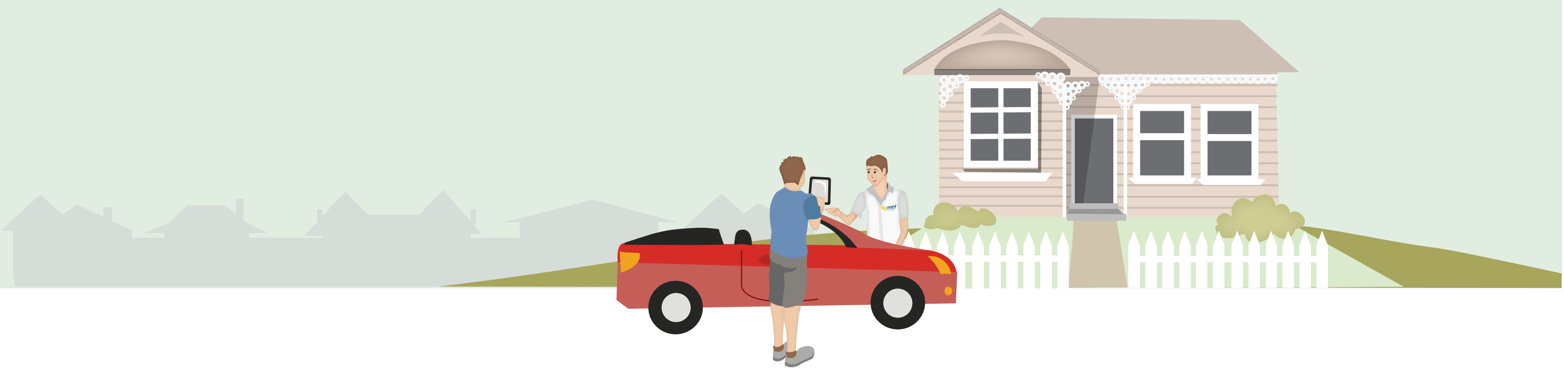
annual report 2011



mtf vehicle finance

contents

financial highlights

	2011 $m	2010 $m
new loans	267.9	267.0
total income	72.7	80.2
profit after taxation	5.7	5.3
total assets	405.3	462.4
finance receivables	371.9	418.7
capital	69.3	66.2
net interest income/average finance receivables	8.9%	7.9%
expense/average total assets	2.4%	2.0%
impaired asset expense/average finance receivables	0.4%	0.5%
capital percentage	17.1%	14.3%
return on average equity	8.3%	8.2%
return on average total assets	1.3%	1.1%
basic earnings per ordinary share (dollars)	0.18	0.16

review of operations

financial performance

	2011	2010	
new loans	$268m	$267m	slow economy, tight credit
total assets	$406m	$462m	subdued sales
expense/average total assets	2.4%	2.0%	static expense, lower assets
return on average total assets	1.3%	1.1%	better margin
net interest income/average loans under administration	8.9%	7.9%	risk based pricing

Profit before commission remained stable at $33.3m (last year: $32.7m), on a lower asset base, reflecting improved interest margin, over a stable cost of funds. Return on assets has improved, accordingly.

New loan originations were level with last year, after showing early signs of improvement. The second half saw a slow down in new loan activity, a reflection of weakened consumer confidence and a general economic malaise in New Zealand and throughout the world. Market share, measured by PPSR registrations, continues to fluctuate monthly between 9% and 11%.

Expense, excluding bad debt, at $10.3m, is up 2.8% on 2010, with increases in staff and compliance the biggest movers. Staff expense is up 10%, as the company employed additional senior people and incentive payments reflect a more normal operating environment. Expense, excluding bad debt, has remained constant since 2006, reflecting efficiency gains and spending restraint. We expect to see some increase in technology and depreciation cost in 2012, as projects are delivered.

financial position

Total assets are down 12%, to $405.6m, as the operating lease book continues to run off, due to the withdrawal from the operating lease market in 2009. We expect finance receivables to stabilise in the coming year, as the franchise business continues to build and in the expectation of a modest return of consumer confidence.

Cash has been more efficiently utilised through investment in subordinated notes in the new securitisation programme, discussed below.

Capital, including perpetual preference shares, totals $69.4m (last year $66.2m), giving an improved capital percentage of 17.1% (last year: 14.3%). We will continue to grow the capital base through retained earnings, to ensure that the company has adequate capital to provide for asset growth, when the market shakes off the recession.

funding

During the period, all banking facilities have been reviewed and extended.

In November 2010, the Euro commercial paper securitisation programme was replaced by a AAA(sf)(Standard & Poor's) medium term note facility. At the request of MTF, Commonwealth Bank of Australia (CBA) and Westpac Banking Corporation (WBC), the programme was rated AA(sf) on 26 October 2011, to provide for more efficient use of capital. In the short term, the facility is supported by our bankers, CBA and WBC, with the capacity to issue AAA(sf) rated medium term notes to the wider market when conditions are suitable.

A committed revolving cash facility of $37m, provided by Bank of New Zealand, was approved on 23 December 2010, with the first review due 31 December 2012. At balance date, the facility was undrawn.

The banking facilities and the funding programme now in place would not be possible if our transacting shareholders had not responded to the requirements of the new credit environment and reflect the confidence of our banking partners in the management of MTF.

credit quality

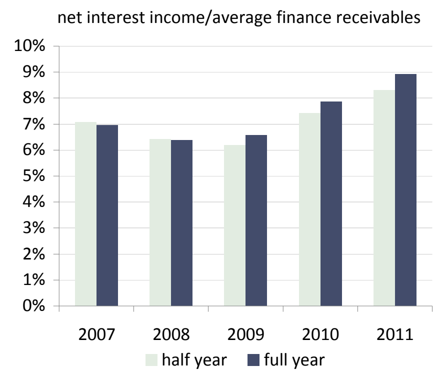
At period end, 31+ day arrears were at a historical low of 1.25% (2010: 1.85 %) and we expect arrears to remain stable as MTF, and its originators, continue to be more selective in loan origination.

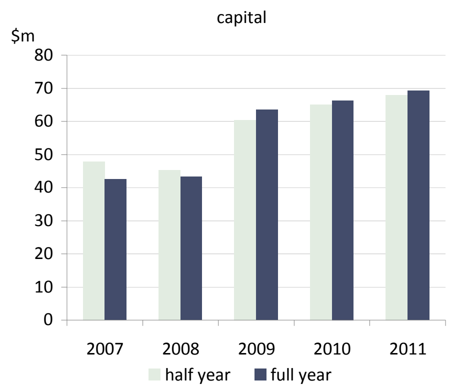
At the peak of the global financial crisis, in 2009, MTF was managing $18m of shareholder ledgers where the company deemed it may be at risk. At the time of writing, this has reduced to $4.3m (last year: $9.3m). Provisions for these specifically impaired assets total $2.0m (last year: $2.6m).

We have written off $0.98m (last year: $2.79m), for loans that we are not able to recover from borrowers or individual shareholders. Bad debt usually stems from irregular lending by transacting shareholders.

At the request of MTF, the Serious Fraud Office has laid charges against one shareholder, and six related parties, in connection with receivables originated with MTF between 2005 and 2008. At the time of writing, two of the defendants have entered a guilty plea and await sentencing. Full provision was made for the expected loss in previous years and recovery action will continue until all avenues are exhausted.

Fraud, of the nature experienced, is usually detected too late to avoid loss but all systems have been reviewed and we are confident that the risk of repetition has been significantly reduced.





continuous improvement

The redevelopment of Rapid 2, the loan origination system, is on track to be delivered before the end of 2011, but may be delayed until early 2012 if completion gets too close to Christmas. The project is in pilot with a number of originators.

Design work has started on a number of web initiatives that will be launched over the next two years.

MTF has qualifying financial entity (QFE) status under the Financial Service Providers and Dispute Resolution Act 2008. Although a majority of our originators are exempt, it is in the interests of all to behave as if they are covered by the Act. The consequence of non-compliance is too great for MTF not to invest in this area and we will look at ways to use regulation to our advantage and ensure that our originators set the standard for vehicle finance.

staff and shareholders

Roger Bonifant retired as an independent director, and chairman, on 1 August 2011. Roger was appointed to the board in 1991 and elected chairman in 2004. Roger made a considerable contribution over twenty years and leaves MTF in a strong position.

Stephen Higgs, an independent director since 2006, was elected as chairman in August 2011. Stephen is a partner and chairman at Polson Higgs, Chartered Accountants, and director of a number of companies.

Stephen McKewen was appointed as an independent director, effective 1 August 2011. With a background in law and investment banking, Stephen's appointment will maintain the balance of skills and experience necessary to provide effective governance.

The next twelve months will continue to provide considerable challenge as we head into a further phase of global uncertainty. Staff continue to show high levels of dedication and their contribution to the success of the company is acknowledged and appreciated.

dividends

Perpetual preference share dividends totalling $1.6m (net) were paid during the year. The dividend rate is set annually at 30 September, at 2.40% over the one-year swap rate, and was reset to 5.34% (last year: 5.77%) on 30 September 2011, for the twelve months to 30 September 2012.

Dividends totalling $1.0m (net) were paid to ordinary shareholders for the period. On 11 October 2011, the directors approved a final dividend on paid-up ordinary shares of 6.25%, for the quarter ending 30 September 2011. The final dividend was paid on 31 October 2011.

outlook – opportunity against a backdrop of economic uncertainty

MTF has survived, and continued to perform well, in the last four years, because the business model has continued to evolve as the vehicle finance market has changed. Public to public sales now make up more than 70% of vehicles sales and the growing MTF franchise of outbound finance outlets is making a significant contribution to sales. At year-end, twenty-three franchises were in operation from Auckland to Invercargill, contributing over 40% of monthly new loan originations. We expect to have the optimum number of franchises in operation by mid 2013, by which time franchises will contribute the majority of new business.

New car finance is increasingly dominated by manufacturer finance or white label deals with independent finance companies. Because of the lack of choice available to the new car dealer, there is limited opportunity for MTF in that market. Used car dealers will continue to make a significant contribution to new loan originations and MTF continues to have a strong presence in motor cycle finance.

We face the future with confidence, knowing we have positioned MTF to turn challenge into opportunity.

Angus Bradshaw
Managing Director

Stephen Higgs
Chairman

15 November 2011

five year financial review

	2011 $000	2010 $000	2009 $000	2008 $000	2007 $000
financial performance					
total income	72,702	80,204	93,240	98,424	90,485
operating expense (excluding bad debt)	10,382	10,096	9,942	10,742	10,267
bad debt	980	2,786	1,905	208	300
profit before commission and other gains or losses	33,261	32,749	33,315	37,898	38,831
commission	25,390	24,798	20,605	32,301	40,033
profit (loss) before taxation	8,205	6,952	12,326	5,059	(1,991)
taxation	2,553	1,646	3,562	1,342	(833)
profit (loss) after taxation	5,653	5,306	8,764	3,717	(1,159)
financial position					
assets	405,320	460,873	536,368	623,893	599,107
liabilities	336,038	394,968	472,895	580,611	556,575
capital	69,281	66,242	63,473	43,282	42,532
finance receivables	371,885	418,732	492,991	585,374	565,185
performance indicators					
net interest income/average finance receivables	8.92%	7.86%	6.60%	6.49%	6.95%
expense/average total assets	2.39%	2.02%	1.71%	1.75%	1.78%
profit before commission and other gains (losses)/average total assets	7.68%	6.56%	5.74%	6.20%	6.57%
capital percentage	17.09%	14.32%	11.83%	6.94%	7.10%

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:

- number of directors will be no fewer than six, and no greater than seven
- director may not simultaneously hold the positions of Managing Director and Chairman
- 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 2011, the board consisted of four transacting shareholder directors, two independent directors and the Managing Director. Information about directors is set out on page 61 of this report. The board met nine times during the year ended 30 September 2011.

board committees

Committees enhance board 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 : Graeme Gibbons (Chair), Stephen Higgs

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.
- adviser business statement required by the Financial Management Authority

Remuneration: Stephen Higgs (Chair), Graeme Gibbons

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

Credit: Mike King (Chair), Stephen McKewen, 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	no. of meetings	no. of meetings attended	no. of meetings	no. of meetings attended	no. of meetings	no. of meetings attended	no. of meetings	no. of meetings attended
Roger Bonifant *	independent	7	7	2	2	1	1	7	7	1	1
Angus Bradshaw	Managing Director	9	9	-	-	-	-	-	-	1	1
Warwick Cashmore	transacting shareholder	9	9	-	-	-	-	9	9	1	1
Graeme Gibbons	transacting shareholder	9	9	-	-	1	1	7	7	1	1
Mark Hatwell	transacting shareholder	9	9	-	-	-	-	9	9	1	1
Stephen Higgs	independent	9	9	2	2	-	-	-	-	1	1
Stephen McKewen **	independent	2	2	-	-	-	-	2	2	1	1
Mike King	transacting shareholder	9	9	-	-	-	-	9	9	1	1

* Roger Bonifant retired as Chairman and an independent director on 31 July 2011. The board elected Stephen Higgs as Chairman from 1 August 2011

** Stephen McKewen was appointed as an independent director on 1 August 2011.

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 and liability committee, consisting of the Managing Director, Chief Financial Officer, Manager-Credit, Financial Controller, Trust 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 benefits paid to directors by the Company during the year:

	Parent	
	2011	2010
R A Bonifant (retired 31 July 2011)	57,083	62,500
A R Bradshaw	457,249	414,921
W N Cashmore	39,500	36,000
G D Gibbons	39,500	36,000
M B Hatwell	39,500	36,000
S J Higgs	44,333	36,000
M D King	39,500	9,000
S J McKewen (appointed 1 August 2011)	9,875	-
	716,665	630,421

No remuneration or benefits are paid by subsidiaries.

statement of comprehensive income

year ended 30 september 2011

	note	group 2011 $000	group 2010 $000	parent 2011 $000	parent 2010 $000
interest income	4	63,323	70,393	56,586	58,464
interest expense	5	28,079	34,573	21,342	22,644
net interest income		35,244	35,820	35,244	35,820
payment waiver net income	6	780	880	780	880
fees		8,599	8,931	8,599	8,931
net interest income and fees		44,622	45,631	44,622	45,631
expense					
employee	7	5,277	4,789	5,277	4,789
communication and processing	7	1,973	2,107	1,973	2,107
depreciation and amortisation	7	1,073	1,303	1,073	1,303
administration	7	2,059	1,897	2,059	1,897
bad debt		980	2,786	980	2,786
operating expense		11,362	12,882	11,362	12,882
profit before commission and other gains (losses)		33,261	32,749	33,261	32,749
commission		25,390	24,798	25,390	24,798
profit before net gain (loss) from financial instruments designated at fair value		7,871	7,951	7,871	7,951
net gain (loss) from financial instruments designated at fair value	8	335	(999)	(2,836)	(6,425)
profit before taxation		8,205	6,952	5,035	1,526
taxation	10	2,553	1,646	(908)	262
profit after taxation		5,653	5,306	5,943	1,264
other comprehensive income		-	-	-	-
total comprehensive income		**$5,653**	**$5,306**	**$5,943**	**$1,264**

statement of changes in equity

year ended 30 september 2011

	note	group 2011 $000	group 2010 $000	parent 2011 $000	parent 2010 $000
shareholder equity at beginning of period		66,244	63,473	71,134	72,405
ordinary share dividend (net)	11	(998)	(945)	(998)	(945)
perpetual preference share dividend (net)	11	(1,617)	(1,590)	(1,617)	(1,590)
transactions with shareholders		(2,615)	(2,535)	(2,615)	(2,535)
total comprehensive income		5,653	5,306	5,943	1,264
total attributable revenue and expense		5,653	5,306	5,943	1,264
shareholder equity at end of period	12	**$69,281**	**$66,244**	**$74,462**	**$71,134**

The financial statements should be read in conjunction with the accounting policies and notes on pages 13 – 58.

balance sheet

30 september 2011

		group		parent	
	note	2011 $000	2010 $000	2011 $000	2010 $000
funds employed					
ordinary shares	12	23,073	22,957	23,073	22,957
retained earnings	12	7,242	4,321	12,423	9,211
perpetual preference shares	12	38,966	38,966	38,966	38,966
total shareholder equity		69,281	66,244	74,462	71,134
liabilities					
bank overdraft			-		-
provision for taxation		5,309	1,236	-	-
accounts payable and accrued expense	13	7,859	8,747	7,859	8,638
unearned payment waiver fees		6,026	4,678	6,027	4,678
advance from MTFS	14	-	-	73,506	344,304
advance from Warehouse Trust	15	-	-	231,541	-
advance from Settlement Trust	16	-	-	22,991	-
senior warehouse notes - secured	17	208,857	-	-	-
bills of exchange - secured	18	80,011	367,358	-	-
senior settlement notes - secured	19	21,173	-	-	-
derivative financial instruments	9	5,123	8,367	319	393
deferred taxation	10	1,680	5,817	-	180
total liabilities		336,038	396,202	342,243	358,193
total funds employed		**$405,320**	**$462,447**	**$416,706**	**$429,327**
employment of funds					
cash at bank		1,276	8,108	1,263	8,093
cash in restricted bank accounts	20	20,893	23,053	1,392	-
taxation refund due		3,070	1,574	3,070	1,574
accounts receivable		842	883	842	761
prepayments		-	1,734	-	1,734
payment waiver indemnity prepayment		3,401	2,902	3,401	2,902
finance receivables	21	371,885	418,732	361,292	410,083
subordinated warehouse notes - secured	22	-	-	34,055	-
subordinated settlement notes - secured	23	-	-	3,444	-
amounts owing by subsidiaries		-	-	3,831	953
deferred taxation	10	460	2,233	625	-
property, plant and equipment	26	606	706	606	706
intangible assets	27	2,887	2,521	2,887	2,521
total assets		**$405,320**	**$462,447**	**$416,706**	**$429,327**

Angus Bradshaw
Managing Director

Stephen Higgs
Chairman

15 November 2011

The financial statements should be read in conjunction with the accounting policies and notes on pages 13 – 58.

statement of cash flow

year ended 30 september 2011

	note	group 2011 $000	group 2010 $000	parent 2011 $000	parent 2010 $000
cash flow from operating activities					
interest and fee income		71,922	79,111	65,185	67,183
interest expense		(22,777)	(27,630)	(16,040)	(15,702)
other funding and securitisation costs		(5,214)	(7,266)	(5,214)	(7,265)
income taxation paid		(2,339)	(2,968)	(2,339)	(2,968)
commission		(25,760)	(22,930)	(25,760)	(22,930)
operating expense		(12,218)	(11,853)	(12,218)	(11,853)
net cash flow from operating activities before changes in operating assets and liabilities		3,614	6,464	3,614	6,465
net changes in operating assets and liabilities:					
finance receivable instalments		310,818	332,490	304,503	325,974
(decrease) in bills of exchange - net		(287,347)	(70,763)	-	-
increase in senior warehouse notes - net		210,219	-	-	-
increase in senior settlement notes - net		21,173	-	-	-
(decrease) in finance receivable advances		(263,656)	(263,369)	(255,712)	(261,927)
(increase) in prepayments		-	(1,734)	-	(1,734)
(decrease) in advance from MTFS		-	-	(270,798)	(68,333)
(decrease) in advance from Warehouse Trust		-	-	231,541	-
(decrease) in advance from Settlement Trust		-	-	22,991	-
(increase) in subordinated warehouse notes		-	-	(34,055)	-
(increase) in subordinated settlement notes		-	-	(3,444)	-
loans to subsidiaries		-	-	(266)	5,090
		(8,793)	(3,376)	(5,239)	(930)
net cash flow from operating activities		**(5,179)**	**3,088**	**(1,625)**	**5,535**
cash flow from investing activities					
sale of property, plant and equipment		21	56	21	56
purchase of property, plant and equipment		(170)	(457)	(170)	(457)
purchase of intangible assets		(1,190)	(1,038)	(1,190)	(1,038)
net cash flow from investing activities		**(1,339)**	**(1,439)**	**(1,339)**	**(1,439)**
cash flow from financing activities					
proceeds from share issue	12	141	48	141	48
dividend to perpetual preference shareholders	11	(1,617)	(1,590)	(1,617)	(1,590)
dividend to ordinary shareholders	11	(998)	(945)	(998)	(945)
net cash flow from financing activities		**(2,474)**	**(2,487)**	**(2,474)**	**(2,487)**
net increase (decrease) in cash		(8,992)	(838)	(5,438)	1,609
cash on hand at beginning of period		31,161	31,999	8,093	6,484
cash on hand at end of period		**$22,169**	**$31,161**	**$2,655**	**$8,093**
represented by:					
cash at bank (overdraft)		1,276	8,108	1,263	8,093
cash in restricted bank accounts		20,893	23,053	1,392	-
		$22,169	**$31,161**	**$2,655**	**$8,093**

The financial statements should be read in conjunction with the accounting policies and notes on pages 13 – 58.

	group		parent	
	2011	2010	2011	2010
	$000	$000	$000	$000
reconciliation of profit after taxation to net cash flow from operating activities				
profit after taxation	5,653	5,306	5,943	1,264
non-cash items	912	1,177	911	1,176
	6,565	6,483	6,854	2,440
movement in other items				
(increase) in taxation refund due	(1,496)	(524)	(1,496)	(1,574)
(increase) decrease in accounts receivable	41	(548)	(81)	(518)
(increase) decrease in prepayments	1,734	(1,734)	1,734	(1,734)
(increase) in payment waiver indemnity prepayment	(499)	-	(499)	-
decrease in finance receivables	46,846	74,259	48,791	72,482
(increase) in subordinated warehouse notes	-	-	(34,055)	-
(increase) in subordinated settlement notes	-	-	(3,444)	-
(increase) decrease in loans to subsidiaries	-	-	(2,878)	8,428
(decrease) in deferred taxation	(2,364)	(2,033)	(805)	(2,182)
increase (decrease) in provision for taxation	4,073	1,236	-	(5,541)
increase (decrease) in accounts payable and accrued expense	(888)	1,689	(779)	1,618
increase in unearned payment waiver fees	1,349	-	1,349	-
(decrease) in advance from MTFS	-	-	(270,798)	(68,333)
increase in advance from Warehouse Trust	-	-	231,541	-
increase in advance from Settlement Trust	-	-	22,991	-
increase in senior warehouse notes	208,857	-	-	-
(decrease) in bills of exchange	(287,347)	(57,742)	-	-
increase in senior settlement notes	21,173	-	-	-
increase (decrease) in derivative financial instruments	(3,244)	(18,054)	(73)	393
	(11,764)	(3,451)	(8,501)	3,039
movement in working capital items classified as investing or financing activities	21	56	21	56
net cash surplus from operating activities	**($5,179)**	**$3,088**	**($1,625)**	**$5,535**

The financial statements should be read in conjunction with the accounting policies and notes on pages 13 – 58.

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 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 36(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 programmes, 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 the securitisation entities.

The Group consolidates the securitisation entities, MTF Securities Limited (MTFS), MTF Warehouse Trust No.1 (Warehouse Trust) and MTF Settlement Trust No.1 (Settlement Trust) 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 entities. 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 entities.

(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 special purpose securitisation entities (note 2 and 3) established solely for the purpose of purchasing finance receivables from MTF

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

(iii) recognition of revenue and expense

finance receivables and derivative financial instruments

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

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

Assessment of 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 bills of exchange (BOE), warehouse notes and settlement notes, issued to fund the securitisation programmes, the net cost of interest rate swaps to hedge the funding activities with the cash flows from securitised finance receivables, and the direct cost of running the securitisation programmes.

(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, accounts receivable, subordinated notes 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 profit before taxation.

derivative financial instruments

The Group enters into various financial instruments for the primary purpose of reducing exposure to fluctuations in interest rates. Derivative financial instruments, consisting of interest rate swap agreements, are 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 profit before taxation.

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 profit or loss 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 asset means any credit exposure for which:

- 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.
- revised terms of the arrangement are not comparable with the terms of new arrangements with comparable risks.
- 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 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 financial liabilities or equity in accordance with the substance of the contractual arrangement.

Liabilities are recorded initially at fair value, net of transaction costs. Subsequently, liabilities are measured at amortised cost with any difference between the initial recognised amount and the redemption value recognised in profit or loss in the 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 is measured at cost less accumulated depreciation and impairment loss.

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

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

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

Property, plant and equipment is 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 profit before taxation comprises current tax and deferred tax. Income tax is recognised in profit or loss in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly within equity, in which case the income tax is recognised in other comprehensive income or in equity.

current tax

Current tax is the amount of income tax payable or recoverable on 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 arise 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, bills of exchange (BOE), warehouse notes, settlement notes and the advances from MTFS, Warehouse Trust and Settlement Trust 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) 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. 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.

(xi) 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.

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

(xiii) 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 reportable segments has not changed.

(xv) ordinary shares

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

(xvi) 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.

(xvii) standards and interpretations issued but not yet adopted

At the date of authorisation of the financial report, a number of Standards and Interpretations were issued but not yet adopted.

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 and Group financial report:

standard/interpretation	effective for annual reporting periods beginning on or after	expected to be initially applied in the financial year ending
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
*Revised NZ IFRS 9 'Financial Instruments' (2010)	1-Jan-13	30-Sep-14
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 7, NZ IAS 1, NZ IAS 34 and NZ IFRIC 13	1-Jan-11	30-Sep-12
Amendments to NZ IAS 26 'Accounting and Reporting by Retirement Benefit Plans'	1-Apr-11	30-Sep-12
Amendments to NZ IFRS 7 'Financial Instruments: Disclosures'	1-Jul-11	30-Sep-12
Amendments to NZ IAS 12 ' Income Taxes' - Deferred Tax: Recovery of Underlying Assets	1-Jan-12	30-Sep-13
Amendments to NZ IFRS 7 – Appendix E	1-Apr-11	30-Sep-12
NZ IFRS 10 'Consolidated Financial Statements'	1-Jan-13	30-Sep-14
NZ IFRS 11 'Joint Arrangements'	1-Jan-13	30-Sep-14
NZ IFRS 12 'Disclosure of Interests in Other Entities'	1-Jan-13	30-Sep-14
NZ IFRS 13 'Fair Value Measurement'	1-Jan-13	30-Sep-14
NZ IAS 27 'Separate Financial Statements' (revised 2011)	1-Jan-13	30-Sep-14
NZ IAS 28 'Investments in Associates and Joint Ventures' (revised 2011)	1-Jan-13	30-Sep-14
Amendments to New Zealand Equivalents to International Financial Reporting Standards to Harmonise with International Financial Reporting Standards and Australian Accounting Standards	1-Jul-11	30-Sep-12
FRS 44 'NZ Additional Disclosures'	1-Jul-11	30-Sep-12
Amendments to FRS 44 'NZ Additional Disclosures'	1-Jul-11	30-Sep-12
Amendments to IAS 1 'Presentation of Financial Statements' – Presentation of Items of Other Comprehensive Income	1-Jul-12	30-Sep-13
Amendments to IAS 19 'Employee Benefits'	1-Jan-13	30-Sep-14

* revised NZ IFRS 9 adds guidance on the classification and measurement of financial liabilities and derecognition of financial instruments. The effective date remains the same as the previous version of NZ IFRS 9, with earlier adoption permitted.

All standards and interpretations that became effective in the current year have been adopted. There was no impact on the financial statements from the adoption of these standards and interpretations.

note 2: MTFS 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 2 November 2010 the MTFS programme was replaced by the MTF Trusts programme (note 3)
- all qualifying finance receivables at this date, were sold from the MTFS programme, to the MTF Trusts programme.
- No further finance receivables can be sold into the MTFS programme.
- The Loan Purchase Deed, that governs the MTFS programme, was amended to the extent necessary to facilitate the transfer of qualifying receivables to the Warehouse Trust and support the wind down of the remaining finance receivables
- MTFS will fund the run off using bills of exchange (BOE) issued under a revolving liquidity facility (RLF) and MTFS no longer has the capacity to issue Euro commercial paper (ECP)

The principal components of the programme are:

(i) Under a loan purchase deed between MTF and MTFS, a revolving loan purchase facility was 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 transferred all its rights, including recourse to the individual transacting shareholder, to MTFS.

(ii) 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.

(iii) 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.

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

(v) Credit enhancement and liquidity support (the 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.

(vi) At the date of sale, subject to the credit enhancement support, MTF received 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.

(vii) The purchase price balance of each loan is paid to MTF progressively when each instalment is paid to MTFS.

(viii) Interest rate swap agreements are entered into with the issuance of the 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 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 BOE is eliminated.

(ix) The securitisation programme provides a revolving liquidity facility for MTFS to borrow an agreed limit, currently set at $105,000,000 (2010: $390,000,000), in the form of BOE.

(x) 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 subordinated debt required equates to 10.00% (2010: 5.83%) of the net finance receivables due to MTFS. The amount of the subordinated loan at 30 September 2011 was $11,621,000 (2010: $22,772,000). The subordinated loan will reduce to a floor of $10,000,000, at which point the subordinated loan will become fixed, until the funded finance receivables match the subordinated loan. At this time, MTF will buy back all remaining finance receivables. The loan made by MTF to MTFS is subordinated to all other borrowings of MTFS.

(xi) During the year ended 30 September 2011 MTF legally sold $29,873,000 (2010 : $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.

(xii) During November 2010 (the transition period) MTFS legally sold $192,450,000 of finance receivables to the MTF Trust programme. The interest rate swap associated with each of the finance receivables was novated to the MTF Trust, as part of this transaction. These transactions were at face value of the finance receivables and the associated interest rate swaps.

(xiii) 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 (v), (vi) and (x) and the MTF credit enhancement referred to in Note 29(ii) is represented by the following in the Parent Balance Sheet:

	parent	
	2011	**2010**
	$000	**$000**
total finance receivables	361,292	410,083
less non securitised receivables	(10,490)	(20,726)
less securitised finance receivables not held in MTFS	(263,091)	-
MTFS securitised finance receivables	87,711	389,357
less advance from MTFS	(73,506)	(344,304)
	14,204	45,053
less timing differences on collection, recognition and pass through of income from MTFS to MTF	(2,583)	(22,281)
	$11,621	**$22,772**

In certain circumstances, as outlined in note 33(i), MTF is required to repurchase securitised finance receivables from MTFS.

note 3: MTF Trusts securitisation programme

At the end of 2010 MTF, together with Trustees Executors Limited (TEL), Commonwealth Bank of Australia (CBA) and Westpac Banking Corporation (WBC) established the following entities to facilitate funding arrangements:

- MTF Warehouse Trust No.1 (Warehouse Trust)
- MTF Settlement Trust No.1 (Settlement Trust), (collectively, The Trusts)

The new funding structure commenced on 4 November 2010.

The principal components of the programme are:

(i) The Trusts were established by the Notice of Creation of Trust with TEL as the Trustee and MTF as the Trust Manager. Under the contract with the transacting shareholder, MTF transfers to TEL legal assignment of the transacting shareholder's rights under the contract and the underlying asset.

(ii) The Settlement Trust was created to facilitate the purchase of eligible finance receivables from MTF.

(iii) The Warehouse Trust funds the purchase of qualifying finance receivables from the Settlement Trust and existing qualifying finance receivables from MTFS.

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

(v) Funding is provided by the facility lenders, currently CBA and WBC, by way of subscription to senior notes. The programme provides facilities for the Trusts to borrow, from the facility lenders, an agreed limit, currently set at $234,600,000 and $27,965,000 for the Warehouse Trust and Settlement Trust respectively. The facility limits can be increased upon request from the Trust Manager and with the agreement of the facility lenders. In the event the Warehouse Trust facility is not renewed the facility will amortise in accordance with the amortisation profile of the finance receivables. The senior notes maturity date is a minimum of 72 months after the expiry date of the facility. The next facility review is 30 August 2013.

(vi) Notes issued by the Trusts are secured by first ranking mortgage debenture over the assets of the Trusts. The notes issued by the Warehouse Trust are rated AAA(sf) (Standard and Poor's long term, structured finance rating, 4 November 2010). The notes are floating rate, pass-through notes, paying a margin over the one-month bank-bill swap rate (BKBM) on the invested amount of the notes. Interest may be passed through to note holders in between monthly payment dates if principal is paid on such dates.

(vii) Credit enhancement is provided by MTF by way of subscription to subordinated notes. The Trustee issues subordinated notes to MTF in accordance with the terms of the Supplemental Deed for the purposes of purchasing eligible receivables and repaying amounts owing in respect of any notes under the facility agreements. The Trustee is required to pay interest in respect of the subordinated notes. The minimum credit enhancement required to maintain the AAA rating is 13.97%. At 30 September MTF had subscribed to subordinated Warehouse Trust notes of $34,055,000 and subordinated Settlement Trust notes of $3,443,500.

(viii) Liquidity is provided by note over-issuance to MTF. The minimum liquidity reserve is 0.5% of the invested amount of the notes, subject to a floor of $300,000. Principal collections may be applied to cover any timing mismatches between collections and interest owing on the Senior Notes.

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

a. credit contracts or finance leases in relation to vehicle assets in a form approved for acceptance by the Trusts
b. if the receivable is a lease, it is not an operating lease;
c. for a term less than 60 months;
d. payoff amount greater than $1,000;
e. registered at the Personal Property Securities Register (PPSR);

(x) To be eligible for the finance receivable to qualify for sale from the Settlement Trust to the Warehouse Trust, the following conditions apply, inter alia:

a. at least one instalment received
b. finance receivable is not in arrears
c. finance receivable must be fully and effectively hedged

(xi) All finance receivables are fixed-rate contracts. To hedge the interest rate risk between the fixed-rate asset cash flows and the floating-rate interest payable on notes, the Trusts enter into fixed-floating interest rate swaps with appropriately rated providers, currently CBA (AA/Stable/A-1+) and WBC (AA/Stable/A-1+).

(xii) MTF is contracted, as Trust Servicer and Trust Manager, to administer the securitised finance receivables in accordance with the trust deeds including the liability and treasury activities.

(xiii) During the year ended 30 September 2011, MTF legally sold $220,398,000 of securitised finance receivables to the Settlement Trust. The Settlement Trust has subsequently sold $211,872,000 of securitised finance receivables to the Warehouse Trust during the same period.

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.

(xiv) The securitisation programme permits MTF to apply the subordinated notes to fund losses it might incur on any of its purchased securitised receivables. MTF exposure to any bad debts incurred by the Trusts is limited to the subordinated note investment.

(xv) MTF shall do all things necessary to provide the facility lenders the sole and exclusive right to arrange an issue of notes into the capital markets at least once every twelve months, provided that all parties agree that any such issue is on reasonable commercial terms.

(xvi) The Trust Deeds restricts the activities of the Trusts, which can only be changed with the consent of the Trustees.

The subordinated notes to the Trusts referred to in (vii) and (xiv) are represented by:

	parent	
	2011	**2010**
	$000	**$000**
total finance receivables	361,292	-
less non securitised receivables	(10,490)	-
less securitised finance receivables held in MTFS	(87,711)	-
MTF Trusts securitised finance receivables	263,091	-
less net advances from Warehouse and Settlement Trusts	(217,034)	-
	46,057	-
less timing differences on collection, recognition and pass through of income to MTF	(8,558)	-
	$37,499	**-**

note 4: income

	group		parent	
	2011 $000	2010 $000	2011 $000	2010 $000
interest income				
finance receivables designated at FVTPL	62,541	69,749	56,586	58,464
cash in restricted bank accounts	782	644	-	-
	$63,323	**$70,393**	**$56,586**	**$58,464**
interest income includes income from:				
non-impaired assets	62,445	69,220	55,708	57,291
impaired assets	878	1,173	878	1,173
	$63,323	**$70,393**	**$56,586**	**$58,464**

note 5: interest expense

short-term loans	174	3	174	3
bills of exchange/notes	22,496	27,739	-	-
securitisation programmes	4,755	6,710	-	-
securitisation funding	-	-	20,514	22,520
other	654	121	654	121
	$28,079	**$34,573**	**$21,342**	**$22,644**

note 6: payment waiver programme

payment waiver fees earned	4,203	4,013	4,203	4,013
indemnity expense	(2,646)	(2,509)	(2,646)	(2,509)
indemnity performance payment	49	(305)	49	(305)
administration expense	(826)	(319)	(826)	(319)
payment waiver net income	**$780**	**$880**	**$780**	**$880**

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 7 January 2011). 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. Credit contracts containing the optional guarantee, written after 1 September 2010, are excluded from this potential credit exposure as the terms of the indemnity are now dependant on the insurance company meeting its obligation.

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 $256,000 (2010:$305,000) has been accrued in recognition of this future payment.

note 7: expense

includes:	group 2011 $000	group 2010 $000	parent 2011 $000	parent 2010 $000
auditor				
- statutory audit	198	113	81	74
- taxation compliance	111	141	84	105
- review of fee methodology	5	71	5	71
- IT risk review	34	36	34	36
- financial reporting advice	17	55	17	55
- other fees	58	16	58	16
depreciation				
- hardware	129	61	129	61
- office equipment, fixtures and fittings	87	94	87	94
- motor vehicles	53	53	53	53
amortisation				
- intangible assets - software	803	1,095	803	1,095
director fees	269	216	269	216
rental and lease	344	323	344	323
employee expense includes key management remuneration of:				
short term employee benefits	1,609	1,425	1,609	1,425
post employment benefits	10	12	10	12

The auditor of the Group is Deloitte.

note 8: net gain (loss) from financial instruments designated at fair value

net gain (loss) arising on:	group 2011 $000	group 2010 $000	parent 2011 $000	parent 2010 $000
finance receivables	(2,403)	(6,504)	(2,403)	(6,504)
individual impairment	694	668	694	668
collective impairment	(1,200)	(196)	(1,200)	(196)
interest rate swap derivatives	3,244	5,033	73	(393)
foreign currency derivatives	-	13,021	-	-
foreign currency translation of BOE	-	(13,021)	-	-
	$335	**$(999)**	**$(2,836)**	**$(6,425)**

note 9: derivative financial instruments

	group 2011 $000	group 2010 $000	parent 2011 $000	parent 2010 $000
fair value				
interest rate swaps	(5,123)	(8,367)	(319)	(393)
	$(5,123)	**$(8,367)**	**$(319)**	**$(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 programmes. 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 at reporting date.

	average contracted interest rate		notional principal amount		fair value	
	2011 %	2010 %	2011 $000	2010 $000	2011 $000	2010 $000
group						
less than 1 year	7.94	7.16	170,204	231,071	(2,343)	(4,144)
1 to 2 years	5.17	7.93	158,124	131,745	(1,857)	(2,585)
2 to 3 years	4.54	7.95	60,888	64,186	(732)	(1,259)
3 to 4 years	4.46	4.59	15,623	17,334	(176)	(339)
4 to 5 years	3.79	4.47	1,281	2,023	(14)	(40)
			$406,120	**$446,359**	**$(5,123)**	**$(8,367)**
parent						
less than 1 year	-	4.37	-	40,000	-	(393)
1 to 2 years	4.13	-	40,000	-	(319)	-
			$40,000	**$40,000**	**$(319)**	**$(393)**

note 10: 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 2011 $000	group 2010 $000	parent 2011 $000	parent 2010 $000
profit before taxation	8,205	6,952	5,035	1,526
income taxation expense calculated at 30% (2010: 30%)	2,462	2,085	1,510	458
non deductible expense	5	4	5	4
trust income	-	-	(7,103)	-
non assessable income	(61)	(133)	(61)	(133)
other permanent adjustments	83	-	613	-
change in taxation rate	169	(255)	57	(12)
losses offset against group profit	-	-	4,168	-
(over) under provision of income taxation in previous year	(105)	(55)	(97)	(55)
	$2,553	**$1,646**	**$(908)**	**$262**
represented by:				
current taxation	4,917	3,679	(103)	2,444
deferred taxation	(2,364)	(2,033)	(805)	(2,182)
	$2,553	**$1,646**	**$(908)**	**$262**

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 and 2011 income tax year.

(b) deferred taxation

The deferred taxation balances at 30 September 2011 are represented by:

group - 2011	opening balance $000	charged to income $000	changes in taxation rate charged to income $000	closing balance $000
deferred taxation assets:				
accounts payable and accrued expense	2,169	75	5	2,249
derivative financial instruments	2,233	(1,900)	127	460
	4,402	(1,825)	132	2,709
deferred taxation liabilities:				
property, plant and equipment	6	(7)	-	(1)
intangible assets	(318)	158	(9)	(169)
finance receivables	(7,674)	4,207	(292)	(3,759)
	(7,986)	4,358	(301)	(3,929)
total deferred taxation	**($3,584)**	**$2,533**	**($169)**	**($1,220)**
represented by:				
deferred taxation asset				460
deferred taxation liability				(1,680)
total deferred taxation				**($1,220)**

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

parent - 2011	opening balance $000	charged to income $000	changes in taxation rate charged to income $000	closing balance $000
deferred taxation assets:				
accounts payable and accrued expense	2,169	75	5	2,249
	2,169	75	5	2,249
deferred taxation liabilities:				
property, plant and equipment	6	(7)	-	(1)
intangible assets	(319)	158	(11)	(172)
finance receivables	(2,036)	636	(51)	(1,451)
	(2,349)	787	(62)	(1,624)
total deferred taxation	**($180)**	**$862**	**($57)**	**$625**

group - 2010	opening balance $000	charged to income $000	changes in taxation rate charged to income $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	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)**

note 11: dividends

ordinary share dividend	group and parent 2011 $000	2010 $000
fully imputed dividend declared and paid during the year:		
interim dividend paid 30 October 2010 at 1.10 cents per share	250	241
interim dividend paid 31 January 2011 at 1.10 cents per share	251	235
interim dividend paid 30 April 2011 at 1.08 cents per share	247	230
interim dividend paid 30 July 2011 at 1.09 cents per share	250	239
	$998	**$945**

Subsequent to balance date the directors approved a dividend of $253,000 by way of a directors resolution dated 11 October 2011.

perpetual preference share dividend	2011 $000	2010 $000
fully imputed dividend declared and paid during the year (net)	1,617	1,590
	$1,617	**$1,590**

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 2011 at a gross rate of 5.34% (2010: 5.77%). Dividends at the relevant reset rate are declared subject to the applicable director resolution being passed.

note 12: equity

group	ordinary shares $000	retained earnings $000	perpetual preference shares $000	total equity $000
2011				
Balance at beginning of period	22,957	4,321	38,966	66,244
Total comprehensive income	-	5,653	-	5,653
Bonus issue from retained profits withheld from former co-operative shareholders not fully participating in cash issue	116	(116)	-	-
Ordinary share dividends	-	(998)	-	(998)
Perpetual preference share dividends	-	(1,617)	-	(1,617)
Balance at end of period	**$23,073**	**$7,242**	**$38,966**	**$69,281**
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	635	(635)	-	-
Ordinary share dividends	-	(945)	-	(945)
Perpetual preference share dividends	-	(1,590)	-	(1,590)
Balance at end of period	**$22,957**	**$4,321**	**$38,966**	**$66,244**

parent	ordinary shares	retained earnings	perpetual preference shares	total equity
2011				
Balance at beginning of period	22,957	9,211	38,966	71,134
Total comprehensive income	-	5,943	-	5,943
Bonus issue from retained profits withheld from former co-operative shareholders not fully participating in cash issue	116	(116)	-	-
Ordinary share dividends	-	(998)	-	(998)
Perpetual preference share dividends	-	(1,617)	-	(1,617)
Balance at end of period	**$23,073**	**$12,423**	**$38,966**	**$74,462**
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	635	(635)	-	-
Ordinary share dividends	-	(945)	-	(945)
Perpetual preference share dividends	-	(1,590)	-	(1,590)
Balance at end of period	**$22,957**	**$9,211**	**$38,966**	**$71,134**

(i) ordinary shares

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. On 16 January 2009, $6,964,763 of retained profit was converted to ordinary shares, through a non-taxable bonus issue. 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 2011 year non taxable bonus shares of $116,000 (2010: $635,000) were issued.

As at 30 September 2011 there were 23,073,000 shares authorised and issued (2010: 22,957,000) of which 81,000 is due for payment (2010: 222,000). 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	
	2011	**2010**
	$000	**$000**
Ordinary shares issued during period	116	635
Bonus share issue from commission withheld from former co-operative shareholders not fully participating in cash issue	(116)	(635)
	-	-

impact on statement of cash flow		
Cash issue of ordinary shares	-	-
Unpaid commission	-	-
Unpaid capital	141	48
	$141	**$48**

	group and parent	
	2011	2010
	$000	$000
(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 13: accounts payable and accrued expense

	group		parent	
	2011	2010	2011	2010
	$000	$000	$000	$000
trade creditors	888	1,506	888	1,506
sundry creditors and accruals	2,026	2,185	2,026	2,076
unpaid commission	3,863	4,119	3,863	4,119
employee entitlements	1,082	937	1,082	937
	$7,859	**$8,747**	**$7,859**	**$8,638**

note 14: advance from MTFS

The advance from MTFS represents the funding provided by the MTFS securitisation programme to MTF. This advance is funded within MTFS, by borrowings in the form of BOE (refer note 18).

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

note 15: advance from Warehouse Trust

The advance from the Warehouse Trust represents the funding provided by the Warehouse Trust securitisation programme to MTF. This advance is funded within Warehouse Trust by borrowings in the form of warehouse notes (refer note 17).

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

note 16: advance from Settlement Trust

The advance from the Settlement Trust represents the funding provided by the Settlement Trust securitisation programme to MTF. This advance is funded within Settlement Trust by borrowings in the form of settlement notes (refer note 19).

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

note 17: senior warehouse notes (secured)

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

Notes issued by the Warehouse Trust are secured by a first ranking mortgage debenture over the assets of the Warehouse Trust. The notes issued by the Warehouse Trust are rated AAA(sf) (Standard and Poor's long-term, structured finance rating, 4 November 2010). The legal assets of MTF are not available as security to support the notes.

The facility has a renewal date of 31 August 2013. Commitment is provided in the following proportion:

		group		
		limit $000	undrawn facilities $000	carrying amount $000
2011				
Commonwealth Bank of Australia	72%	168,912	17,296	151,616
Westpac Banking Corporation	28%	65,688	6,726	58,962
total		**$234,600**	**$24,022**	**$210,578**
less: establishment fees and expense				$1,721
total carrying amount		**$234,600**	**$24,022**	**$208,857**

The establishment fees and expense represent the cost incurred in setting up the securitisation programmes and will be amortised over the life of the facility. For the year ended 30 September 2011, $423,000 of amortisation is included in interest expense in the Statement of Comprehensive Income.

note 18: bills of exchange (secured)

BOE are issued to MTFS under the revolving liquidity facility (RLF), is a standby bill endorsement facility with a limit of $105,000,000 (2010: $390,000,000), which provides rolling liquidity cover from CBA and WBC.

The facility has a renewal date of 30 August 2013. Commitment is provided in the following proportion:

		group		
		RLF limit $000	undrawn facilities $000	carrying amount $000
2011				
Commonwealth Bank of Australia	72%	75,600	17,992	57,608
Westpac Banking Corporation	28%	29,400	6,997	22,403
		$105,000	**$24,989**	**$80,011**
2010				
Commonwealth Bank of Australia	72%	280,800	16,302	264,498
Westpac Banking Corporation	28%	109,200	6,340	102,860
		$390,000	**$22,642**	**$367,358**

BOE with maturity dates between 7 and 28 days from balance date have been issued at an effective discount rate of 3.67% p.a. (2010 : 4.01% p.a.). New bills are issued for periods up to 90 days.

note 19: senior settlement notes (secured)

Settlement notes are issued to CBA and WBC under the Settlement Trust. The Settlement Trust funds the purchase of newly originated qualifying receivables prior to transferring such finance receivables to the Warehouse Trust. Settlement notes with maturity dates between 36 and 59 days from balance date have been issued at an effective discount rate of 4.78% p.a. New notes are issued for periods of up to 60 days.

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

The facility has a renewal date of 30 August 2013. Commitment is provided in the following proportion:

		group		
		limit $000	undrawn facilities $000	carrying amount $000
2011				
Commonwealth Bank of Australia	72%	20,135	4,890	15,245
Westpac Banking Corporation	28%	7,830	1,902	5,929
		$27,965	**$6,792**	**$21,173**

note 20: cash in restricted bank accounts

Payments received from customers with respect to securitised finance receivables are paid into bank accounts maintained within the MTFS and MTF Trusts securitisation programmes and are credited against the applicable securitised receivable account monthly in accordance with the programme payment cycle. The cash in these bank accounts may only be applied, initially, to repay costs of borrowings within the securitisation programmes. Interest income of $782,000 (2010: $644,000) was earned on cash deposits within the securitisation programmes during the year.

	group		parent	
	2011 $000	2010 $000	2011 $000	2010 $000
MTF Trusts securitisation programme	12,997	-	-	-
MTFS securitisation programme	6,504	23,053	-	-
MTF collections account	1,392	-	1,392	-
	$20,893	**$23,053**	**$1,392**	**-**

note 21: finance receivables

	group		parent	
	2011	2010	2011	2010
	$000	$000	$000	$000
receivable within 12 months	174,957	199,386	171,072	195,733
receivable beyond 12 months	196,928	219,346	190,220	214,350
total finance receivables	**$371,885**	**$418,732**	**$361,292**	**$410,083**

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 profit or loss in the statement of comprehensive income.

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

finance receivables at FVTPL	506	(472)	506	(472)
	$506	**($472)**	**$506**	**($472)**

The reduction in fair value of finance receivables as a result of credit risk has been assessed by the Group and the Parent as being $4,749,000 (2010 : $4,243,000). The impact is included in the overall fair value movement.

note 22: subordinated warehouse notes (secured)

MTF provides credit support to the Warehouse Trust by way of subordinated notes of 13.97% of the greater of total notes on issue, and the aggregate principal balance of purchased warehouse finance receivables. At 30 September 2011 the effective credit support was $34,055,000 or 13.98%.

note 23: subordinated settlement notes (secured)

MTF provides credit support to the Settlement Trust by way of subordinated notes of 13.97% of the greater of total notes on issue, and the aggregate principal balance of purchased settlement finance receivables. At 30 September 2011 the effective credit support was $3,443,500 or 14.08%.

note 24: 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 91 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	**2011 $000**	**2010 $000**	**2011 $000**	**2010 $000**
(a) asset quality - finance receivables				
neither past due nor impaired	372,082	413,902	361,514	405,296
individually impaired	4,494	8,818	4,494	8,818
past due but not impaired	58	255	33	212
specific impairment allowance	(1,979)	(2,673)	(1,979)	(2,673)
collective impairment allowance	(2,770)	(1,570)	(2,770)	(1,570)
total carrying amount	**$371,885**	**$418,732**	**$361,292**	**$410,083**
(b) aging of past due but not impaired assets				
past due 90 -120 days	36	154	11	154
past due 120 days+	22	101	22	58
carrying amount of past due assets	**$58**	**$255**	**$33**	**$212**
(c) 90 day past due assets (including impaired assets)				
balance at beginning of year	3,581	4,604	3,528	4,432
net movement in past due assets	(1,327)	(1,023)	(1,316)	(904)
carrying amount at end of year	**$2,254**	**$3,581**	**$2,212**	**$3,528**
(d) individually impaired assets - managed transacting shareholders				
finance receivables	4,494	8,818	4,494	8,818
balances available for offset, including collateral	(2,515)	(6,145)	(2,515)	(6,145)
specific impairment allowance	**($1,979)**	**($2,673)**	**($1,979)**	**($2,673)**

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 finance receivables at 30 September 2011, 0.61% (2010 : 0.86%) 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 (2010 : nil).

note 25: investment in subsidiaries

name of entity	principal activity	interest held by parent 2011	interest held by parent 2010
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%	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.

MTF Securities Ltd 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 the MTF Trusts securitisation programme (note 3) that came into affect in the current period.

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

	group		parent	
	2011 $000	2010 $000	2011 $000	2010 $000
amounts owing by subsidiaries				
MTF Leasing Ltd	-	-	3,831	953
total amounts owing by subsidiaries	**-**	**-**	**$3,831**	**$953**

note 26: property, plant and equipment

carrying amount

	group 2011 $000	group 2010 $000	parent 2011 $000	parent 2010 $000
computer hardware	1,840	1,948	1,840	1,948
less accumulated depreciation	(1,604)	(1,718)	(1,604)	(1,718)
total carrying amount	236	230	236	230
office equipment, fixtures and fittings	956	931	956	931
less accumulated depreciation	(736)	(658)	(736)	(658)
total carrying amount	220	273	220	273
motor vehicles	247	247	247	247
less accumulated depreciation	(97)	(44)	(97)	(44)
total carrying amount	150	203	150	203
total property, plant and equipment	**$606**	**$706**	**$606**	**$706**

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

	group		parent	
	2011 $000	2010 $000	2011 $000	2010 $000
computer hardware				
balance at beginning of year	230	43	230	43
additions	136	248	136	248
disposals	-	-	-	-
depreciation	(129)	(61)	(129)	(61)
balance at end of year	237	230	237	230
office equipment				
balance at beginning of year	274	367	274	367
additions	33	1	33	1
depreciation	(87)	(94)	(87)	(94)
balance at end of year	220	274	220	274
motor vehicles				
balance at beginning of year	202	83	202	83
additions	-	206	-	206
disposals	-	(34)	-	(34)
depreciation	(53)	(53)	(53)	(53)
balance at end of year	149	202	149	202
total property, plant and equipment	**$606**	**$706**	**$606**	**$706**

note 27: intangible assets

cost				
balance at beginning of year	11,705	10,667	11,705	10,667
additions	1,190	1,038	1,190	1,038
disposals	(21)		(21)	
balance at end of year	12,874	11,705	12,874	11,705
amortisation and impairment				
balance at beginning of year	9,184	8,089	9,184	8,089
amortisation expense	803	1,095	803	1,095
balance at end of year	9,987	9,184	9,987	9,184
total intangible assets	**$2,887**	**$2,521**	**$2,887**	**$2,521**

note 28: 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 directors:

	group and parent	
	2011	2010
	$000	$000
W N Cashmore	67	90
G D Gibbons	1,517	1,354
M B Hatwell	590	596
M D King	387	435
	$2,561	$2,475

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

	2011	2010
	$000	$000
W N Cashmore	838	1,078
G D Gibbons	24,563	29,154
M B Hatwell	7,293	8,137
M D King	8,411	7,515
	$41,105	$45,884

The Managing Director, A R Bradshaw and the independent director, S J McKewen, are directors of MTFS. Transactions and balances with MTFS are:

	parent	
	2011	2010
	$000	$000
loans legally sold to MTFS	28,873	267,549
loans legally sold by MTFS to MTF Trusts (face value)	(192,450)	-
interest rate swaps sold by MTFS to MTF Trusts (fair value)	1,822	-
securitisation funding costs charged by MTFS	13,688	22,520
advance from MTFS	73,506	344,304

The Managing Director, A R Bradshaw, the Chairman, S J Higgs, and the independent director, S J McKewen, are directors of MTF Treasury Ltd. MTF Treasury Ltd is the residual income beneficiary for the MTF Trusts securitisation programme. MTF is appointed as Trust manager and Trust servicer for the Trusts. Transactions and balances with the MTF Trusts are:

	parent	
	2011	2010
	$000	$000
loans legally sold to MTF Trusts by MTF	220,398	-
loans legally sold to MTF Trusts by MTFS (face value)	192,450	-
interest rate swaps sold to MTF Trusts by MTFS (fair value)	(1,822)	-
trust management and servicing fees charged by MTF	297	-
advance from Warehouse Trust	(231,541)	-
advance from Settlement trust	(22,991)	-
subordinated warehouse notes held by MTF	34,055	-
subordinated settlement notes held by MTF	3,444	-

note 29: commitments

	group 2011 $000	group 2010 $000	parent 2011 $000	parent 2010 $000
(a) operating lease commitments (non-cancellable)				
payable within one year	204	256	204	256
payable between 1 and 2 years	183	181	183	181
payable between 2 and 5 years	257	466	257	466
(b) capital commitments	323	322	323	322

note 30: imputation credit account

opening balance	1,147	(735)	1,147	(735)
income taxation paid	2,339	2,968	2,339	2,968
attached to dividends paid	(1,119)	(1,086)	(1,119)	(1,086)
closing balance imputation credits (deficit)	**2,367**	**$1,147**	**$2,367**	**$1,147**

note 31: 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 2011

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	-	-	1,276	-	-	1,276
cash in restricted bank accounts	-	-	20,893	-	-	20,893
accounts receivable	-	-	842	-	-	842
payment waiver indemnity prepayment	-	-	3,401	-	-	3,401
finance receivables (designated)	371,885	-	-	-	-	371,885
	$371,885	**-**	**$26,411**	**-**	**-**	**$398,297**
liabilities						
accounts payable and accrued expense	-	-	-	-	7,859	7,859
unearned payment waiver fees	-	-	-	-	6,026	6,026
senior warehouse notes - secured	-	-	-	-	208,857	208,857
bills of exchange - secured	-	-	-	-	80,011	80,011
senior settlement notes - secured	-	-	-	-	21,173	21,173
derivative financial instruments (held for trading)	5,123	-	-	-	-	5,123
	$5,123	**-**	**-**	**-**	**$323,926**	**$329,049**

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	-	-	1,263	-	-	1,263
cash in restricted bank accounts	-	-	1,392	-	-	1,392
accounts receivable	-	-	842	-	-	842
payment waiver indemnity prepayment	-	-	3,401	-	-	3,401
finance receivables (designated)	361,292	-	-	-	-	361,292
subordinated warehouse notes	-	-	34,055	-	-	34,055
subordinated settlement notes	-	-	3,444	-	-	3,444
amounts owing by subsidiaries	-	-	3,831	-	-	3,831
	$361,292	**-**	**$48,227**	**-**	**-**	**$409,519**
liabilities						
accounts payable and accrued expense	-	-	-	-	7,859	7,859
unearned payment waiver fees	-	-	-	-	6,027	6,027
advance from Warehouse Trust	-	-	-	-	231,541	231,541
advance from MTFS	-	-	-	-	73,506	73,506
advance from Settlement Trust	-	-	-	-	22,991	22,991
derivative financial instruments (held for trading)	319	-	-	-	-	319
	$319	**-**	**-**	**-**	**$341,923**	**$342,242**

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**

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

note 32: 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 and compliance teams perform 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 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 guarantors. 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 mortgage 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 2011 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	
	2011 $000	2010 $000	2011 $000	2010 $000
cash at bank	1,276	8,108	1,263	8,093
cash in restricted bank accounts	20,893	23,053	1,392	-
accounts receivable	842	883	842	761
Warehouse Trust securitised finance receivables	34,055	-	34,055	-
Settlement Trust securitised finance receivables	3,444	-	3,444	-
MTFS securitised finance receivables	87,711	389,186	87,711	389,357
non securitised finance receivables	21,083	29,546	10,490	20,726

The credit risk on MTF Trusts securitised finance receivables within the MTF Trusts securitisation programme is limited to the subordinated notes subscribed to by MTF in support of the credit enhancement of the securitisation programme (refer note 3). The balance of the credit risk on the MTF Trust securitised finance receivables is assumed by the subscribers to the senior warehouse and senior settlement notes pursuant to the securitisation programme. As set out in note 3, the MTF Trusts securitised finance receivables have been legally purchased by the Trusts from MTF. The securitisation trusts are bankruptcy remote, which limits MTF credit risk, with respect to MTF Trusts securitised finance receivables, to the amount of the subordinated notes subscribed to by MTF.

Except for the circumstances set out under note 33(i), requiring MTF to repurchase securitised finance receivables from MTFS, the credit risk on MTFS securitised finance receivables is limited to the unsecured funding provided by MTF in support of the credit enhancement of the MTFS securitisation programme to MTFS (refer note 2). The balance of the credit risk on the MTFS securitised finance receivables is assumed by the holders of the BOE pursuant to the securitisation programme. As set out in note 2, MTFS securitised finance receivables have been legally purchased by MTFS. MTFS is bankruptcy remote, which, from a legal perspective, limits MTF credit risk, with respect to MTFS 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 BOE, senior warehouse notes and senior settlement notes on 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 $166,000 for the year ending 30 September 2011 (2010 : $122,000).

The credit risk exposure presented below must be read in the context of the MTF and Group's exposure to the securitised finance receivables (MTFS and MTF Trusts) being limited to the holdback (MTFS) and subordinated debt (MTF Trusts) funding provided to those entities.

	group		parent	
concentration of credit risk by geographical location	**2011 $000**	**2010 $000**	**2011 $000**	**2010 $000**
Auckland	41,137	51,668	40,513	51,354
Christchurch	58,148	63,245	55,778	61,064
Dunedin	37,062	43,827	34,348	41,221
Gisborne	8,562	10,659	8,519	10,655
Hawkes Bay	22,874	23,123	22,766	22,893
Manawatu	23,645	26,490	22,845	26,386
Nelson	11,755	13,482	11,238	13,777
North Auckland	11,297	13,808	11,122	12,961
Rotorua	11,395	11,409	11,288	11,265
South Auckland	29,217	28,289	29,173	28,206
Southland	17,850	18,673	16,570	17,739
Taranaki	12,898	14,210	12,712	13,994
Tauranga	18,672	20,524	18,254	19,616
Waikato	44,946	50,921	44,567	50,743
Wellington	22,428	28,403	21,598	28,208
total concentration of credit risk by geographical location	**$371,885**	**$418,732**	**$361,292**	**$410,083**

concentration of credit risk by security type

	group 2011 $000	group 2010 $000	parent 2011 $000	parent 2010 $000
passenger vehicle	259,480	292,591	256,447	291,792
commercial vehicle	63,957	69,814	63,078	69,647
motorcycle	35,901	41,231	35,372	41,115
marine	654	1,158	654	1,158
equipment	6,765	8,401	612	836
caravans	5,128	5,537	5,129	5,535
total concentration of credit risk by security type	**$371,885**	**$418,732**	**361,292**	**$410,083**

concentration of credit risk by transacting shareholder

	group 2011 $000	group 2010 $000	parent 2011 $000	parent 2010 $000
0 - $5,000,000	262,308	257,817	251,849	249,743
$5,000,000 - $10,000,000	82,616	62,504	82,621	62,390
$10,000,000 - $50,000,000	26,962	98,411	26,822	97,950
Concentration of credit risk by transacting shareholder	**$371,885**	**$418,732**	**$361,292**	**$410,083**

concentration of credit risk by individual contract size

	group		parent	
	2011 $000	2010 $000	2011 $000	2010 $000
0 - $5,000	51,120	52,081	46,970	51,100
$5,001 - $10,000	109,644	108,505	107,402	106,574
$10,001 - $20,000	131,816	142,269	131,629	140,103
$20,001 - $30,000	46,648	68,265	45,998	67,220
$30,001 - $40,000	18,734	25,865	17,001	25,154
$40,001- $50,000	7,087	10,725	6,457	10,364
$50,001+	6,837	11,022	5,835	9,568
total concentration of credit risk by contract size	**$371,885**	**$418,732**	**$361,292**	**$410,083**

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:

	group 2011	group 2010	parent 2011	parent 2010
20% - 29%	1	-	1	-
30% - 39%	1	-	1	-
40% - 49%	-	1	-	1
50% - 59%	-	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.

	group 2011	group 2010	parent 2011	parent 2010
interest rate swaps - notional balance	**$406,120**	**$446,359**	**$40,000**	**$40,000**

Limits on exposures with counterparties have been set and approved by the trustees for the MTFS and MTF Trusts securitisation programmes and are monitored on a regular basis. MTF limits concentration risk with counterparties and monitors this risk continuously.

note 33: 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 30 August 2013 (2010 : 31 March 2011). 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 2011 (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	1,276	-	-	-	-	1,276
cash in restricted bank accounts	20,893	-	-	-	-	20,893
accounts receivable	-	842	-	-	-	842
payment waiver indemnity prepayment	3,401	-	-	-	-	3,401
finance receivables	-	119,969	99,828	139,914	86,617	446,329
	25,570	120,811	99,828	139,914	86,617	472,740
monetary liabilities						
accounts payable and accrued expense	-	7,859	-	-	-	7,859
unearned payment waiver fees	6,026	-	-	-	-	6,026
senior warehouse notes - secured		41,491	44,429	74,167	55,796	215,884
bills of exchange - secured	-	25,076	24,754	33,044	-	82,874
senior settlement notes - secured		21,327				21,327
derivative financial instruments	-	5,123	-	-	-	5,123
	6,026	100,876	69,184	107,212	55,796	339,093
net liquidity gap	**$19,543**	**$19,935**	**$30,645**	**$32,703**	**$30,821**	**$133,647**
net liquidity gap - cumulative	**$19,543**	**$39,479**	**$70,124**	**$102,826**	**$133,647**	

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	1,263	-	-	-	-	1,263
cash in restricted bank accounts	1,392	-	-	-	-	1,392
accounts receivable	-	842	-	-	-	842
payment waiver indemnity prepayment	3,401	-	-	-	-	3,401
finance receivables	-	117,146	97,513	136,313	82,306	433,279
subordinated warehouse notes - secured	-	9,650	8,033	11,229	6,780	35,693
subordinated settlement notes - secured	-	976	775	1,083	654	3,488
amounts owing by subsidiaries	-	3,831	-	-	-	3,831
	6,055	132,445	106,321	148,626	89,740	483,188
monetary liabilities						
accounts payable and accrued expense	-	7,859	-	-	-	7,859
unearned payment waiver fees	6,027	-	-	-	-	6,027
advance from Warehouse Trust	-	64,554	53,736	77,388	52,213	247,892
advance from MTFS	-	20,494	17,059	24,568	16,576	78,697
advance from Settlement Trust	-	6,410	5,336	7,684	5,184	24,614
derivative financial instruments	-	-	-	319	-	319
	6,027	99,317	76,130	109,960	73,973	365,407
net liquidity gap	**$28**	**$33,128**	**$30,191**	**$38,666**	**$15,766**	**$117,781**
net liquidity gap - cumulative	**$28**	**$33,157**	**$63,348**	**$102,014**	**$117,781**	

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 2011 (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	1,276	-	-	-	-	1,276
cash in restricted bank accounts	20,893	-	-	-	-	20,893
accounts receivable	-	842	-	-	-	842
payment waiver indemnity prepayment	-	914	761	1,066	660	3,401
finance receivables	-	119,969	99,828	139,914	86,617	446,329
	22,169	121,725	100,589	140,980	87,277	472,740
monetary liabilities						
accounts payable and accrued expense	-	7,859	-	-	-	7,859
unearned payment waiver fees	-	1,620	1,348	1,889	1,170	6,027
senior warehouse notes - secured	-	41,491	44,429	74,167	55,796	215,884
bills of exchange - secured	-	25,076	24,754	26,398	6,796	83,024
senior settlement notes - secured	-	2,918	3,491	6,883	8,541	21,833
derivative financial instruments	-	5,123	-	-	-	5,123
	-	84,086	74,022	109,338	72,303	339,749
net liquidity gap	**$22,169**	**$37,638**	**$26,567**	**$31,642**	**$14,974**	**$132,991**
net liquidity gap - cumulative	**$22,169**	**$59,808**	**$86,374**	**$118,017**	**$132,991**	

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	1,263	-	-	-	-	1,263
cash in restricted bank accounts	1,392	-	-	-	-	1,392
accounts receivable	-	842	-	-	-	842
payment waiver indemnity prepayment	-	914	761	1,066	660	3,401
finance receivables	-	117,146	97,513	136,313	82,306	433,279
subordinated warehouse notes - secured	-	9,650	8,033	11,229	6,780	35,693
subordinated settlement notes - secured	-	976	775	1,083	654	3,488
amounts owing by subsidiaries	-	3,831	-	-	-	3,831
	2,655	133,359	107,082	149,692	90,400	483,188
monetary liabilities						
accounts payable and accrued expense	-	7,859	-	-	-	7,859
unearned payment waiver fees	-	1,620	1,348	1,889	1,170	6,027
advance from Warehouse Trust	-	64,554	53,736	77,388	52,213	247,892
advance from MTFS	-	20,494	17,059	24,568	16,576	78,697
advance from Settlement Trust	-	6,410	5,336	7,684	5,184	24,614
derivative financial instruments	-	-	-	319	-	319
	-	100,937	77,478	111,849	75,143	365,407
net liquidity gap	**$2,655**	**$32,422**	**$29,604**	**$37,843**	**$15,257**	**$117,781**
net liquidity gap - cumulative	**$2,655**	**$35,077**	**$64,681**	**$102,524**	**$117,781**	

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**	

`	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**	

(i) liquidity risk management

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

The MTF Trusts securitisation programme has a warehouse and settlement senior note facility limit of $234,600,000 and $27,965,000 respectively. The warehouse notes issued are subject to a credit rating by Standard and Poor's Rating Services. At 30 September 2011 the programme had issued $210,578,000 of senior warehouse notes and $21,173,000 of senior settlement notes. The Senior Notes maturity date is a minimum of 72 months after the expiry date of the facility. The next facility review is at 30 August 2013. Details of this securitisation programme are contained in note 3 of these financial statements.

The MTFS securitisation programme has a facility limit of $105,000,000 (2010: $390,000,00). 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 MTFS securitisation funding is dependent on BOE. The BOE drawn at year end is a component of the securitisation programme and amounts to $80,011,000 (2010 : $367,358,000).

Other than the facility available to sell finance receivables pursuant to the MTF Trusts securitisation programme, the Group has access to committed credit facilities of $37,000,000 (2010 : $37,000,000) of which $37,000,000 (2010 : $37,000,000) 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. 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.

(ii) concentration of funding risk

MTF has concentration of funding risk to the MTF Trusts securitisation programme 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 2011, MTF complies with all covenants of the MTF Trust securitisation programme.

(iii) going concern

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

The directors are confident that the short term and long term funding arrangements, described in notes 2 and 3, provide reasonable expectation that the Company and Group will have adequate funding to continue operations at forecast levels for the next twelve months from the date of approving the financial statements. 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 agency in setting up the Warehouse and Settlement Trusts.
- regular rollover of the BOE facilities subsequent to the global credit crisis
- capital adequacy, profitability and quality of finance receivables

note 34: 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, Manager – Credit, Trust Manager and Asset and Liability Manager and Financial Controller 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 2011. 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	1,276	-	-	-	-	1,276
cash in restricted bank accounts	20,893	-	-	-	-	20,893
taxation refund due	-	-	-	-	3,070	3,070
accounts receivable	-	-	-	-	842	842
payment waiver indemnity prepayment	-	-	-	-	3,401	3,401
finance receivables	94,148	80,809	118,468	78,460	-	371,885
other assets	-	-	-	-	3,953	3,953
	116,317	80,809	118,468	78,460	11,265	405,320
liabilities and equity						
ordinary shares	-	-	-	-	23,073	23,073
retained earnings	-	-	-	-	7,242	7,242
perpetual preference shares	-	-	-	-	38,966	38,966
provision for taxation	-	-	-	-	5,309	5,309
accounts payable and accrued expense	-	-	-	-	7,859	7,859
unearned payment waiver fees	-	-	-	-	6,026	6,026
senior warehouse notes - secured	39,496	42,915	71,881	54,566	-	208,857
bills of exchange - secured	23,870	23,910	25,584	6,646	-	80,011
senior settlement notes - secured	2,778	3,372	6,671	8,353	-	21,173
derivative financial instruments	-	2,343	1,857	922	-	5,123
deferred taxation	-	-	-	-	1,680	1,680
	66,143	72,540	105,994	70,487	90,156	405,320
total interest rate sensitivity gap	**$50,174**	**$8,269**	**$12,474**	**$7,973**	**($78,891)**	

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	1,263	-	-	-	-	1,263
cash in restricted bank accounts	1,392	-	-	-	-	1,392
taxation refund due	-	-	-	-	3,070	3,070
accounts receivable	-	-	-	-	842	842
payment waiver indemnity prepayment	-	-	-	-	3,401	3,401
finance receivables	92,021	79,051	115,665	74,555	-	361,292
subordinated warehouse notes - secured		9,208	7,664	10,714	6,469	34,055
subordinated settlement notes - secured		931	775	1,083	654	3,444
amounts owing by subsidiaries	-	-	-	-	3,831	3,831
other assets	-	-	-	-	4,118	4,118
	94,676	89,190	124,104	86,353	22,384	416,707
liabilities and equity						
ordinary shares	-	-	-	-	23,073	23,073
retained earnings	-	-	-	-	12,423	12,423
perpetual preference shares	-	-	-	-	38,966	38,966
accounts payable and accrued expense	-	-	-	-	7,859	7,859
unearned payment waiver fees	-	-	-	-	6,027	6,027
advance from MTFS	-	19,874	16,543	23,126	13,963	73,506
advance from Warehouse Trust	-	62,603	52,111	72,845	43,984	231,543
advance from Settlement Trust	-	6,216	5,174	7,233	4,367	22,990
derivative financial instruments	-	-	319	-	-	319
deferred taxation	-	-	-	-	-	-
	-	88,693	74,147	103,204	150,663	416,707
total interest rate sensitivity gap	**$94,676**	**$497**	**$49,957**	**($16,851)**	**($128,278)**	

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						
ordinary shares	-	-	-	-	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						
ordinary shares	-	-	-	-	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 information presented above in relation to the BOE, warehouse notes, settlement notes and advances from MTFS, Warehouse trust and Settlement Trust reflects the underlying hedge arrangements 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 BOE, warehouse and settlement notes into fixed interest cost.

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 facilities are set out in notes 17, 18 and 19.

Management monitors interest rates on an on-going basis, and from time to time, will lock in fixed rates on the next floating reset using swap contracts when it considers that interest rates will rise. At 30 September 2011 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 share interest rate reset, which occurs annually on 30 September. The effect is to lock in fixed rates on the next rate reset using swap contracts when 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 2011 was 15.79% (2010 : 15.58%).

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 2011 was 2.5% (2010 : 3.0%).

(ii) interest rate sensitivity

The sensitivity analysis is 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 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 the majority of interest rate swaps being held by subsidiaries at 30 September 2011.

	group		parent	
	2011	2010	2011	2010
impact on profit (loss) after taxation	$000	$000	$000	$000
100 bp increase in interest rates	672	460	(2,457)	(3,514)
100 bp decrease in interest rates	2,021	(478)	5,224	3,592
impact on equity				
100 bp increase in interest rates	672	460	(2,457)	(3,514)
100 bp decrease in interest rates	2,021	(478)	5,224	3,592

note 35: 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 ordinary shares, retained earnings and perpetual preference shares.

	group		parent	
	2011	2010	2011	2010
	$000	$000	$000	$000
ordinary shares	23,073	22,957	23,073	22,957
retained earnings	7,242	4,321	12,423	9,211
perpetual preference shares	38,966	38,966	38,966	38,966
total capital for capital management purposes	**69,282**	**66,244**	**74,462**	**71,134**

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 advisors.

note 36: fair value

a) fair value of financial assets and liabilities

group	2011 $000 carrying amount	2011 $000 fair value	2010 $000 carrying amount	2010 $000 fair value
assets				
cash at bank	1,276	1,276	8,108	8,108
cash in restricted bank accounts	20,893	20,893	23,053	23,053
accounts receivable	842	842	883	883
payment waiver indemnity prepayment	3,401	3,401	2,902	2,902
finance receivables	371,885	371,885	418,732	418,732
liabilities				
accounts payable and accrued expense	7,859	7,859	8,747	8,747
unearned payment waiver fees	6,026	6,026	4,678	4,678
senior warehouse notes - secured	208,857	208,857	-	-
bills of exchange - secured	80,011	80,011	367,358	367,358
senior settlement notes - secured	21,173	21,173	-	-
derivative financial instruments	5,123	5,123	8,367	8,367

parent				
assets				
cash at bank	1,263	1,263	8,093	8,093
cash in restricted bank accounts	1,392	1,392	-	-
accounts receivable	842	842	761	761
payment waiver indemnity prepayment	3,401	3,401	2,902	2,902
finance receivables	361,292	361,292	410,083	410,083
subordinated warehouse notes - secured	34,055	34,055	-	-
subordinated settlement notes - secured	3,444	3,444	-	-
amounts owing by subsidiaries	3,831	3,831	953	953
liabilities				
accounts payable and accrued expense	7,859	7,859	8,638	8,638
unearned payment waiver fees	6,027	6,027	4,678	4,678
derivative financial instruments	319	319	393	393
advance from MTFS	73,506	73,506	344,304	344,304
advance from Warehouse Trust	231,541	231,541	-	-
advance from Settlement Trust	22,991	22,991	-	-

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

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 9 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 of finance receivables in an open market.

group	level 1 $000	level 2 $000	level 3 $000	total $000
2011				
financial assets at FVTPL				
finance receivables	-	-	371,885	371,885
	-	**-**	**$371,885**	**$371,885**
financial liabilities at FVTPL				
derivative financial liabilities	-	5,123	-	5,123
	-	**$5,123**	**-**	**$5,123**

parent	level 1 $000	level 2 $000	level 3 $000	total $000
2011				
financial assets at FVTPL				
finance receivables	-	-	361,292	361,292
	-	**-**	**$361,292**	**$361,292**
financial liabilities at FVTPL				
derivative financial liabilities	-	319	-	319
	-	**$319**	**-**	**$319**

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		parent	
	2011 $000	2010 $000	2011 $000	2010 $000
finance receivables				
balance at beginning of the year	418,732	492,991	410,083	478,486
gains/(losses) recognised in net gain (loss) from financial instruments designated at fair value	(2,909)	(6,032)	(2,909)	(6,032)
gains/(losses) recognised in other comprehensive income	-	-	-	
sales	267,861	267,072	264,862	264,073
settlements	(311,798)	(335,299)	(310,744)	(326,444)
transfers into(out) of level 3	-		-	
balance at end of the year	**$371,885**	**$418,732**	**$361,292**	**$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 yield 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 rate plus the weighted average credit margin. The change 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 37: events after balance date

On 11 October 2011, the directors declared a final dividend on paid-up ordinary shares of 6.25% (1.10 cents per share) amounting to $253,000 (fully imputed), for the period from 1 July 2011 to 30 September 2011. The dividend was paid on 31 October 2011.

On 26 October 2011, Standard & Poor's Ratings Services assigned a AA (sf) long-term, structured finance rating, at the request of MTF and supported by CBA and Westpac, to warehouse notes issued by Trustee Executors Ltd, in its capacity as trustee of the MTF Warehouse Trust No. 1. The assignment of a AA (sf) rating enables MTF to reduce the level of its capital investment in the Trust.

note 38: 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 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 $63,323,000 (2010: $70,393,000) is interest of $3,830,000 (2010: $8,197,000) which arose from finance receivables originated by the Group's largest transacting shareholder.

note 39: contingent liabilities

The Company has a contingent liability arising from High Court civil proceedings, brought by the Commerce Commission for alleged breaches of the Credit Contracts & Consumer Finance Act 2003 and the Fair Trading Act 1986, in respect of various fees charged in 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 and group on pages 9 to 58, which comprise the consolidated and separate balance sheets of Motor Trade Finances Limited, as at 30 September 2011, the consolidated and separate statements of comprehensive income, statements of changes in equity and statements of cashflow 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.

Auditor's 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 and 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 58:

- 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 2011, and their financial performance and cashflows for the year then ended.

Deloitte.

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 2011:

- we have obtained all the information and explanations we have required; and
- in our opinion proper accounting records have been kept by Motor Trade Finances Limited as far as appears from our examination of those records.

Chartered Accountants
15 November 2011
Dunedin, New Zealand

This audit report relates to the financial statements of Motor Trade Finances Limited for the year ended 30 September 2011 included on Motor Trade Finances Limited's website. The Board of Directors is responsible for the maintenance and integrity of Motor Trade Finances Limited's website. We have not been engaged to report on the integrity of the Motor Trade Finances 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 15 November 2011 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 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 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 2011 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 a donation of $20,000 to the Canterbury Earthquake Relief Fund during the year.

directors holdings and disclosure of interest

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 M D King are directors of companies with shareholdings in MTF and all four declared their interest in material matters affecting transacting shareholders of MTF.

Shares held by associated companies of directors:

	ordinary shares	%
W N Cashmore	53,940	0.23%
G D Gibbons	1,100,280	4.77%
M B Hatwell	325,215	1.41%
M D King	310,883	1.35%
	1,790,318	7.76%
Total shares on issue	23,073,229	100%

Disclosure of interest by directors

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

R A Bonifant retired as Chairman of MTF Limited on 31 July 2011.

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

W N Cashmore is a director of Warwick Cashmore Ltd and Waikiwi Holdings 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, Metro Motors Rotorua Ltd, Metro Motors Hamilton Ltd, Suzie Number Two Ltd, Metro Storage Rotorua Ltd and Hatwell Properties Ltd.

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

b) Disclosure of interest by directors (continued)

S J Higgs is Chairman of Mt Difficulty Wines Ltd and a director of CRT Ltd, Cumberland Property Group Ltd, Cumberland Rural Property 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.

S J McKewen is a director of Water Factory Company Pty Ltd, Saint Jorioz StratCon Pty Ltd, MTF Securities Ltd, MTF Direct Ltd, MTF Treasury Ltd, MTF Leasing Ltd, MTFS Holdings Ltd, Pitt Town Water Factory Pty Ltd, Discovery Point Water Factory Pty Ltd, Terra Phoenix Pty Ltd and Arcadis Special Opportunities Syndicate Pty Ltd.

employee remuneration

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

range number of employees	parent	
	2011	2010
$100,000 - $109,999	2	3
$110,000 - $119,999	3	2
$120,000 - $129,999	2	-
$130,000 - $139,999	-	1
$140,000 - $149,999	-	1
$150,000 - $159,999	-	1
$160,000 - $169,999	-	1
$170,000 - $179,999	2	1
$180,000 - $189,999	1	-
$190,000 - $199,999	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

Stephen J Higgs, BCom, FCA (Chairman)
Angus R Bradshaw, BCA, ACA, F Fin (Managing Director)
Warwick N Cashmore
Graeme D Gibbons, BCom, CA
Mark B Hatwell
Mike D King
Stephen J McKewen, BCom (Hons), LLB

management

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

perpetual preference share registrar

Computershare Investor Services Limited
09 488 8777
enquiry@computershare.co.nz

ordinary share registrar

Computershare Investor Services Limited
09 488 8777
enquiry@computershare.co.nz

trustee for securitisation programme

Trustees Executors Ltd

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

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