

**NZF Group Limited****20 Aug 2009****MD's address to AGM 20<sup>th</sup> August 2009**

I would also like to say welcome to all shareholders, auditors and staff. Without all of your support over the last twelve months, NZF would not be the company that it is today. It has been another tough year in the world of finance, however, I would have to say that the light at the end of the tunnel appears to have been turned on, but it is still dim.

We still have a long slow climb out of this but I believe that the climb has started, and that the company is well positioned to take advantage of opportunities that come our way.

Richard has touched on number of the areas of the results; however, I feel that I should also address a few areas that are hard to understand in the accounts.

One of the key areas that impacted on our result and equity levels last year was the total of just over \$5.2 million in negative financial instrument valuations in our accounts. To make this easier to understand, I will use an example;

12 months ago Mr & Mrs Smith took out a home mortgage with us and chose to take a 3 year fixed rate of 9.0%. Because at NZF we 100% cover our interest rate risk we take a swap contract out with our bankers to protect

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NZF, 12 months later the loan is still in place but rates have now dropped to 6.0% and Mr & Mrs Smith are still paying 9.0% and will continue to do so for the next 2 years. In simple terms Mr & Mrs Smith would have to pay a cost to break their term loan with NZF and we have all read about the costs for breaking fixed rate loans in the press lately. The \$5.2 million is the sum of all these break costs on individual loans which is the future cost to the client as at 31 March 2009 and not a NZF cost, however, IFRS requires NZF to show these costs in our accounts.

Therefore over time as fixed rates expire and or people break loans and pay those costs the \$5.2 million will reverse into NZF accounts.

This has already started to happen with over \$1 million in positive financial instrument valuations in the first 4 months of this financial year.

I hope that this example has made it easier to understand.

In NZF's desire to diversify its range of products we are proud to say that over the last 12 months the NZF group have established over 5,000 new customers by selling NZF and Mike Pero branded Huljich Kiwisaver.

We are also proud to be associated with the largest New Zealand owned non-default Kiwisaver provider in Huljich Wealth Management (New Zealand) Limited, with over 48,000 customers.

NZF is weeks away from launching its own branded house, contents and motor vehicle insurance products in the market place under written by Lloyd's of London and I am very encouraged by the feedback we have had

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on the new products from our accredited distribution channels at the recent NZMBA conference .

Thank you for your time today and I look forward to talking to you over coffee.

Last but not least I must say thank you to the board and staff for all their support over the last 12 months and I am looking forward to the year ahead.

Thank you.

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