

NZF
GENERAL
28 May 2009

NZF Group Limited (NZF) – Audited Annual Result 2009

NZF Group Limited (NZF) achieved an audited operating profit before taxation, bad debts, loan impairment provisions and the 'mark to market' valuation adjustment for financial instruments of \$3.63 million. The audited annual after tax result taking these charges into account, was a loss of \$3.41million.

Consolidated Result for the year ended 31 March 2009

	2009 \$'000	2008 \$'000
Total gross trading income	39,568	45,578
Total net trading income	11,657	15,533
Operating expenses and staff costs	(8,024)	(9,823)
Operating profit before bad debts, loan impairment provisions, (losses)/gains on financial instruments and taxation	3,633	5,710
Bad debts written off/impairment loss on other assets	(410)	(376)
Movement in loan impairment provisions	(4,051)	218
(Losses)/gains on financial instruments	(4,006)	266
(Loss)/profit before income tax	(4,834)	5,818
Income tax expense	1,419	(1,920)
(Loss)/profit for the year	(3,415)	3,898
Attributable to:		
Minority interests	21	73
Equity holders of the Company	(3,436)	3,825

Highlights:

- NZF increased its Home Loan portfolio from \$172.6 million to \$187.6 million.
- The relationship NZF has with its bankers remains strong. Westpac extended the expiry of the funding facility to NZF to 18 October 2010 and increased the facility to \$225 million from \$200 million.
- NZF Money Limited and Finance Direct Limited both obtained approval under the Government (Crown) Deposit Guarantee Scheme for their deposits in November 2008.
- NZF increased its controlling shareholding in Finance Direct Limited from 51% to 70% on 3 December 2008.
- The launch of NZF SuperKiwi and Mike Pero Saver – the brands used to distribute the Huljich KiwiSaver Scheme (Huljich Wealth Management Limited). In the past 12 months, this has been one of the top performing KiwiSaver schemes in the New Zealand market.
- Investment in technology – a project underway with Ultradata (Australia) to replace the technology platform resulting in the ability to launch new products in the future.
- NZF had \$7.9 million of cash reserves and \$72 million of undrawn bank facilities as at 31 March 2009.

Richard Waddel, Chairman says,

“The operating conditions within the New Zealand finance market have been very challenging over the past 18 months. Over this period of time a significant number of companies operating within the non-bank sector have failed or are operating under a moratorium. The impact of the financial crisis has been far reaching and the recovery of the New Zealand economy will not be immediate. The Reserve Bank statement of 30 April 2009 indicated that “the timing and extent of the global recovery remain highly uncertain”. They expect that the adverse economic forces generated by the crisis to remain dominant throughout 2009 and that it is likely to be some time before economic activity returns to robust and healthy levels.

NZF is not a traditional finance company and it continues to position itself to take advantage of multiple income streams. It is a company built on strong credit principles and it continues to take a conservative approach to its credit approval process, including a prudent spread of investments across New Zealand. However property values locally have reduced substantially (and well below independent valuations) and this has impacted on the NZF result. NZF has therefore appropriately provisioned for impairment and bad debts within its portfolio, although these may not all be realised. The charges taken over property are ‘first mortgage’ security, hence the control of the collection process is strong”.

Richard goes on to add, “NZF continues to have strong leadership and governance together with an experienced team. The three founding directors remain with the company in active roles.”

As stated in the announcement on 19 December 2008, NZF applies a full hedging policy for all of its fixed rate exposures in its Home Loan division. This is prudent management

and it is in compliance with its banking facilities and the New Zealand equivalents to International Financial Reporting Standards (IFRS). These standards require that such financial instruments are valued by a 'mark to market' methodology. The unrealised loss on the revaluation of these financial instruments in 2009 is \$4 million and will reverse over time. The treatment of the financial instruments has no impact on cashflow.

John Callaghan goes on to explain further, "It is important to note that there is no cash impact because it is an unrealised accounting adjustment and this provision will reverse substantially over the next 12 to 18 months. We have seen significant reductions in the Official Cash Rate (OCR) in the past 12 months. We 'mark to market' all financial instruments and reducing cash rates led to further reductions in these valuations, materialising through our operating result. As the swap contracts mature, future revaluations of these financial instruments on the fixed rate mortgages will reverse to a positive impact on the operating result."

NZF distributes its products through brokers and advisers within the local market and strong relationships have been fostered over the past few years. This foundation will be built upon as NZF launches its insurance products via this distribution channel within the next 6 months.

NZF Money Limited was the first finance company to obtain the Government (Crown) Deposit Guarantee which expires in October 2010. NZF executive continue to seek clarity from the New Zealand Reserve Bank on the plans post expiry date. We understand that the Government is at present considering this issue.

Richard Waddel concludes, "Given the market conditions that NZF have been operating within, we are very satisfied with our progress over the past year. We are conscious of building a sustainable business. As such our solid team continue to focus on quality while implementing key initiatives to enable future growth."

The Directors have resolved that a dividend will not be declared for this reporting period.

Ends



Richard Waddel
Chairman

See the NZX release for more detail and
for further information please contact:

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Date released: Thursday May 28 2009