A:

# (NZF) : NZF Group Limited

**Results for announcement to the market**

| | |
|---|---|
| Reporting Period | 6 months to 30 September 2008 |
| Previous Reporting Period | 6 months to 30 September 2007 |

| | Amount (000s) | Percentage change |
|---|---|---|
| Revenue from ordinary activities | $21,009 | -10.3% |
| Profit from ordinary activities after tax attributable to security holders. | $1,270 | -47.2% |
| Net profit attributable to security holders | $1,270 | -47.2% |

| Interim/Final Dividend | Amount per security | Imputed amount per security |
|---|---|---|
| A fully imputed interim dividend of $0.005 has been declared. | $0.0050 | $0.00247 |
| NZF has no dividend reinvestment plan currently in operation. | | |

| | |
|---|---|
| Record Date | 5 December 2008 |
| Dividend Payment Date | 12 December 2008 |

**Comments:**

The last six months has seen the turmoil in the financial services market continue, with significant changes in both funding and lending opportunities for NZF Group. NZF Group has continued with its conservative approach to credit underwriting in these market conditions.

The Directors are pleased to report that NZF Group achieved a net profit after tax of $1.3m for the six month period ended 30 September 2008, which is in line with expectations and profit guidance given to the market on 15 August 2008. The Directors are also pleased to report that:

• Total assets increased by 5.4% since 30 September 2007 and remain consistent with levels reported at 31 March 2008.

• Total equity increased by 5.2% since 30 September 2007 and 2.28% since 31 March 2008 to $24.888m.

• At 30 September 2008, NZF Group had cash reserves of $6.662m and total undrawn bank facilities of $72.997m.

• Subsidiary companies, NZF Money Limited and Finance Direct Limited, have both been approved under the New Zealand Crown Retail Deposit Guarantee Scheme, effectively guaranteeing qualifying deposits until 12 October 2010.

• Bad debts written off during the six month period were $64k compared to total bad debts of $158k written off during the year ended 31 March 2008.

• Interim dividend of 0.50 cents per share to be paid.

Managing Director, John Callaghan, elaborated on the result saying, “The last six months has seen total assets remain at similar levels reported to March 2008, under difficult market conditions. We have remained conservative in this market given the uncertainty that exists over the ‘credit crunch’ and we have started to see its impact on lenders in our market.”

“We continue to see pressure to reduce the Official Cash Rate (OCR), with pricing remaining a key consideration when assessing new lending opportunities. Continued reductions in the OCR will have an impact on Group results moving forward. We ‘mark to market’ all financial instruments and reducing cash rates will lead to further reductions in these valuations. These may become material. All our fixed rate mortgages are matched with individual interest rate swap contracts for the duration of the fixed rate loan period. As a result, all fixed rate mortgage lending is perfectly hedged and there is no risk to the Group arising from subsequent changes in interest rates. Being perfectly hedged ensures that there is no reduction in cash flow profits resulting from these revaluations of the financial instruments, and once hedge accounting is adopted, future movements will be through reserves and not affect the operating result."

"As the effect of the international credit markets are being felt in New Zealand, and the increased pressure on mortgages, we expect to see an increase in arrears and potentially increased levels of bad debts. However, we continue to operate a conservative lending approach and closely monitor the performance of all borrowers, which to date has resulted in minimal levels of bad debts."

Richard Waddel, Chairman, adds "The result achieved is acceptable given the current market conditions and the demise of some higher profile competitors. The trading bank experience of our senior management team and directors has been put to the test and this has kept NZF Group in good standing. The approval of both NZF Money Limited and Finance Direct Limited under the Crown Retail Deposit Guarantee Scheme is an indication of the commitment and competence shown in the management of these companies."

The Directors have resolved to declare a fully imputed interim dividend of 0.50 cents per share. The record date for the interim dividend is 5.00pm on 5 December 2008 with the payment date being 12 December 2008.

## B: NZF Group Limited
## Preliminary announcement for the half year ended 30 September 2008

Preliminary **half year** report on consolidated results (including the results for the previous corresponding half year) in accordance with Listing Rule 10.4.2.

This report has been prepared in a manner which complies with generally accepted accounting practice and gives a true and fair view of the matters to which the report relates and is based on unaudited financial statements.

The accounting policies used in the preparation of these financial statements are consistent with those used in the interim financial statements for the six months ended 30 September 2007 and in the audited financial statements for the year ended 31 March 2008.

The Listed Issuer has a formally constituted Audit Committee of the Board of Directors.

## C: Consolidated Income Statement

| | Sep-08<br>$NZ '000 | Up / Down<br>% | Sep-07<br>$NZ '000 |
|---|---|---|---|
| Interest income | 14,781 | | 12,510 |
| Interest expense | (12,089) | | (9,835) |
| **Net interest income** | **2,692** | **0.6%** | **2,675** |
| | | | |
| Fee and commission income | 6,475 | | 10,181 |
| Fee and commission expense | (2,725) | | (4,711) |
| **Net fee and commission income** | **3,750** | | **5,470** |
| | | | |
| **Net (loss)/gain on interest rate swap contracts** | **(388)** | | **574** |
| **Franchise sales, rent receivable and other income** | **141** | | **146** |
| | | | |
| **Total operating income** | **6,195** | **-30.1%** | **8,865** |
| | | | |
| **Bad debts written off/impairment loss on other assets** | **(64)** | | **(200)** |
| **Movement in collective loan provision** | **(61)** | | **28** |
| **Operating expenses and staff costs** | **(4,162)** | **-17.5%** | **(5,043)** |
| | | | |
| **Operating profit before income tax** | **1,908** | **-47.7%** | **3,650** |
| | | | |
| **Income tax expense** | (587) | **-50.8%** | (1,194) |
| | | | |
| **Operating profit after income tax** | **1,321** | **-46.2%** | **2,456** |
| | | | |
| **Profit for the period** | **1,321** | **-46.2%** | **2,456** |
| | | | |
| Profit attributable to minority shareholders during the period | (51) | **6.0%** | (48) |
| | | | |
| **Profit attributable to equity holders of the Company** | **1,270** | **-47.2%** | **2,408** |
| | ***Cents*** | | ***Cents*** |
| **Earnings Per Share:** | | | |
| **Basic and Diluted** | **1.66** | | **3.14** |
| **Operating Profit After Income Tax and Minority Interests** | **1.66** | | **3.14** |

## D: Consolidated Balance Sheet

| | Sep-08 $NZ '000 | Up / Down % | Sep-07 $NZ '000 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | 6,662 | | 7,489 |
| Derivative assets held for risk management | 172 | | 734 |
| Loans and advances | 252,119 | | 237,011 |
| Trade and other receivables | 2,118 | | 1,862 |
| Current tax assets | 524 | | 0 |
| Property, plant and equipment | 854 | | 952 |
| Intangible assets | 16,710 | | 16,771 |
| Deferred tax asset | 304 | | 250 |
| Other assets | 2,816 | | 2,781 |
| **Total assets** | **282,279** | **5.4%** | **267,850** |
| | | | |
| **Liabilities** | | | |
| Trade and other payables | 2,210 | | 3,038 |
| Derivative liabilities held for risk management | 186 | | 51 |
| Current tax liabilities | 0 | | 26 |
| Term loans | 188,203 | | 132,520 |
| Capital notes | 20,050 | | 20,050 |
| Unsecured subordinated notes | 234 | | 1,502 |
| Secured debenture stock | 45,670 | | 86,138 |
| Other liabilities | 838 | | 866 |
| **Total liabilities** | **257,391** | **5.4%** | **244,191** |
| | | | |
| **Net assets** | **24,888** | **5.2%** | **23,659** |
| | | | |
| **Equity** | | | |
| Share capital | 7,503 | | 7,503 |
| Retained earnings | 16,395 | | 15,242 |
| **Total equity attributable to equity holders of the Company** | **23,898** | | **22,745** |
| **Minority interest** | **990** | | **914** |
| **Total equity** | **24,888** | **5.2%** | **23,659** |
| | ***Cents*** | | ***Cents*** |
| **Net tangible assets per share (excluding intangible assets)** | **10.67** | | **8.98** |

## E: Statement of Changes in Equity

| | Sep-08 $NZ '000 | Up / Down % | Sep-07 $NZ '000 |
|---|---|---|---|
| **Profit for the period** | **1,321** | | **2,456** |
| Distributions to owners | (767) | | (766) |
| Minority shareholders | 0 | | 793 |
| **Movements in equity for the period** | **554** | | **2,483** |
| **Equity at start of the period** | **24,334** | | **21,176** |
| **Equity at end of the period** | **24,888** | **5.2%** | **23,659** |

## F: Consolidated Statement of Cash Flows

| | Sep-08 $NZ '000 | Up / Down % | Sep-07 $NZ '000 |
|---|---|---|---|
| **Net profit for the period** | 1,321 | | 2,456 |
| **Add / (Less):** | | | |
| Depreciation of property, plant and equipment | 111 | | 156 |
| Loss/(gain) on sale of property, plant and equipment | 1 | | (5) |
| Increase/(decrease) in collective loan provision | 61 | | (28) |
| Bad debts written off | 64 | | 0 |
| Impairment loss on other assets | 0 | | 200 |
| Net increase in loans and advances to customers | (6,538) | | (58,938) |
| Net decrease/(increase) in derivative assets and liabilities held for risk management | 388 | | (575) |
| Increase in accounts receivable and other assets | (14) | | (818) |
| Decrease in accounts payable and other liabilities | (550) | | (379) |
| Decrease in current tax assets | 272 | | 280 |
| (Increase)/decrease in deferred tax asset | (111) | | 196 |
| **Net cash flow from operating activities** | **(4,995)** | **91.3%** | **(57,455)** |
| **Net cash flow from investing activities** | **(97)** | | **(273)** |
| **Net cash flow from financing activities** | **(307)** | **-100.5%** | **59,664** |
| **Net (decrease)/increase in cash held** | **(5,399)** | **-378.9%** | **1,936** |
| **Opening bank balance** | **12,061** | **117.2%** | **5,553** |
| **Closing bank balance** | **6,662** | **-11.0%** | **7,489** |
| **Made up as follows:** | | | |
| **Bank accounts** | **6,662** | **-11.0%** | **7,489** |

## G: Material Acquisition of Subsidiaries

N/A

## H: Material Disposal of Subsidiaries

N/A

## I: Material Investment in Joint Venture

| | |
|---|---|
| (a) Name of joint venture | MPMH Limited |
| (b) Percentage of ownership acquired | 50% |
| (c) Contribution to consolidated profit for the period | $62,135 |
| (d) Date from which such contribution has been calculated | 1/04/2008 |
| (e) Contribution to consolidated profit for the previous corresponding period | $324,415 |
| (f) Date from which such contribution has been calculated | 1/04/2007 |

## J: Issued and Quoted Securities at End of Current Period

| Category of Securities Issued | Number | Quoted |
|---|---|---|
| **ORDINARY SHARES:** | | |
| Total number of shares in issue | 76,666,668 | 76,666,668 |
| Issued during the current half year | - | - |

## K: Comments by Directors

If no report in any section, state NIL. If insufficient space below, provide details in the form of notes to be attached to this report.

(a) Material factors affecting the revenues and expenses of the group for the current full year or half year

**Refer to Commentary in Section A.**

(b) Significant trends or events since the end of the current full year or half year

**None.**

(c) Changes in accounting policies since last Annual Report and/or last Half Yearly to be disclosed

**None.**

(d) Critical Accounting Policies - Management believes the following to be critical accounting policies. That is they are both important to the portrayal of the Issuer's financial condition and results, as they require management to make judgments and estimates about matters that they are inherently uncertain

**Impairment losses on loans and advances**

**An impairment allowance is established if there is objective evidence that a loan is impaired. A loan is considered impaired when management determines that it is probable that all amounts due according to the original contractual terms will not be collected. When a loan has been identified as impaired, the carrying amount of the loan is decreased by recording specific allowances for the loss to reduce the loan to its estimated recoverable amount, which is the present value of expected future cash flows including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loan.**

**There are two methods in assessing loans for impairment as follows:**

**Specific loan assessment**

**At each reporting date the Group reviews individually significant loans for evidence of impairment. All relevant information, including the economic situation, solvency of the customer/guarantor, enforceability of guarantees, current security values and the time value of future cash flows are taken into account in determining individual allowances.**

**Collective assessment**

**At each reporting date loans that have been individually assessed but no objective evidence of impairment existed and loans that are not considered individually significant (e.g. small business loans) are pooled in similar credit risk groups. These groups are then assessed for impairment based on historical loss experience of assets with similar risk characteristics. The historical loss experience is then adjusted for the impact of current observable data.**

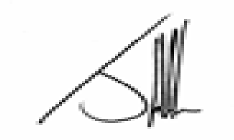
**Management regularly reviews and adjusts the methodology and assumptions for impairment testing as improved analysis becomes available to minimise any differences between loss estimates and actual loss experience.**

**Impairment of goodwill and intangibles with indefinite useful lives**

**The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units, using value in use discounted cash flow methodology, to which the goodwill and intangibles with indefinite useful lives are allocated.**

(e) Management's discussion and analysis of financial condition, result and/or operations (optional) - this section should contain forward looking statements that should outline where these involve risk and uncertainty

**Refer to Commentary in Section A.**



**21 November 2008**

(signed by) Authorised Officer of Listed Issuer

(date)

**SEGMENT INFORMATION**
**HALF YEAR ENDED 30 SEPTEMBER 2008**

| | | TOTAL ASSETS $'000 | TOTAL REVENUE $'000 | PROFIT FOR THE PERIOD $'000 |
|---|---|---|---|---|
| **FINANCE** | | | | |
| **Group Continuing Operations** | **30/09/2008** | **261,951** | **16,954** | **3,067** |
| Group Continuing Operations | 30/09/2007 | 249,788 | 15,676 | 4,423 |
| **MORTGAGE BROKING SERVICES** | | | | |
| **Group Continuing Operations** | **30/09/2008** | **2,079** | **1,262** | **17** |
| **Joint Venture Continuing Operations** | **30/09/2008** | **15,660** | **2,759** | **90** |
| | | **17,739** | **4,021** | **107** |
| Group Continuing Operations | 30/09/2007 | 2,097 | 2,866 | 274 |
| Joint Venture Continuing Operations | 30/09/2007 | 15,833 | 4,855 | 487 |
| | | 17,930 | 7,721 | 761 |
| **OTHER BUSINESS AND CORPORATE COSTS** | **30/09/2008** | **2,589** | **34** | **(1,266)** |
| | 30/09/2007 | 132 | 14 | (1,534) |
| **GROUP** | **30/09/2008** | **282,279** | **21,009** | **1,908** |
| | 30/09/2007 | 267,850 | 23,411 | 3,650 |
| **INCOME TAX EXPENSE** | **30/09/2008** | | | **(587)** |
| | 30/09/2007 | | | (1,194) |
| **OPERATING PROFIT AFTER INCOME TAX** | **30/09/2008** | | | **1,321** |
| | 30/09/2007 | | | 2,456 |
| **PROFIT FOR THE PERIOD** | **30/09/2008** | | | **1,321** |
| | 30/09/2007 | | | 2,456 |
| **ATTRIBUTABLE TO MINORITY SHAREHOLDERS** | **30/09/2008** | | | **51** |
| | 30/09/2007 | | | 48 |
| **ATTRIBUTABLE TO EQUITY SHAREHOLDERS** | **30/09/2008** | | | **1,270** |
| | 30/09/2007 | | | 2,408 |