000,000+	112,971	101,430	105,649	100,283
<b>Concentration of credit risk by transacting shareholder ledger</b>	<b>\$585,374</b>	<b>\$565,185</b>	<b>\$569,225</b>	<b>\$556,156</b>

#### Concentration of credit risk by individual contract size

0 - \$5,000	52,747	55,540	51,655	54,740
\$5,001 - \$10,000	119,223	118,483	117,040	117,052
\$10,001 - \$20,000	178,177	167,315	174,125	164,889
\$20,001 - \$30,000	116,868	106,977	112,709	105,296
\$30,001 - \$40,000	64,653	65,818	61,591	64,565
\$40,001 - \$50,000	18,067	17,046	17,400	16,878
\$50,001+	35,639	34,007	34,703	32,736
<b>total concentration of credit risk by contract size</b>	<b>\$585,374</b>	<b>\$565,185</b>	<b>\$569,225</b>	<b>\$556,156</b>

The group's concentration of credit risk to individual counterparties, including customers, transacting shareholders under recourse arrangements and financial institutions, that are equal to or greater than 10% of total equity are:



	group		parent	
	2008	2007	2008	2007
10%-19%	-	1	-	1
20-29%	1	-	1	-
40%-49%	-	1	-	1
60%-69%	1	-	1	-
140% - 149%	1	1	1	1

#### (iv) counterparty risk

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.

forward exchange rate contracts - notional balance	516,777	516,077	-	-
interest rate swaps - notional balance	553,348	593,811	-	40,000

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 continuously.

#### *note 28: liquidity risk*

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

The contractual maturity profile reflects the remaining period to contractual maturity of assets and liabilities as at balance date. This is not considered by MTF to be an accurate indicator of future cash flow as it assumes the bills of exchange facility is not renewed beyond the next maturity date of 24 December 2008 (2007 : 30 June 2007). The expected maturity analysis is a more accurate reflection of the liquidity profile of the Group. This reflects the cash flows related to the repayment of the bills of exchange mirroring the instalments from the underlying finance receivables and assumes that the BOE facility would be rolled over at the next, and each subsequent, maturity date.

The finance receivable amount is based on the cash flow MTF is contractually entitled to receive and is not based on the fair value amount represented on the balance sheet. The amounts in the liquidity profile include both interest and principal repayments. The amounts shown for the BOE and ECP include interest costs which MTF would be obligated to pay over the run out of these facilities. MTF has unutilised facilities available to its transacting shareholders as at balance date. As MTF is not contractually obligated to meet the funding obligations related to these facilities they are not included in this liquidity profile.

Financial assets matched against financial liabilities at 30 September 2008 (contractual undiscounted cash flows)

<b>group</b>	on demand \$000	0 - 6 months \$000	6 - 12 months \$000	12 - 24 months \$000	24 - 60 months \$000	total \$000
<b>monetary assets</b>						
cash in restricted bank accounts	26,915	-	-	-	-	26,915
accounts receivable	-	3,037	-	-	-	3,037
finance receivables	-	161,403	140,248	218,749	177,446	697,846
	<b>26,915</b>	<b>164,440</b>	<b>140,248</b>	<b>218,749</b>	<b>177,446</b>	<b>727,798</b>
<b>monetary liabilities</b>						
share capital repayable on demand	-	-	-	-	6,292	6,292
bank overdraft	481	-	-	-	-	481
accounts payable and accrued expense	-	10,178	-	-	-	10,178
short-term loans - secured	-	29,576	-	-	-	29,576
euro commercial paper - secured	-	150,607	-	-	-	150,607
bills of exchange - secured	-	373,228	-	-	-	373,228
derivative financial instruments	-	12,541	-	-	-	12,541
	<b>481</b>	<b>576,130</b>	<b>-</b>	<b>-</b>	<b>6,292</b>	<b>582,903</b>
<b>net liquidity gap</b>	<b>\$26,434</b>	<b>(\$411,690)</b>	<b>\$140,248</b>	<b>\$218,749</b>	<b>\$171,154</b>	<b>\$144,895</b>
<b>net liquidity gap - cumulative</b>	<b>\$26,434</b>	<b>(\$385,256)</b>	<b>(\$245,008)</b>	<b>(\$26,259)</b>	<b>\$144,895</b>	
<b>parent</b>	on demand \$000	0 - 6 months \$000	6 - 12 months \$000	12 - 24 months \$000	24 - 60 months \$000	total \$000
<b>monetary assets</b>						
accounts receivable	-	2,957	-	-	-	2,957
finance receivables	-	157,401	136,753	213,534	169,764	677,452
amounts owing by subsidiaries	-	15,079	-	-	-	15,079
	<b>-</b>	<b>175,437</b>	<b>136,753</b>	<b>213,534</b>	<b>169,764</b>	<b>695,488</b>
<b>monetary liabilities</b>						
share capital repayable on demand	-	-	-	-	6,292	6,292
bank overdraft	530	-	-	-	-	530
accounts payable and accrued expense	-	10,110	-	-	-	10,110
advance from MTFs	-	127,710	106,515	168,287	138,619	541,131
short-term loans - secured	-	29,576	-	-	-	29,576
	<b>530</b>	<b>167,396</b>	<b>106,515</b>	<b>168,287</b>	<b>144,911</b>	<b>587,639</b>
<b>net liquidity gap</b>	<b>(530)</b>	<b>8,041</b>	<b>30,238</b>	<b>45,247</b>	<b>24,853</b>	<b>107,849</b>
<b>net liquidity gap - cumulative</b>	<b>(530)</b>	<b>7,511</b>	<b>37,749</b>	<b>82,996</b>	<b>107,849</b>	

Financial assets matched against financial liabilities at 30 September 2007 (contractual undiscounted cash flows)

<b>group</b>	on demand	0 - 6	6 - 12	12 - 24	24 - 60	total
	\$000	months	months	months	months	\$000
<b>monetary assets</b>						
cash in restricted bank accounts	26,309	-	-	-	-	26,309
accounts receivable	-	2,252	-	-	-	2,252
finance receivables	-	160,979	137,670	210,143	172,172	680,964
	<b>\$26,309</b>	<b>\$163,231</b>	<b>\$137,670</b>	<b>\$210,143</b>	<b>\$172,172</b>	<b>\$709,525</b>
<b>monetary liabilities</b>						
share capital repayable on demand	-	-	-	-	6,949	6,949
bank overdraft	584	-	-	-	-	584
accounts payable and accrued expense	-	9,925	-	-	-	9,925
short-term loans - secured	-	22,211	-	-	-	22,211
euro commercial paper - secured	-	127,634	-	-	-	127,634
bills of exchange - secured	-	104,460	284,450	-	-	388,910
derivative financial instruments	-	24,447	195	-	-	24,642
	<b>\$584</b>	<b>\$288,677</b>	<b>\$284,645</b>	<b>\$0</b>	<b>\$6,949</b>	<b>\$580,855</b>
<b>net liquidity gap</b>	<b>\$25,725</b>	<b>(\$125,446)</b>	<b>(\$146,975)</b>	<b>\$210,143</b>	<b>\$165,223</b>	<b>\$128,670</b>
<b>net liquidity gap - cumulative</b>	<b>\$25,725</b>	<b>(\$99,721)</b>	<b>(\$246,696)</b>	<b>(\$36,553)</b>	<b>\$128,670</b>	
<b>parent</b>						
	on demand	0 - 6	6 - 12	12 - 24	24 - 60	total
	\$000	months	months	months	months	\$000
<b>monetary assets</b>						
accounts receivable	-	1,822	-	-	-	1,822
finance receivables	-	158,494	135,622	207,023	168,545	669,684
derivative financial instruments	-	-	195	-	-	195
amounts owing by subsidiaries	-	7,983	-	-	-	7,983
	-	<b>168,299</b>	<b>135,817</b>	<b>207,023</b>	<b>168,545</b>	<b>679,684</b>
<b>monetary liabilities</b>						
share capital repayable on demand	-	-	-	-	6,949	6,949
bank overdraft	583	-	-	-	-	583
accounts payable and accrued expense	-	9,527	-	-	-	9,527
advance from MTFS	-	126,491	108,277	165,163	133,099	533,030
short-term loans - secured	-	22,211	-	-	-	22,211
	<b>583</b>	<b>158,229</b>	<b>108,277</b>	<b>165,163</b>	<b>140,048</b>	<b>572,300</b>
<b>net liquidity gap</b>	<b>(\$583)</b>	<b>\$10,070</b>	<b>\$27,540</b>	<b>\$41,860</b>	<b>\$28,497</b>	<b>\$107,384</b>
<b>net liquidity gap - cumulative</b>	<b>(\$583)</b>	<b>\$9,487</b>	<b>\$37,027</b>	<b>\$78,887</b>	<b>\$107,384</b>	

Financial assets matched against financial liabilities at 30 September 2008 (expected undiscounted cash flows)

<b>group</b>	on demand \$000	0 - 6 months \$000	6 - 12 months \$000	12 - 24 months \$000	24 - 60 months \$000	total \$000
<b>monetary assets</b>						
cash in restricted bank accounts	26,915	-	-	-	-	26,915
accounts receivable	-	3,037	-	-	-	3,037
finance receivables	-	161,403	140,248	218,749	177,446	697,846
	<b>26,915</b>	<b>164,440</b>	<b>140,248</b>	<b>218,749</b>	<b>177,446</b>	<b>727,798</b>
<b>monetary liabilities</b>						
share capital repayable on demand	-	-	-	-	6,292	6,292
bank overdraft	481	-	-	-	-	481
accounts payable and accrued expense	-	10,178	-	-	-	10,178
short-term loans - secured	-	29,576	-	-	-	29,576
euro commercial paper - secured	-	19,614	-	-	-	19,614
bills of exchange - secured	-	118,410	112,623	171,352	136,216	538,601
derivative financial instruments	-	12,541	-	-	-	12,541
	<b>481</b>	<b>190,319</b>	<b>112,623</b>	<b>171,352</b>	<b>142,508</b>	<b>617,283</b>
<b>net liquidity gap</b>	<b>\$26,434</b>	<b>(\$25,879)</b>	<b>\$27,625</b>	<b>\$47,397</b>	<b>\$34,938</b>	<b>\$110,515</b>
<b>net liquidity gap - cumulative</b>	<b>\$26,434</b>	<b>\$555</b>	<b>\$28,180</b>	<b>\$75,577</b>	<b>\$110,515</b>	

<b>parent</b>	on demand \$000	0 - 6 months \$000	6 - 12 months \$000	12 - 24 months \$000	24 - 60 months \$000	total \$000
<b>monetary assets</b>						
accounts receivable	-	2,957	-	-	-	2,957
finance receivables	-	157,401	136,753	213,534	169,764	677,452
amounts owing by subsidiaries	-	15,079	-	-	-	15,079
	-	<b>175,437</b>	<b>136,753</b>	<b>213,534</b>	<b>169,764</b>	<b>695,488</b>
<b>monetary liabilities</b>						
share capital repayable on demand	-	-	-	-	6,292	6,292
bank overdraft	530	-	-	-	-	530
accounts payable and accrued expense	-	10,110	-	-	-	10,110
advance from MTFs	-	127,710	106,515	168,287	138,619	541,131
short-term loans - secured	-	29,576	-	-	-	29,576
	<b>530</b>	<b>167,396</b>	<b>106,515</b>	<b>168,287</b>	<b>144,911</b>	<b>587,639</b>
<b>net liquidity gap</b>	<b>(530)</b>	<b>8,041</b>	<b>30,238</b>	<b>45,247</b>	<b>24,853</b>	<b>107,849</b>
<b>net liquidity gap - cumulative</b>	<b>(530)</b>	<b>7,511</b>	<b>37,749</b>	<b>82,996</b>	<b>107,849</b>	

Financial assets matched against financial liabilities at 30 September 2007 (expected undiscounted cash flows)

group	on demand	0 - 6	6 - 12	12 - 24	24 - 60	total
	\$000	months	months	months	months	
<b>monetary assets</b>						
cash in restricted bank accounts	26,309	-	-	-	-	26,309
accounts receivable	-	2,252	-	-	-	2,252
finance receivables	-	160,979	137,670	210,143	172,172	680,964
	<b>\$26,309</b>	<b>\$163,231</b>	<b>\$137,670</b>	<b>\$210,143</b>	<b>\$172,172</b>	<b>\$709,525</b>
<b>monetary liabilities</b>						
share capital repayable on demand	-	-	-	-	6,949	6,949
bank overdraft	584	-	-	-	-	584
accounts payable and accrued expense	-	9,925	-	-	-	9,925
short-term loans - secured	-	22,211	-	-	-	22,211
euro commercial paper - secured	-	18,277	-	-	-	18,277
bills of exchange - secured	-	123,188	115,653	169,341	135,781	543,963
derivative financial instruments	-	24,447	195	-	-	24,642
	<b>\$584</b>	<b>\$198,048</b>	<b>\$115,848</b>	<b>\$169,341</b>	<b>\$142,730</b>	<b>\$626,551</b>
<b>net liquidity gap</b>	<b>\$25,725</b>	<b>(\$34,817)</b>	<b>\$21,822</b>	<b>\$40,802</b>	<b>\$29,442</b>	<b>\$82,974</b>
<b>net liquidity gap - cumulative</b>	<b>\$25,725</b>	<b>(\$9,092)</b>	<b>\$12,730</b>	<b>\$53,532</b>	<b>\$82,974</b>	
<b>parent</b>						
	on demand	0 - 6	6 - 12	12 - 24	24 - 60	total
	\$000	months	months	months	months	\$000
<b>monetary assets</b>						
accounts receivable	-	1,822	-	-	-	1,822
finance receivables	-	158,494	135,622	207,023	168,545	669,684
derivative financial instruments	-	-	195	-	-	195
amounts owing by subsidiaries	-	7,983	-	-	-	7,983
	-	<b>168,299</b>	<b>135,817</b>	<b>207,023</b>	<b>168,545</b>	<b>679,684</b>
<b>monetary liabilities</b>						
share capital repayable on demand	-	-	-	-	6,949	6,949
bank overdraft	583	-	-	-	-	583
accounts payable and accrued expense	-	9,527	-	-	-	9,527
advance from MTFS	-	126,491	108,277	165,163	133,099	533,030
short-term loans - secured	-	22,211	-	-	-	22,211
	<b>583</b>	<b>158,229</b>	<b>108,277</b>	<b>165,163</b>	<b>140,048</b>	<b>572,300</b>
<b>net liquidity gap</b>	<b>(\$583)</b>	<b>\$10,070</b>	<b>\$27,540</b>	<b>\$41,860</b>	<b>\$28,497</b>	<b>\$107,384</b>
<b>net liquidity gap - cumulative</b>	<b>(\$583)</b>	<b>\$9,487</b>	<b>\$37,027</b>	<b>\$78,887</b>	<b>\$107,384</b>	

### (i) liquidity risk management

Liquidity risk is managed primarily through access to the securitisation programme by which finance receivables are sold to MTFS. Within the securitisation programme revolving liquidity credit facilities (bills of exchange facility) exist with appropriately rated banks to ensure ongoing funding to repay ECP on maturity should further ECP 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 transacting shareholder 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 transacting shareholder and the transacting shareholder's assessed financial position.

The group manages the aggregate credit limit established for all transacting shareholders 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. The ECP and BOE drawn at year end are components of this securitisation programme

facility and amount to \$149,572,000 (2007 : \$126,648,000) and \$366,636,000 (2007 : \$364,326,000) respectively. Other than the facility available to sell finance receivables pursuant to the securitisation programme, the group has access to committed credit facilities of \$82,000,000 (2007 : \$82,000,000) of which \$53,600,000 (2007 : \$60,700,000) is unused at year end.

The group seeks to maintain a diverse, competitive and sustainable funding portfolio regardless of current economic conditions, nationally or internationally. In conjunction with funding providers, the group periodically and systematically reviews funding lines, both individually and as a collective portfolio. The global credit crisis and collapse of many finance companies in New Zealand have changed the funding environment for finance companies. Bank funding and securitisation will continue to provide the core funding for MTF and the group will look to access other sources, such as medium term notes and retail debentures, in the future, to ensure sustainability and diversification are preserved.

One transacting shareholder has significant finance receivables at 30 September 2008. If an insolvency or a ratings downgrade occurs with respect to this transacting shareholder, MTF is required to re-purchase from MTFS all of the transacting shareholder's finance receivables. The group has arranged a specific credit and liquidity facility backed by a performance bond, for \$20,000,000, to protect the group should such a credit or liquidity event occur. MTF has a repurchase facility in place which would require CBA to purchase the transacting shareholder's finance receivables over a 10% concentration, thereby limiting MTF risk to the first 10%. MTF would fund this repurchase obligation through the combination of accessing the bank performance bond and unutilised bank facilities.

## **(ii) 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 or in the event the programme is unable to provide a continuous source of funding for reasons outside the control of MTF. At 30 September 2008, MTF complies with all covenants of the securitisation programme.

## **(iii) going concern**

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

MTF is not immune to the effects of the global credit crisis following the US sub-prime mortgage crisis. In international markets there is a limited appetite for commercial paper issuance. At the date of approving these financial statements and in common with other comparable securitisation programmes the MTFS securitisation programme has not been able to issue any euro commercial paper (ECP).

It is a requirement of the securitisation programme that rated banks provide MTFS with standby liquidity facilities, in the form of bills of exchange, should it not be possible to roll over the ECP at maturity, normally every 28 - 34 days. The standby liquidity facility provided by Commonwealth Bank of Australia and Westpac Banking Corporation is NZ\$600,000,000.

At the date of approving these financial statements, MTFS is funding securitised finance receivables by bills of exchange.

The standby liquidity facility matures on 24 December 2008, having previously been extended in December 2007 and June 2008. MTF is working with each of the standby liquidity providers to extend the facility until June 2009, the next roll over date.

The considered view of the directors of MTF is that, after making due enquiry there is a reasonable expectation that the Company and Group have adequate resources to continue operations at existing levels for the next twelve months from the date of approving the financial statements and consequently the directors believe the going concern assumption is a valid basis on which to prepare the financial statements.

The directors reached this conclusion having regard to the circumstances, which they consider likely to affect the Company and Group during the period of one year from the date of these financial statements, and having regard to other circumstances which they believe will occur after that date, which could affect the validity of the going concern assumption.

The company has worked closely with its bankers and professional advisers to explore alternative capital and debt funding sources to replace the existing funding facilities provided through the securitisation programme by way of ECP/BOE.

As referred to in Note 30 this process is well advanced with shareholders of MTF voting overwhelmingly on 29 October 2008 on a proposal to raise a minimum of \$8,000,000 additional capital from transacting shareholders,

capitalise undistributed profits, cancel its registration as a co-operative company and convert MTF to an investor owned company to ensure the company has appropriate capital to meet prudential, regulatory and operational requirements. Following the restructure MTF is expected to have a minimum share capital of \$20,000,000.

The directors believe the existing facilities will be rolled over until at least June 2009 consistent with the actions of the same providers in rolling over the standby facilities on their expiry in December 2007 and June 2008. The directors' confidence is based on discussions with each of the standby liquidity providers, the track record of sustainable earnings before profit distributions to transacting shareholders and the quality of the finance receivables, including low arrears. At no stage in these discussions have the standby liquidity providers indicated they will not be rolling over the facility on 23 December 2008.

The directors believe that the Company and Group are able to continue as going concerns. The directors acknowledge the risk, as a result of the global credit crisis and resulting factors outside their control, of the Company and Group not being able to continue as going concerns and not being able to pay their debts as and when they become due and payable. If the Company and Group were unable to continue in operational existence, and pay debts as and when they become due and payable, adjustments may have to be made to reflect the situation where assets may need to be realised and liabilities extinguished, other than in the normal course of business, and at amounts which could differ significantly from the amounts at which they are recorded in the Balance Sheet.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that may be necessary should the Company and the Group be unable to continue as going concerns.

### ***note 29: market risk***

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk. Market risk arises on financial instruments which are measured at fair value and those which are measured at amortised cost.

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

An asset and liability committee consisting of the Managing Director, General Manager – Treasury, Chief Financial Officer and General Manger – Credit, meets regularly to consider balance sheet risk and management, within the framework of board approved treasury policy.

**(i) interest rate risk**

The following schedule details the groups interest rate repricing profile at 30 September 2008. The amounts disclosed represent the contractual repricing or maturity dates, whichever dates are earlier.

group	0 - 6 months \$000	6 - 12 months \$000	12 - 24 months \$000	> 24 months \$000	non-interest sensitive \$000	total \$000
<b>assets</b>						
cash in restricted bank accounts	26,915	-	-	-	-	26,915
accounts receivable	-	-	-	-	3,036	3,036
finance receivables	125,660	112,701	185,112	161,901	-	585,374
taxation refund due	-	-	-	-	588	588
other assets	-	-	-	-	4,388	4,388
	<b>\$152,575</b>	<b>\$112,701</b>	<b>\$185,112</b>	<b>\$161,901</b>	<b>\$8,012</b>	<b>\$620,301</b>
<b>liabilities and equity</b>						
retained earnings	-	-	-	-	4,316	4,316
perpetual preference shares	-	-	-	-	38,966	38,966
share capital repayable on demand	-	-	-	-	6,292	6,292
bank overdraft	481	-	-	-	-	481
provision for taxation	-	-	-	-	-	-
accounts payable and accrued expense	-	-	-	-	10,178	10,178
short-term loans - secured	28,400	-	-	-	-	28,400
euro commercial paper - secured	32,108	28,797	47,299	41,368	-	149,572
bills of exchange - secured	78,704	70,588	115,941	101,403	-	366,636
derivative financial instruments	-	-	-	-	12,541	12,541
deferred taxation	-	-	-	-	2,919	2,919
	<b>139,693</b>	<b>99,385</b>	<b>163,240</b>	<b>142,770</b>	<b>75,210</b>	<b>620,301</b>
<b>total interest rate sensitivity gap</b>	<b>\$12,882</b>	<b>\$13,316</b>	<b>\$21,872</b>	<b>\$19,131</b>	<b>(\$67,198)</b>	

parent	0 - 6 months \$000	6 - 12 months \$000	12 - 24 months \$000	> 24 months \$000	non-interest sensitive \$000	total \$000
<b>assets</b>						
accounts receivable	-	-	-	-	2,957	2,957
finance receivables	122,779	110,128	181,258	155,059	-	569,224
amounts owing by subsidiaries	-	-	-	-	15,079	15,079
other assets	-	-	-	-	4,388	4,388
	<b>\$122,779</b>	<b>\$110,128</b>	<b>\$181,258</b>	<b>\$155,059</b>	<b>\$22,424</b>	<b>\$591,648</b>
<b>liabilities and equity</b>						
retained earnings	-	-	-	-	12,296	12,296
perpetual preference shares	-	-	-	-	38,966	38,966
share capital repayable on demand	-	-	-	-	6,292	6,292
bank overdraft	-	-	-	-	530	530
provision for taxation	-	-	-	-	2,687	2,687
accounts payable and accrued expense	-	-	-	-	10,110	10,110
short-term loans - secured	28,400	-	-	-	-	28,400
advance from MTFs	105,661	94,774	155,987	133,441	-	489,862
deferred taxation	-	-	-	-	2,505	2,505
	<b>\$134,061</b>	<b>\$94,774</b>	<b>\$155,987</b>	<b>\$133,441</b>	<b>\$73,386</b>	<b>\$591,648</b>
<b>total interest rate sensitivity gap</b>	<b>(\$11,282)</b>	<b>\$15,354</b>	<b>\$25,271</b>	<b>\$21,618</b>	<b>(\$50,962)</b>	



The following schedule details the group's interest rate repricing profile at 30 September 2007:

<b>group</b>	0 - 6 months \$000	6 - 12 months \$000	12 - 24 months \$000	> 24 months \$000	non-interest sensitive \$000	total \$000
cash in restricted bank accounts	26,309	-	-	-	-	26,309
accounts receivable	-	-	-	-	2,252	2,252
finance receivables	125,158	110,012	175,779	154,236	-	565,185
other assets	-	-	-	-	5,361	5,361
	<b>\$151,467</b>	<b>\$110,012</b>	<b>\$175,779</b>	<b>\$154,236</b>	<b>\$7,613</b>	<b>\$599,107</b>
<b>liabilities and equity</b>						
retained earnings	-	-	-	-	3,565	3,565
perpetual preference shares	-	-	-	-	38,966	38,966
share capital repayable on demand	-	-	-	-	6,949	6,949
bank overdraft	584	-	-	-	-	584
provision for taxation	-	-	-	-	516	516
accounts payable and accrued expense	-	-	-	-	9,925	9,925
short-term loans - secured	21,300	-	-	-	-	21,300
euro commercial paper - secured	28,046	24,652	39,389	34,562	-	126,648
bills of exchange - secured	80,679	70,915	113,310	99,423	-	364,326
derivative financial instruments	-	-	-	-	24,642	24,642
deferred taxation	-	-	-	-	1,685	1,685
	<b>\$130,609</b>	<b>\$95,567</b>	<b>\$152,699</b>	<b>\$133,985</b>	<b>\$86,248</b>	<b>\$599,107</b>
<b>total interest rate sensitivity gap</b>	<b>\$20,858</b>	<b>\$14,445</b>	<b>\$23,080</b>	<b>\$20,251</b>	<b>(\$78,635)</b>	

<b>parent</b>	0 - 6 months \$000	6 - 12 months \$000	12 - 24 months \$000	> 24 months \$000	non-interest sensitive \$000	total \$000
<b>assets</b>						
accounts receivable	-	-	-	-	1,822	1,822
finance receivables	123,739	108,590	173,200	150,627	-	556,156
derivative financial instruments	-	-	-	-	195	195
amounts owing by subsidiaries	-	-	-	-	7,983	7,983
deferred taxation	-	-	-	-	-	-
other assets	-	-	-	-	5,361	5,361
	<b>\$123,739</b>	<b>\$108,590</b>	<b>\$173,200</b>	<b>\$150,627</b>	<b>\$15,361</b>	<b>\$571,517</b>
<b>liabilities and equity</b>						
retained earnings	-	-	-	-	3,388	3,388
perpetual preference shares	-	-	-	-	38,966	38,966
share capital repayable on demand	-	-	-	-	6,949	6,949
bank overdraft	583	-	-	-	-	583
provision for taxation	-	-	-	-	516	516
accounts payable and accrued expense	-	-	-	-	9,527	9,527
short-term loans - secured	21,300	-	-	-	-	21,300
advance from MTFS	108,968	95,628	152,525	132,647	-	489,768
deferred taxation	-	-	-	-	520	520
	<b>\$130,851</b>	<b>\$95,628</b>	<b>\$152,525</b>	<b>\$132,647</b>	<b>\$59,866</b>	<b>\$571,517</b>
<b>total interest rate sensitivity gap</b>	<b>(\$7,112)</b>	<b>\$12,962</b>	<b>\$20,675</b>	<b>\$17,980</b>	<b>(\$44,505)</b>	

The information presented above in relation to the euro commercial paper, bills of exchange and advance from MTFS reflects the underlying hedge arrangement whereby interest rate swaps are used to fix the interest exposure.

*a) securitisation programme funding*

To hedge the fixed rate income from securitised receivables the group enters into interest rate swaps to convert the floating rate interest liability on ECP/BOE 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 passed to the conditional purchaser as part of the settlement process.

*b) other funding*

Interest rate risk is managed by generally matching maturities on the non-securitised funding facilities with maturities on the non-securitised finance receivables. The interest rates on the company's finance facilities are set out in notes 11, 12 and 13.

Management monitors 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 it considers that interest rates will rise. At 30 September 2008 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.

MTF may from time to time hedge the perpetual preference shares interest rate reset, which occurs annually on 30 September. The effect is to lock in fixed rates on the next rate reset via swap contracts when management considers that interest rates will rise.

*c) financial assets*

Interest rates applicable to finance receivables are fixed for the term of the finance receivables. The weighted average interest rate earned on finance receivables at 30 September 2008 was 16.11% (2007 : 14.84%).

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 2008 was 8.18% (2007 : 8.55%).

**(ii) interest rate sensitivity**

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. A change in interest rates impacts the fair value of the fixed rate assets and liabilities and interest rate swaps. The fair value changes will impact the profit and loss only where the instruments are designated at fair value through profit and loss.

A 100 basis point (bp) movement in interest rates based on the assets and liabilities held at balance date represents management assessment of a reasonably possible change in interest rates. The large impacts on profit and loss in the parent entity of such a movement in interest rate are due to all interest rate swaps being held by the subsidiary at 30 September 2008.

	group		parent	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
<b>impact on profit (loss) after taxation</b>				
100 bp increase in interest rates	( 8)	1,672	( 4,759)	( 3,861)
100 bp decrease in interest rates	( 3)	1,036	4,869	4,783
<b>impact on equity</b>				
100 bp increase in interest rates	( 8)	1,672	( 4,759)	( 3,861)
100 bp decrease in interest rates	( 3)	1,036	4,869	4,783

**(iii) foreign currency risk**

The securitised finance receivables are funded through the issue of ECP/BOE, denominated in US dollars. This gives rise to a foreign exchange risk, from funding NZ dollar denominated securitised finance receivables with US dollar denominated ECP/BOE. To eliminate the risk foreign exchange agreements are entered into for the ECP/BOE required for each individual tranche of securitised receivables, on a monthly basis.

**note 30: capital risk management**

The group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to transacting shareholders through an efficient mix of debt and equity instruments.

For purposes of capital management, the capital structure of the group consists of share capital repayable on demand, perpetual preference shares, the net interest margin facility and retained earnings as disclosed in notes 9, 10, 11 and 22 respectively. The net interest margin has been included as the banking facility arrangements recognise such amounts as capital for the purposes of capital ratio calculations.

	group		parent	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
retained earnings	4,315	3,565	12,296	3,388
perpetual preference shares	38,966	38,966	38,966	38,966
share capital repayable on demand	6,292	6,949	6,292	6,949
net interest margin facility	14,000	-	14,000	-
<b>total capital for capital management purposes</b>	<b>\$63,573</b>	<b>\$49,480</b>	<b>\$71,554</b>	<b>\$49,303</b>

The group is subject to externally imposed capital requirements through a variety of covenants under banking, securitisation and trustee arrangements. These covenants are built into the Group treasury policy and performance is reported weekly to the Asset and Liability Committee and monthly to the board and external funding parties. The Group is compliant with all of these covenants. The board is responsible for the Group system of risk management. The board regularly monitors the operational and financial risk aspects of the company and, through the audit committee, considers the recommendations and advice of external auditors.

## Capital planning

In order to meet future capital requirements, resulting from the impending supervision of finance companies by the Reserve Bank and changes to International Reporting Standards (NZ IFRS), the board of MTF put forward a restructuring proposal to its co-operative shareholders. The proposal included additional capital, capitalisation of undistributed profits and conversion to an investor owned company to ensure the company has appropriate capital to meet prudential, regulatory and operational requirements. On 29 October 2008 the shareholders of MTF voted in favour of this proposal. A summary of the proposed structure is:

- MTF will raise up to \$20,000,000 of new capital, with a minimum of \$8,000,000, from its transacting shareholders, or, if sufficient capital cannot be contributed from those shareholders, equity may be sought from other investors.
- After raising the new capital MTF will cancel its registration as a co-operative company so the shares in MTF will cease to be surrendered at their nominal value and become shares that can only be converted into cash by a market sale. There will be a period until 1 February 2011 when shares cannot be traded (with some exceptions), and during that period the directors will determine the longer term trading platform on which shares in MTF will be traded.
- Two months' distributable profits (August 2008 and September 2008) will be distributed to transacting shareholders as bonus shares by a non-taxable bonus issue in proportion to the entitlement to those distributable profits.
- MTF will adopt a new constitution with there being an initial period of two years during which shares cannot be traded and a 15% restriction on the number of shares that one group of associated persons can hold.
- MTF will encourage new originators to obtain finance from MTF and be given an opportunity to buy shares in MTF.

The directors concluded from financial modelling, which was reviewed by its advisers, that minimum capital of \$20,000,000 is required in the foreseeable future. If under the proposed restructuring, the minimum share capital that is raised is \$8,000,000 this amount will achieve total capital of \$20,000,000 and enable MTF to continue to operate its business in the future. Share capital will consist of:

	\$000	shares
A shares converted	6,350	6,350,000
converted distributable profit Aug & Sep 2008	6,960	6,960,000
cash issue to transacting shareholders - Dec 2008 – 1st call	4,000	4,000,000
cash issue to transacting shareholders - Apr - Sep 2009 – 2nd call	4,000	4,000,000
<b>total share capital - September 2009</b>	<b>\$21,330</b>	<b>21,330,000</b>

### *note 31: fair value*

The methods and assumptions used to determine fair value depends on the terms and characteristics of the various instruments. The following methods have been used.

#### **finance receivables**

Finance receivables are designated at fair value through profit and loss. As there is no active market, fair value is determined by various valuation techniques including discounted cash flow models. To the extent possible models use only observable market data.

#### **derivative financial instruments**

Derivative financial instruments are recognised in the financial statements at fair value. Derivatives are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at their fair value. The fair value of a derivative financial instrument is based on discounted cash flow models using observable market data.

#### **other financial assets and liabilities**

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

	2008	2008	2007	2007
	\$000	\$000	\$000	\$000
<b>group</b>	carrying amount	fair value	carrying amount	fair value
<b>assets</b>				
cash in restricted bank accounts	26,915	26,915	26,309	26,309
accounts receivable	3,037	3,037	2,252	2,252
finance receivables	585,374	585,374	565,185	565,185
<b>liabilities</b>				
share capital repayable on demand	6,292	6,292	6,949	6,949
bank overdraft	481	481	584	584
accounts payable and accrued expense	10,178	10,178	9,925	9,925
short term loans - secured	28,400	28,400	21,300	21,300
euro commercial paper - secured	149,572	149,572	126,648	126,648
bills of exchange - secured	366,636	366,636	364,326	364,326
derivative financial instruments	12,541	12,541	24,642	24,642
<b>parent</b>				
<b>assets</b>				
accounts receivable	2,957	2,957	1,822	1,822
financed receivables	569,225	569,225	556,156	556,156
derivative financial instruments	-	-	195	195
amounts owing by subsidiaries	15,079	15,079	7,983	7,983
<b>liabilities</b>				
share capital repayable on demand	6,292	6,292	6,949	6,949
bank overdraft	530	530	583	583
accounts payable and accrued expense	10,110	10,110	9,527	9,527
short term loans	28,400	28,400	21,300	21,300
advance from MTFs	489,862	489,862	489,768	489,768

### *note 32: significant events after balance date*

On 29 October 2008 the shareholders of MTF voted in favour of a proposal to restructure MTF by issuing further shares to increase the capital of the company, capitalising undistributed profits into shares, cancelling registration under the Co-operative Companies Act 1996 and adopting a new constitution to meet the transitional requirements from a co-operative company to an investor owned company.

### *note 33: segment information*

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

### *note 34: contingent liabilities*

The Company has been the subject of a review by the Commerce Commission of its fee structure under the Credit Contracts and Consumer Finance Act 2003. The Commerce Commission has indicated that it intends to proceed with legal action against the Company but has not provided any detail beyond its intention. Accordingly the company is not in a position to quantify the contingent liability. The Company will be defending any action taken by the Commerce Commission.

### *note 35: explanation of transition to international financial reporting standards*

An explanation of how the transition from superseded New Zealand Generally Accepted Accounting Practice to NZ IFRS has affected the previously reported balance sheet, income statements and cash flows of the Group and Parent is outlined below.

In accordance with NZ IFRS, the comparative information has been restated using the accounting policies set out in Note 1 from 1 October, 2006.

#### **effect of NZ IFRS on the balance sheet at 1 October 2006**

	note	superseded NZ GAAP \$000	group effect of transition to NZ IFRS \$000	NZ IFRS \$000	superseded NZ GAAP \$000	parent effect of transition to NZ IFRS \$000	NZ IFRS \$000
<b>funds employed</b>							
share capital	g	6,965	(6,965)	-	6,965	(6,965)	-
retained earnings	f	11,698	(4,361)	7,337	11,698	(3,152)	8,546
perpetual preference shares		38,966	-	38,966	38,966	-	38,966
<b>total shareholders' equity</b>		<b>57,629</b>	<b>(11,326)</b>	<b>46,303</b>	<b>57,629</b>	<b>(10,117)</b>	<b>47,512</b>
share capital repayable on demand	g	-	6,965	6,965	-	6,965	6,965
<b>total equity and members interests</b>		<b>57,629</b>	<b>(4,361)</b>	<b>53,268</b>	<b>57,629</b>	<b>(3,152)</b>	<b>54,477</b>
<b>liabilities</b>							
bank overdraft		273	-	273	302	-	302
provision for taxation		270	-	270	270	-	270
accounts payable and accrued expense	h	5,369	670	6,039	5,111	670	5,781
advance from MTFS		-	-	-	452,166	-	452,166
short-term loans - secured		37,700	-	37,700	37,700	-	37,700
euro commercial paper - secured	i	480,066	646	480,712	-	-	-
derivative financial instruments	b	-	1,160	1,160	-	-	-
deferred taxation	c	140	2,624	2,764	-	2,552	2,552
<b>total liabilities excluding share capital repayable on demand</b>		<b>523,818</b>	<b>5,100</b>	<b>528,918</b>	<b>495,549</b>	<b>3,222</b>	<b>498,771</b>
<b>total funds employed</b>		<b>\$581,447</b>	<b>\$739</b>	<b>\$582,186</b>	<b>\$553,178</b>	<b>\$70</b>	<b>\$553,248</b>
<b>employment of funds</b>							
cash in restricted bank accounts		27,900	-	27,900	-	-	-
accounts receivable		455	-	455	175	-	175
finance receivables	a,e	547,921	739	548,660	514,045	739	514,784
amounts owing by subsidiaries		-	-	-	33,118	-	33,118
property, plant and equipment	d	5,171	(3,967)	1,204	5,171	(3,967)	1,204
intangible assets	d	-	3,967	3,967	-	3,967	3,967
deferred tax	c	-	-	-	669	(669)	(0)
<b>total assets</b>		<b>\$581,447</b>	<b>\$739</b>	<b>\$582,186</b>	<b>\$553,178</b>	<b>\$70</b>	<b>\$553,248</b>

**effect of NZ IFRS on the balance sheet at 30 September 2007**

	note	superseded NZ GAAP \$000	<i>group</i> effect of transition to NZ IFRS \$000	NZ IFRS \$000	superseded NZ GAAP \$000	<i>parent</i> effect of transition to NZ IFRS \$000	NZ IFRS \$000
<b>funds employed</b>							
share capital	g	6,949	(6,949)	-	6,949	(6,949)	-
retained earnings	f	8,011	(4,445)	3,566	8,011	(4,623)	3,388
perpetual preference shares		38,966	-	38,966	38,966	-	38,966
shareholders' equity		53,926	(11,394)	42,532	53,926	(11,572)	42,354
share capital repayable on demand	g	-	6,949	6,949	-	6,949	6,949
<b>total equity and members interests</b>		<b>53,926</b>	<b>(4,445)</b>	<b>49,481</b>	<b>53,926</b>	<b>(4,623)</b>	<b>49,303</b>
<b>liabilities</b>							
bank overdraft		584	-	584	583	-	583
provision for taxation	c	516	-	516	516	-	516
accounts payable and accrued expense	h	8,902	1,023	9,925	8,504	1,023	9,527
advance from MTFS		-	-	-	489,768	-	489,768
short-term loans - secured		21,300	-	21,300	21,300	-	21,300
euro commercial paper - secured	i	133,353	(6,705)	126,648	-	-	-
bills of exchange - secured	i	382,724	(18,398)	364,326	-	-	-
derivative financial instruments	b	-	24,642	24,642	-	-	-
deferred taxation	c	706	979	1,685	-	520	520
total liabilities		548,085	1,541	549,626	520,671	1,543	522,214
<b>total funds employed</b>		<b>\$602,011</b>	<b>\$(2,904)</b>	<b>\$599,107</b>	<b>\$574,597</b>	<b>\$(3,080)</b>	<b>\$571,517</b>
<b>employment of funds</b>							
cash in restricted bank accounts		26,309	-	26,309	-	-	-
accounts receivable		2,252	-	2,252	1,822	-	1,822
finance receivables	a,e	568,089	(2,904)	565,185	559,060	(2,904)	556,156
derivative financial instruments	b	-	-	-	-	195	195
amounts owing by subsidiaries		-	-	-	7,983	-	7,983
property, plant and equipment	d	5,361	(4,183)	1,178	5,361	(4,183)	1,178
intangible assets	d	-	4,183	4,183	-	4,183	4,183
deferred tax	c	-	-	-	372	(372)	-
<b>total assets</b>		<b>\$602,011</b>	<b>\$(2,904)</b>	<b>\$599,107</b>	<b>\$574,597</b>	<b>\$(3,080)</b>	<b>\$571,517</b>

## effect of NZ IFRS on the income statement for the year ended 30 September 2007

	note	superseded NZ GAAP \$000	group effect of transition to NZ IFRS \$000	NZ IFRS \$000	superseded NZ GAAP \$000	parent effect of transition to NZ IFRS \$000	NZ IFRS \$000
interest income		80,113	-	80,113	65,701	-	65,701
interest expense		41,087	-	41,087	26,675	-	26,675
<b>net interest income</b>		<b>39,026</b>	<b>-</b>	<b>39,026</b>	<b>39,026</b>	<b>-</b>	<b>39,026</b>
fees		10,372	-	10,372	10,372	-	10,372
<b>net interest income and fees</b>		<b>49,398</b>	<b>-</b>	<b>49,398</b>	<b>49,398</b>	<b>-</b>	<b>49,398</b>
<b>expense</b>							
employee		4,695	-	4,695	4,695	-	4,695
communication and processing		1,929	-	1,929	1,929	-	1,929
depreciation and amortisation		1,912	-	1,912	1,912	-	1,912
administration		1,731	-	1,731	1,731	-	1,731
bad debt	e	(288)	588	300	(288)	588	300
<b>total expense</b>		<b>9,979</b>	<b>588</b>	<b>10,567</b>	<b>9,979</b>	<b>588</b>	<b>10,567</b>
<b>profit before distribution to transacting shareholders and other gains (losses)</b>		<b>39,419</b>	<b>(588)</b>	<b>38,831</b>	<b>39,419</b>	<b>(588)</b>	<b>38,831</b>
profit distributed to transacting shareholders	h	-	40,033	40,033	-	40,033	40,033
<b>profit (loss) before net gain (loss) from financial instruments designated at fair value</b>		<b>39,419</b>	<b>(40,621)</b>	<b>(1,202)</b>	<b>39,419</b>	<b>(40,621)</b>	<b>(1,202)</b>
net gain (loss) from financial instruments designated at fair value and foreign currency translations	a,b,i	-	(789)	(789)	-	(2,860)	(2,860)
<b>profit (loss) before taxation</b>		<b>39,419</b>	<b>(41,410)</b>	<b>(1,991)</b>	<b>39,419</b>	<b>(43,481)</b>	<b>(4,062)</b>
taxation	c	812	(1,645)	(833)	812	(2,329)	(1,517)
<b>profit (loss) after taxation</b>		<b>\$38,607</b>	<b>\$(39,765)</b>	<b>\$(1,158)</b>	<b>\$38,607</b>	<b>\$(41,152)</b>	<b>\$(2,546)</b>

## explanation of NZ IFRS on statement of cash flow for the year ended 30 September 2007

The impact of NZ IAS 7 on cash flow for the comparative period is:

	30 September 2007	
	group \$000	parent \$000
increase(decrease)		
net cash flow from operating activities	(39,104)	(37,484)
net cash flow from investing activities	21,148	7,626
net cash flow from financing activities	17,956	29,857
<b>total changes in net cash flow</b>	<b>-</b>	<b>-</b>

Under superseded NZ GAAP cash flows from finance receivables were classified as investing activities and cash flows from distributions to transacting shareholders were classified as financing activities.

NZ IAS 7 *Cash Flow Statements* defines operating activities as the principal revenue producing activities of the entity. Cash flows related to finance receivables are classified as operating activities since they relate to the main revenue producing activity of the Group. Distributions to transacting shareholders are reclassified as operating activities.

## notes to the reconciliation of equity and profit

### (a) finance receivables recognised at fair value through profit and loss

Under superseded NZ GAAP financial receivables were recorded at estimated realisable value, being the undiscounted total of instalments due less unearned interest on the contracts and less doubtful debts. Under NZ IAS 39 *Financial Instruments: Recognition and Measurement*, finance receivables are designated as fair value through profit and loss (FVTPL). Gains and losses arising on the movement of these finance receivables at fair value are included in "Net gain(loss) from financial instruments designated at fair value" in the Income Statement.

	group		parent	
	1 October 2006 \$000	30 September 2007 \$000	1 October 2006 \$000	30 September 2007 \$000
increase/(decrease) in finance receivables	152	(2,904)	152	(2,904)
impact on income statement	-	(3,056)	-	(2,972)

### (b) derivatives recognised at fair value through profit and loss

Under superseded NZ GAAP derivatives were off balance sheet items and were not recognised in the financial statements. Under NZ IAS 39 *Financial Instruments: Recognition and Measurement*, interest rate swap derivatives and foreign currency forward exchange contracts are recognised at fair value in the balance sheet with any gains or losses recognised in the Income Statement.

The measurement of derivatives at fair value can be summarised as follows:

	group		parent	
	1 October 2006 \$000	30 September 2007 \$000	1 October 2006 \$000	30 September 2007 \$000
derivative financial instrument asset	-	-	-	195
derivative financial instrument liability	1,160	24,642	-	-
impact on income statement	-	23,482	-	(195)

### (c) deferred taxation

Under superseded NZ GAAP, the Group adopted the Income Statement tax effect accounting principles where tax expense is calculated on profit/(loss) before taxation after adjustment for permanent differences. Under NZ IAS 12 *Income Taxes*, a balance sheet method of tax effect accounting has been adopted, replacing the Income Statement approach previously used by the Group.

Deferred tax is calculated using the balance sheet method by determining temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the tax base of those assets and liabilities as used for taxation purposes.

The deferred tax adjustment arising on adoption of NZ IFRS is primarily from the following:

- measurement of finance receivables at fair value;
- impact of reversing impairment provisions previously recognised.

	group		parent	
	1 October 2006 \$000	30 September 2007 \$000	1 October 2006 \$000	30 September 2007 \$000
increase/(decrease) in deferred tax	2,624	979	3,221	892
impact on income statement	-	(1,645)	-	2,329



#### (d) intangible assets

Under NZ IFRS computer software that was previously presented as property, plant and equipment has been reclassified as intangible assets, with depreciation being reclassified as amortisation. Reclassification has no impact on net assets or the income statement.

	group		parent	
	1 October 2006 \$000	30 September 2007 \$000	1 October 2006 \$000	30 September 2007 \$000
reclassification of property, plant & equipment	(3,967)	(4,183)	(3,967)	(4,183)
reclassification of intangible assets	3,967	4,183	3,967	4,183
impact on income statement	-	-	-	-

#### (e) impairment provisions

Under NZ IAS39 *Financial Instruments: Recognition and Measurement* MTF has elected to measure finance receivables at fair value through profit and loss. Any previously recognised provision for doubtful debts is now recognised as a movement in credit risk that forms part of the fair value assessment.

	group		parent	
	1 October 2006 \$000	30 September 2007 \$000	1 October 2006 \$000	30 September 2007 \$000
increase in finance receivables	588	-	588	-
impact on income statement	-	(588)	-	(588)

#### (f) retained earnings

The effect of the above adjustments on retained earnings is:

	note	group		parent	
		1 October 2006 \$000	30 September 2007 \$000	1 October 2006 \$000	30 September 2007 \$000
previous NZ GAAP retained earnings		11,698	8,011	11,698	8,011
financial receivables recognised at FVTPL	a	152	(2,904)	152	(2,904)
derivatives recognised at FVTPL	b	(1,160)	(24,642)	-	195
deferred taxation	c	(2,624)	(979)	(3,221)	(892)
intangible assets	d	-	-	-	-
impairment provisions	e	588	-	588	-
distributions to transacting shareholders	h	(670)	(1,023)	(670)	(1,023)
euro commercial paper/bills of exchange	i	646	25,103		
NZ IFRS retained earnings		7,337	3,566	8,546	3,388

#### g) share capital repayable on demand

NZ IAS 32 requires the ordinary A shares issued by MTF previously recognised as equity, to be reclassified to liabilities.

The liability classification arises from MTF not having an unconditional right to refuse redemption of the ordinary A shares.

The effect on the balance sheet at transition date was to reduce shareholders' equity by \$6,965,000 (2007 : \$6,949,000) and reclassify this amount as a liability on the balance sheet (referred to as share capital repayable on demand).

#### h) distributions to transacting shareholders

Under NZ IFRS, distributions to shareholders previously recognised in the statement of changes in equity have been reclassified to profit distributed to transacting shareholders in the income statement. This is consistent with the basis of recognising ordinary shares as liabilities as outlined in (g) above.

Upon reclassifying the distribution to rebate expense, MTF assessed the obligation to the transacting shareholder as being the rebate approved by the Directors. Under superseded NZ GAAP the distribution through equity reflected the net amount paid to transacting shareholders, that being the rebate approved less amounts withheld.

The effect on the balance sheet is to reclassify the rebate approved but withheld (unpaid), from retained earnings to a liability on the balance sheet. This reflects MTF's obligation to the transacting shareholder.

	group		parent	
	1 October 2006 \$000	30 September 2007 \$000	1 October 2006 \$000	30 September 2007 \$000
increase in accounts payable and accrued expenses	670	1,023	670	1,023
reclassification from retained earnings to income statement	-	(40,033)	-	(40,033)

#### i) euro commercial paper/bills of exchange

Under NZ IFRS borrowings denominated in foreign currencies, such as euro commercial paper and bills of exchange, are translated to the entity's functional currency at the spot foreign exchange rate prevailing at balance sheet date. This occurs irrespective of whether the entity holds foreign currency forward contracts to hedge the translation.

Under superseded NZ GAAP the borrowings were translated into the functional currency at the rates specified using any foreign currency forward contracts on hand. Any amounts not covered by foreign currency exchange contracts were translated using the spot rate prevailing at balance sheet date.

As MTF are perfectly matched, between their foreign currency forward contracts and the underlying foreign currency denominated borrowings there is no impact on the income statement or equity of this change.

The balance sheet has been restated to reflect the fair value of forward currency contracts. This is perfectly offset by the adjustment to recognise the foreign currency denominated borrowings at the spot foreign currency exchange rate.

	group		parent	
	1 October 2006 \$000	30 September 2007 \$000	1 October 2006 \$000	30 September 2007 \$000
euro commercial paper – secured	646	(6,705)	-	-
bills of exchange – secured	-	(18,398)	-	-
impact on income statement	-	(25,749)	-	-

#### j) finance receivables – counterparty

Under NZ IFRS the finance receivables are represented by the amounts due from the transacting shareholder.

Under superseded NZ GAAP the finance receivables were represented by the amounts due from individual customers.

## ***audit report to the shareholders of Motor Trade Finances Limited***

We have audited the financial statements on pages 10 to 57. The financial statements provide information about the past financial performance and financial position of Motor Trade Finances Limited and Group as at 30 September 2008. This information is stated in accordance with the accounting policies set out on pages 14 to 21.

### **board of directors' responsibilities**

The Board of Directors is responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which give a true and fair view of the financial position of Motor Trade Finances Limited and Group as at 30 September 2008 and of the results of operations and cash flows for the year ended on that date.

### **auditors' responsibilities**

It is our responsibility to express to you an independent opinion on the financial statements presented by the Board of Directors.

### **basis of opinion**

An audit 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.

Other than in our capacity as auditor, the provision of assurance services in relation to NZ IFRS implementation and internal business planning and taxation services, we have no relationship with or interests in Motor Trade Finances Limited or any of its subsidiaries.

### *uncertainty of funding facility*

In forming our unqualified opinion, we have considered the disclosures in the financial statements concerning the reliance on the standby liquidity facility, in the form of bills of exchange ("the Funding Facility"). The financial statements have been prepared on a going concern basis, the validity of which depends on the continued renewal of the Funding Facility. Details of the Funding Facility are outlined in Note 28(iii). The financial statements do not include any adjustments that could result if the Funding Facility is not extended and adequate alternative funding facilities can not be sourced. In these circumstances the Company and Group may be unable to continue their operations in the foreseeable future and as a result assets may not be recovered at the amounts recorded on the balance sheet and additional liabilities may arise that are not recorded on the balance sheet.

## unqualified opinion

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by Motor Trade Finances Limited as far as appears from our examination of those records; and
- the financial statements on pages 10 to 57:
  - comply with generally accepted accounting practice in New Zealand;
  - comply with International Financial Reporting Standards;
  - give a true and fair view of the financial position of Motor Trade Finances Limited and Group as at 30 September 2008 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 11 November 2008 and our unqualified opinion is expressed as at that date.



Chartered Accountants  
DUNEDIN, NEW ZEALAND

## statutory information

### 1. principal activities

Motor Trade Finances Ltd is a co-operative finance company whose principal activity is the provision of point of sale motor vehicle finance facilities to its transacting shareholders.

### 2. interests register

The following entries were recorded in the Directors' Interests Register of the company and its subsidiaries.

#### a) Directors' shareholdings

No director owns transacting shares in the company. Messrs W N Cashmore, G D Gibbons, K J Cummings and M D Hatwell are directors of companies with shareholdings in MTF and all four declared their interest in material matters affecting transacting shareholders of MTF.

Shares held by associated companies of directors:

	A shares	%
W N Cashmore	10,000	0.16%
K J Cummings	60,000	0.94%
G D Gibbons	140,000	2.20%
M B Hatwell	40,000	0.63%
	250,000	3.93%
<b>Total shares on issue</b>	<b>6,366,000</b>	<b>100%</b>

#### b) Disclosure of interests by directors

In accordance with Section 140(2) of the Companies Act 1993 the directors named below have made a general disclosure of interest by notice entered in the Company's Interests Register.

R A Bonifant is Chairman of Ashburton Contracting Ltd and Rawlinsons Ltd, Deputy Chairman of Timaru District Holdings Ltd, and a director of Barrhill Chertsey Irrigation Ltd, CBS Canterbury, Lynn River Ltd, Rural Equities Ltd, W Pinckney Ltd, Northburn Investments Ltd, MTF Leasing Ltd, MTF Direct Ltd and MTF Ltd.

A R Bradshaw is a director of MTF Securities Ltd, MTF Leasing Ltd, MTF Ltd and MTF Direct Ltd.

W N Cashmore is a director of Warwick Cashmore Ltd, and Waikiwi Holdings Ltd.

K J Cummings is a director of Southern Motor Group Ltd, Southern Motor Holdings Ltd, Christchurch Motor Group Ltd, Southern Automotive Ltd, Southland Motor Group Ltd, Southland Honda Ltd, Park Lane Finance Ltd, Christchurch 4WD Ltd, Rural Livestock Finance Ltd and Haven Motors Ltd.

G D Gibbons is a director of The Colonial Motor Company Ltd (and all its subsidiaries).

M B Hatwell is a director of Metro Finance Ltd, Hamilton Wholesale Cars Ltd, East Bay Motors Ltd, Tauranga Car Sales Ltd, Metro Motors Rotorua Ltd, Metro Motors Hamilton Ltd, CNI Finance Ltd, Apec Finance Ltd, Hatwell Investments Ltd, Suzie Number Two Ltd, Metro Storage Rotorua Ltd, Hatwell Properties Ltd, Metro Properties Rotorua Ltd and Metro Taupo Properties Ltd.

S J Higgs is Chairman of Mt Difficulty Wines Ltd and Botry-Zen Ltd. He is a director of CRT Ltd, Cumberland Property Group Ltd, Polson Higgs Administration Ltd, Polson Higgs Wealth Management Ltd, Polson Higgs BPO Ltd, Incompass Ltd, MTF Leasing Ltd, MTF Direct Ltd and MTF Ltd.

### 3. directors' remuneration

Remuneration and other benefits paid to directors by the company and its subsidiaries during the year were as follows:

	Parent company	Subsidiary companies
R A Bonifant	62,500	-
A R Bradshaw	481,685	-
W N Cashmore	36,000	-
K J Cummings	36,000	-
G D Gibbons	36,000	-
M B Hatwell	36,000	-
S J Higgs	36,000	-
	724,185	-

### 4. employee remuneration

Remuneration and other benefits of \$100,000 p.a. or more received by employees in their capacity as employees were:

Remuneration range	Number of employees	
	Parent company	Subsidiary companies
\$100,000 - \$109,999	2	-
\$110,000 - \$119,999	4	-
\$120,000 - \$129,999	3	-
\$130,000 - \$139,999	2	-
\$170,000 - \$179,999	1	-
\$200,000 - \$209,999	1	-
\$210,000 - \$219,999	1	-
\$260,000 - \$269,999	1	-

The Managing Director's remuneration is included with directors' remuneration in the note above.

### 5. information used by directors

There were no notices from directors requesting to use company information received in their capacity as directors which would not otherwise be available to them.

### 6. directors' indemnity and insurance

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

### 7. co-operative company status

On 11 November 2008, pursuant to section 10 of the Co-operative Companies Act 1996, directors unanimously resolved that in their opinion Motor Trade Finances Ltd had throughout the financial year ending 30 September 2008 remained a co-operative company within the meaning of the Co-operative Companies Act 1996.

## ***directory***

### ***directors***

Roger A Bonifant, MAgSc, MSc, CNZM (Chairman)  
Angus R Bradshaw, BCA, ACA, F Fin (Managing Director)  
Warwick N Cashmore  
Kenneth J Cummings  
Mark B Hatwell (appointed 1 October 2007)  
Graeme D Gibbons, BCom, CA  
Stephen J Higgs, BCom, FCA

### ***finance***

Glen Todd, BCom, ACA, A Fin

### ***treasury***

Daniel Clarkson, BCom, DipGrad, SA Fin

### ***credit***

Russell Walker, MBA, BCom, ACA, CMA

### ***information technology***

Daniel Irvine

### ***customer support***

Simon Hopkins

### ***MTF Direct***

Mark Grammer, MMgt Grad. Dip. Fin.

### ***marketing***

Justin Stott BCom, B PhD

### ***perpetual preference share registrar***

Link Market Services Ltd

### ***trustee for securitisation programme***

Trustees Executors Ltd

### ***bankers***

Bank of New Zealand  
ANZ National Bank  
Westpac Banking Corporation  
Commonwealth Bank of Australia

### ***solicitors***

Galloway Cook Allan  
Mayne Wetherell  
Phillips Fox  
David Stock

### ***auditors***

Deloitte

### ***registered office***

193 Princes Street, Dunedin