

NZF
GENERAL
19 December 2008

(NZF) NZF Group Limited - Continuous Disclosure

NZF Group applies a full hedging policy for all of its fixed interest rate exposures in its Home Loan division, in compliance with banking facilities. It also complies with New Zealand equivalents to International Financial Reporting Standards (NZIFRS), which requires that such financial instruments are valued by a “mark to market” methodology.

In recent months, the New Zealand Reserve Bank has significantly reduced the Official Cash Rate, with predictions of further cuts in January and March 2009.

Applying the “mark to market” valuations of the hedging financial instruments in accordance with NZIFRS means a material unrealised loss on those instruments must be and will be taken to account for the year ending 31 March 2009, notwithstanding that about 50% of the loss will reverse during the 2009/10 financial year with the remaining 50% of the loss reversing during future financial years. It should be noted that these accounting losses and subsequent reversals have no cash flow impact, resulting from the prudent strategy of being perfectly hedged on all fixed rate mortgage lending.

The extent of the unrealised write down required for the full financial year ending 31 March 2009 is difficult to estimate and of course could be materially impacted by future unexpected movements in the interest rate market and it is therefore likely that the NZF Group result for the year ending 31 March 2009 will show a loss.

The NZF Board of Directors reconfirms continuing compliance with NZSX Listing Rule 10.1.1 Continuous Disclosure of Material Information.



Malcolm Lindeque
For and on behalf of the board of directors
Company Secretary
NZF Group Limited