

HALF YEAR REPORT

FOR THE SIX MONTHS ENDING 31 MARCH 2023





✓ Verified

4 May 2023

Susannah from MTF Finance Taupō was so helpful...

Susannah from MTF Finance Taupō was so helpful with the process from beginning to the end. Her advice and guidance was invaluable and made it an enjoyable experience. I will recommend her to my family and friends if they ever need sound advice.

Date of experience: 30 April 2023



✓ Verified

1 May 2023

Am so thankful for the MTF Finance Masterton...

Am so thankful for the MTF Finance Masterton team. They are amazing people to work with and made me feel supported throughout the entire process. They explain everything thoroughly, ensuring I was comfortable making the right decisions. I will only use MTF Finance for my financing needs.

Date of experience: 19 April 2023



✓ Verified

3 May 2023

Too easy!

Gerrie was fantastic to deal with, she made the whole process a breeze and took the stress out of getting my loan approved. I highly recommend using MTF Finance Kumeū for any loans you may be considering. Thanks again Gerrie!

Date of experience: 30 April 2023

MTF Finance is rated

4.9 out of 5 on  *Trustpilot*

BOARD CHAIR'S WELCOME



The current positive momentum MTF Finance is experiencing is a result of both a strong strategic plan implemented two years ago and excellent execution by the MTF Finance team. As we reflect on the first half of this financial year, our growth rate is very strong, and a true reflection of these strategic pillars hitting their straps.

Our launching of new products and partnerships is a key contributor to growth, as our originators can offer a wider array of lending solutions to meet our customers' needs and as we access new customer groups. Momentum continues as we leverage recent success to not only develop more products but explore additional partnership opportunities with like-minded organisations where synergies exist, both strategic and cultural, to the mutual benefit of all parties and ultimately lead to even better customer experiences.

Growth is only good if it is good quality and sustainable. The economic environment our business operates in will inevitably present risks and challenges. Our team has invested significant time critically investigating our growth and portfolio exposure. This work confirms our

lending decisions continue to be conservative and the MTF Finance business model remains resilient in the face of the expected economic headwinds. Careful monitoring and management remain in place.

The liberalisation of the franchise ownership model was a big change and is showing some great results, both with new talent joining the network and existing franchisees expanding their footprint.

The purchase of Lending People has accelerated our digital transformation, while also bringing new capability and a digital-first brand into the business. The early signs since the deal settled in February are really positive.

The Board continue to actively take meetings outside of our Dunedin home base to make ourselves available to shareholders and increase shareholder and originator engagement. We have been to Auckland, Wellington and Tauranga so far this year with a scheduled event in Christchurch to come. As a Board we value these opportunities to come face to face with our owners and operators and hear about the first-hand experiences happening at the coal face.

The future looks bright for MTF Finance with abundant opportunities to continue to carve out our place in the world. While there is no doubt some challenging times ahead in the short to medium term, MTF Finance continues to be resilient and determined to deliver to our stakeholders.

On behalf of the Board, it gives me great pleasure to present our half year report and share with our network an interim financial result we can all be proud of. I would further like to thank our shareholders and originators for your continued support of our company, and trust you place in us to continue to enhance MTF Finance's reputation as a market leader in customer excellence. And thanks to a very hard-working Board and our dedicated staff who are working hard to grow MTF Finance.

A handwritten signature in blue ink that reads "Mark Darrow".

Mark Darrow
Board Chair

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REPORT FROM THE CEO

As I come to the end of my first 12 months in the role of CEO at MTF Finance, I reflect on a period of significant growth in the business, in our team, amongst our originators and in myself. I have loved joining the MTF Finance whānau and my belief in the potential of this business is even stronger now than when I joined.



At MTF Finance, we are committed to making lending about people again. This means using smart digital tools to free up our team to live and work with their local community. Our franchise and dealer originators understand the significance of a vehicle purchase or a personal loan in someone's life. We want to make sure that all customers end up in a better position as a result of a loan. In the odd occasion where a customer may run into trouble, we work with them to help. This is clearly demonstrated in our trust pilot scores and our industry leading net promoter score of 80.

It is why companies such as IAG, Trade Me, Tower, Autosure, and MTA are partnering with us.

It is also what has driven our strong financial performance. We have not achieved this through increasing costs to our customers, in fact we have reduced some fees by 30 percent. It has been achieved by market share growth, attracting more customers, offering them more products to meet their needs and working hard on cost management. We have stayed disciplined in executing on a clear strategy to grow the franchise network, win back dealers, leverage partnerships and rebooting our technology.

We operate on the principle of responsible and personable lending, which is driving a record low arrears rate of 0.7%. While we expect this to grow given the economic downturn, it has remained pleasingly low to date.

Looking at our four key strategic focus areas, we have made strong progress against all of these.

Digital transformation

We have progressed digital transformation, aided by the purchase of Lending People in February. This has accelerated the delivery of a new system which will increase the ability to scale, as well as to grow MTF Finance's digital footprint. We have hardened our security and expect to start rolling out significant system improvements towards the end of this calendar year.

Franchises

The growth in franchises has been driven by increased volume through existing franchises (same store growth), rather than network growth. The service provided to our customers through the network is market leading, and very difficult for other companies to replicate due to our community-based model. This model is what defines MTF Finance and remains our key point of difference.

Dealer

Our focus to win back dealers is paying off, with volume doubling over the past 12 months. Our relationship with Honda and recourse dealers remain core to this growth, however non-recourse is starting to show the potential of this new product, in particular over the past few months.

Partnerships

The addition of IAG, Tower and MTA and the continuation of Trade Me and Autosure as partners has helped us increase customer relevance, create new revenue streams and reach new customers. We see significant potential across our partnerships and it is where we are focussing our efforts to create rapid future growth.

While we have seen significant market share growth, as mentioned in the Chair's introduction, our deep analysis shows this is sustainable and high-quality business. Our conservative approach to credit, aggressive approach to meeting the needs of more New Zealanders and a strong focus on values makes me confident that not only will MTF Finance be around for at least another 50 years, but it will continue to push and challenge the wider industry and lead from the front when it comes to looking after New Zealanders.

I would like to thank our team, the Board, our originators (in particular those that give up their time to serve on committees), and our shareholders for your continued support and belief in what we do every day.

Chris Lamers
Chief Executive Officer

OUR COMMUNITIES

He aha te mea nui o te Ao? He tāngata, he tāngata, he tāngata.

What is the most important thing in the world?
It is people, it is people, it is people.

MTF Finance has been a proud and enthusiastic member of our local community for over 50 years, and we wouldn't have it any other way! Backing local businesses and communities does so much more than just help the economy - it builds connections, strengthens neighbourhoods, and makes our "team of five million" just a little bit stronger.

More recently, we wanted to help those impacted by severe weather in the North Island. Together, MTF Finance National Office and our franchises raised \$138,000 for allocation to community groups in affected areas, who can turn it into real help for those in need. As a business, 'helping New Zealanders do more' means a lot more to us than just our slogan. Supporting our local communities is something we prioritise.



Neil Kitchen from MTF Finance Gisborne donating to Gisborne SPCA

The Future Legends Scholarship

In 2021, we launched the Future Legends Scholarship. Our purpose was to build a foundation that celebrates young Kiwis who show incredible potential in their areas of interest, within the categories of sport, leadership and the arts.

The scholarship is a cash prize that provides the recipient with the opportunity to further develop their potential, taking on new challenges and experiences which may not otherwise be available.

This legacy enables MTF Finance and our franchises to stand by our communities and support the next generation of achievers, bringing our values to life and helping New Zealanders to **do more**.



FRANCHISE SPONSORSHIP





Taneel McCann,
MTF Finance Wairau Valley

FINANCIAL SUMMARY

	6 mths to 31/03/2023	6 mths to 31/03/2022	12 mths to 30/09/2022
	\$m (Unaudited)	\$m (Unaudited)	\$m (Audited)
Operating result			
New loans	397.9	296.6	606.5
Profit after tax	6.0	4.3	8.4
Underlying profit after tax ¹	6.2	2.9	6.6
Total assets	972.2	798.9	845.2
Total paid to originators	40.5	34.7	67.3
Performance indicators			
Net interest income/average finance receivables (annualised)	3.5%	3.2%	3.3%
Expense/average total assets (annualised) ²	2.7%	3.2%	3.1%
Impaired asset expense/average finance receivables (annualised)	0.02%	0.03%	0.03%
Credit risk allowance/average finance receivables	0.47%	0.60%	0.55%
Capital percentage	10.7%	12.1%	11.79%
Shareholder value (per ordinary share)			
Adjusted net asset backing ³	\$3.35	\$2.97	\$3.11
Underlying profit after tax ⁴	\$0.27	\$0.11	\$0.29
Dividend for the year (net)	\$0.071	\$0.040	\$0.078
	\$000 (Unaudited)	\$000 (Unaudited)	\$000 (Audited)
Profit after tax	5,991	4,323	8,366
Adjustments:			
Finance receivables at fair value (Note 2)	(7,647)	9,960	14,446
Interest rate swap derivatives at fair value (Note 2)	7,981	(11,982)	(16,888)
Total adjustments before tax	334	(2,022)	(2,442)
Tax on adjustments	(94)	566	684
Underlying profit after tax (UPAT)	6,231	2,867	6,608

¹ Underlying profit removes the volatility of unrealised fair value movements and adjustment to credit risk assessment, to provide a more consistent measure of company performance.

² Expenses excludes bad debt.

³ Adjusted net assets comprises net assets less perpetual preference shares.

⁴ Excludes dividends paid to perpetual preference shareholders.

FINANCIAL PERFORMANCE

MTF Finance has continued to make record sales during the period, for a total of \$398m. Careful management of margin has driven an increase in total income of 27%, to \$59.5m from the same period last year. This has led to net interest income increasing by 28% to \$14.0m. As a percentage of finance receivables, net interest income is 3.5% (annualised) and an improvement from last year demonstrating constant growth in our book on the back of our increasing product offering.

Profit after tax has increased by 39%, to \$6.0m from the same period last year. This reflects tight expense management and strong volume growth, improving the expense to income ratio.

Underlying profit after tax, which removes the volatility of unrealised fair value movements, and provides a more consistent measure of company performance, increased by 117% to \$6.23m (31 March 2022: \$2.87m, 30 September 2022: \$6.61m).

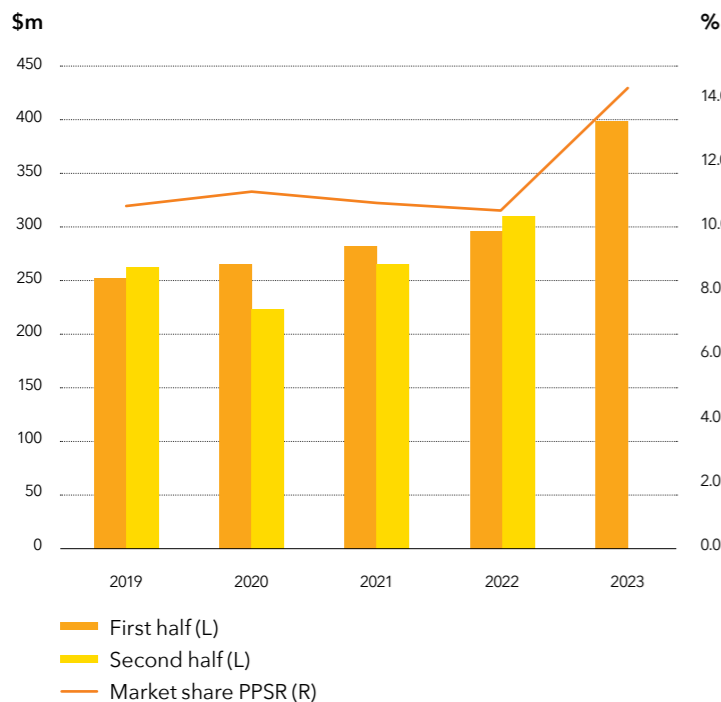
While sales have driven increased income for the business, operating expenses (less bad debt) have decreased 3.8% during the period relative to last year. Higher levels of spend have been required in recent years to fund our investment in digital transformation to address legacy technology debt, enhance our national brand recognition in the market and develop the products our originators need to maximise our growth potential.

We are starting to see the benefits of this work now as evidenced by sales volumes and our ability to deliver commission paid to originating shareholders of \$23.5m, a 5.8% increase on the same period last year. Total amounts paid to shareholder originators, including commission, fees and payment waiver, increased 16.8% to \$40.5m (March 2022: \$34.7m).

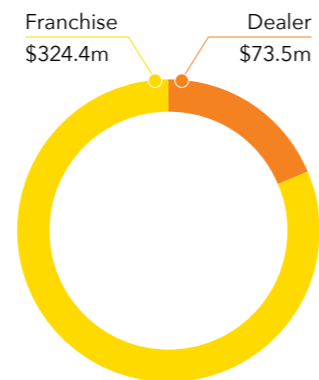
Sales for the period
\$398m

↑
an increase of 34% from \$297m in March 2022

New loans and market share



Sales to 31 March by channel



FINANCIAL POSITION AND LIQUIDITY

The company's balance sheet ratio of 10.7% continues to demonstrate a healthy position to support growth opportunities, business reinvestment and economic pressures. This enables acquisitions such as Lending People.

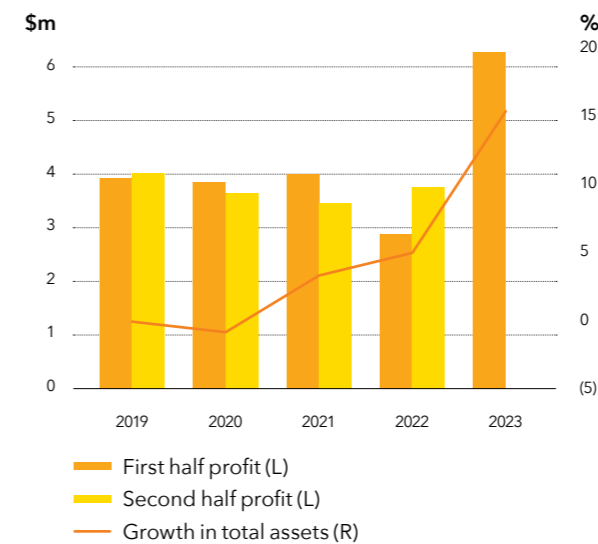
Finance receivables of \$860.5m are at a record high, off the back of increased sales and increasing originators.

In March we completed our seventh securitisation transaction (the MTF Opala Trust 2023) with the issue of \$280m of asset backed securities to institutional

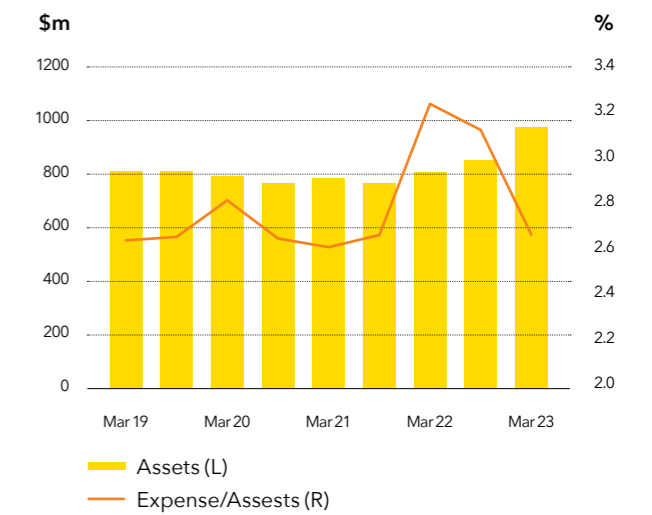
investors. We continue to be well supported by long-standing, repeat investors but we were also able to introduce some new investors to the MTF Finance capital markets programme. The continued success of our capital markets programme highlights the strength of our business model and confidence of our investors and bankers.

Funding facilities continue to have sufficient headroom to support both current and future growth, with \$200.6m undrawn as at 31 March.

Underlying profit and asset growth



Assets and expense trend



OUR STRATEGIC FOCUS

MTF Finance remains clear on its strategic purpose and direction for delivery. A consistent and disciplined approach is driving the strong market share growth. Our mission to help New Zealanders get ahead by making lending about people again drives us to turn up each day and execute on this.

Addressing legacy technology debt through digital transformation has been a priority for the past 18 months. Our recent acquisition of digital brokering company, Lending People, is a key milestone with the modern architecture of their system allowing us to achieve our digital transformation objectives within a quicker timeframe and at a clearly defined cost.

Our enhanced product and partnership offering has been a core driver of our growth and key areas of investment for us to continue this momentum into the future. Giving our originators the products they need to meet their customers' requirements is imperative to delivering on our core offering. Additionally, recent agreements have shown us that forming the right partnerships to provide complimentary product offerings to our network is a key driver to helping deliver on our ambitious growth strategy.

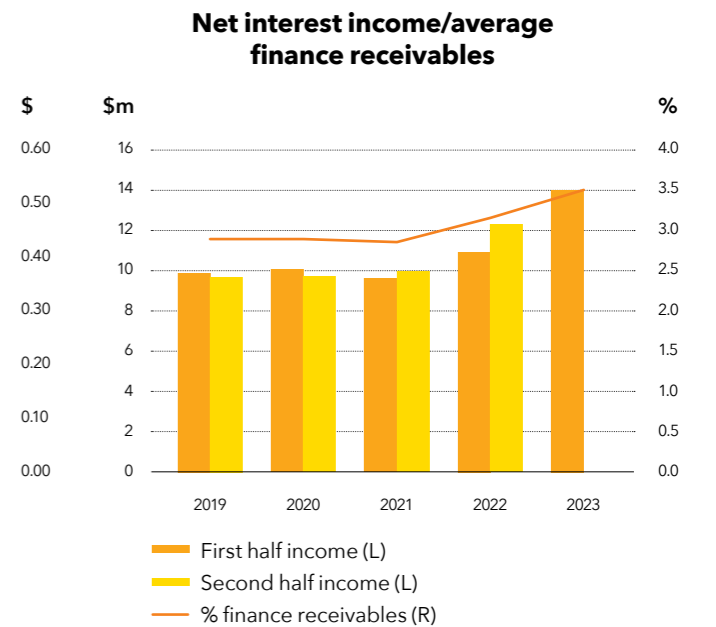
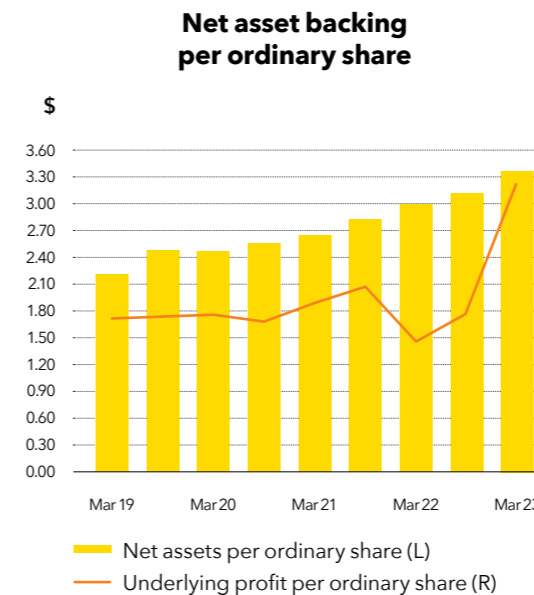
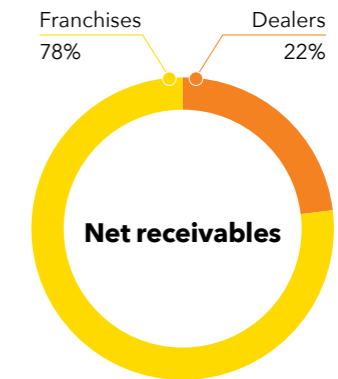
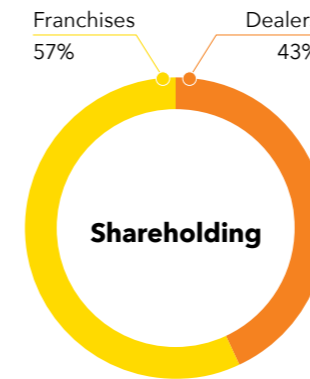
OUR SHAREHOLDERS

Return on ordinary equity, using underlying profit after tax (annualised), was 15.9%, up from 8.2% with the same period last year due to the factors outlined earlier.

As signalled last year, we have moved into declaring and paying out ordinary dividends twice a year in line with our statutory reporting releases. As such, no interim dividend has been paid to date and the Board of Directors are pleased to declare an interim dividend on paid-up ordinary shares of 7.07 cents per share, amounting to \$1,382,977 (fully imputed), for the period 1 October 2022 to 31 March 2023. The dividend will be paid in the first week of June 2023 and reflects the strong financial performance of the company to date this financial year for the reasons outlined earlier.

In May 2022, MTF Finance launched a Dividend Reinvestment Plan (DRP) for ordinary shareholders with many eligible shareholders taking up the opportunity to reinvest declared dividends (in whole or part) on current shares into additional ordinary shares of MTF Finance. This is part of a continued strategy to align our originator and shareholder interests. We encourage originating shareholders to explore the offer document explaining how the plan operates and the terms and conditions of participation that can be found on our website <https://www.mtf.co.nz/about/investors>.

Perpetual preference share dividends have continued totalling \$1.0m (31 March 2022: \$0.5m, 30 September 2022: \$1.0m) for the period. The dividend rate is set annually at 2.40% over the one-year swap rate and was reset at 7.05% (2022: 3.50%) on 30 September 2022, for the twelve months to 30 September 2023.



Originators have received income from MTF Finance of \$40.5m for the period, up from \$34.7m in the same period last year. This increase is a pleasing reward from recent investment in the business itself to support sustainable future growth.

Our originators continue to play a critical role in delivering exceptional face-to-face customer service contributing to this result. Our community presence providing localised support is one of our key advantages helping to drive our success.



OUR PEOPLE

The AGM was held on 23 March 2023 where Stu Myles was re-appointed as a shareholder director by majority vote. Stu became Deputy Chair of the Board in December, recognition of his strong governance mindset which has been critical in creating and driving the company's strategic plan. The appointment highlights the continuing maturity of the governance approach within the organisation.

Natasha Callister was appointed to newly created role of Chief Commercial Officer in January. Natasha has proven leadership, sales and marketing capability across several industries and will bring this experience to the finance sector. This experience in a number of customer-led sectors will be valuable in accelerating MTF Finance's customer experience objectives.

OUTLOOK

It is with cautious optimism that we look to the future and specifically the remainder of this financial year. The MTF Finance business is in great shape, with a strong business model, as shown by this interim result. However, there is no question that the environment we operate in is facing significant challenges.

The increases to the official cash rate by New Zealand's Reserve Bank increases the funding costs of our business, and those of our customers. This presents an elevated level of credit risk as households may be struggling with other debt obligations.

Furthermore, while inflation is starting to turn, progress is slow and increases to the cost of living are pressuring our customers. We expect our operating cost base to come under pressure as vendor agreements roll over and these inflationary costs are passed on. While we will of course try to absorb as much of this as possible, there will be an element we may pass on to the network via increases to our buy rate.

The regulatory environment is also uncertain and the continued tinkering with CCCFA to correct the issues with the initial regulation, the lack of progress on open banking and inconsistent support given to banks versus non-bank lenders creates unnecessary costs and challenges for our customers.

We also welcomed back familiar face Rowena Davenport as Head of Credit in February. Rowena's previous tenure at MTF Finance was varied, largely in the Treasury function and later as Head of Strategy. She brings a wealth of experience and offers critical strategic support to the Credit function in a challenging economic environment where the business is experiencing significant growth.

As always, our people continue to drive what makes MTF Finance special, through their belief and dedication to do what is right for our originators and their customers. We are proud of who we are and what we stand for, all driven by the amazing team we have on board.

Our varied stakeholders can be sure that our focus is pinpointed on what we can control. This is executed through ensuring we have the platform to continue to deliver our current product and partnership offering to the network, meeting our originators' needs to ultimately deliver on what the customer wants, through an exceptional experience, all in the name of making lending about people again.

We are confident that our strong growth is quality business and is sustainable. Lending meets our high standard of credit quality and originators are exhibiting good conduct and are compliant. Our central focus is about making lending about people again, and our community-based model means the bar for customer care, and creating great customer outcomes, is high.



Mark Darrow
Board Chair



Chris Lamers
Chief Executive Officer



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 31 March 2023	Note	6 mths to 31/03/2023	6 mths to 31/03/2022	12 mths to 30/09/2022
		\$000 (Unaudited)	\$000 (Unaudited)	\$000 (Audited)
Gross interest income from finance receivables		50,875	40,895	84,329
Commission		(23,461)	(22,170)	(43,696)
Net interest income from finance receivables		27,414	18,725	40,633
Interest income from assets measured at amortised cost		1,696	413	1,323
Interest expense		(15,082)	(8,206)	(18,721)
Net interest income		14,028	10,932	23,235
Payment waiver		2,187	1,765	3,665
Fees		4,751	3,913	7,865
Net interest income and fees		20,966	16,610	34,765
Expenses				
Employee		(5,431)	(5,456)	(10,878)
Communication and processing		(2,981)	(3,503)	(6,638)
Depreciation and amortisation		(743)	(746)	(1,471)
Administration		(2,795)	(2,716)	(6,153)
Bad debt		(89)	(110)	(204)
		(12,039)	(12,531)	(25,344)
Profit before net gain (loss) from financial instruments at fair value		8,927	4,079	9,421
Net gain (loss) from financial instruments at fair value	2	(334)	2,022	2,442
Profit before tax		8,593	6,101	11,863
Tax		(2,602)	(1,778)	(3,497)
Profit after tax		5,991	4,323	8,366
Other comprehensive income		-	-	-
Total comprehensive income		\$5,991	\$4,323	\$8,366

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

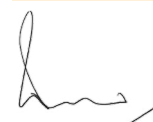
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 31 March 2023	Note	Ordinary shares \$000	Retained earnings \$000	Perpetual preference shares \$000	Total equity \$000
6 months ended 31 March 2023 (Unaudited)					
Balance at 1 October 2022		19,494	41,168	38,966	99,628
Total comprehensive income for the period:					
Profit after tax		-	5,991	-	5,991
Total comprehensive income for period		-	5,991	-	5,991
Transactions with shareholders:					
Ordinary share dividends		-	(361)	-	(361)
Perpetual preference share dividends		-	(1,015)	-	(1,015)
Shares issued from treasury shares		72	95	-	167
Total transactions with shareholders:		72	(1,281)	-	(1,209)
Balance at 31 March 2023		\$19,566	\$45,878	\$38,966	\$104,410
6 months ended 31 March 2022 (Unaudited)					
Balance at 1 October 2021		19,437	35,449	38,966	93,852
Total comprehensive income for the period:					
Profit after tax		-	4,323	-	4,323
Total comprehensive income for period		-	4,323	-	4,323
Transactions with shareholders:					
Ordinary share dividends		-	(938)	-	(938)
Perpetual preference share dividends		-	(504)	-	(504)
Shares cancelled on buyback		(20)	(26)	-	(46)
Total transactions with shareholders:		(20)	(1,468)	-	(1,488)
Balance at 31 March 2022		\$19,417	\$38,304	\$38,966	\$96,687
Year ended 30 September 2022 (Audited)					
Balance at 1 October 2021		19,437	35,449	38,966	93,852
Total comprehensive income for the year:					
Profit after tax		-	8,366	-	8,366
Total comprehensive income for year		-	8,366	-	8,366
Transactions with shareholders:					
Ordinary share dividends		-	(1,714)	-	(1,714)
Perpetual preference share dividends		-	(1,008)	-	(1,008)
Shares cancelled on buyback		(20)	(26)	-	(46)
Shares issued from treasury shares		77	101	-	178
Total transactions with shareholders:		57	(2,647)	-	(2,590)
Balance at 30 September 2022		\$19,494	\$41,168	\$38,966	\$99,628

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

CONSOLIDATED BALANCE SHEET

As at 31 March 2023	Note	31/03/2023 \$000 (Unaudited)	31/03/2022 \$000 (Unaudited)	30/09/2022 \$000 (Audited)
Funds employed				
Ordinary shares		19,566	19,417	19,494
Retained earnings		45,878	38,304	41,168
Perpetual preference shares		38,966	38,966	38,966
Total shareholder equity		104,410	96,687	99,628
Liabilities				
Bank overdraft		289	-	456
Provision for taxation		1,882	-	-
Accounts payable and accrued expenses		10,753	9,185	9,300
Unearned payment waiver administration fees		7,172	6,017	6,264
Committed cash advance	3	39,900	31,000	48,300
Securitised funding	3	804,701	653,058	677,966
Deferred tax		-	-	471
Derivative financial instruments		-	-	-
Lease liability		3,084	2,935	2,813
Total liabilities		\$867,781	\$702,195	745,570
Total funds employed		\$972,191	\$798,882	\$845,198
Employment of funds				
Cash at bank		-	79	-
Cash in restricted bank accounts		86,280	76,704	77,261
Taxation receivable		-	1,860	2,451
Accounts receivable	6	6,485	1,958	2,010
Payment waiver indemnity prepayment		-	179	-
Finance receivables	4	860,462	695,707	736,628
Derivative financial instruments		13,219	16,295	21,201
Deferred tax		12	457	-
Property, plant and equipment		1,014	1,000	1,004
Right of use asset		2,800	2,717	2,564
Intangible assets		1,919	1,926	2,079
Total assets		\$972,191	\$798,882	\$845,198



Mark Darrow

Board Chair

24 May 2023



Melanie Templeton

Audit & Risk Committee Chair

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 31 March 2023	Note	6 mths to 31/03/2023 \$000 (Unaudited)	6 mths to 31/03/2022 \$000 (Unaudited)	6 mths to 30/09/2022 \$000 (Audited)
Cash flow from operating activities				
Interest income		52,571	41,308	85,652
Fee income		4,751	3,912	7,863
Interest expense		(11,827)	(5,732)	(13,957)
Other funding and securitisation costs		(1,815)	(2,078)	(3,945)
Income tax paid		1,247	(1,381)	(2,763)
Commission		(23,919)	(22,175)	(43,895)
Payment waiver		3,218	1,684	3,826
Operating expense		(15,169)	(11,447)	(23,252)
Net cash flow from operating activities before changes in operating assets and liabilities		9,057	5,223	4,091
Changes in operating assets and liabilities				
Finance receivable instalments		281,632	263,332	527,602
Increase in committed cash advance - net		(8,400)	9,573	42,100
Increase (decrease) in securitised facilities - net		127,160	24,800	35,063
Finance receivable advances		(397,907)	(296,631)	(606,393)
		2,485	1,074	(1,628)
Net cash flow from operating activities	5	11,542	5,165	7,901
Cash flow from investing activities				
Sale of property, plant and equipment		25	3	55
Purchase of property, plant and equipment		(248)	(157)	(447)
Purchase of intangible assets		(193)	(489)	(987)
Net cash flow from investing activities		(416)	(643)	(1,379)
Cash flow from financing activities				
Share buybacks		-	(46)	(46)
Lease payments		(143)	(117)	(239)
Trust establishment costs		(588)	753	-
Dividend to perpetual preference shareholders		(1,015)	(504)	(1,008)
Dividend to ordinary shareholders		(194)	(938)	(1,537)
Net cash flow from financing activities		(1,940)	(852)	(2,830)
Net increase (decrease) in cash		9,186	3,670	3,692
Cash on hand at beginning of period		76,805	73,113	73,113
Cash on hand at end of period		\$85,991	\$76,783	\$76,805
Represented by:				
Cash at bank (overdraft)		(289)	79	(456)
Cash in restricted bank accounts		86,280	76,704	77,261
		\$85,991	\$76,783	\$76,805

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

NOTES TO THE 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 24 May 2023.

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.

Statement of compliance

The consolidated interim financial statements should be read in conjunction with the Annual Report for the year ended 30 September 2022.

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 2022 and 31 March 2022.

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.

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

	31/03/2023	31/03/2022	30/09/2022
	\$000	\$000	\$000
	(Unaudited)	(Unaudited)	(Audited)
Net gain (loss) arising on financial instruments mandatorily measured at FVTPL:			
Finance receivables	7,647	(9,960)	(14,446)
Interest rate swap derivatives (unrealised gain)	(7,981)	11,982	16,888
	(\$334)	\$2,022	\$2,442

Net gain (loss) on financial instruments at FVTPL for finance receivables comprises the remaining net change in fair value of the finance receivables at FVTPL including changes in market and credit risks.

Assessment of credit impairment on financial instruments at FVTPL is included in the net gain (loss) from financial instruments at fair value and forms part of the finance receivables fair value assessment.

Note 3: Funding (secured)

	Facility expiry date	Limit	Undrawn	Drawn	Unamortised fees and expenses	Carrying amount
		\$000	\$000	\$000	\$000	\$000
31 March 2023 (Unaudited)						
Committed cash advance facility	16/12/2023	100,000	60,100	39,900	-	39,900
Securitisation:						
Senior Warehouse notes	15/03/2024	320,000	128,957	191,043	-	191,043
Senior Pantera notes	15/06/2029	278,500	-	278,500	(229)	278,271
Senior Opala notes	16/09/2030	277,500	-	277,500	(567)	276,933
MUFG loan	15/11/2023	70,000	11,546	58,454	-	58,454
Total securitisation		946,000	140,503	805,497	(796)	804,701
Total		\$1,046,000	\$200,603	\$845,397	(\$796)	\$844,601

	Facility expiry date	Limit	Undrawn	Drawn	Unamortised fees and expenses	Carrying amount
		\$000	\$000	\$000	\$000	\$000
31 March 2022 (Unaudited)						
Committed cash advance facility	16/12/2023	90,000	59,000	31,000	-	31,000
Securitisation:						
Senior Warehouse notes	15/03/2023	250,000	50,581	199,419	-	199,419
Senior Pantera notes	15/06/2029	278,500	-	278,500	(482)	278,018
Senior Rambler notes	15/08/2027	131,757	-	131,757	(67)	131,690
MUFG loan	15/11/2023	65,000	21,068	43,932	-	43,932
Total securitisation		725,257	71,649	653,608	(549)	653,059
Total		\$815,257	\$130,649	\$684,608	(\$549)	\$684,059

	Facility expiry date	Limit	Undrawn	Drawn	Unamortised fees and expenses	Carrying amount
		\$000	\$000	\$000	\$000	\$000
30 September 2022 (Audited)						
Committed cash advance facility	16/12/2023	90,000	41,700	48,300	-	48,300
Securitisation:						
Senior Warehouse notes	15/03/2024	360,000	74,049	285,951	-	285,951
Senior Pantera notes	15/06/2029	278,500	-	278,500	(357)	278,143
Senior Rambler notes	15/08/2027	69,183	-	69,183	(21)	69,162
MUFG loan	15/11/2022	65,000	20,290	44,710	-	44,710
Total securitisation		772,683	94,339	678,344	(378)	677,966
Total		\$862,683	\$136,039	\$726,644	(\$378)	\$726,266

Note 4: Asset quality disclosures

	31/03/2023	31/03/2022	30/09/2022
	\$000	\$000	\$000
	(Unaudited)	(Unaudited)	(Audited)
Asset quality - finance receivables			
Current	847,707	692,409	741,079
1-30 days past due	25,532	21,049	17,860
31-90 days past due	4,566	2,311	2,477
More than 90 days past due	1,276	1,805	1,305
Managed transacting shareholders	166	80	340
	\$879,247	\$717,654	\$763,061
Adjustments:			
Fair value adjustment	(15,020)	(17,828)	(22,534)
Credit risk adjustment	(3,765)	(4,119)	(3,899)
Total carrying amount	\$860,452	\$695,707	\$736,628
Credit Risk adjustment by Type			
Collective	(2,227)	(1,785)	(1,941)
Covid	(1,500)	(2,339)	(1,939)
Other	(38)	5	(19)
Total credit risk adjustment	(\$3,765)	(\$4,119)	(\$3,899)

Note 5: Statement of cash flows

	31/03/2023	31/03/2022	30/09/2022
	\$000	\$000	\$000
	(Unaudited)	(Unaudited)	(Audited)
Reconciliation of profit after tax to net cash flow from operating activities			
Profit after tax	5,991	4,323	8,366
Depreciation and amortisation	743	746	1,471
	6,734	5,069	9,837
Movement in other items			
(Increase) decrease in accounts receivable	(4,472)	369	389
(Increase) decrease in payment waiver indemnity prepayment	101	225	404
(Increase) decrease in finance receivables	(123,834)	(23,229)	(64,150)
Increase (decrease) in committed cash advance	(8,400)	24,800	42,100
(Increase) decrease in deferred tax	(483)	(278)	650
Increase (decrease) in provision for tax	4,333	674	83
Increase (decrease) in accounts payable and accrued expense	1,351	(257)	(213)
Increase (decrease) in unearned payment waiver fees	908	(3)	244
Increase (decrease) in securitised funding	126,735	10,530	35,438
(Increase) decrease in derivative financial assets	7,981	(11,982)	(16,888)
Increase (decrease) in derivative financial liabilities	-	-	-
	4,220	849	(1,943)
Movement in working capital items classified as investing or financing activities	588	(753)	7
Net cash surplus from operating activities	\$11,542	\$5,165	\$7,901

Note 6: Acquisition of Lending People

On 25 January 2023, the Board of Directors approved in principle the purchase of 100% shareholding in Lending People Limited. Due diligence was subsequently completed, and the sale and purchase agreement has been finalised following completion of conditions, with acquisition date of 17 February 2023. The transaction has a value of \$5.95 million, subject to final adjustments, and is expected to have a positive impact on earnings from completion.

Due to the timing of acquisition, initial accounting for the business combination is provisional at the time these financial statements are authorised for issue. This will be completed in line with IFRS 3 Business Combinations for reporting period ending 30 September 2023 and disclosed in the corresponding annual report.

Balance of consideration made as at 31 March 2023 is held in suspense within the Accounts Receivable categorisation of this report.

Note 7: Subsequent Events

Dividend

On 24 May 2023, the directors declared an interim dividend on paid-up ordinary shares of 7.07 cents per share, amounting to \$1,382,977 (fully imputed), for the period 1 October 2022 to 31 March 2023. The dividend will be paid in the first week of June 2023.

DIRECTORY

Directors

Mark Darrow (Chair)
Stu Myles (Deputy Chair)
Noel Johnston
Geoffrey Kenny
Melanie Templeton
Grant Woolford

Senior Leadership Team

Chris Lamers (Chief Executive Officer)
Kyle Cameron (Chief Financial Officer & Deputy CEO)
Natasha Callister (Chief Commercial Officer)
Rowena Davenport (Head of Credit)
Hayley Guest (General Counsel, Risk and Compliance Manager)
Jane Stumbles (Head of People and Culture)
Dan Wilkinson (Chief Technology Officer)

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Ordinary share registrar

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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
Dentons
Galloway Cook Allan

Auditor

Deloitte Limited

Registered office

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A wooden sign with a yellow and orange graphic at the top and blue text. The text reads: "Lending to New Zealanders since 1970".

Lending
to New Zealanders
since 1970