Half Year Report

To 31 March 2019

Helping 59,066 New Zealanders to do more

47,093
Passenger Vehicles

7,237
Utility Vehicles

6,228
Motorcycles

3,434
Vans

1,225
Caravans

1,170
Boats

854
Trucks

825
Machines

766
Trailers

542
Jet Skis

369
Buses

41
Tractors

3
Aircraft

Financial Highlights

NEW LOANS $M	PROFIT AFTER TAX $M	TOTAL ASSETS $M
253	4.2	746.5

	6 mths to 31/3/2019 $m (Unaudited)	6 mths to 31/3/2018* $m (Restated)	12 mths to 30/9/2018* $m (Restated)
Operating result			
New loans	253.0	318.3	598.6
Profit after tax	4.2	4.3	8.0
Underlying profit after tax [1]	3.9	4.1	8.1
Total assets	746.5	725.5	748.0
Total assets under management [2]	782.1	788.0	797.1
Performance indicators			
Net interest income/average finance receivables (annualised)	2.9%	3.0%	3.0%
Expense/average total assets under management (annualised) [3]	2.7%	2.8%	2.8%
Impaired asset expense/average finance receivables (annualised)	0.0%	0.0%	0.1%
Capital percentage	12.0%	11.9%	11.8%
Shareholder value (per ordinary share)			
Adjusted net asset backing [4]	$2.19	$2.06	$2.15
Underlying profit after tax [5]	$0.14	$0.15	$0.30
Dividend for the period (net)	$0.04	$0.04	$0.153

[1] Underlying profit removes the volatility of unrealised fair value movements, and provides a more consistent measure of company performance.

	$000 (Unaudited)	$000 (Restated)	$000 (Restated)
Profit after tax	4,213	4,325	7,994
Adjustments:			
Finance receivables designated at fair value (note 2)	(2,562)	702	150
Interest rate swap derivatives at fair value (note 2)	2,148	(1,047)	6
Total adjustments before tax	(414)	(345)	156
Tax on adjustments	116	97	(43)
Underlying profit after tax	$3,915	$4,077	$8,107

* The prior year comparative numbers have been restated as set out in Note 1. The restated comparatives are unaudited.

[2] Assets under management includes finance receivables managed under an arrangement with Honda New Zealand and Oxford Finance Limited (Turners), that are not recognised on the MTF Finance balance sheet

[3] Expense excludes bad debt

[4] Adjusted net assets comprises net assets less perpetual preference shares

[5] Excludes dividends paid to perpetual preference shareholders

Financial performance

The first half of the 2019 financial year saw a decline in trading conditions across the business. Underlying profit after tax, which removes the volatility of unrealised fair value movements and provides a more consistent measure of company performance, decreased 4.0% to $3.9m (31 March 2018: $4.1m, 30 September 2018: $8.1m).

Profit before fair value movement decreased 10.2% to $5.7m, on the back of a decline in sales of $65.3m (20.5%) from the same period last year.

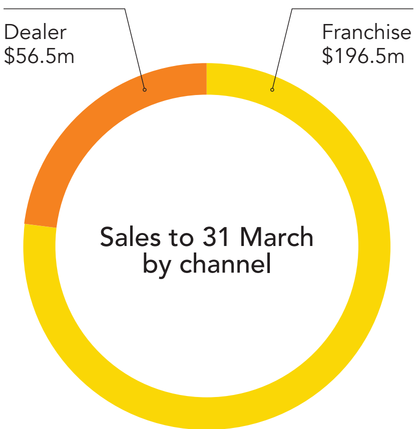
Total amounts paid to shareholder originators, including commission, fees and payment waiver, decreased 6.0% to $33.9m. Commission paid to shareholder originators increased 7.3% to $21.1m.

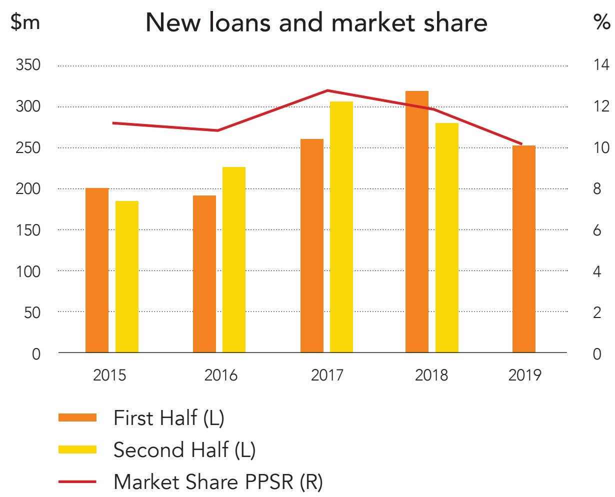
Sales were down $65.3m, with $49.4m of this reduction attributable to two events. Firstly, the non-recourse product offered in conjunction with Oxford Finance (Turners) was discontinued. Non-recourse created record breaking sales volumes in 2017 and early 2018. Demand for the product dropped after tighter underwriting criteria was introduced having a negative impact on sales which ultimately led to the termination of the product. Secondly, key customer Turners Finance continued their integration strategy into their automotive group diverting their recourse business away from MTF Finance with sales for the period totalling $0.6m (31 March 2018: $25.5m, 30 September 2018: $42.4m).

Our finance referral initiative, in conjunction with Trade Me Motors, has delivered sales of $1.5m since launching nationwide in January 2019.

In November 2018 MTF Finance teamed up with Trade Me Motors to enable buyers to easily engage with a finance option on consumer listings. In the short period to 31 March 2019, the pilot has delivered sales of $1.5m and created a complementary digital channel for future growth of the business. It has now transitioned to a nationwide long-term collaboration.

Expense is in line with last year and under budget with a ratio against average total assets under management of 2.7% compared to 2.8% for the same period last year. We have reprioritised spending/resource to focus on those initiatives that will provide the most value and sales growth.



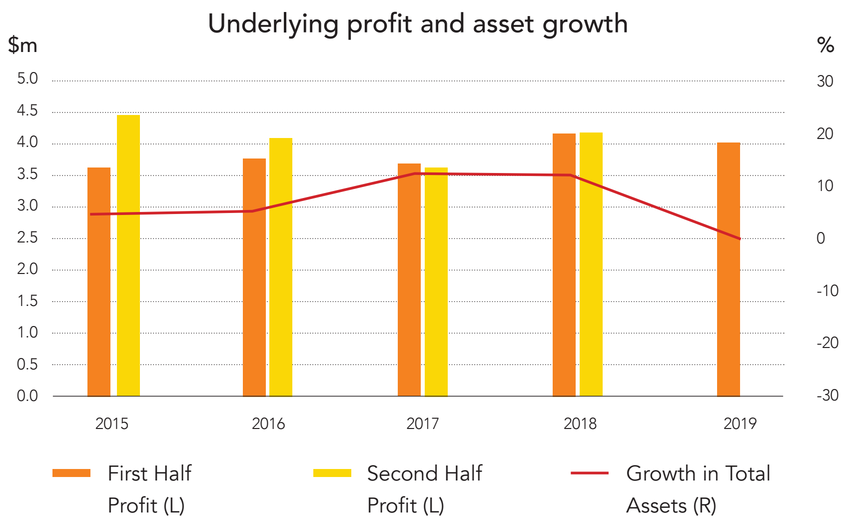


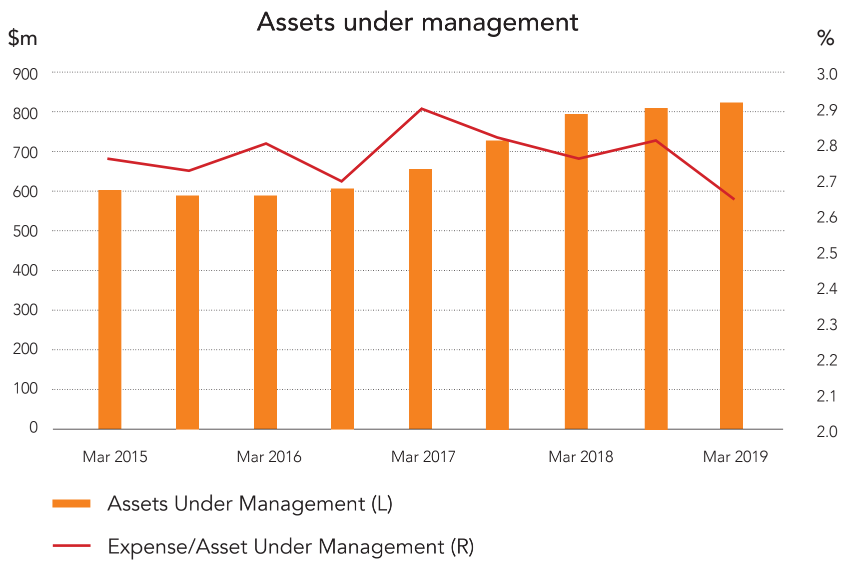
Financial position and liquidity

Total assets decreased $1.5m (-0.2%) to $746.5m. Assets under management totalled $782m at 31 March 2019 (31 March 2018: $788m, 30 September 2018: $797m) and include the non-recourse receivables under the arrangement with Oxford Finance Ltd (Turners).

Net interest income, as a percentage of average finance receivables, of 2.9% (31 March 2018: 3.0%, 30 September 2018: 3.0%) is consistent with expectations and reflects the competitive pressures of the current lending market.

Securitisation facilities have sufficient capacity to fund forecast growth with $52.8m undrawn at 31 March, as well as a $50m limit increase in the Warehouse funding facility from $250m to $300m effective 15 April 2019.





Our strategic focus

Our strategic roadmap is our blue print for future success. It centres on our customers, originators and people. Investing in all three is important to ensure future growth aspirations of the company are realised.

We have learnt much from customer experience research over the past 18 months and now is the time to implement recommendations and learnings into tangible actions that increase our market share and improve customer satisfaction. The development of our digital platform and establishment of a framework to listen to and respond to customer needs is front of mind.

Continued support of our originators must also take priority. Our franchise network has been very successful in recent years and we continue to develop and grow this channel through a national marketing initiative as well as developing a franchise recruitment programme to grow the network. Diversifying into a new online channel has proved positive and needs to be explored for further opportunities in order to grow the model and deliver value to our franchise network.

Conversely, we have lost ground in the dealer network. A dealer discovery project has been launched to gain a better understanding of the needs of dealers to provide a great lending experience to customers. We aim to leverage off our strong brand, partnering with dealers to achieve a long-term profitable relationship for both parties.

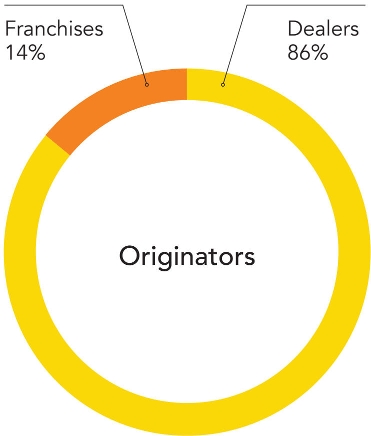
Our people underpin everything we do here at MTF Finance. The continued wellbeing, development and support of all staff is necessary to strategy execution. Continuous improvement in this area is ongoing to ensure we achieve and maintain a culture of excellence.

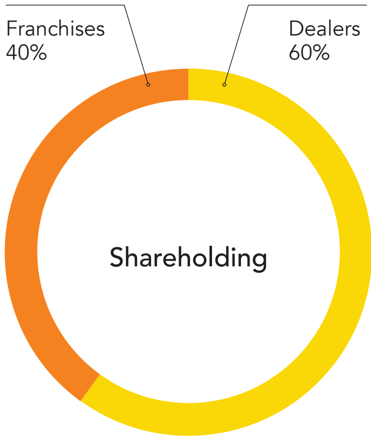
Our shareholders

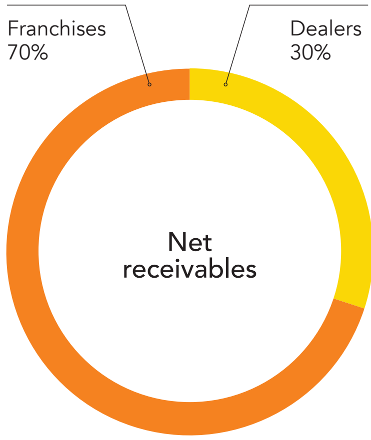
Return on ordinary equity, using underlying profit after tax, was 12.5%, down from 13.9% for the same period last year, still a very competitive return.

On 13 April 2019 the directors approved an interim dividend of 2.0 cents per ordinary share for payment on 30 April 2019 bringing the total interim dividends for the year to 4.0 cents per share.

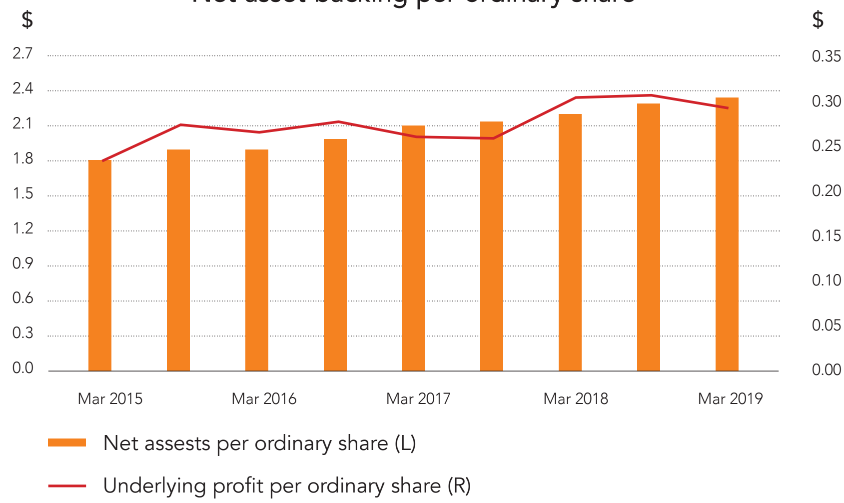
Perpetual preference share dividends totalling $0.6m (31 March 2018: $0.6m, 30 September 2018: $1.3m) were paid during the period. The dividend rate is set annually at 2.40% over the one-year swap rate, and was reset at 4.38% (2018: 4.43%) on 2 October 2018, for the twelve months to 30 September 2019.



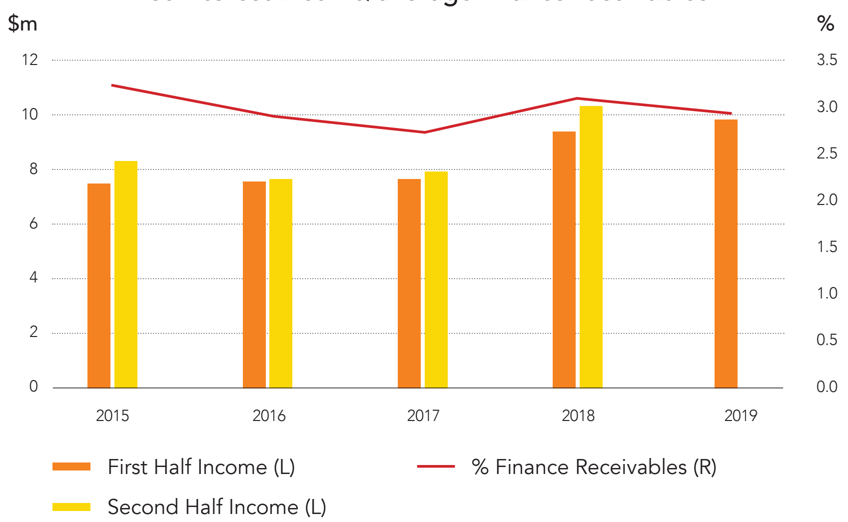




Net asset backing per ordinary share



Net interest income/average finance receivables



Our people

$34m PAID TO ORIGINATORS (down 6.0% from $36m in March 2018)

The support of our shareholder originators is key to delivering on our purpose. The engagement of originators ensures that together we deliver the tools and products that will enable them to exceed customers' expectations. Originators have received income from MTF Finance of $34m for the period, down from $36m in the same period last year, coupled with consistent dividends and a steady company value.

The AGM was held in Hamilton in March as the board continues its recent initiative of taking the show on the road, promoting shareholder interaction. Noel Johnston was appointed as a shareholder director replacing Mike King. Mike has served as director of MTF Finance since June 2010 and been chair of the Credit Committee for seven years. He has made a significant contribution to the company's development and has been a passionate and valued director. The board and management have appreciated Mike's enthusiastic and pragmatic approach and would like to take this opportunity to thank Mike for his service to the company.

Our operation comes with significant commitment and effort from our staff and management team. We would like to take this opportunity to thank our staff, originators and shareholders for their continued support.

Outlook

The weakening global economic outlook and reduced momentum in domestic spending has led to the Reserve Bank reducing the Official Cash Rate. Business confidence continues to wane and is in negative territory with analysts forecasting some challenging times ahead as uncertainty surrounds the business environment.

Regulatory scrutiny on lending institutions has been, and will continue to be, a hot topic this year as a result of the Australian Banking Royal Commission and the New Zealand government's proposed amendments to the consumer finance legislation. While it is too early to identify the impact on us as a business, and on our customers, we are continuously monitoring activity to ensure we maintain our commitment to responsible lending.

The growth MTF Finance has experienced in recent times has been unprecedented and we are now experiencing a decline for the reasons outlined above. We have made progress on replacing lost non-recourse business through the partnership with Trade Me, and more is required. We will continue to balance our focus on retaining our share of the market while looking to the horizon and positioning MTF Finance so it can adapt quickly in a rapidly changing market.

Stephen Higgs
Chairman

Glen Todd
Chief Executive Officer

Financial Statements

HALF YEAR TO 31 MARCH 2019

Consolidated statement of comprehensive income

Six months ended 31 March 2019	Note	6 mths to 31/3/2019 $000 (Unaudited)	6 mths to 31/3/2018* $000 (Restated)	12 mths to 30/9/2018* $000 (Restated)
Gross interest income from finance receivables		44,709	42,597	87,044
Commission		(21,128)	(19,691)	(40,089)
Net interest income from finance receivables		**23,581**	**22,906**	**46,955**
Interest income from assets measured at amortised cost		540	500	1,110
Interest expense		(14,389)	(14,119)	(28,611)
Net interest income		**9,732**	**9,287**	**19,454**
Payment waiver		1,986	2,060	4,108
Fees		4,388	5,450	10,231
Net interest income and fees		**16,106**	**16,797**	**33,793**
Expense				
Employee		(4,159)	(4,217)	(8,543)
Communication and processing		(2,570)	(2,417)	(5,206)
Depreciation and amortisation		(1,009)	(1,288)	(2,485)
Administration		(2,578)	(2,493)	(5,080)
Bad debt		(144)	(92)	(181)
		(10,460)	(10,507)	(21,495)
Profit before net gain (loss) from financial instruments at fair value		**5,646**	**6,290**	**12,298**
Net gain (loss) from financial instruments at fair value	2	307	(153)	(884)
Profit before tax		**5,953**	**6,137**	**11,414**
Tax		(1,740)	(1,812)	(3,420)
Profit after tax		**4,213**	**4,325**	**7,994**
Other comprehensive income		-	-	-
Total comprehensive income		**$4,213**	**$4,325**	**$7,994**

* The prior year comparative numbers have been restated as set out in Note 1. The restated comparatives are unaudited.

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

Consolidated statement of changes in equity

Six months ended 31 March 2019

	Note	Ordinary shares $000	Retained earnings $000	Perpetual preference shares $000	Total equity $000
6 months ended 31 March 2019 (Unaudited)					
Balance at 1 October 2018		23,073	26,574	38,966	88,613
Total comprehensive income for the period:					
Profit after tax		-	4,213	-	4,213
Total comprehensive income for period		-	4,213	-	4,213
Transactions with shareholders:					
Ordinary share dividends		-	(2,610)	-	(2,610)
Perpetual preference share dividends		-	(630)	-	(630)
Total transactions with shareholders:		-	(3,240)	-	(3,240)
Balance at 31 March 2019		**$23,073**	**$27,547**	**$38,966**	**$89,586**
6 months ended 31 March 2018* (Restated)					
Balance at 1 October 2017		23,073	22,937	38,966	84,976
Total comprehensive income for the period:					
Profit after tax		-	4,325	-	4,325
Total comprehensive income for the period		-	4,325	-	4,325
Transactions with shareholders:					
Ordinary share dividends		-	(2,160)	-	(2,160)
Perpetual preference share dividends		-	(638)	-	(638)
Total transactions with shareholders:		-	(2,798)	-	(2,798)
Balance at 31 March 2018		**$23,073**	**$24,464**	**$38,966**	**$86,503**
Year ended 30 September 2018* (Restated)					
Balance at 1 October 2017		23,073	22,937	38,966	84,976
Total comprehensive income for the year:					
Profit after tax		-	7,994	-	7,994
Total comprehensive income for year		-	7,994	-	7,994
Transactions with shareholders:					
Ordinary share dividends		-	(3,081)	-	(3,081)
Perpetual preference share dividends		-	(1,276)	-	(1,276)
Total transactions with shareholders:		-	(4,357)	-	(4,357)
Balance at 30 September 2018		**$23,073**	**$26,574**	**$38,966**	**$88,613**

* The prior year comparative numbers have been restated as set out in Note 1. The restated comparatives are unaudited.

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Consolidated balance sheet

As at 31 March 2019	Note	31/3/2019 $000 (Unaudited)	31/3/2018* $000 (Restated)	30/9/2018* $000 (Restated)
Funds employed				
Ordinary shares		23,073	23,073	23,073
Retained earnings		27,547	24,464	26,574
Perpetual preference shares		38,966	38,966	38,966
Total shareholder equity		**89,586**	**86,503**	**88,613**
Liabilities				
Bank overdraft		187	204	348
Provision for taxation		249	2,081	1,497
Accounts payable and accrued expense		10,424	9,606	10,384
Unearned payment waiver administration fees		6,390	6,476	6,583
Committed cash advance	3	42,700	34,679	27,300
Securitisation funding	3	591,099	583,284	609,576
Derivative financial instruments		5,884	2,683	3,735
Total liabilities		**$656,933**	**$639,013**	**$659,423**
Total funds employed		**$746,519**	**$725,516**	**$748,036**
Employment of funds				
Cash in restricted bank accounts		56,774	63,838	61,285
Accounts receivable		1,942	2,659	2,043
Payment waiver indemnity prepayment		1,529	1,812	1,736
Finance receivables	4	681,100	651,738	677,549
Deferred tax		1,839	1,164	1,720
Property, plant and equipment		1,443	1,511	1,403
Intangible assets		1,892	2,794	2,300
Total assets		**$746,519**	**$725,516**	**$748,036**

Stephen Higgs
Chairman

Scott Creahan
Director

* The prior year comparative numbers have been restated as set out in Note 1. The restated comparatives are unaudited.

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

Consolidated statement of cash flow

Six months ended 31 March 2019

	Note	6 mths to 31/3/2019 $000 (Unaudited)	6 mths to 31/3/2018 $000 (Unaudited)	12 mths to 30/9/2018 $000 (Audited)
Cash flow from operating activities				
Interest income		45,249	43,097	88,154
Fee income		4,325	5,443	10,157
Interest expense		(12,886)	(12,082)	(24,018)
Other funding and securitisation costs		(1,943)	(2,072)	(4,061)
Income tax paid		(3,106)	(2,172)	(4,921)
Commission		(21,241)	(19,239)	(39,433)
Payment waiver		1,865	924	4,756
Operating expense		(8,197)	(9,941)	(18,652)
Net cash flow from operating activities before changes in operating assets and liabilities		4,066	3,958	11,982
Changes in operating assets and liabilities				
Finance receivable instalments		251,612	240,596	492,023
Increase in committed cash advance – net		15,400	24,280	16,901
Increase (decrease) in securitised facilities – net		(18,679)	30,502	56,511
Finance receivable advances		(252,867)	(291,052)	(569,675)
		(4,534)	4,326	(4,240)
Net cash flow from operating activities	5	(468)	8,284	7,742
Cash flow from investing activities				
Sale of property, plant and equipment		20	2	3
Purchase of property, plant and equipment		(336)	(215)	(432)
Purchase of intangible assets		(326)	(268)	(648)
Net cash flow from investing activities		**(642)**	**(481)**	**(1,077)**
Cash flow from financing activities				
Proceeds from unpaid shares		-	-	6
Trust establishment costs		-	(102)	(107)
Dividend to perpetual preference shareholders		(631)	(638)	(1,276)
Dividend to ordinary shareholders		(2,609)	(2,159)	(3,081)
Net cash flow from financing activities		(3,240)	(2,899)	(4,458)
Net increase (decrease) in cash		(4,350)	4,904	2,207
Cash on hand at beginning of period		60,937	58,730	58,730
Cash on hand at end of period		**$56,587**	**$63,634**	**$60,937**
Represented by:				
Cash at bank (overdraft)		(187)	(204)	(348)
Cash in restricted bank accounts		56,774	63,838	61,285
		$56,587	**$63,634**	**$60,937**

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

Notes to consolidated financial statements

Note 1: Basis of reporting

Reporting entity

The unaudited consolidated interim financial statements presented are those of Motor Trade Finance Limited (MTF Finance) and its subsidiaries (the Group). MTF Finance is the ultimate Parent of the Group.

MTF Finance is a profit-oriented entity, domiciled in New Zealand and registered under the Companies Act 1993. MTF Finance is an FMC reporting entity for the purposes of the Financial Markets Conduct Act 2013 and the consolidated interim financial statements comply with this Act.

The registered office of MTF Finance is Level 1, 98 Great King Street, Dunedin.

The principal activity of the Group consists of accepting finance receivables entered into by transacting shareholders.

The consolidated interim financial statements were approved by the Board of Directors on 23 May 2019.

Basis of preparation

The consolidated interim financial statements are prepared in accordance with Generally Accepted Accounting Practice (NZ GAAP), they 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 consolidated interim financial statements also comply with International Financial Reporting Standards.

The Group is a tier 1 for-profit entity in terms of the External Reporting Board Standard A1: Application of the Accounting Standards Framework.

This is the first set of Group financial statements where NZ IFRS 9 *Financial Instruments* (NZ IFRS 9) and NZ IFRS 15 *Revenue from Contracts with Customers* (NZ IFRS 15) have been applied. Changes to significant accounting policies are described below.

Statement of compliance

The consolidated interim financial statements should be read in conjunction with the Annual Report for the year ended 30 September 2018.

Other than the first time adoption of NZ IFRS 15 and NZ IFRS 9, the accounting policies and computation methods used in the preparation of the consolidated interim financial statements are consistent with those used as at 30 September 2018 and 31 March 2018.

These consolidated interim financial statements have not been audited. The consolidated interim financial statements comply with NZ IAS 34: Interim Financial Reporting and IAS 34: Interim Financial Reporting.

New standards, interpretations and amendments adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change certain accounting policies, the presentation of gross interest income and commissions (previously separately disclosed) to a net interest income presentation in the statement of comprehensive income and recognise an adjustment in opening retained earnings and accounts payable and accrued expense as a result of adopting the following standards:

- NZ IFRS 9 Financial Instruments; and
- NZ IFRS 15 Revenue from Contracts with Customers.

The impact of the adoption of these standards as at 1 October 2018 and the new accounting policies are disclosed below.

NZ IFRS 9 Financial instruments

NZ IFRS 9 Financial Instruments addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in NZ IAS 39 Financial Instruments: Recognition and Measurement that relates to the classification and measurement of financial instruments.

Classification of financial assets

The basis of classification depends upon the Group's business model and the contractual cash flow characteristics of the financial asset.

There are new measurement categories under NZ IFRS 9 for each class of the Group's financial assets.

These changes are:

- Financial assets measured at amortised cost:

  The Group's cash at bank, cash in restricted bank accounts and accounts receivable are held to collect contractual cash flows that are expected to represent solely payments of principal and interest. On transition to NZ IFRS 9 these financial assets continue to be measured at amortised cost and are now classified as "financial assets measured at amortised cost".

- Financial assets mandatorily measured at fair value through profit and loss:

  The Group's finance receivables are held to collect contractual cash flows however these cash flows do not represent solely payments of principal and interest. The discretionary element in the Group's agreements with originators regarding commission payments, is not consistent with the terms of a basic lending arrangement. Finance receivables therefore cannot be measured at amortised cost or at fair value through other comprehensive income. On transition to NZ IFRS 9, finance receivables continue to be measured at fair value through profit or loss and classified as "financial assets mandatorily measured at fair value through profit and loss".

NZ IFRS 9 Financial instruments (cont...)

Classification of financial liabilities

There is no significant impact on the Group's accounting for financial liabilities.

Key judgements

Measurement of Finance Receivables and associated Interest Income

The unique nature of MTF Finance's recourse arrangements with its originators, and the back-to-back lending arrangement each originator has with MTF Finance for lending it provides to its own customers, means finance receivables held on MTF Finance's balance sheet are owed to MTF Finance by the originators. Gross interest income receipts recognised in the statement of comprehensive income are received on behalf of originators and commission payments associated with those finance receivables are paid to the same originators.

Authoritative support provided by the new standard NZ IFRS 15 Revenue from Contracts with Customers requires payments to customers including comission to be netted off against any revenue prior to recognition. Further applying the measurement requirements of the NZ IFRS 9, commission payments made to originators are considered to form an integral part of the interest cash flows for finance receivable contracts, resulting in interest income recognition and presentation in the statement of comprehensive income being net of commission payments.

As a result of commission being assessed as forming part of the cash flows of the individual finance receivable agreements, commissions previously recognised as an expense when approved by the Directors, are now recognised on an accrual basis in line with gross interest income from finance receivables.

Financial Assets Measured at Amortised Cost

The adoption of the Expected Credit Loss (ECL) requirements of NZ IFRS 9 for financial assets measured at amortised cost (being cash at bank, cash in restricted bank accounts and accounts receivable) has not resulted in material change for these financial statements.

Impact of the adoption of NZ IFRS 9 on the Group's financial statements

The Group has applied the transition requirements of NZ IFRS 9, as allowed comparative information has been restated. The impact of adopting the new standard is reflected as follows:

Impact on Profit and Loss 6 months to 31 March 2018	As previously reported $000	NZ IFRS 9 adjustments $000	Restated $000
Commission[1]	19,604	87	19,691
Net interest income	28,978	(19,691)	9,287
Net interest income and fees	36,488	(19,691)	16,797
Profit before other gains/(loss)	6,377	(87)	6,290
Profit before tax	6,224	(87)	6,137
Profit after tax	4,412	(87)	4,325

Impact on Profit and Loss 12 months to 30 September 2018	As previously reported $000	NZ IFRS 9 adjustments $000	Restated $000
Commission[1]	39,858	231	40,089
Net interest income	59,543	(40,089)	19,454
Net interest income and fees	73,882	(40,089)	33,793
Profit before other gains/(loss)	12,529	(231)	12,298
Profit before tax	11,645	(231)	11,414
Profit after tax	8,225	(231)	7,994

(1) Increase/decrease due to recognition of commission on an accruals basis, previously recognised when approved by Directors
All other balances noted changed as a result of the adjustment at (1) and the presentation of commission as part of 'net interest income'.

Impact on Balance Sheet 1 October 2017	As previously reported $000	NZ IFRS 9 adjustments $000	Restated $000
Accounts payable and accrued expense	6,933	3,221	10,154
Retained earnings	26,158	(3,221)	22,937

Impact on Balance Sheet 31 March 2018	As previously reported $000	NZ IFRS 9 adjustments $000	Restated $000
Accounts payable and accrued expense	6,296	3,310	9,606
Retained earnings	27,774	(3,310)	24,464

Impact on Balance Sheet 30 September 2018	As previously reported $000	NZ IFRS 9 adjustments $000	Restated $000
Accounts payable and accrued expense	6,931	3,453	10,384
Retained earnings	30,027	(3,453)	26,574

NZ IFRS 9 Financial instruments (cont...)

New or Changed Accounting Policies

The gain or loss on financial instruments measured at fair value through profit or loss (FVTPL) is recognised in the statement of comprehensive income via the following line items:

- Gross interest income from assets measured at FVTPL – is recognised using the effective interest method excluding origination fees, transaction costs and commissions.
- Commissions – are recognised on an accrual basis in line with the recognition of gross interest income.
- Fees – origination fees are recognised as revenue at the time of initial recognition of the finance receivable in accordance with the provisions of NZ IFRS 9 for financial instruments measured at FVTPL.
- Communication and processing expense – transaction costs are recognised as expenses at the time of initial recognition of the finance receivable in accordance with the provisions of NZ IFRS 9 for financial instruments measured at FVTPL.
- Bad debts – are recognised at the time when financial receivable balances from originators are known to be unrecoverable.
- Net gain/loss on financial instruments at fair value through profit or loss comprises the remaining net change in fair value of the financial instrument at FVTPL including changes in market and credit risks.

NZ IFRS 15 Revenue from contracts with customers

NZ IFRS 15 provides a principles-based 5 step model for revenue recognition and introduces the concept of recognising revenue for performance obligations as they are satisfied.

Fees that are not integral to the effective interest rate of the financial assets at FVTPL and are accounted for in accordance with NZ IFRS 15 include:

- Payment waiver income is recognised over time as the services are provided.
- Fees charged to third parties for servicing non MTF Finance owned, finance receivable assets under management are recognised over time as the services are provided.
- Other fees including administration, arrears and settlement fees are recognised at a point in time when the service is provided.

The Group has applied the modified retrospective method, with the effect of initially applying this standard recognised at the date of initial application at 1 October 2018. Accordingly, the information presented for 2018 has not been restated.

The Group's revenue recognition policies remain largely the same with the adoption of NZ IFRS 15.

Note 2:
Net gain (loss) from financial instruments at fair value

	31/3/2019 $000 (Unaudited)	31/3/2018 $000 (Unaudited)	30/9/2018 $000 (Audited)
Net gain (loss) arising on:			
Finance receivables	2,562	(702)	(150)
Credit risk	(107)	(498)	(728)
Interest rate swap derivatives	(2,148)	1,047	(6)
	$307	**($153)**	**($884)**

Note 3:
Funding (secured)

31 March 2019 (Unaudited)	Facility expiry date	Limit $000	Undrawn $000	Drawn $000	Unamortised fees and expense $000	Carrying amount $000
Committed cash advance facility	23/08/2020	80,000	37,300	42,700	-	42,700
Securitisation:						
Senior Warehouse notes	15/02/2021	250,000	18,682	231,318	-	231,318
Senior Torana notes	15/09/2024	130,791	-	130,791	(88)	130,703
Senior Sierra notes	15/09/2025	213,466	-	213,466	(268)	213,198
MUFG loan	17/01/2020	50,000	34,102	15,898	(18)	15,880
Total securitisation		644,257	52,784	591,473	(374)	591,099
Total		**$724,257**	**$90,084**	**$634,173**	**($374)**	**$633,799**

Note 3:
Funding (secured) cont...

31 March 2018 (Unaudited)	Facility expiry date	Limit $000	Undrawn $000	Drawn $000	Unamortised fees and expense $000	Carrying amount $000
Committed cash advance facility	31/08/2018	80,000	45,321	34,679	-	34,679
Securitisation:						
Senior Warehouse notes	15/02/2019	180,000	48,859	131,141	-	131,141
Senior Valiant notes	15/07/2022	16,404	-	16,404	(23)	16,381
Senior Torana notes	15/09/2024	213,466	-	213,466	(299)	213,167
Senior Sierra notes	15/09/2025	213,466	-	213,466	(513)	212,953
MUFG loan	18/01/2019	50,000	40,334	9,666	(24)	9,642
Total securitisation		673,336	89,193	584,143	(859)	583,284
Total		**$753,336**	**$134,514**	**$618,822**	**($859)**	**$617,963**

30 September 2018 (Audited)	Facility expiry date	Limit $000	Undrawn $000	Drawn $000	Unamortised fees and expense $000	Carrying amount $000
Committed cash advance facility	31/08/2020	80,000	52,700	27,300	-	27,300
Securitisation:						
Senior Warehouse notes	15/02/2019	250,000	78,253	171,747	-	171,747
Senior Torana notes	15/09/2024	213,466	-	213,466	(178)	213,288
Senior Sierra notes	15/09/2025	213,466	-	213,466	(376)	213,090
MUFG loan	18/01/2019	50,000	38,526	11,474	(23)	11,451
Total securitisation		726,932	116,779	610,153	(577)	609,576
Total		**$806,932**	**$169,479**	**$637,453**	**($577)**	**$636,876**

Note 4:
Asset quality disclosures

	31/3/2019 $000 (Unaudited)	31/3/2018 $000 (Unaudited)	30/9/2018 $000 (Audited)
(a) Asset quality – finance receivables			
Neither past due nor impaired	685,198	657,767	682,359
Individually impaired	1,199	11	696
Past due but not impaired	1,605	514	1,290
Specific credit risk	(100)	-	-
Collective credit risk	(6,802)	(6,554)	(6,796)
Total carrying amount	**$681,100**	**$651,738**	**$677,549**
(b) Individually impaired assets – managed transacting shareholder			
Finance receivables	1,199	11	696
Balances available for offset, including collateral	(1,099)	(11)	(696)
Specific impairment allowance	$100	-	-

Note 5:
Statement of cash flow

	31/3/2019 $000 (Unaudited)	31/3/2018 $000 (Unaudited)	30/9/2018 $000 (Audited)
Reconciliation of profit after tax to net cash flow from operating activities			
Profit after tax	4,213	4,325	7,994
Non-cash items	1,009	1,288	2,485
	5,222	**5,613**	**10,479**
Movement in other items			
(Increase) decrease in accounts receivable	101	(114)	502
Decrease in payment waiver indemnity prepayment	207	14	90
(Increase) in finance receivables	(3,550)	(50,777)	(76,589)
Increase in committed cash advance	15,400	24,280	16,901
(Increase) in deferred tax	(119)	(516)	(1,072)
(Increase) decrease in provision for tax	(1,248)	156	(428)
(Increase) in accounts payable and accrued expense	40	(550)	228
Increase (decrease) in unearned payment waiver fees	(193)	480	587
Increase (decrease) in securitisation funding	(18,477)	30,646	56,938
Increase (decrease) in derivative financial liabilities	2,149	(1,047)	5
	(5,690)	**2,572**	**(2,838)**
Movement in working capital items classified as investing or financing activities	-	99	101
Net cash surplus from operating activities	**($468)**	**$8,284**	**$7,742**

Note 6:
Events after balance date

Dividend

On 13 April 2019 the directors declared an interim dividend on paid-up ordinary shares of 2.00 cents per share, amounting to $461,000 (fully imputed), for the period 1 January 2019 to 31 March 2019. The dividend was paid on 30 April 2019.

Warehouse funding facility

On 8 April 2019 the Facility Lenders of the Warehouse Facility Agreement agreed to increase the total commitment limit of the facility from $250 million to $300 million, effective from 15 April 2019.

Directory

Directors

Scott Creahan, BCom (Hons)
Stephen Higgs, BCom, FCA, FInstD (Chair)
Noel Johnston
Geoffrey Kenny
Brent Robertson
Grant Woolford

Management

Glen Todd, BCom, ACA, MInstD (Chief Executive Officer)
Kyle Cameron, BCom, BPhEd, CA (Chief Financial Officer)
Rowena Davenport, BCom, MInstD (Treasury & Strategy Manager)
Brent Dunshea (National Franchise Manager)
Ron Frater (National Dealer Manager)
Angus Geary, BCom (Marketing & Communications Manager)
Yoel George, BApMgt (Manager – Credit & Compliance)
Lydia Hopkins (People & Culture)
Simon Hopkins (Manager – Solutions Team)
Ashley Ross, BApMgt, PMP, MInstD (Chief Information Officer)

Perpetual preference share registrar

Computershare Investor Services Limited
+64 9 488 8777
enquiry@computershare.co.nz

Ordinary share registrar

Computershare Investor Services Limited
+64 9 488 8777
enquiry@computershare.co.nz

Trustee for securitisation programme

Trustees Executors Limited

Bankers

Bank of New Zealand
Commonwealth Bank of Australia
Mitsubishi UFJ Financial Group (MUFG)
Westpac New Zealand

Solicitors

Bell Gully
Gallaway Cook Allan

Auditor

Deloitte Limited

Registered office

Level 1, 98 Great King Street, Dunedin
PO Box 885, Dunedin 9054

Enquiries

+64 3 477 0530
info@mtf.co.nz

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