

NZF**GENERAL****31 May 2010****NZF Group Limited (NZF) – Audited Annual Result 2010**

NZF Group Limited is pleased to announce its audited annual results for the year ended 31 March 2010.

NZF Group Limited achieved an audited profit from trading operations of \$3.436 million for the year ended 31 March 2010, representing an \$8.250 million turnaround compared to the net loss from trading operations of \$4.814 reported for the full twelve months ended 31 March 2009.

Managing Director, John Callaghan said it is pleasing to announce the profit turnaround in what has been an extremely challenging year and at a time when most others in the industry have only been able to disclose bad news.

Highlights include:

- NZF's four key operating segments all showed strong returns to profitability; the most notable of which were the Home Loans and Property Finance Divisions, which contributed \$4.345 million and \$1.021 million respectively to the audited profit from trading operations for the year.
- NZF increased its Home Loans portfolio from \$174.126 million to \$200.506 million.
- NZF reduced its Property Finance Loan portfolio from \$84.020 million to \$61.455 million, which was assisted by the repayment of a number of loans that were either past due or considered to be impaired as at 31 March 2009.
- NZF increased its Consumer Loan portfolio from \$5.137 million to \$5.951 million.
- NZF maintained its conservative approach to lending, with 95.9% of all Loans and Advances secured by way of First Mortgage security as at 31 March 2010.
- NZF reduced its Total Gross Impaired Assets from \$16.825 million to \$11.790 million without incurring any significant bad debt write offs over and above amounts assessed in the previous financial year.

- NZF reduced its Total Past Due Assets from \$25.068 million to \$12.642 million.
- NZF repaid the \$40 million Cash Advances Facility with Commonwealth Bank of Australia in full on 19 February 2010.
- NZF had \$15.346 million of cash reserves and \$31.3 million of undrawn bank facilities as at 31 March 2010.
- NZF continues to have strong working relationships with its bankers. Westpac increased the Warehouse Facility from \$200 million to \$225 million and extended the expiry date to 18 October 2010 during the height of the Global Financial Crisis.
- NZF Money Limited and Finance Direct Limited continue to comply with all Trust Deed covenants and reporting obligations and remain Approved Institutions under the current New Zealand Deposit Guarantee Scheme which expires on 12 October 2010.
- NZF SuperKiwi and Mike Pero Saver products have continued their rapid growth providing customers with a superannuation solution, while growing additional income streams for the Group. Over the last 12 months, the number of KiwiSaver customers has tripled.

Executive Director, Mark Thornton said that it was important to understand that NZF had not incurred any significant bad debt write offs during the year as a very conservative view on the possible losses from impaired loans had been taken back in March 2009. NZF has always taken a conservative approach to lending and has an experienced and stable financial management team. NZF's lending is primarily focused on First Mortgage security, which means that we are in a much better position to control the sale and recoverability of impaired assets. It is also pleasing to note that the skills and efforts of our lending team have been rewarded with further recoveries against impaired loans since 31 March 2010. At 31 May 2010, Total Gross Impaired Assets stand at \$6.806 million, against which one unconditional sale of \$3.8 million has been agreed but not yet settled.

In accordance with NZ IFRS, management performed an annual test for impairment for goodwill and its indefinite life assets as at 31 March 2010. Goodwill impairment testing indicated that the carrying amount of goodwill allocated to NZF's 50% Joint Venture Investment in MPMH Limited exceeded its estimated recoverable amount by \$6.975 million. The Directors have accordingly accounted for this impairment loss in the financial statements, which has resulted in NZF reporting a retained loss of \$4.596 million for the year attributable to equity shareholders.

Managing Director, John Callaghan said that the impairment loss principally arose due to the reassessment of short term growth rates and projections of profitability by management due to changes in MPMH's KiwiSaver sales and marketing strategy and the prolonged impact of the Global Financial Crisis on the New Zealand Housing Market affecting mortgage broking and insurance related income streams. Whilst the impairment loss was reflective of current market conditions, there was no cash impact.

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 leadership, governance and credit principles and it continues to take a conservative approach to its credit approval process, including a prudent spread of investments across New Zealand.

On 24 February 2010, Managing Director, John Callaghan advised that NZF was in the process of formulating a recapitalisation plan, including seeking new capital partners, in order to take advantage of growth opportunities that exist within RMBS in New Zealand. The Directors are pleased to report that Specialist Financial Services Consultant, Ecko Capital, is currently working with a number of interested parties.

On 26 May 2010, NZF announced the launch of its first \$100 million Residential Mortgage Backed Securities (RMBS) issue, the NZF Mortgages Series 2010-1 RMBS, which is the first RMBS issue in New Zealand since late 2007. Managing Director, John Callaghan said that the RMBS issue had already received strong interest, underlining our commitment to quality lending, and was expected to be fully subscribed. The RMBS issue would provide NZF's Home Loans Division with an additional funding line, which would enable it to continue the significant growth it has already achieved to date.

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

ENDS

A handwritten signature in black ink, appearing to be 'J Callaghan', with a stylized flourish at the end.

John Callaghan
Managing Director

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

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Date released: Monday, 31 May 2010