

NZF Group Limited**21 Aug 2008****Chair's address to AGM 21st August 2008**

This past year has been the most difficult in the company's history brought about by extremely difficult industry and economic conditions

These adverse conditions have continued into the new financial year and look as though they will continue for some time yet.

However we can be proud of the way the company has been able to deal with these challenges which has resulted in NZF Group Limited and NZF Money Limited being one of the few finance companies that has not gone into receivership or who has had to seek a moratorium with debenture holders

Key 2008 outcomes for the Group:

- Total Equity increased by 14.9% to \$24.334 million
- Total Operating Profit before tax and sale of investments increased to \$5.818 million from \$5.479 million
- Growth in the loan portfolio from \$173 million to \$246 million
- Total Assets increased by 41.3% to \$281.891 million
- Total dividends paid for the year of 2.00 cents per share, fully imputed
- Acquisition of a 51% share in Finance Direct Limited

So how have we achieved this?

- Obtaining new and extended funding facilities from both Westpac and the Commonwealth Bank of Australia
- A debenture stock maturity profile very similar to our loan book repayment profile
- Quality loans predominantly first mortgage security resulting in negligible bad debts and generally repayment of loans made to us on due date if required by us
- Continuing to diversify our business to move away from total dependence on the finance company operations
- Maintained a high level of liquidity
- Obtaining a Westpac warehouse facility for first mortgage loans which enabled us to grow first mortgage residential business.

What impact has this had and will it have on the company:

- A slight increase in operating profit before tax from the previous year of \$339k (6%)
- A fall in both our finance company loan book and debenture stock by 28.9 and 23.4% respectively
- A reduction in loan applications approved due to a fall-off in quality of these applications and a move to even more conservative lending criteria and a decrease in residential property transactions

- A significant reduction in property broking business caused by the reduction in residential sales
- A significant fall in the share price which is likely to take some time to recover
- A greater reduction in estimated profit after tax for year 08/09 at this stage to \$2 to \$2.5m

Where to from here:

- When the market conditions improve, we are in a very strong position to continue to grow our loan book and therefore profitability
- We are continually diversifying our product lines to provide hopefully what the market wants and therefore grow our business
- In the process of rebranding (NZF) the organisation as we move away from a finance company to a bank type
- The installation of a complete banking IT system to support the organisation as a diversified financial services group
- Maintaining our quality staff
- Further enhancement of excellent quality of service
- Diversifying our funding sources
- Likely to provide an opportunity for shareholders to participate in a dividend reinvestment scheme

While it has been an extremely difficult year, we can be proud of what we have achieved, how strongly we have survived and the position we are now in to seize the opportunities that will arise in the future.

I cannot let this moment pass with saying on behalf of the Board and I am sure on behalf of you the shareholders a tremendous thank you to the staff including the executive directors for a job very well done. They have all been working in a very stressful environment and have come through delivering a company we can continue to be proud of.

A thank also to my fellow board members for their efforts they have been an integral part of the strategy and decision making process that now finds the company in a relatively strong position in an industry that has nearly been brought to its knees

I would like to call on the MD John Callaghan to the podium.....