

**NZF**

## **MARKET INFORMATION**

**30 November 2010**

### **NZF Group Limited (NZF) Announces Interim Result**

#### **Interim Report**

#### **For the six month period ended 30 September 2010**

NZF Group Limited is pleased to announce its interim results for the six month period ended 30 September 2010, which show an unaudited net operating loss before tax of \$1.157 million compared to an unaudited net operating profit before tax of \$2.877 million for the six month period ended 30 September 2009 and an audited profit from trading operations before tax of \$3.436 million for the year ended 31 March 2010.

While early signs of recovery are developing, market conditions within the Financial Services sector have been extremely difficult for a number of years, as a result of the far reaching impacts of the Global Financial Crisis and the negative media surrounding a number of large high profile Finance Company failures.

Although the introduction of the Crown Retail Deposit Guarantee Scheme (RDGS) on 12 October 2008 achieved its objective of stabilising the market, it also had the adverse effect of attracting large numbers of investors only seeking a higher return with a Government guarantee, who had no intention of remaining long term investors.

The expiry of the RDGS on 12 October 2010 put unnatural pressure on cash flows nearing the expiry of the guarantee, which is highlighted by the reduction in the Group's secured debenture stock funding from \$63.664 million as at 30 September 2009 to \$32.093 million as at 30 September 2010.

Due to the pressure placed on cash flows nearing the expiry of the RDGS, the Group's sole focus became that of increasing liquidity in order to fund maturing secured debenture stock for those investors that relied solely on the RDGS mentioned above. This included careful management of our Property Finance and Consumer Finance lending books, where in some cases, mortgagee sales prices achieved were less than previously expected due to a slump in property sales and the need to accelerate these to ensure liquidity was maintained. However, as NZF has always taken a conservative approach to lending and is focussed on First Mortgage residential lending opportunities, we are in a much better position to control the sale and recoverability of impaired assets. We are therefore pleased to report that total bad debts net of loan impairment allowance movements were only \$1.684 million for the six month period ended 30 September 2010.

When the above factors are taken into account, we consider that the unaudited net operating loss before tax of \$1.157 million for the six month period ended 30 September 2010 is a very credible result, especially when compared with that of our peers.

On 12 October 2010, we were pleased to advise that NZF Money Limited (our wholly owned subsidiary) and Finance Direct Limited (70% owned subsidiary) both successfully exited the RDGS. Whilst market conditions are difficult, they are showing signs of improvement. We are therefore fortunate to have a highly skilled and experienced financial management team that have been rewarded with this achievement, during what can only be described as an extremely stressful period. We are also very appreciative for the support of our loyal longstanding investors who have remained with NZF before, during and beyond the RDGS.

During the six month period ended 30 September 2010, NZF increased its Home Loans portfolio from \$200.506 million to \$205.863 million and completed the launch of its first \$100 million Residential Mortgage Backed Securities (RMBS) issue, the NZF Mortgages Series 2010-1 RMBS, which was the first RMBS issue in New Zealand since late 2007.

The RMBS transaction was built around strong reverse enquiry from a small group of Institutional Investors and settled on 15 June 2010. Following its launch, the RMBS transaction has received significant interest from other Institutional Investors, with this type of investment clearly offering NZF significant growth opportunities.

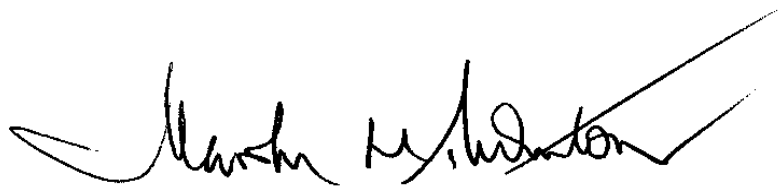
On 29 July 2010, we were pleased to announce that NZF had accepted an offer from Westpac to renew the current Warehouse Facility of \$225 million until 18 October 2011 on similar terms and conditions. We have also previously advised that NZF was in the process of formulating a recapitalisation plan, including seeking new capital partners, in order to take advantage of growth opportunities that exist within the RMBS market in New Zealand. We expect to make a further announcement regarding this shortly.

Due to continuing health issues, John Callaghan has decided to step down from his day to day Managing Director role and focus on his family and personal life, which is a decision the Board fully supports. John Callaghan was the founding Managing Director responsible for the formation of NZF in 1997 and its very successful progress to date. The Board is pleased to advise that John Callaghan is to remain on the NZF Board in a Non-Executive Director capacity.

As a result of John Callaghan's decision to step down, the Board has carried out a review of the strengths of the current Executive Team and have made some minor changes to NZF's internal organisation structure. Mark Thornton, one of the three founding Directors of NZF, has been appointed as the Chief Executive Officer, who will be assisted by Malcolm Lindeque, who will move from his current role as Chief Financial Officer to Chief Operating Officer. David Watton, who is currently the Group Financial Controller and has been with NZF since March 2008, has been appointed as Acting Chief Financial Officer.

The Directors have resolved that a dividend will not be declared for this reporting period as it is considered more prudent to retain cash in the current market conditions.

**ENDS**

A handwritten signature in black ink, appearing to read 'Mark Thornton', with a large, sweeping flourish extending upwards and to the right.

**Mark Thornton**  
**Chief Executive Officer**

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

Mark Thornton, Chief Executive Officer

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Date released: Tuesday, 30 November 2010