annual report 2010

mtf

contents

financial highlights

	2010 $m	2009 $m
new loans	267.0	288.0
total income	80.2	93.2
profit after taxation	5.3	8.8
total assets	462.4	536.4
net loans under administration	418.7	493.0
capital	66.2	63.5
net interest income/average loans under administration	7.9%	6.6%
expense/average total assets	2.0%	1.7%
impaired asset expense/average loans under administration	0.5%	1.1%
capital percentage	14.3%	11.8%
return on average equity	8.2%	16.4%
return on average total assets	1.1%	1.5%
basic earnings per ordinary share (dollars)	0.16	0.37

review of operations

financial performance

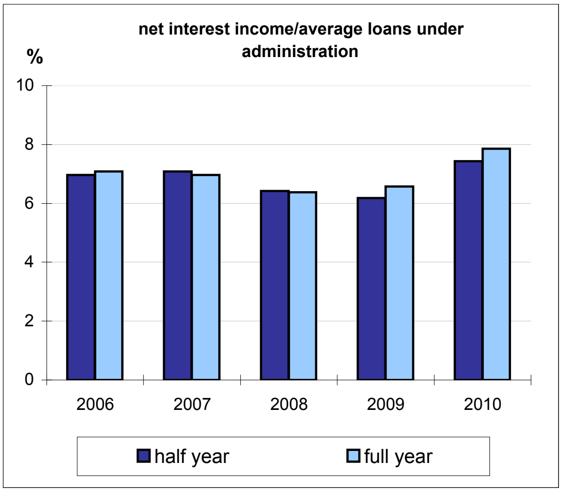
Profit after tax recorded in these accounts is $5.3 million (last year: $8.8 million).

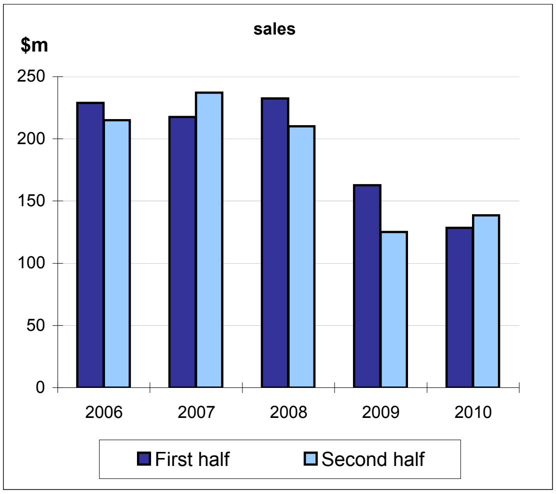
- new loan sales of $267.0m (last year: $288.0m), reflecting lower motor vehicle sales
- assets down by 13.8% to $462.4m, as a consequence of lower sales
- expense, excluding bad debt, as a percentage of average total assets, was 2.02% (last year: 1.71%), reflecting static overhead costs and a reducing asset base
- return on average total assets was 1.1% (last year: 1.5%)
- net interest income, as a percentage of average loans under administration increased to 7.9% (last year: 6.6%)
- weighted average yield on finance receivables increased to 15.58% (last year: 15.24%)

Net interest income as a percentage of loans under administration has recovered, from 6.6% in 2009 to 7.9%, as the impact of high credit margins, resulting from the global financial crisis, is reflected in interest rates charged to customers. Credit margins are still well above historical levels and bank fees in the period totalled $6.5m, compared with $6.2m and $2.8m in 2009 and 2008 respectively.

Profit before commission has remained steady at $32.7m (last year: $33.3m) despite reducing finance receivables and increased bad debt expense. This is a reflection of improved interest margins, as the company has encouraged transacting shareholders to charge interest rates that more accurately reflect individual credit risk.

Sales bottomed out in August 2009; since then, monthly sales have recovered steadily, with September this year 130% of the low point. Another slowdown may be in the offing, however, with October 2010 a disappointing month and some pressure coming on arrears. Contrary to most economic commentary, New Zealanders are finding it tough and the green shoots, so fondly heralded a year ago, are now withered and struggling.





Administration expense is down 14% on last year, after the impact of the capital restructure in 2009. Communication and processing expense increased, as MTF merged two brands, MTF and MTF Direct, and invested in information technology infrastructure to enable the launch of a number of web-based initiatives in the coming year. The move to web-based loan origination and web-based marketing is a key strategy for the company, as consumers switch to electronic media for research, and ultimately the purchase itself.

Regulatory change around financial advice, anti-money laundering and non-bank deposit takers and amendments to credit contract legislation continues to weigh on the bottom line. The industry, through the Financial Services Federation, has continued to seek clarification and amendment to a number of proposed legislative changes. A frightening aspect of the changes is the amount of revision required, because of hurried drafting and inadequate consultation, resulting in deadlines missed, by the regulators, and pressure on the regulated to understand the implications, because of lack of certainty. On the positive side, regulators have been willing to listen, and have made changes, where required, to remove unintended consequences.

financial position

Total assets are down 13.8%, to $462.4m, due to decreasing sales volumes through 2008 and 2009. A decision to limit operating lease originations has had a major impact, as these assets run off. The capital and funding requirements of operating lease have made the product unattractive for MTF, and will put pressure on all finance companies, as non-bank deposit taker regulations take effect.

Excluding operating lease, assets declined by 8.8%, reflecting improving sales, during the period. We expect assets to stabilise through the coming year, as the portfolio effect takes place, and as transacting shareholders continue to be more selective in new loan origination.

Capital, including perpetual preference shares, totals $66.2m (last year $63.5m), giving an improved capital percentage of 14.3% (last year: 11.8%).

funding

Since 1995, MTF has sourced the bulk of its funding requirements from asset backed securitisation, through the issue of euro commercial paper (ECP), by MTF Securities Limited (MTFS). Investors deserted the asset backed commercial paper market at the end of 2008, with MTFS last issuing ECP in September 2008 and since this time, MTF has been working closely with its bankers and professional advisors to implement a funding structure to replace the MTFS securitisation programme.

MTF, together with Trustees Executors Limited, Commonwealth Bank of Australia and Westpac Banking Corporation completed the establishment of the MTF Warehouse Trust (Warehouse Trust) and the MTF Settlement Trust (Settlement Trust) on 4 November 2010. This is a significant milestone in the history of MTF and provides a funding platform that will enable the board and management to drive the company forward as a market leader in vehicle finance.

The Settlement Trust will fund the initial purchase of finance receivables from MTF, until the receivables meet certain eligibility criteria, when they will be sold to the Warehouse Trust. Notes issued from the Warehouse Trust are rated AAA(sf) (Standard & Poor's long-term, structured finance rating, 4 November 2010) and reflect the quality of paper written by transacting shareholders and the strength of the systems MTF has in place to prudently manage receivables.

The MTFS securitisation programme will fund the run off of finance receivables not eligible to be transferred to the Warehouse Trust.

credit quality

Arrears management has been a primary focus of the company and its shareholders. Overall arrears were trending down at the end of the period under review. At year end, 31+ day arrears were 1.75% (2009: 2.47%).

Bad debt expense, reported in the financial statements, is in large part a consequence of irregular lending by certain transacting shareholders, and the company is pursuing every legal remedy to recover the losses incurred. New procedures are in place to detect such irregularities but it will always be difficult to stay ahead of the determined.

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.

At the time of writing, MTF is managing shareholder ledgers totalling $8.4m (last year: $12.0m), where MTF may be at risk.

Provisions for specifically impaired assets total $2.7m (last year: $3.3m) , and we have written off loans that we have not been able to recover from borrowers or shareholders totalling $2.8m (last year: $1.9m) Where one shareholder is not able to meet its obligations, all shareholders share in the loss and in recoveries, if any.

continuous improvement

Staff have been working on two major bodies of work during the last twelve months, both of which will result in future operating benefits.

The funding programme required a complete review of funding software and reporting requirements. The process has been resource intensive and dependent on completion of the funding arrangements. The difficulty experienced in replacing the MTFS securitisation programme is a reflection of the changes in the attitude of banks and rating agencies to a more conservative approach towards credit risk, since the global financial crisis. That this programme is now in place shows that MTF internal systems and capabilities meet the highest of standards now required by funding markets. Although the rating process took longer than anticipated, a AAA rating places MTF in a strong position at a time when uncertainty over funding is still a fundamental concern for many businesses.

The redevelopment of Rapid, the front end loan origination system, has been a long drawn out process, needing to be aligned not only with impending regulations but also with the funding programme. The new web-based system will be launched early 2011, and improvements in data integrity and credit assessment will provide tangible benefits to both transacting shareholders and the company.

staff and shareholders

This has been another tough year for shareholders and staff and both groups have responded to all that we have asked of them. The finance world is different and the baseline for credit approval, funding, compliance, management and governance of a finance company has been set at higher levels that require more management focus. There is less flexibility in lending and funding is harder to access and more expensive.

Next year will continue to be tough and we believe we have the staff, the shareholders and the systems that ensure it will be another successful year.

dividends

Perpetual preference share dividends totalling $1.6m (net) were paid during the period. The dividend rate is set annually, at 30 September, at 2.40% over the one-year swap rate, and was reset to 5.77% (last year: 5.67%) on 30 September 2010, for the twelve months to 30 September 2011.

Dividends totalling $0.95m (net) were paid to ordinary shareholders for the year. On 21 October 2010, the directors approved a final divided on paid-up ordinary shares of 6.25%, for the quarter ending 30 September 2010. The dividend was paid on 29 October 2010.

outlook – a year to build on a solid base

New loan originations bottomed out in August 2009 and since then we have seen improving sales activity. Used car finance is improving and new car finance has seen reasonable growth. We expect some pressure on motorcycle financing, for recreational bikes and farm bikes, both of which have a discretionary element. The direct franchise continues to grow by the number of franchises and the volume of business generated. Despite our withdrawal from operating lease, we have maintained market share at historic levels, as measured by PPSR registrations.

In September, we merged the MTF Direct brand with MTF and adopted the logo displayed on this document. We have started marketing direct to customers, through the MTF website and by email and text. We expect to remove more paper from our systems in 2011 and provide customers and originators with more reasons to use MTF to finance a motor vehicle.

We continue to face an uncertain future with confidence and we do not expect life to return to pre 2008 “normal” until well into 2012. We will manage MTF in the prudent fashion that has ensured our survival. We will continue to doubt the economic forecasters, until the recovery is reflected in the confidence and actions of the real economy, characterised by small to medium business and the rural producers that provide our export revenue.

Angus Bradshaw
Managing Director

Roger Bonifant
Chairman

9 November 2010

five year financial review

	NZ IFRS				superseded NZ GAAP
	2010 $000	2009 $000	2008 $000	2007 $000	2006 $000
financial performance					
total income	80,204	93,240	98,424	90,485	91,258
profit before commission and other gains or losses	32,749	33,315	37,898	38,831	40,508
profit (loss) before taxation	6,952	12,326	5,059	(1,991)	40,508
taxation	1,646	3,562	1,342	(833)	474
profit (loss) after taxation	5,306	8,764	3,717	(1,159)	40,034
financial position					
assets	462,447	536,368	623,893	599,107	581,447
liabilities	396,203	472,895	580,611	556,575	523,818
capital	66,244	63,473	43,282	42,532	57,629
total shareholder interest	66,244	63,473	49,574	49,481	57,629
net loans under administration	418,732	492,991	585,374	565,185	548,756
performance indicators					
net interest income/average loans under administration	7.86%	6.60%	6.49%	6.95%	7.09%
expense/average total assets	2.02%	1.71%	1.75%	1.78%	1.78%
profit before commission and other gains (losses)/average total assets	6.56%	5.74%	6.20%	6.57%	6.90%
capital percentage	14.32%	11.83%	6.94%	7.10%	9.90%

These accounts have been prepared in accordance with NZ IFRS. The figures for 2006 have not been restated in accordance with NZ IFRS. The significant impacts of the transition to NZ IFRS in the 2007, and subsequent financial years are:

- for 2007, and subsequent years, distributions to transacting shareholders have been recorded as an expense 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.
- finance receivables and derivative financial instruments are now recorded at fair value, with movements in fair value recognised through profit and loss.
- under IFRS, co-operative shares do not meet the technical definition of capital because of their redeemable nature. From transition, co-operative share capital is classified as share capital repayable on demand. During 2009, co-operative share capital was converted to ordinary share capital as part of a capital restructure, outlined in the notes to the financial statements.

governance

framework

The board of directors is responsible for the governance of the Company.

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

board

The Company expects its employees and directors to act ethically, legally and with integrity, in line with the Company's guiding principal and values. A Code of Ethics sets out clear expectations of ethical decision making and behaviour by directors. The code deals with the Company's responsibilities to shareholders, staff and other stakeholders and sets out procedures to be followed for reporting any concerns regarding breeches of the code.

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 annual and half-yearly financial statements

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

At 30 September 2010, the board consisted of four transacting shareholder directors, two independent directors and the Managing Director. Information about directors is set out on page 57 of this report. The board met nine times during the year ended 30 September 2010.

board committees

Committees enhance the board's effectiveness, while preserving overall board responsibility. Committees are assigned terms of reference by the board for the roles performed, and 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. Other committees may be formed for specific purposes and disbanded as required. The board has the following committees:

Audit : Stephen Higgs (Chair), Roger Bonifant

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 approval by the board
- effectiveness of management information systems and systems of internal control
- efficiency, effectiveness and independence of the external audit function.

Remuneration: Roger Bonifant (Chair), Graeme Gibbons

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

Credit: Graeme Gibbons (Chair), Roger Bonifant, Warwick Cashmore, Mark Hatwell

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

Nominations: full board

The committee, is convened when a board vacancy is to be filled.

name	status	board		audit			remuneration			credit			nominations		
		no. of meetings	no. of meetings attended	member	no. of meetings	no. of meetings attended	member	no. of meetings	no. of meetings attended	member	no. of meetings	no. of meetings attended	member	no. of meetings	no. of meetings attended
Roger Bonifant	independent	9	9	✓	2	2	✓	1	1	✓	9	9	✓	1	1
Angus Bradshaw	Managing Director	9	9										✓	1	1
Warwick Cashmore	transacting shareholder	9	7							✓	9	7	✓	1	1
Graeme Gibbons	transacting shareholder	9	9				✓	1	1	✓	9	9	✓	1	1
Mark Hatwell	transacting shareholder	9	9							✓	9	9	✓	1	1
Stephen Higgs	independent	9	9	✓	2	2							✓	1	1
Mike King *	transacting shareholder	3	3										✓	-	-

* Mike King was appointed on 24 June 2010.

risk management

The board is responsible for the Company system of internal control. The board regularly monitors the operational and financial aspects of Company activities and, through the audit committee, considers the recommendations and advice of external auditors.

A 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, Chief Financial Officer, General Manager-Credit, Financial Controller, Trust Manager, Compliance Manager and Asset and Liability Manager, meets regularly to consider balance sheet risk and management, within the framework of board approved treasury management and credit policy.

remuneration of directors

Remuneration and other benefits paid to directors by the Company during the year were as follows:

	Parent	
	2010	2009
R A Bonifant	62,500	62,500
A R Bradshaw	414,921	421,013
W N Cashmore	36,000	36,000
K J Cummings	-	4,304
G D Gibbons	36,000	36,000
M B Hatwell	36,000	36,001
S J Higgs	36,000	36,002
M D King	9,000	-
	630,421	631,820

No remuneration or other benefits are paid by subsidiaries.

statement of comprehensive income

year ended 30 september 2010

	note	group 2010 $000	group 2009 $000	parent 2010 $000	parent 2009 $000
interest income	3	70,393	83,499	58,464	67,024
interest expense	4	34,573	48,078	22,644	31,603
net interest income		35,820	35,421	35,820	35,421
payment waiver net income	5	880	841	880	841
fees		8,931	8,900	8,931	8,900
net interest income and fees		45,631	45,162	45,631	45,162
expense					
employee	6	4,789	4,575	4,789	4,575
communication and processing	6	2,107	1,560	2,107	1,560
depreciation and amortisation	6	1,303	1,611	1,303	1,611
administration	6	1,897	2,196	1,897	2,196
bad debt		2,786	1,905	2,786	1,905
operating expense		12,882	11,847	12,882	11,847
profit before commission and other gains (losses)		32,749	33,315	32,749	33,315
commission		24,798	20,605	24,798	20,605
profit before net gain (loss) from financial instruments designated at fair value		7,951	12,710	7,951	12,710
net gain (loss) from financial instruments designated at fair value and foreign currency translation	7	(999)	(384)	(6,425)	1,044
profit before taxation		6,952	12,326	1,526	13,754
taxation	9	1,646	3,562	262	4,038
profit after taxation		5,306	8,764	1,264	9,716
other comprehensive income		-	-	-	-
total comprehensive income		**$5,306**	**$8,764**	**$1,264**	**$9,716**

statement of changes in equity

year ended 30 september 2010

	note	group 2010 $000	group 2009 $000	parent 2010 $000	parent 2009 $000
shareholder equity at beginning of period		63,473	43,282	72,405	51,262
ordinary shares issued	11	-	14,429	-	14,429
ordinary share dividend (net)	10	(945)	(395)	(945)	(395)
perpetual preference share dividend (net)	10	(1,590)	(2,607)	(1,590)	(2,607)
transactions with shareholders		(2,535)	11,427	(2,535)	11,427
total comprehensive income		5,306	8,764	1,264	9,716
total attributable revenue and expense		5,306	8,764	1,264	9,716
shareholder equity at end of period	11	**$66,244**	**$63,473**	**$71,134**	**$72,405**

The financial statements should be read in conjunction with the accounting policies and notes on pages 13 – 54.

balance sheet

30 september 2010

	note	group 2010 $000	group 2009 $000	parent 2010 $000	parent 2009 $000
funds employed					
share capital	11	22,957	22,322	22,957	22,322
retained earnings	11	4,321	2,185	9,211	11,117
perpetual preference shares	11	38,966	38,966	38,966	38,966
total shareholder equity		66,244	63,473	71,134	72,405
liabilities					
provision for taxation		1,236	-	-	5,541
accounts payable and accrued expense	12	8,747	7,320	8,638	7,283
unearned payment waiver fees		4,678	4,417	4,678	4,417
advance from MTFS	13	-	-	344,304	412,637
bills of exchange - secured	14	367,358	425,100	-	-
derivative financial instruments	8	8,367	26,421	393	-
deferred taxation	9	5,817	9,637	180	2,362
total liabilities		396,203	472,895	358,193	432,240
total funds employed		**$462,447**	**$536,368**	**$429,327**	**$504,645**
employment of funds					
cash at bank		8,108	6,515	8,093	6,484
cash in restricted bank accounts	15	23,053	25,484	-	-
taxation refund due		1,574	1,050	1,574	-
accounts receivable		883	500	761	187
prepayments	16	1,734	-	1,734	-
payment waiver indemnity prepayment		2,902	2,737	2,902	2,737
finance receivables	17	418,732	492,991	410,083	478,486
amounts owing by subsidiaries	19	-	-	953	13,680
deferred taxation	9	2,233	4,020	-	-
property, plant and equipment	20	706	493	706	493
intangible assets	21	2,521	2,578	2,521	2,578
total assets		**$462,447**	**$536,368**	**$429,327**	**$504,645**

On behalf of the Board

Angus Bradshaw
Managing Director

Roger Bonifant
Chairman

9 November 2010

The financial statements should be read in conjunction with the accounting policies and notes on pages 13 – 54.

statement of cash flow

year ended 30 september 2010

	note	group 2010 $000	group 2009 $000	parent 2010 $000	parent 2009 $000
cash flow from operating activities					
interest and fee income		79,111	92,305	67,183	75,830
interest expense		(27,630)	(41,465)	(15,702)	(24,990)
other funding and securitisation costs		(7,266)	(7,003)	(7,265)	(7,003)
income taxation paid		(2,968)	(1,324)	(2,968)	(1,324)
commission		(22,930)	(17,431)	(22,930)	(17,431)
operating expense		(11,853)	(10,155)	(11,853)	(10,155)
net cash flow from operating activities before changes in operating assets and liabilities		6,464	14,927	6,465	14,927
net changes in operating assets and liabilities:					
finance receivable instalments		332,490	386,329	325,974	378,297
increase (decrease) in bills of exchange - net		(70,763)	68,217	-	-
increase (decrease) in euro commercial paper - net		-	(146,873)	-	-
(decrease) in finance receivable advances		(263,369)	(293,010)	(261,927)	(287,955)
(increase) in prepayments		(1,734)	-	(1,734)	-
increase (decrease) in short-term loans - net		-	(28,400)	-	(28,400)
(decrease) in advance from MTFS		-	-	(68,333)	(77,225)
loans to subsidiaries		-	-	5,090	2,995
		(3,376)	(13,737)	(930)	(12,288)
net cash flow from operating activities		**3,088**	**1,190**	**5,535**	**2,639**
cash flow from investing activities					
sale of property, plant and equipment		56	64	56	64
purchase of property, plant and equipment		(457)	(40)	(457)	(40)
purchase of intangible assets		(1,038)	(324)	(1,038)	(324)
net cash flow from investing activities		**(1,439)**	**(300)**	**(1,439)**	**(300)**
cash flow from financing activities					
repay share capital and transacting shareholder deposits		-	33	-	33
proceeds from share issue	11	48	7,644	48	7,644
dividend to perpetual preference shareholders	10	(1,590)	(2,607)	(1,590)	(2,607)
dividend to ordinary shareholders	10	(945)	(395)	(945)	(395)
net cash flow from financing activities		**(2,487)**	**4,675**	**(2,487)**	**4,675**
net increase (decrease) in cash		(838)	5,565	1,609	7,014
cash on hand at beginning of period		31,999	26,434	6,484	(530)
cash on hand at end of period		**$31,161**	**$31,999**	**$8,093**	**$6,484**
represented by:					
cash at bank (overdraft)		8,108	6,515	8,093	6,484
cash in restricted bank accounts		23,053	25,484	-	-
		$31,161	**$31,999**	**$8,093**	**$6,484**

The financial statements should be read in conjunction with the accounting policies and notes on pages 13 – 54.

	group		parent	
	2010	2009	2010	2009
	$000	$000	$000	$000
reconciliation of profit after taxation to net cash flow from operating activities				
profit after taxation	5,306	8,764	1,264	9,716
non-cash items	1,177	2,012	1,177	2,012
	6,483	10,776	2,441	11,728
movement in other items				
(increase) decrease in accounts receivable	(548)	(200)	(518)	33
(increase) decrease in prepayments	(1,734)	-	(1,734)	-
increase (decrease) in accounts payable and accrued expense	1,689	1,559	1,618	1,590
increase (decrease) in provision for taxation	1,236	-	(5,541)	2,854
increase (decrease) in taxation refund due	(524)	(462)	(1,574)	-
increase (decrease) in deferred taxation	(2,033)	2,698	(2,182)	(143)
(increase) decrease in finance receivables	74,259	92,383	72,482	90,739
increase (decrease) in bills of exchange	(57,742)	58,464	-	-
increase (decrease) in euro commercial paper	-	(149,572)	-	-
increase (decrease) in derivative financial instruments	(18,054)	13,880	393	-
increase (decrease) in short term loans	-	(28,400)	-	(28,400)
(increase) decrease in loans to subsidiaries	-	-	8,428	1,399
increase (decrease) in advance from MTFS	-	-	(68,333)	(77,225)
	(3,451)	(9,650)	3,039	(9,153)
movement in working capital items classified as investing or financing activities	56	64	56	64
net cash surplus from operating activities	**$3,088**	**$1,190**	**$5,536**	**$2,639**

The financial statements should be read in conjunction with the accounting policies and notes on pages 13 – 54.

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). The principal activity of MTF consists of accepting finance receivables entered into by transacting shareholders.

MTF is a profit oriented entity, incorporated in New Zealand under the Companies Act 1993. MTF is an issuer for the purpose of the Financial Reporting Act 1993 . The 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 are prepared in accordance with Generally Accepted Accounting Practice (NZ GAAP) and comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable financial reporting standards as appropriate for profit oriented entities. The financial statements also comply with International Financial Reporting Standards.

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 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 (FVTPL). 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 (see note 30(e)).

(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

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.

The Group consolidates the securitisation entity, MTFS Securities Limited (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 polices have been applied consistently to all periods presented in these financial statements.

(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 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.

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 (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 as part of profit before taxation 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.

commission

Commission is recognised as an expense when approved by the directors.

(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) 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 at bank and in restricted bank accounts and accounts receivable and other receivables are initially recognised at fair value and 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 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 as part of profit before taxation. 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 included in profit before tax 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 the net gain/(loss) from financial instruments designated at fair value in the Statement of Comprehensive Income.

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. Derivative financial instruments, consisting of interest rate swap agreements and foreign exchange contracts, are used to economically hedge the cash flows of the securitisation funding required for 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 Statement of Comprehensive Income.

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 FVTPL are not assessed for impairment as the determination of fair value reflects the credit quality of the instrument and changes in fair value are recognised in the net gain/(loss) from financial instruments designated at fair value in the Statement of Comprehensive Income.

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 difficulty 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 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 transacting 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 Statement of Comprehensive Income over the period of borrowing, using the effective interest rate method. Interest expense is recognised as part of profit before tax using the effective interest method.

- **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 cost 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 profit or loss.

(viii) taxation

Income tax on the profit before taxation for the period comprises current tax and deferred tax. Income tax is recognised in the Statement of Comprehensive Income, 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.

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 Statement of Comprehensive Income.

Cash and cash equivalents

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

Netting of cash flows

Certain cash flows are netted to provide more meaningful disclosure. Short-term loans, ECP, BOE and the advance from MTFS 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. Where GST is not recovered, it is included in the line item it relates to.

(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 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 reasonably certain that recovery will be received and the amount of the receivable can be measured reliably.

(xv) segment reporting

The Group has adopted NZ IFRS 8 Operating Segments, with effect from 1 October 2009. NZ IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. As a result, following the adoption of NZ IFRS 8, the identification of the Group's reportable segments has not changed.

(xvi) share capital

Ordinary shares are classified as equity. 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) perpetual preference shares

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

(xviii) standards and interpretations issued but not yet adopted

At the date of authorisation of the financial report, a number of Standards and Interpretations were in issue but not yet effective.

Initial application of the following Standards will not affect any of the amounts recognised in the financial report, but may change the presentation and disclosures presently made in relation to the Company's and Group's financial report:

standard/interpretation	effective for annual reporting periods beginning on or after	expected to be initially applied in the financial year ending
Improvements to New Zealand Equivalents to International Financial Reporting Standards 2009	*	30-Sep-11
Amendments to NZ IFRS 2 'Share-Based Payment' - Group Cash-Settled Share-Based Payment Transactions	1-Jan-10	30-Sep-11
Amendment to NZ IAS 32 'Financial Instruments: Presentation' - Classification of Rights Issues	1-Feb-10	30-Sep-11
Amendments to NZ IAS 24 'Related Party Disclosures'	1-Jan-11	30-Sep-12
NZ IFRS 9 'Financial Instruments'	1-Jan-13	30-Sep-14
NZ IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments'	1-Jul-10	30-Sep-11
Amendments to NZ IFRIC 14 'Prepayments of a Minimum Funding Requirement'	1-Jan-11	30-Sep-12
Improvements to New Zealand Equivalents to International Financial Reporting Standards 2010		
- Improvements to NZ IFRS 3 and NZ IAS 27	1-Jul-10	30-Sep-11
- Improvements to other standards	1-Jan-11	30-Sep-12

* The effective date and transitional provisions vary by Standard. Most of the improvements are effective for annual periods beginning on or after 1 January 2010, with earlier adoption permitted.

The Standards and Interpretations listed below became mandatory for the group during the 30 September 2010 year end:

1. NZ IFRS 8 Operating segments
2. NZ IAS 1 Presentation of Financial Statements (2007)
3. Amendments to NZ IFRS 7 Financial Instruments: Disclosures

The application of these standards and interpretations has a disclosure impact only.

note 2: securitisation programme

MTF is party to a securitisation programme with MTFS and other parties, including Commonwealth Bank of Australia (CBA) and Westpac Banking Corporation. On 28 April 2010 MTF requested that rating agencies Standard and Poor's and Moody's cancel their respective ratings on the programme. As a consequence MTF can no longer access rated ECP and for securitisation funding is dependent on revolving liquidity via BOE. 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 shareholder, 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, two appointed by MTF and an independent director.

(v) The constitution of MTFS restricts the activities of MTFS, which can only be changed with the consent of all shareholders.

(vi) Credit enhancement and liquidity support (Revolving Liquidity 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.

(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 in a form approved for acceptance by MTFS;
b) for a term less than 60 months and a payoff amount greater than $1,000;
c) registered at the Personal Property Securities Register (PPSR).

(x) Interest rate swap agreements are entered into with the issuance of the ECP/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) Since 24 December 2009, BOE have been issued in NZD. Prior to this foreign exchange forward agreements were 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 was eliminated.

(xii) The securitisation programme provides facilities for MTFS to borrow an agreed limit, currently set at NZD390,000,000 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 5.83% (2009: 5.83%) of the net finance receivables due to MTFS. The amount of the subordinated loan at 30 September 2010 was $22,772,000 (2009: $26,293,000). The loan made by MTF to MTFS in this manner is subordinated to all other borrowings of MTFS.

(xiv) In December 2009 MTF agreed to provide additional credit support as a condition of the extension of the Cash Advance Facility under the Letter of Credit agreement under the securitisation programme. This credit support is limited to the maximum of the Cash Advance Facility. At 30 September 2010 the balance was $11,737,000 and equates to 3.0% of the net receivables due to MTFS.

(xv) During the year ended 30 September 2010 MTF legally sold $267,549,000 (2009 : $287,536,000) 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. The finance receivables are recognised on the parent balance sheet as a substantial part of the risks and rewards of ownership of the finance receivables is retained by MTF.

(xvi) 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 (xvi) and the MTF credit enhancement referred to in Note 25(ii) is represented by the following in the Parent Balance Sheet:

	parent	
	2010 $000	2009 $000
total finance receivables	410,083	478,486
less non securitised finance receivables	(20,726)	(14,293)
securitised finance receivables	389,357	464,193
less advance from MTFS	(344,304)	(412,637)
	45,053	51,556
less timing differences on collection, recognition and pass through of income from MTFS to MTF	(22,281)	(25,263)
	$22,772	**$26,293**

In certain circumstances, as outlined in note 27(i), MTF is required to repurchase securitised finance receivables from MTFS.

note 3: income

	group		parent	
	2010 $000	2009 $000	2010 $000	2009 $000
interest income				
finance receivables designated at FVTPL	69,749	82,260	58,464	67,024
cash in restricted bank accounts	644	1,239	-	-
	$70,393	**$83,499**	**$58,464**	**$67,024**
interest income includes income from:				
non-impaired assets	69,220	81,219	57,291	64,744
impaired assets	1,173	2,280	1,173	2,280
	$70,393	**$83,499**	**$58,464**	**$67,024**

note 4: interest expense

short-term loans	3	566	3	566
euro commercial paper/bills of exchange	27,739	40,427	-	-
securitisation programme costs	6,710	6,409	-	-
securitisation funding costs	-	-	22,520	30,740
other	121	676	121	297
	$34,573	**$48,078**	**$22,644**	**$31,603**

note 5: payment waiver programme

payment waiver fees earned	4,013	3,713	4,013	3,713
indemnity expense	(2,509)	(2,386)	(2,509)	(2,386)
indemnity performance payment	(305)	(125)	(305)	(125)
administration expenses	(319)	(361)	(319)	(361)
payment waiver net income	**$880**	**$841**	**$880**	**$841**

Payment waiver is an optional guarantee included in a credit contract between a transacting shareholder and a customer. The waiver provides a guarantee that MTF will waive its rights to receive payment from the customer if certain events occur during the life of the credit contract.

To limit the exposure to MTF the payment waiver programme is fully indemnified. This indemnity includes all successful waiver requests and related investigation expense and is provided by a general insurance company with a rating of A+ (at 8 January 2009). The structure of this indemnity results in MTF having a credit exposure to the insurance company, should it be subject to an event of default.

The payment waiver programme is administered by a third party. All waiver requests are subject to procedures for verification and assessment of payment waiver requests. Management procedures ensure the timely and accurate application of waived payments, in accordance within the terms of the credit contract.

Payment waiver fees are recognised over the life of the credit contract, on a basis that reflects the underlying pattern of risk. The associated indemnity fee is expensed in the same manner.

Part of the indemnity agreement means that MTF is liable for additional indemnity fees, should the payment waiver programme not meet certain performance criteria. MTF has assessed this risk and determined that, given current performance, it is likely to incur further indemnity fees in subsequent periods. An amount of $305,000 (2009:$125,000) has been accrued in recognition of this future payment.

note 6: expense

includes:	group 2010 $000	group 2009 $000	parent 2010 $000	parent 2009 $000
auditor				
- statutory audit	113	100	74	62
- taxation compliance*	141	115	105	108
- review of fee methodology	71	-	71	-
- IT risk review	36	-	36	-
- financial reporting advice (Warehouse)	55	81	55	81
- other fees	16	153	16	153
depreciation				
- hardware	61	87	61	87
- office equipment, fixtures and fittings	94	103	94	103
- motor vehicles	53	76	53	76
amortisation				
- intangible assets - software	1,095	1,345	1,095	1,345
director fees	216	211	216	211
rental and lease	323	260	323	260
employee expense includes key management remuneration of:				
short term employee benefits	1,425	1,544	1,425	1,544
post employment benefits	12	3	12	3

* Additional taxation advisory services of $114,000 are recognised as part of the Warehouse Trust prepayment.

The auditor of the Group is Deloitte.

note 7: net gain (loss) from financial instruments designated at fair value and foreign currency translations

net gain (loss) arising on:	group 2010 $000	group 2009 $000	parent 2010 $000	parent 2009 $000
finance receivables	(6,504)	4,697	(6,504)	4,697
individual impairment allowance	668	(3,255)	668	(3,255)
collective impairment allowance	(196)	(800)	(196)	(800)
interest rate swap derivatives - unrealised	5,033	(1,428)	(393)	-
interest rate swap derivatives - realised	-	402	-	402
foreign currency derivatives	13,021	(12,452)	-	-
foreign currency translation of ECP/BOE	(13,021)	12,452	-	-
	$(999)	**$(384)**	**$(6,425)**	**$1,044**

note 8: derivative financial instruments

	group 2010 $000	group 2009 $000	parent 2010 $000	parent 2009 $000
fair value				
interest rate swaps	(8,367)	(13,400)	(393)	-
foreign exchange contracts	-	(13,021)	-	-
	$(8,367)	**$(26,421)**	**$(393)**	**-**

interest rate swaps

The Group enters into interest rate swaps to hedge fixed rate income from finance receivables against variable rate funding in the securitisation programme. 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 as part of the profit before taxation. The table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at reporting date:

	group only					
	average contracted interest rate		notional principal amount		fair value	
	2010 %	2009 %	2010 $000	2009 $000	2010 $000	2009 $000
group						
less than 1 year	7.16	6.81	231,071	208,948	(4,144)	(5,975)
1 to 2 years	7.93	7.18	131,745	154,561	(2,585)	(4,418)
2 to 3 years	7.95	7.89	64,186	81,398	(1,259)	(2,327)
3 to 4 years	4.59	7.46	17,334	21,344	(339)	(610)
4 to 5 years	4.47	4.17	2,023	2,458	(40)	(70)
			$446,359	**$468,709**	**(8,367)**	**$(13,400)**
parent						
less than 1 year	4.37	-	40,000	-	(393)	-
			$40,000	**-**	**$(393)**	**-**

foreign exchange contracts

During the period MTFS changed from issuing ECP/BOE in USD to issuing BOE in NZD. Foreign exchange forward agreements were 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 was eliminated. The notional amount, remaining term and fair value of these contracts at reporting date is:

	group only			
	weighted average exchange rate	foreign currency notional amount USD 000	local currency notional amount NZD 000	fair value NZD 000
2010				
less than 1 year	-	-	-	-
		-	**-**	**-**
2009				
less than 1 year	0.7198	305,712	438,121	(13,021)
		$305,712	**$438,121**	**$(13,021)**

note 9: taxation

taxation recognised in statement of comprehensive income

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

(a) taxation expense	group		parent	
	2010	**2009**	**2010**	**2009**
	$000	**$000**	**$000**	**$000**
profit before taxation	6,952	12,326	1,526	13,754
income taxation expense calculated at 30% (2009: 30%)	2,085	3,698	458	4,127
non deductible expenses	4	53	4	53
non assessable income	(133)	(155)	(133)	(155)
change in taxation rate	(255)	-	(12)	-
(over) under provision of income taxation in previous year	(55)	(34)	(55)	13
	$1,646	**$3,562**	**$262**	**$4,038**
represented by:				
current taxation	3,679	864	2,444	4,181
deferred taxation	(2,033)	2,698	(2,182)	(143)
	$1,646	**$3,562**	**$262**	**$4,038**

The prima facie tax rate used in the above reconciliation is the corporate tax rate of 30% payable by New Zealand corporate entities on taxable profits under New Zealand tax law for the 2010 income tax year. In the 2010 year, deferred tax was recalculated at the corporate tax rate of 28% applying from the 2011 income tax year onwards.

(b) deferred taxation

The deferred taxation balances at 30 September 2010 are represented by:

group - 2010	opening balance $000	charged to income $000	changes in taxation rate charged to income $000	other $000	closing balance $000
deferred taxation assets:					
accounts payable and accrued expense	2,257	67	(155)	-	2,169
derivative financial instruments	4,020	(1,628)	(159)	-	2,233
	6,277	(1,561)	(314)	-	4,402
deferred taxation liabilities:					
property, plant and equipment	17	(11)	-	-	6
intangible assets	(543)	204	21	-	(318)
finance receivables	(11,368)	3,146	548	-	(7,674)
	(11,894)	3,339	569	-	(7,986)
total deferred taxation	**($5,617)**	**$1,778**	**$255**	**-**	**($3,584)**
represented by:					
deferred taxation asset					2,233
deferred taxation liability					(5,817)
total deferred taxation					**($3,584)**

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

parent - 2010	opening balance $000	charged to income $000	changes in taxation rate charged to income $000	other $000	closing balance $000
deferred taxation assets:					
accounts payable and accrued expense	2,257	67	(155)	-	2,169
	2,257	67	(155)	-	2,169
deferred taxation liabilities:					
property, plant and equipment	17	(11)	-	-	6
intangible assets	(544)	204	21	-	(319)
finance receivables	(4,092)	1,911	145	-	(2,036)
	(4,619)	2,104	166	-	(2,349)
total deferred taxation	**($2,362)**	**$2,171**	**$11**	**-**	**($180)**

group - 2009	opening balance $000	charged to income $000	changes in taxation rate charged to income $000	other $000	closing balance $000
deferred taxation assets:					
accounts payable and accrued expense	516	1,741	-	-	2,257
taxation losses	4,593	(4,593)	-	-	-
derivative financial instruments	-	4,020	-	-	4,020
	5,109	1,168	-	-	6,277
deferred taxation liabilities:					
property, plant and equipment	(113)	130	-	-	17
intangible assets	(371)	(172)	-	-	(543)
finance receivables	(7,544)	(3,824)	-	-	(11,368)
	(8,028)	(3,866)	-	-	(11,894)
total deferred taxation	**($2,919)**	**($2,698)**	**-**	**-**	**($5,617)**
represented by:					
deferred taxation asset					4,020
deferred taxation liability					(9,637)
total deferred taxation					**($5,617)**

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

parent - 2009	opening balance $000	charged to income $000	changes in taxation rate charged to income $000	other $000	closing balance $000
deferred taxation assets:					
accounts payable and accrued expense	516	1,741	-	-	2,257
	516	1,741	-	-	2,257
deferred taxation liabilities:					
property, plant and equipment	(113)	130	-	-	17
intangible assets	(371)	(173)	-	-	(544)
finance receivables	(2,537)	(1,555)	-	-	(4,092)
	(3,021)	(1,598)	-	-	(4,619)
total deferred taxation	**($2,505)**	**$143**	**-**	**-**	**($2,362)**

note 10: dividends

ordinary share dividend	group and parent 2010 $000	2009 $000
fully imputed dividend declared and paid during the year:		
interim dividend paid 30 October 2009 at 1.6 cents per share	241	-
interim dividend paid 31 January 2010 at 1.5 cents per share	235	-
interim dividend paid 30 April 2010 at 1.5 cents per share	230	169
interim dividend paid 30 July 2010 at 1.5 cents per share	239	226
	$945	**$395**

Subsequent to balance date the directors approved a dividend of $240,000 by way of a directors resolution dated 21 October 2010.

perpetual preference share dividend	2010 $000	2009 $000
fully imputed dividend declared and paid during the year (net)	1,590	2,607
	$1,590	**$2,607**

The dividend payable on the perpetual preference shares is based on the benchmark rate plus 2.4% and is reset annually on 30 September. The benchmark rate is the one year interest rate swap on the reset day. The dividend rate was reset on 30 September 2010 at a gross rate of 5.77% (2009: 5.67%). Dividends at the relevant reset rate are declared subject to the applicable director resolution being passed.

note 11: equity

group	note	share capital	retained earnings	perpetual preference shares	total equity
		$000	$000	$000	$000
2010					
Balance at beginning of period		22,322	2,185	38,966	63,473
Total comprehensive income		-	5,306	-	5,306
Bonus issue from retained profits withheld from former co-operative shareholders not fully participating in cash issue	(d)	635	(635)	-	-
Ordinary share dividends		-	(945)	-	(945)
Preference share dividends		-	(1,590)	-	(1,590)
Balance at end of period		**$22,957**	**$4,321**	**$38,966**	**$66,244**
2009					
Balance at beginning of period		-	4,316	38,966	43,282
Total comprehensive income		-	8,764	-	8,764
Conversion of shares repayable on demand to ordinary	(a)	6,366	-	-	6,366
shares					-
Cash issue of ordinary shares	(b)	8,063	-	-	8,063
Bonus issue from August and September 2008 retained profit allocated to former co-operative shareholders	(c)	6,964	(6,964)	-	-
Bonus issue from retained profits withheld from former co-operative shareholders not fully participating in cash issue	(d)	929	(929)	-	-
Ordinary share dividends		-	(395)	-	(395)
Preference share dividends		-	(2,607)	-	(2,607)
Balance at end of period		**$22,322**	**$2,185**	**$38,966**	**$63,473**

parent	note	share capital	retained earnings	perpetual preference shares	total equity
2010					
Balance at beginning of period		22,322	11,117	38,966	72,405
Total comprehensive income		-	1,264	-	1,264
Bonus issue from retained profits withheld from former co-operative shareholders not fully participating in cash issue	(d)	635	(635)	-	-
Ordinary share dividends		-	(945)	-	(945)
Preference share dividends		-	(1,590)	-	(1,590)
Balance at end of period		**$22,957**	**$9,211**	**$38,966**	**$71,134**
2009					
Balance at beginning of period		-	12,296	38,966	51,262
Total comprehensive income		-	9,716	-	9,716
Conversion of shares repayable on demand to ordinary shares	(a)	6,366	-	-	6,366
Cash issue of ordinary shares	(b)	8,063	-	-	8,063
Bonus issue from August and September 2008 retained profit allocated to former co-operative shareholders	(c)	6,964	(6,964)	-	-
Bonus issue from retained profits withheld from former co-operative shareholders not fully participating in cash issue	(d)	929	(929)	-	-
Ordinary share dividends		-	(395)	-	(395)
Preference share dividends		-	(2,607)	-	(2,607)
Balance at end of period		**$22,322**	**$11,117**	**$38,966**	**$72,405**

(i) share capital

A capital restructure proposal was approved on 29 October 2008, to raise additional capital, capitalise undistributed profits and convert to an investor owned company, to ensure the Company has capital appropriate to meet prudential, regulatory and operational requirements.

(a) On 2 February 2009, co-operative share capital of 6,366,000 $1 shares was converted to ordinary shares.

(b) On 16 January 2009, 8,063,169 ordinary shares, arising from a cash issue, were issued to transacting shareholders. The shares are subject to deferred settlement. At 30 September 2010, future calls of $222,000 (2009: $270,000), due for payment by 30 September 2009, are included in accounts receivable.

(c) On 16 January 2009, $6,964,763 of retained profit was converted to ordinary shares, through a non-taxable bonus issue.

(d) Shareholders that did not subscribe to the cash issue, and subsequently held less than 30,000 ordinary shares (excluding bonus shares issued above), are required to subscribe to the shortfall through the issue of non-taxable bonus shares, from commission payable, until the minimum is achieved. During the 2010 year non taxable bonus shares of $635,000 (2009: $929,000) were issued.

(e) Until 1 February 2011, ordinary shares may only be traded with board approval to new or existing transacting shareholders. During this period, the directors will determine the trading platform on which ordinary shares will be traded.

(f) No shareholder or group of associated persons may hold more than 15% of the ordinary shares on issue.

(g) MTF cancelled its registration as a co-operative company on 2 February 2009.

(h) The rights of perpetual preference shareholders remain the same.

(i) As at 30 September 2010 there were 22,957,000 shares authorised and issued (2009: 22,322,000) of which 222,000 is due for payment (2009: 270,000). All fully paid ordinary shares have equal voting rights and share equally in dividends and surplus on winding up.

impact on statement of changes in equity	group and parent	
	2010 $000	2009 $000
Ordinary shares issued during period	635	22,322
Less bonus issue from August and September 2008 retained earnings allocated to former co-operative shareholders	-	(6,964)
Bonus share issue from commission withheld from former co-operative shareholders not fully participating in cash issue	(635)	(929)
	-	**$14,429**

impact on statement of cash flow

Cash issue of ordinary shares	-	8,063
Unpaid commission	-	(149)
Unpaid capital	48	(270)
	$48	**$7,644**

(ii) perpetual preference shares

face value	40,000	40,000
issue fees and expenses	(1,034)	(1,034)
	$38,966	**$38,966**

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 directors' discretion.

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

note 12: accounts payable and accrued expense

	group		parent	
	2010 $000	2009 $000	2010 $000	2009 $000
trade creditors	1,506	911	1,506	911
sundry creditors and accruals	2,185	2,727	2,076	2,690
unpaid commission	4,119	3,196	4,119	3,196
employee entitlements	937	486	937	486
	$8,747	**$7,320**	**$8,638**	**$7,283**

note 13: 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 BOE (refer note 14).

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 2010 the securitisation funding costs represented an effective interest rate of 5.77% (2009 : 6.81%) on the advance from MTFS.

note 14: bills of exchange (secured)

BOE are issued to MTFS under the Revolving Liquidity Facility (RLF) which is a standby bill endorsement facility with a limit of NZD390,000,000 (2009: NZD470,000,000) which 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 31 March 2011. Commitment is provided in the following proportion:

		group				
		total RLF limit $000	undrawn facilities $000	carrying value at forward $000	exchange gain on translation $000	carrying value at spot $000
2010						
Commonwealth Bank of Australia	72%	280,800	16,302	264,498	-	264,498
Westpac Banking Corporation	28%	109,200	6,340	102,860	-	102,860
		$390,000	**$22,642**	**$367,358**	**-**	**$367,358**
2009						
Commonwealth Bank of Australia	72%	338,400	32,328	315,447	9,375	306,072
Westpac Banking Corporation	28%	131,600	12,572	122,674	3,646	119,028
		$470,000	**$44,900**	**$438,121**	**$13,021**	**$425,100**

BOE with maturity dates between 7 and 28 days from balance date have been issued at an effective discount rate of 4.01% p.a. (2009 : 2.64% p.a.). New bills are issued for periods up to 90 days.

On 24 December 2009 the foreign exchange facility available under this facility was terminated. From this date all BOE have been issued in NZD. Prior to this date, when ECP/BOE paper was drawn the carrying value was assessed based on the forward rate that would be delivered using the foreign currency forward exchange contracts entered into at the same date. The funding arrangement was structured such that the difference between the forward rate and spot rate at balance sheet date always agreed with the fair value of the related foreign exchange forward contract.

note 15: 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 $644,000 (2009 : $1,239,000) was earned on cash deposits within the securitisation programme during the year.

note 16: prepayments

The amount in prepayments represents the cost incurred in relation to the establishment of the Warehouse Trust funding programme, as outlined in note 31. The Warehouse Trust will be used to fund qualifying finance receivables from November 2010. These costs will be presented, net of funding, in the warehouse trust balance sheet once these facilities have been drawn down.

note 17: finance receivables

	group		parent	
	2010 $000	2009 $000	2010 $000	2009 $000
receivable within 12 months	199,386	205,687	195,733	200,229
receivable beyond 12 months	219,346	287,304	214,350	278,257
total finance receivables	**$418,732**	**$492,991**	**$410,083**	**$478,486**

Finance receivables have been designated at FVTPL. The finance receivables have been hedged by 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 statement of comprehensive income.

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

finance receivables at FVTPL	(472)	4,055	(472)	4,055
	($472)	**$4,055**	**($472)**	**$4,055**

The cumulative change in fair value of finance receivables as a result of credit impairment has been assessed by the Group as being $4,243,000 (2009 : $4,715,000). The impact is included in the overall fair value movement.

note 18: asset quality disclosures

Individually impaired finance receivables are represented by 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 commission and dividends, 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	
asset quality	2010 $000	2009 $000	2010 $000	2009 $000
(a) asset quality - finance receivables				
neither past due nor impaired	413,902	482,084	405,296	468,751
individually impaired	8,818	14,823	8,818	13,823
past due but not impaired	255	799	212	627
specific impairment allowance	(2,673)	(3,341)	(2,673)	(3,341)
collective impairment allowance	(1,570)	(1,374)	(1,570)	(1,374)
total carrying amount	**$418,732**	**$492,991**	**$410,083**	**$478,486**
(b) aging of past due but not impaired assets				
past due 90 -120 days	154	448	154	448
past due 120 days+	101	351	58	179
carrying amount of past due assets	**$255**	**$799**	**$212**	**$627**
(c) 90 day past due assets (including impaired assets)				
balance at beginning of year	4,604	1,088	4,432	1,087
net movement in past due assets	(1,023)	3,516	(904)	3,345
carrying amount at end of year	**$3,581**	**$4,604**	**$3,528**	**$4,432**
(d) individually impaired assets - managed transacting shareholders				
finance receivables	8,818	14,823	8,818	13,823
balances available for offset, including collateral	(6,145)	(11,482)	(6,145)	(10,482)
specific impairment allowance	**($2,673)**	**($3,341)**	**($2,673)**	**($3,341)**

MTF has available, as collateral, registered security on the goods subject to the contract and may hold credit enhancements against the transacting shareholder including, but not limited to, rights to seize shares, commission and dividends 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 2010, 0.86% (2009 : 0.93%) have repayments that have been past due more than 90 days.

The Group and Parent do not have any material restructured assets or assets acquired through the enforcement of security (2009 : nil).

note 19: investment in subsidiaries

name of entity	principal activity	interest held by parent 2010	2009
MTF Leasing Ltd	leasing	100%	100%
MTF Securities Ltd	securitisation	-	-
MTF Direct Ltd	non-trading	100%	100%
MTF Limited	non-trading	100%	100%
MTF Treasury Ltd	securitisation	100%	-
MTF Warehouse Trust No.1	securitisation	-	-
MTF Settlement Trust No. 1	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).

MTF Treasury Ltd, MTF Warehouse Trust No.1 and MTF Settlement Trust No.1 were established during the period and form part of a securitisation programme that will come into affect in the next period.

MTF Warehouse Trust No.1 and MTF Settlement Trust No.1 are controlled entities of MTF and will form part of the MTF Group.

	group		parent	
	2010 $000	2009 $000	2010 $000	2009 $000
amounts owing by subsidiaries				
MTF Leasing Ltd	-	-	953	10,088
MTF Securities Ltd	-	-	-	3,592
total amounts owing by subsidiaries	**-**	**-**	**$953**	**$13,680**

note 20: property, plant and equipment

	group		parent	
carrying amount	2010 $000	2009 $000	2010 $000	2009 $000
computer hardware	1,948	1,812	1,948	1,812
less accumulated depreciation	(1,718)	(1,769)	(1,718)	(1,769)
total carrying amount	230	43	230	43
office equipment, fixtures and fittings	931	944	931	944
less accumulated depreciation	(658)	(577)	(658)	(577)
total carrying amount	273	367	273	367
motor vehicles	247	206	247	206
less accumulated depreciation	(44)	(123)	(44)	(123)
total carrying amount	203	83	203	83
total property, plant and equipment	**$706**	**$493**	**$706**	**$493**

Reconciliation of the carrying amount for each class of property, plant and equipment is:

	group		parent	
	2010 $000	2009 $000	2010 $000	2009 $000
computer hardware				
balance at beginning of year	43	114	43	114
additions	248	18	248	18
disposals	-	(2)	-	(2)
depreciation	(61)	(87)	(61)	(87)
balance at end of year	230	43	230	43
office equipment				
balance at beginning of year	367	449	367	449
additions	1	21	1	21
depreciation	(94)	(103)	(94)	(103)
balance at end of year	274	367	274	367
motor vehicles				
balance at beginning of year	83	223	83	223
additions	206	-	206	-
disposals	(34)	(64)	(34)	(64)
depreciation	(53)	(76)	(53)	(76)
balance at end of year	202	83	202	83
total property, plant and equipment	**$706**	**$493**	**$706**	**$493**

note 21: intangible assets

	group		parent	
	2010 $000	2009 $000	2010 $000	2009 $000
cost				
balance at beginning of year	10,667	10,345	10,667	10,345
additions	1,038	322	1,038	322
balance at end of year	11,705	10,667	11,705	10,667
amortisation and impairment				
balance at beginning of year	8,089	6,744	8,089	6,744
amortisation expense	1,095	1,345	1,095	1,345
balance at end of year	9,184	8,089	9,184	8,089
total intangible assets	**$2,521**	**$2,578**	**$2,521**	**$2,578**

note 22: related party transactions

Directors W N Cashmore, G D Gibbons, M B Hatwell and M D King are directors of companies with shareholdings in MTF that derive commission from the company on the same basis as all other transacting shareholders. Commission paid to companies (transacting shareholders) associated with the following directors are:

	group and parent	
	2010 $000	2009 $000
W N Cashmore	90	76
G D Gibbons	1,354	1,261
M B Hatwell	596	903
M D King (appointed 24 June 2010)	435	386
	$2,475	**$2,626**

The finance receivables outstanding with companies (transacting shareholders) associated with the following directors are:

	2010 $000	2009 $000
W N Cashmore	1,078	1,529
G D Gibbons	29,154	31,465
M B Hatwell	8,137	7,874
M D King (appointed 24 June 2010)	7,515	8,261
	$45,884	**$49,129**

The Managing Director, A R Bradshaw and the Chairman, R A Bonifant, are directors of MTFS. Transactions and balances with MTFS are:

	parent	
	2010 $000	2009 $000
loans legally sold to MTFS	267,549	287,536
securitisation funding costs charged by MTFS	22,520	30,740
advance from MTFS	344,304	412,637

note 23: commitments

	group		parent	
	2010 $000	2009 $000	2010 $000	2009 $000
(a) operating lease commitments (non-cancellable)				
payable within one year	256	158	256	158
payable between 1 and 2 years	181	50	181	50
payable between 2 and 5 years	466	-	466	-
(b) capital commitments	322	66	322	66

note 24: imputation credit account

opening balance	(735)	(731)	(735)	(731)
income taxation paid	2,968	1,324	2,968	1,324
attached to dividends paid	(1,086)	(1,328)	(1,086)	(1,328)
closing balance imputation credits (deficit)	**1,147**	**($735)**	**$1,147**	**($735)**

note 25: categories of financial instruments

The table sets out the categorisation of each class of financial asset and liability

categorisation of financial instruments at 30 September 2010

group	fair value through profit or loss $000	available for sale $000	loans and receivables $000	held to maturity $000	financial liabilities at amortised cost $000	total carrying amount $000
assets						
cash at bank	-	-	8,108	-	-	8,108
cash in restricted bank accounts	-	-	23,053	-	-	23,053
accounts receivable	-	-	883	-	-	883
payment waiver indemnity prepayment	-	-	2,902	-	-	2,902
finance receivables (designated)	418,732	-	-	-	-	418,732
	$418,732	**-**	**$34,946**	**-**	**-**	**$453,678**
liabilities						
accounts payable and accrued expense	-	-	-	-	8,747	8,747
unearned payment waiver fees	-	-	-	-	4,678	4,678
bills of exchange - secured	-	-	-	-	367,358	367,358
derivative financial instruments (held for trading)	8,367	-	-	-	-	8,367
	$8,367	**-**	**-**	**-**	**$380,783**	**$389,149**

parent	fair value through profit or loss $000	available for sale $000	loans and receivables $000	held to maturity $000	financial liabilities at amortised cost $000	total carrying amount $000
assets						
cash at bank	-	-	8,093	-	-	8,093
accounts receivable	-	-	761	-	-	761
payment waiver indemnity prepayment	-	-	2,902	-	-	2,902
finance receivables (designated)	410,083	-	-	-	-	410,083
amounts owing by subsidiaries	-	-	953	-	-	953
	$410,083	**-**	**$12,709**	**-**	**-**	**$422,792**
liabilities						
accounts payable and accrued expense	-	-	-	-	8,638	8,638
unearned payment waiver fees	-	-	-	-	4,678	4,678
advance from MTFS	-	-	-	-	344,304	344,304
derivative financial instruments (held for trading)	393	-	-	-	-	393
	$393	**-**	**-**	**-**	**$357,620**	**$358,013**

categorisation of financial instruments at 30 September 2009

group

	fair value through profit or loss $000	available for sale $000	loans and receivables $000	held to maturity $000	financial liabilities at amortised cost $000	total carrying amount $000
assets						
cash at bank	-	-	6,515	-	-	6,515
cash in restricted bank accounts	-	-	25,484	-	-	25,484
accounts receivable	-	-	500	-	-	500
payment waiver indemnity prepayment	-	-	2,737	-	-	2,737
finance receivables (designated)	492,991	-	-	-	-	492,991
	$492,991	**-**	**$35,236**	**-**	**-**	**$528,227**
liabilities						
accounts payable and accrued expense	-	-	-	-	7,320	7,320
unearned payment waiver fees	-	-	-	-	4,417	4,417
bills of exchange - secured	-	-	-	-	425,100	425,100
derivative financial instruments (held for trading)	26,421	-	-	-	-	26,421
	$26,421	**-**	**-**	**-**	**$436,837**	**$463,258**

parent

	fair value through profit or loss $000	available for sale $000	loans and receivables $000	held to maturity $000	financial liabilities at amortised cost $000	total carrying amount $000
assets						
cash at bank	-	-	6,484	-	-	6,484
accounts receivable	-	-	187	-	-	187
payment waiver indemnity prepayment	-	-	2,737	-	-	2,737
finance receivables (designated)	478,486	-	-	-	-	478,486
amounts owing by subsidiaries	-	-	13,680	-	-	13,680
	$478,486	**-**	**$23,088**	**-**	**-**	**$501,574**
liabilities						
accounts payable and accrued expense	-	-	-	-	7,283	7,283
unearned payment waiver fees	-	-	-	-	4,417	4,417
advance from MTFS	-	-	-	-	412,637	412,637
	-	**-**	**-**	**-**	**$424,337**	**$424,337**

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

note 26: 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 at bank, cash in restricted bank accounts, accounts receivable and finance receivables.

(i) management of credit risk

The directors have 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.

The MTF credit team performs key credit risk management tasks, including assessing transacting shareholder applications, reviewing transacting shareholder accounts, setting and reviewing facility limits, managing asset quality, detecting transacting shareholder fraud, recovering bad debt and perfecting security interests. MTF undertakes regular independent credit risk reviews with the credit committee ensuring any recommendations arising are investigated and appropriate action taken where necessary. The findings of the credit team are reported, monthly, to the credit committee.

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 customer and any guarantor(s). MTF requires each transacting shareholder to indemnify MTF against any default by a customer from that transacting shareholder. The transacting shareholder indemnity includes the right to forfeit shares, dividends and commission, current and future, of any transacting shareholder in the event that the transacting shareholder fails to meet the obligations under the terms of the recourse arrangement. 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 MTF 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 by public auction with proceeds applied to any outstanding amounts. At 30 September 2010 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	
	2010 $000	2009 $000	2010 $000	2009 $000
cash at bank	8,108	6,515	8,093	6,484
cash in restricted bank accounts	23,053	25,484	-	-
accounts receivable	883	500	761	187
non securitised finance receivables	29,546	28,798	20,726	14,293
securitised finance receivables	389,186	464,193	389,357	464,193

Except for the circumstances set out under note 27(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.

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 loss from default by their customers. This indemnity includes the right to seize shares, dividends and commission (current and future) 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 loans 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 are determined by the credit criteria recommended at loan origination. Any losses under this arrangement are recognised in the statement of comprehensive income when incurred and totalled $122,000 for the year ending 30 September 2010 (2009 : $100,000).

	group		parent	
concentration of credit risk by geographical location	**2010 $000**	**2009 $000**	**2010 $000**	**2009 $000**
Auckland	51,668	70,076	51,354	67,641
Christchurch	63,245	70,571	61,064	67,522
Dunedin	43,827	50,141	41,221	47,942
Gisborne	10,659	13,124	10,655	13,138
Hawkes Bay	23,123	25,966	22,893	25,529
Manawatu	26,490	29,394	26,386	29,287
Nelson	13,482	17,691	13,777	17,143
North Auckland	13,808	14,788	12,961	14,231
Rotorua	11,409	10,705	11,265	10,376
South Auckland	28,289	33,563	28,206	32,990
Southland	18,673	23,423	17,739	22,436
Taranaki	14,210	15,260	13,994	14,798
Tauranga	20,524	24,233	19,616	22,507
Waikato	50,921	59,017	50,743	58,673
Wellington	28,403	35,041	28,208	34,273
total concentration of credit risk by geographical location	**$418,732**	**$492,991**	**$410,083**	**$478,486**

concentration of credit risk by security type

passenger vehicle	292,591	347,239	291,792	341,063
commercial vehicle	69,814	77,556	69,647	77,519
motorcycle	41,231	4,044	41,115	48,547
marine	1,158	48,698	1,158	4,048
equipment	8,401	9,611	836	1,459
caravans	5,537	5,844	5,535	5,850
total concentration of credit risk by security type	**$418,732**	**$492,991**	**410,083**	**$478,486**

concentration of credit risk by transacting shareholder

0 - $5,000,000	257,817	280,947	249,743	272,839
$5,000,000 - $10,000,000	62,504	58,761	62,390	58,758
$10,000,000 - $50,000,000	98,411	59,286	97,950	59,245
$50,000,000+	-	93,997	-	87,644
Concentration of credit risk by transacting shareholder	**$418,732**	**$492,991**	**$410,083**	**$478,486**

concentration of credit risk by individual contract size	group		parent	
	2010	2009	2010	2009
	$000	$000	$000	$000
0 - $5,000	52,081	53,583	51,100	52,567
$5,001 - $10,000	108,505	113,830	106,574	111,413
$10,001 - $20,000	142,269	154,657	140,103	152,433
$20,001 - $30,000	68,265	92,022	67,220	88,538
$30,001 - $40,000	25,865	44,798	25,154	41,166
$40,001- $50,000	10,725	13,466	10,364	13,091
$50,001+	11,022	20,635	9,568	19,278
total concentration of credit risk by contract size	**$418,732**	**$492,991**	**$410,083**	**$478,486**

The Group 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:

10% - 19%	-	1	-	1
20 - 29%	-	1	-	1
40% - 49%	1	1	1	1
50% - 59%	1	-	1	-
80% - 89%	-	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 foreign exchange rate risk within the securitisation programme.

forward exchange rate contracts - notional balance	-	438,121	-	-
interest rate swaps - notional balance	446,359	468,709	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 27: 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 forecast cash flow requirements.

The contractual maturity profile reflects the remaining period to contractual maturity of assets and liabilities at balance date. This is not considered by MTF to be an accurate indicator of future cash flow as it assumes the BOE facility (or an equivalent replacement facility) is not renewed beyond the next maturity date of 31 March 2011 (2009 : 24 December 2009). 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 BOE mirroring the instalments from the underlying finance receivables and assumes that the BOE facility will be rolled over at the next, and each subsequent, maturity date.

The finance receivable amount is based on the undiscounted 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 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 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 2010 (contractual undiscounted cash flows)

group	**on demand $000**	**0 - 6 months $000**	**6 - 12 months $000**	**12 - 24 months $000**	**24 - 60 months $000**	**total $000**
monetary assets						
cash at bank	8,108	-	-	-	-	8,108
cash in restricted bank accounts	23,053	-	-	-	-	23,053
accounts receivable	-	883	-	-	-	883
payment waiver indemnity prepayment	2,902	-	-	-	-	2,902
finance receivables	-	134,825	112,700	157,615	92,787	497,927
	34,064	**135,709**	**112,700**	**157,615**	**92,787**	**532,874**
monetary liabilities						
accounts payable and accrued expense	-	8,747	-	-	-	8,747
unearned payment waiver fees	4,678	-	-	-	-	4,678
bills of exchange - secured	-	374,041	-	-	-	374,041
derivative financial instruments	-	8,367	-	-	-	8,367
	4,678	**391,155**	**-**	**-**	**-**	**395,833**
net liquidity gap	**$29,386**	**($255,447)**	**$112,700**	**$157,615**	**$92,787**	**$137,041**
net liquidity gap - cumulative	**$29,386**	**($226,060)**	**($113,360)**	**$44,254**	**$137,041**	

parent	**on demand $000**	**0 - 6 months $000**	**6 - 12 months $000**	**12 - 24 months $000**	**24 - 60 months $000**	**total $000**
monetary assets						
cash at bank	8,093	-	-	-	-	8,093
accounts receivable	-	761	-	-	-	761
payment waiver indemnity prepayment	2,902	-	-	-	-	2,902
finance receivables	-	135,961	110,614	154,389	90,172	491,136
amounts owing by subsidiaries	-	953	-	-	-	953
	10,995	**137,675**	**110,614**	**154,389**	**90,172**	**503,845**
monetary liabilities						
accounts payable and accrued expense	-	8,638	-	-	-	8,638
unearned payment waiver fees	4,678	-	-	-	-	4,678
advance from MTFS	-	98,116	79,824	114,597	74,365	366,902
derivative financial instruments	-	393	-	-	-	393
	4,678	**107,147**	**79,824**	**114,597**	**74,365**	**380,610**
net liquidity gap	**$6,317**	**$30,528**	**$30,790**	**$39,792**	**$15,807**	**$123,235**
net liquidity gap - cumulative	**$6,317**	**$36,846**	**$67,636**	**$107,428**	**$123,235**	

Financial assets matched against financial liabilities at 30 September 2009 (contractual undiscounted cash flows)

group	on demand $000	0 - 6 months $000	6 - 12 months $000	12 - 24 months $000	24 - 60 months $000	total $000
monetary assets						
cash at bank	6,515	-	-	-	-	6,515
cash in restricted bank accounts	25,484	-	-	-	-	25,484
accounts receivable	-	500	-	-	-	500
payment waiver indemnity prepayment	2,737	-	-	-	-	2,737
finance receivables	-	130,315	129,229	193,566	128,770	581,880
	34,736	**130,815**	**129,229**	**193,566**	**128,770**	**617,116**
monetary liabilities						
accounts payable and accrued expense	-	7,320	-	-	-	7,320
unearned payment waiver fees	4,417	-	-	-	-	4,417
bills of exchange - secured	-	442,018	-	-	-	442,018
derivative financial instruments	-	26,421	-	-	-	26,421
	4,417	**475,759**	**-**	**-**	**-**	**480,176**
net liquidity gap	**$30,319**	**($344,944)**	**$129,229**	**$193,566**	**$128,770**	**$136,940**
net liquidity gap - cumulative	**$30,319**	**($314,625)**	**($185,396)**	**$8,170**	**$136,940**	

parent	on demand $000	0 - 6 months $000	6 - 12 months $000	12 - 24 months $000	24 - 60 months $000	total $000
monetary assets						
cash at bank	6,484	-	-	-	-	6,484
accounts receivable	-	187	-	-	-	187
payment waiver indemnity prepayment	2,737	-	-	-	-	2,737
finance receivables	-	125,365	126,196	187,554	123,161	562,276
amounts owing by subsidiaries	-	13,680	-	-	-	13,680
	9,221	**139,232**	**126,196**	**187,554**	**123,161**	**585,364**
monetary liabilities						
accounts payable and accrued expense	-	7,283	-	-	-	7,283
unearned payment waiver fees	4,417	-	-	-	-	4,417
advance from MTFS	-	95,134	95,765	147,013	108,849	446,762
	4,417	**102,417**	**95,765**	**147,013**	**108,849**	**458,462**
net liquidity gap	**$4,804**	**$36,815**	**$30,431**	**$40,541**	**$14,312**	**$126,902**
net liquidity gap - cumulative	**$4,804**	**$41,619**	**$72,050**	**$112,591**	**$126,902**	

Financial assets matched against financial liabilities at 30 September 2010 (expected undiscounted cash flows)

group	on demand $000	0 - 6 months $000	6 - 12 months $000	12 - 24 months $000	24 - 60 months $000	total $000
monetary assets						
cash at bank	8,108	-	-	-	-	8,108
cash in restricted bank accounts	23,053	-	-	-	-	23,053
accounts receivable	-	883	-	-	-	883
payment waiver indemnity prepayment	-	786	657	919	541	2,902
finance receivables	-	134,825	112,700	157,615	92,787	497,927
	31,162	**136,494**	**113,357**	**158,533**	**93,327**	**532,874**
monetary liabilities						
accounts payable and accrued expense	-	8,747	-	-	-	8,747
unearned payment waiver fees	-	985	1,030	1,582	1,081	4,678
bills of exchange - secured	-	81,013	84,655	130,081	88,852	384,601
derivative financial instruments	-	8,367	-	-	-	8,367
	-	**99,113**	**85,685**	**131,663**	**89,933**	**406,393**
net liquidity gap	**$31,162**	**$37,382**	**$27,672**	**$26,870**	**$3,394**	**$126,481**
net liquidity gap - cumulative	**$31,162**	**$68,544**	**$96,216**	**$123,086**	**$126,481**	

parent	on demand $000	0 - 6 months $000	6 - 12 months $000	12 - 24 months $000	24 - 60 months $000	total $000
monetary assets						
cash at bank	8,093	-	-	-	-	8,093
accounts receivable	-	761	-	-	-	761
payment waiver indemnity prepayment	-	786	657	919	541	2,902
finance receivables	-	135,961	110,614	154,389	90,172	491,136
amounts owing by subsidiaries	-	953	-	-	-	953
	8,093	**138,461**	**111,271**	**155,308**	**90,713**	**503,845**
monetary liabilities						
accounts payable and accrued expense	-	8,638	-	-	-	8,638
unearned payment waiver fees	-	985	1,030	1,582	1,081	4,678
advance from MTFS	-	98,116	79,824	114,597	74,365	366,902
derivative financial instruments	-	393	-	-	-	393
	-	**108,132**	**80,854**	**116,179**	**75,446**	**380,610**
net liquidity gap	**$8,093**	**$30,329**	**$30,417**	**$39,129**	**$15,267**	**$123,235**
net liquidity gap - cumulative	**$8,093**	**$38,422**	**$68,839**	**$107,967**	**$123,235**	

Financial assets matched against financial liabilities at 30 September 2009 (expected undiscounted cash flows)

group	on demand $000	0 - 6 months $000	6 - 12 months $000	12 - 24 months $000	24 - 60 months $000	total $000
monetary assets						
cash at bank	6,515	-	-	-	-	6,515
cash in restricted bank accounts	25,484	-	-	-	-	25,484
accounts receivable	-	500	-	-	-	500
payment waiver indemnity prepayment	2,737	-	-	-	-	2,737
finance receivables	-	130,315	129,229	193,566	128,770	581,880
	34,736	**130,815**	**129,229**	**193,566**	**128,770**	**617,116**
monetary liabilities						
accounts payable and accrued expense	-	7,320	-	-	-	7,320
unearned payment waiver fees	4,417	-	-	-	-	4,417
bills of exchange - secured	-	95,883	101,148	157,015	106,859	460,906
derivative financial instruments	-	26,421	-	-	-	26,421
	4,417	**129,624**	**101,148**	**157,015**	**106,859**	**499,064**
net liquidity gap	**$30,319**	**$1,191**	**$28,081**	**$36,551**	**$21,911**	**$118,052**
net liquidity gap - cumulative	**$30,319**	**$31,510**	**$59,591**	**$96,142**	**$118,052**	

parent	on demand $000	0 - 6 months $000	6 - 12 months $000	12 - 24 months $000	24 - 60 months $000	total $000
monetary assets						
cash at bank	6,484	-	-	-	-	6,484
accounts receivable	-	187	-	-	-	187
payment waiver indemnity prepayment	2,737	-	-	-	-	2,737
finance receivables	-	125,365	126,196	187,554	123,161	562,276
amounts owing by subsidiaries	-	13,680	-	-	-	13,680
	9,221	**139,232**	**126,196**	**187,554**	**123,161**	**585,364**
monetary liabilities						
accounts payable and accrued expense	-	7,283	-	-	-	7,283
unearned payment waiver fees	4,417	-	-	-	-	4,417
advance from MTFS	-	95,134	95,765	147,013	108,849	446,762
	4,417	**102,417**	**95,765**	**147,013**	**108,849**	**458,462**
net liquidity gap	**$4,804**	**$36,815**	**$30,431**	**$40,541**	**$14,312**	**$126,902**
net liquidity gap - cumulative	**$4,804**	**$41,619**	**$72,050**	**$112,591**	**$126,902**	

(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 facilities exist with appropriately rated banks to ensure ongoing funding to repay ECP on maturity should further ECP not be able to be issued.

The securitisation programme has a facility limit of NZD390,000,000 (2009: NZD470,000,00). On 28 April 2010 MTF requested that rating agencies Standard and Poor's and Moody's cancel their respective ratings on the programme. As a consequence MTF can no longer access rated ECP and for securitisation funding is dependent on revolving liquidity via BOE. The ECP and BOE drawn at year end are components of the securitisation programme and amount to $nil (2009 : $nil) and $367,400,000 (2009 : $425,100,000) respectively. Other than the facility available to sell finance receivables pursuant to the securitisation programme, the Group has access to committed credit facilities of $37,000,000 (2009 : $68,000,000) of which $37,000,000 (2009 : $68,000,000) 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 is looking to access other sources, such as medium term notes, in the future, to ensure sustainability and diversification are preserved.

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.

One transacting shareholder has significant finance receivables at 30 September 2010. If an insolvency or a ratings downgrade occurs with respect to this transacting shareholder, MTF is required to re-purchase from MTFS all of this transacting shareholder's finance receivables. The Group has arranged a performance bond, for $6m (2009: $20m), to protect the Group should such a credit or liquidity event occur. 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 has concentration of funding risk to MTFS for the future legal 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 2010, MTF complies with all covenants of the securitisation programme.

(iii) going concern

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

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

Since 1995 the MTFS securitisation programme has provided MTF with the bulk of its funding requirements, through the issue of ECP. Access to this market evaporated with the global credit crisis, with MTFS last issuing ECP in September 2008. Since that date MTF has been reliant on BOE funding provided by a revolving liquidity facility (RLF) available to the securitisation programme. Since September 2008 access to this facility has been subject to a number of rollovers by the funding banks.

Since the beginning of the global credit crisis MTF has been working with its bankers and professional advisors to implement a funding structure to replace the MTFS securitisation programme. During the year MTF, together with Trustees Executors Limited, Commonwealth Bank of Australia and Westpac Banking Corporation established the following entities to facilitate funding arrangements:

- MTF Warehouse Trust No.1
- MTF Settlement Trust No.1

The new funding structure commenced on 4 November 2010.

At the date of approving the financial statements the details of the funding facilities which MTF has access to are;

MTFS (facility limit $190m)

- MTFS will fund the run off of existing finance receivables that do not meet the qualification criteria of the Warehouse Trust using BOE issued under the RLF
- MTF static credit support is at 13.97% of the finance receivables. This static credit support does not reduce as the finance receivables are repaid
- facility (including the level of static credit support) review at 31 March 2011

Settlement Trust (facility limit $28m)

- the settlement trust will fund the purchase of newly originated qualifying receivables prior to transferring such finance receivables to the Warehouse Trust
- MTF credit support is 13.97% of the finance receivables balance
- facility review at 31 March 2011

Warehouse Trust (facility limit $170m)

- the Warehouse Trust will fund the purchase of new qualifying finance receivables and acquire existing finance receivables from MTFS that meet the qualifying criteria
- the tenor of the notes funding the Trust will match or exceed the maturity profile of the purchased finance receivables
- notes issued from the Warehouse Trust are rated AAA(sf) (Standard & Poor's long-term, structured finance rating, 4 November 2010)
- MTF credit support is 13.97% of the qualifying finance receivables balance
- in the event the facility is not renewed the facility will amortise in accordance with the amortisation profile of the finance receivables
- facility review at 31 March 2011

MTF (facility limit $37m)

- a BNZ facility will be used to fund newly originated finance receivables that do not meet the qualification criteria for recognition in the Warehouse Trust
- facility review at 31 December 2010

Notwithstanding the short term nature of the various facility agreements the directors are confident, after making due enquiry, that the funding arrangements provide reasonable expectation that the Company and Group will have adequate resources to continue operations at existing levels for the next twelve months from the date of approving the financial statements. Consequently the directors believe the going concern assumption is a valid basis on which to prepare the financial statements.

The directors confidence that the facilities will be renewed on maturity is supported by:

- support of the banks and the rating agencies in setting up the Warehouse and Settlement Trusts.
- regular rollover of the BOE facilities subsequent to the global credit crisis in September 2008.
- restructured capital base, ongoing profitability and quality of finance receivables as evidenced by the low level of arrears

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 Group be unable to continue as going concerns.

note 28: 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 directors ensuring that recommendations arising are investigated and actioned where necessary.

An asset and liability committee consisting of the Managing Director, Chief Financial Officer, General Manager – Credit, Trust Manager and Asset and Liability Manager, Financial Controller and Compliance Manager meets regularly to consider balance sheet risk and management, within the framework of director approved treasury policy.

(i) interest rate risk

The following schedule details the interest rate repricing profile at 30 September 2010. The amounts disclosed represent the contractual repricing or maturity dates, whichever dates are earlier, except for BOE (or an equivalent replacement facility), which are based on expected, rather than contractual, maturity dates.

group	0 - 6 months $000	6 - 12 months $000	12 - 24 months $000	> 24 months $000	non-interest sensitive $000	total $000
assets						
cash at bank	8,108	-	-	-	-	8,108
cash in restricted bank accounts	23,053	-	-	-	-	23,053
accounts receivable	-	-	-	-	883	883
payment waiver indemnity prepayment	-	-	-	-	2,902	2,902
finance receivables	107,087	92,299	135,025	84,321	-	418,732
taxation refund due	-	-	-	-	1,574	1,574
other assets					7,195	7,195
	138,248	**92,299**	**135,025**	**84,321**	**12,554**	**462,447**
liabilities and equity						
share capital	-	-	-	-	22,957	22,957
retained earnings	-	-	-	-	4,321	4,321
perpetual preference shares	-	-	-	-	38,966	38,966
provision for taxation	-	-	-	-	1,236	1,236
accounts payable and accrued expense	-	-	-	-	8,747	8,747
unearned payment waiver fees	-	-	-	-	4,678	4,678
bills of exchange - secured	74,330	80,067	125,494	87,467	-	367,358
derivative financial instruments	-	8,367	-	-	-	8,367
deferred taxation	-	-	-	-	5,817	5,817
	74,330	**88,434**	**125,494**	**87,467**	**86,723**	**462,447**
total interest rate sensitivity gap	**$63,918**	**$3,865**	**$9,531**	**($3,146)**	**($74,168)**	

parent	0 - 6 months $000	6 - 12 months $000	12 - 24 months $000	> 24 months $000	non-interest sensitive $000	total $000
assets						
cash at bank	8,093	-	-	-	-	8,093
taxation refund due	-	-	-	-	1,574	1,574
accounts receivable	-	-	-	-	761	761
payment waiver indemnity prepayment	-	-	-	-	2,902	2,902
finance receivables	105,064	90,669	132,362	81,988	-	410,083
amounts owing by subsidiaries	-	-	-	-	953	953
other assets	-	-	-	-	4,962	4,962
	113,157	**90,669**	**132,362**	**81,988**	**11,152**	**429,328**
liabilities and equity						
share capital	-	-	-	-	22,957	22,957
retained earnings	-	-	-	-	9,211	9,211
perpetual preference shares	-	-	-	-	38,966	38,966
accounts payable and accrued expense	-	-	-	-	8,638	8,638
unearned payment waiver fees	-	-	-	-	4,678	4,678
advance from MTFS	95,314	77,545	108,233	63,212	-	344,304
derivative financial instruments	-	393	-	-	-	393
deferred taxation	-	-	-	-	180	180
	95,314	**77,938**	**108,233**	**63,212**	**84,630**	**429,328**
total interest rate sensitivity gap	**$17,843**	**$12,731**	**$24,129**	**$18,776**	**($73,478)**	

The following schedule details the interest rate repricing profile at 30 September 2009. The amounts disclosed represent the contractual repricing or maturity dates, whichever dates are earlier, except for BOE (or an equivalent replacement facility), which are based on expected, rather than contractual, maturity dates.

group	**0 - 6 months $000**	**6 - 12 months $000**	**12 - 24 months $000**	**> 24 months $000**	**non-interest sensitive $000**	**total $000**
assets						
cash at bank	6,515	-	-	-	-	6,515
cash in restricted bank accounts	25,484	-	-	-	-	25,484
accounts receivable	-	-	-	-	500	500
payment waiver indemnity prepayment	-	-	-	-	2,737	2,737
finance receivables	99,391	106,296	167,779	119,525	-	492,991
taxation refund due	-	-	-	-	1,050	1,050
other assets					7,091	7,091
	131,390	**106,296**	**167,779**	**119,525**	**11,378**	**536,368**
liabilities and equity						
share capital	-	-	-	-	22,322	22,322
retained earnings	-	-	-	-	2,185	2,185
perpetual preference shares	-	-	-	-	38,966	38,966
accounts payable and accrued expense	-	-	-	-	7,320	7,320
unearned payment waiver fees	-	-	-	-	4,417	4,417
bills of exchange - secured	85,704	91,658	144,674	103,065	-	425,100
derivative financial instruments	-	26,421	-	-	-	26,421
deferred taxation	-	-	-	-	9,637	9,637
	85,704	**118,079**	**144,674**	**103,065**	**84,847**	**536,368**
total interest rate sensitivity gap	**$45,686**	**($11,783)**	**$23,105**	**$16,460**	**($73,469)**	

parent	**0 - 6 months $000**	**6 - 12 months $000**	**12 - 24 months $000**	**> 24 months $000**	**non-interest sensitive $000**	**total $000**
assets						
cash at bank	6,484	-	-	-	-	6,484
accounts receivable	-	-	-	-	187	187
payment waiver indemnity prepayment	-	-	-	-	2,737	2,737
finance receivables	95,747	104,482	163,493	114,763	-	478,486
amounts owing by subsidiaries	-	-	-	-	13,680	13,680
other assets	-	-	-	-	3,071	3,071
	102,231	**104,482**	**163,493**	**114,763**	**19,675**	**504,645**
liabilities and equity						
share capital	-	-	-	-	22,322	22,322
retained earnings	-	-	-	-	11,117	11,117
perpetual preference shares	-	-	-	-	38,966	38,966
provision for taxation	-	-	-	-	5,541	5,541
accounts payable and accrued expense	-	-	-	-	7,283	7,283
unearned payment waiver fees	-	-	-	-	4,417	4,417
advance from MTFS	82,571	90,103	140,994	98,970	-	412,637
deferred taxation	-	-	-	-	2,362	2,362
	82,571	**90,103**	**140,994**	**98,970**	**92,008**	**504,645**
total interest rate sensitivity gap	**$19,660**	**$14,379**	**$22,499**	**$15,793**	**($72,333)**	

The information presented above in relation to the BOE 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 customer 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 note 13 and 14.

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 2010 the bank overdraft and short-term loan facilities 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 2010 was 15.58% (2009 : 15.24%).

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 2010 was 3.0% (2009 : 2.5%).

(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 FVTPL.

A 100 bp movement in interest rates based on the assets and liabilities held at balance date represents management assessment of a reasonably probable 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 2010.

	group		parent	
	2010	2009	2010	2009
impact on profit (loss) after taxation	$000	$000	$000	$000
100 bp increase in interest rates	460	116	(3,514)	(3,785)
100 bp decrease in interest rates	(478)	(130)	3,592	3,867
impact on equity				
100 bp increase in interest rates	460	116	(3,514)	(3,785)
100 bp decrease in interest rates	(478)	(130)	3,592	3,867

(iii) foreign currency risk

Since 24 December 2009, BOE have been issued in NZD, removing any foreign currency risk. Prior to this date the securitised finance receivables were funded through the issue of ECP/BOE, denominated in US dollars. This gave rise to a foreign exchange risk, from funding NZD denominated securitised finance receivables with USD denominated ECP/BOE. To eliminate the risk foreign exchange agreements were entered into for the ECP/BOE required for each individual tranche of securitised receivables, on a monthly basis.

note 29: 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, retained earnings, perpetual preference shares.

	group		parent	
	2010 $000	2009 $000	2010 $000	2009 $000
share capital	22,957	22,322	22,957	22,322
retained earnings	4,321	2,185	9,211	11,117
perpetual preference shares	38,966	38,966	38,966	38,966
total capital for capital management purposes	**66,244**	**63,473**	**71,134**	**72,405**

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

These covenants are built into the Group treasury policy and performance is reported weekly to the Asset and Liability Committee and monthly to the directors and external funding parties. The Group is compliant with all of these covenants. The directors are responsible for the Group system of risk management. The directors regularly monitor the operational and financial risk aspects of the Group and, through the audit committee, consider the recommendations and advice of external auditors.

capital restructure

A capital restructure proposal, approved by transacting shareholders on 29 October 2008, and completed on 2 February 2009, means that MTF is no longer registered as a co-operative. The restructure 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. The result of the capital restructure is detailed in note 11.

note 30: fair value

a) fair value of financial assets and liabilities

group	2010 $000 carrying amount	2010 $000 fair value	2009 $000 carrying amount	2009 $000 fair value
assets				
cash at bank	8,108	8,108	6,515	6,515
cash in restricted bank accounts	23,053	23,053	25,484	25,484
accounts receivable	883	883	500	500
payment waiver indemnity prepayment	2,902	2,902	2,737	2,737
finance receivables	418,732	418,732	492,991	492,991
liabilities				
accounts payable and accrued expense	8,747	8,747	7,320	7,320
unearned payment waiver fees	4,678	4,678	4,417	4,417
bills of exchange - secured	367,358	367,358	425,100	425,100
derivative financial instruments	8,367	8,367	26,421	26,421

parent				
assets				
cash at bank	8,093	8,093	6,484	6,484
accounts receivable	761	761	187	187
payment waiver indemnity prepayment	2,902	2,902	2,737	2,737
financed receivables	410,083	410,083	478,486	478,486
amounts owing by subsidiaries	953	953	13,680	13,680
liabilities				
accounts payable and accrued expense	8,638	8,638	7,283	7,283
unearned payment waiver fees	4,678	4,678	4,417	4,417
derivative financial instruments	393	393	-	-
advance from MTFS	344,304	344,304	412,637	412,637

b) valuation techniques and assumptions applied for the purpose of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows:

The fair value of derivative instruments is calculated using quoted market prices where available. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from observable market interest rates.

Finance receivables are designated at FVTPL. 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.

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

c) fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. The Group has no such assets or liabilities at the end of the reporting period.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Financial liabilities fair valued based on Level 2 inputs in the Group and Parent are the interest rate swaps detailed in note 8 of these financial statements.

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

group	level 1 $000	level 2 $000	level 3 $000	total $000
2010				
financial assets at FVTPL				
finance receivables	-	-	418,732	418,732
	-	**-**	**$418,732**	**$418,732**
financial liabilities at FVTPL				
derivative financial liabilities	-	8,367	-	8,367
	-	**$8,367**	**-**	**$8,367**

parent	level 1 $000	level 2 $000	level 3 $000	total $000
2010				
financial assets at FVTPL				
finance receivables	-	-	410,083	410,083
	-	**-**	**$410,083**	**$410,083**
financial liabilities at FVTPL				
derivative financial liabilities	-	393	-	393
	-	**$393**	**-**	**$393**

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

d) reconciliation of level 3 fair value measurements of financial assets

	group 2010 $000	parent 2010 $000
finance receivables		
balance at beginning of the year	492,991	478,486
gains/(losses) recognised in net gain (loss) from financial instruments designated at fair value and foreign currency translation	(6,032)	(6,032)
gains/(losses) recognised in other comprehensive income	-	-
sales	267,072	264,073
settlements	(335,299)	(326,444)
transfers into(out) of level 3	-	-
balance at end of the year	**$418,732**	**$410,083**

All gain and losses included in the statement of comprehensive income relate to finance receivables held at the end of the reporting period and are reported as a net gain (loss) from financial instruments designated at fair value and foreign currency translation.

e) significant assumptions used in determining fair value of financial assets and liabilities

finance receivables

Fair value of finance receivables is determined by applying zero rates generated from a series of current market data. The zero rates are the implied continuously-compounded interest rate on an investment starting today. The zero rates and associated discount factors are developed using a mathematical technique called cubic spline interpolation. This is a means of calculating a theoretical yield curve from the live money market and semi-annual swap rates and the implied forward swap rates.

Finance receivables are lent at a fixed retail rate comprising of the swap rate plus a credit margin. It is assumed that the credit margin will remain consistent throughout the term. At the valuation date the zero rate yield curve is adjusted to reflect the current market interest rates plus the weighted average credit margin. The changes in the credit risk of the finance receivables is reflected in the fair value model as being the movements in collective and specific impairment assessments.

No assumption is made in regard to prepayment rates for the purpose of determining the fair value of finance receivables.

note 31: events after balance date

On 21 October 2010, the directors declared a final dividend on paid-up ordinary shares of 6.25% (1.09 cents per share) amounting to $240,000 (fully imputed), for the period from 1 July 2010 to 30 September 2010. The dividend was paid on 29 October 2010.

MTF, together with Trustees Executors Limited, Commonwealth Bank of Australia and Westpac Banking Corporation completed the establishment of the MTF Warehouse Trust (Warehouse Trust) and the MTF Settlement Trust (Settlement Trust) on 4 November 2010. Notes issued from the Warehouse Trust are rated AAA(sf) (Standard & Poor's long-term, structured finance rating, 4 November 2010). The facilities will provide MTF with the funding structure to replace MTFS, an integral part of the group since 1995. Details of the Trusts structure, facility limits and maturity is provided in note 27(iii).

note 32: segment information

The Group has adopted NZ IFRS 8 Operating Segments with effect from 1 October 2009. NZ IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. In contrast, the predecessor Standard (NZ IAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach, with the entity's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments.

Following the adoption of NZ IFRS 8, the identification of the Group's reportable segments has not changed. Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of performance is presented in consolidated form and is not disaggregated by segment, product or geographical area. The Group operates predominantly in one industry, being the sale of finance receivables.

The Group operates in one geographical location, New Zealand.

Included in interest income of $70,393,000 is interest of $8,197,000 which arose from finance receivables originated by the Groups largest transacting shareholder.

note 33: contingent liabilities

The Company has a contingent liability arising from legal action by the Commerce Commission, in relation to fees charged under the Credit Contracts and Consumer Finance Act 2003. In January 2010 MTF received notice of High Court civil proceedings, bought by the Commerce Commission for alleged breaches of the Credit Contracts & Consumer Finance Act 2003 and the Fair Trading Act 1986, in respect of various fees charged in credit contracts. The Company is vigorously defending the proceedings.

Deloitte.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
MOTOR TRADE FINANCES LIMITED

Report on the Financial Statements

We have audited the financial statements of Motor Trade Finances Limited on pages 9 to 54, which comprise the balance sheet as at 30 September, 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flow and the consolidated financial statements of Motor Trade Finances Limited and its subsidiaries (the group) on pages 9 to 54, which comprise the consolidated balance sheet, as at 30 September, 2010, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation of financial statements, in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the Board of Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

Opinion

In our opinion, the financial statements on pages 9 to 54:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the financial position of Motor Trade Finances Limited and group as at 30 September 2010, and their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with section 16 of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 30 September 2010:

- 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.

Deloitte

Chartered Accountants
9 November 2010
Dunedin, New Zealand

This audit report relates to the financial statements of Motor Trade Finances limited for the year ended 30 September 2010 included on Motor Trade Finance Limited's website. The Board of Directors is responsible for the maintenance and integrity of Motor Trade Finance Limited's website. We have not been engaged to report on the integrity of Motor Trade Finance Limited's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 9 November 2010 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

statutory information

reporting entity

Motor Trade Finances Ltd (MTF) is a finance company whose principal activity is the provision of motor vehicle finance facilities to its transacting shareholders.

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

regulatory environment

The company is regulated by, amongst other things, the Financial Reporting Act 1993. The company is an 'issuer' for the purposes of the Financial Reporting Act 1993. The company has consultation and disclosure obligations under the Financial Reporting Act 1993.

The company is obliged to comply with the Financial Reporting (information disclosure) Regulations, with disclosure financial statements required to be published in November each year.

co-operative company status

On 2 February 2009 MTF cancelled its registration as a co-operative company as part of restructuring the Company.

auditors

Deloitte has continued to act as auditor of the company, and has undertaken the audit of the financial statements for the 30 September 2010 year.

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 law.

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.

donations

The Company made no donations during the year.

directors' holdings and disclosure of interests

The following entries were recorded in the director 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 M B Hatwell and MD King are directors of companies with shareholdings in MTF and all three declared their interest in material matters affecting transacting shareholders of MTF.

Shares held by associated companies of directors:

	A shares	%
W N Cashmore	53,940	0.23%
G D Gibbons	1,100,280	4.79%
M B Hatwell	310,880	1.35%
M D King	251,365	1.09%
	1,716,465	7.48%
Total shares on issue	22,957,369	100%

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 interests register.

R A Bonifant is Chairman of Ashburton Contracting Ltd, Lake Hood Extension Project Joint Venture and Rawlinsons Ltd, Deputy Chairman of Timaru District Holdings Ltd, and a director of Barrhill Chertsey Irrigation Ltd, Water Utilities Ashburton Ltd, Canterbury Building Society, Lynn River Ltd and W Pinckney Ltd, MTF Leasing Ltd, MTF Direct Ltd, MTF Securities Ltd, MTF Treasury Ltd and MTF Ltd.

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

G D Gibbons is a director of The Colonial Motor Company Ltd and 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 (resigned 29 March 2010). He is a director of CRT Ltd, Cumberland Property Group Ltd, Cumberland Rural Properties Ltd, Polson Higgs Administration Ltd, Polson Higgs Wealth Management Ltd, Polson Higgs BPO Ltd, Incompass Ltd, MTF Leasing Ltd, MTF Direct Ltd MTF Treasury Ltd and MTF Ltd.

b) Disclosure of interests by directors (continued)

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

M D King is a director of MD & JE King Ltd and Mike King Ltd.

employee remuneration

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

range	parent number of employees	
	2010	2009
$100,000 - $109,999	3	2
$110,000 - $119,999	2	3
$120,000 - $129,999	-	2
$130,000 - $139,999	1	3
$140,000 - $149,999	1	-
$150,000 - $159,999	1	1
$160,000 - $169,999	1	2
$170,000 - $179,999	1	1
$200,000 - $209,999	-	1
$210,000 - $219,999	1	-
$250,000 - $259,999	-	1

No remuneration is paid by subsidiaries.

The Managing Director's remuneration is included with directors' remuneration in the governance section of this report.

directory

directors

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

management

Angus Bradshaw, BCA, ACA, F Fin, (Managing Director)
Glen Todd, BCom, ACA, A Fin, (Chief Financial Officer)
Kyle Cameron, BCom, BPhEd, Dip Grad, CA, (Financial Controller)
Rowena Davenport, BCom, NZDipBus, CTP, A Fin, (Asset and Liability)
Jason Hughes, BCom, (Trust Manager)
Rob Kinney, BCom, DipGrad, CA (Compliance)
Russell Walker, MBA, BCom, ACA, CMA, (Credit)

perpetual preference share registrar

Link Market Services Ltd
03 308 8887
lmsenquiries@linkmarketservices.com

ordinary share registrar

Rob Kinney
03 467 7975
rkinney@mtf.co.nz

trustee for securitisation programme

Trustees Executors Ltd

investor information (securitisation)

www.mtfsecurities.co.nz

principal bankers

Bank of New Zealand
Commonwealth Bank of Australia
Westpac Banking Corporation

solicitors

Bell Gully
David Stock
DLA Phillips Fox
Gallaway Cook Allan

auditors

Deloitte

registered office

193 Princes Street, Dunedin 9054

enquiries

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