

A: (NZF) : NZF Group Limited

Results for announcement to the market	
Reporting Period	12 months to 31 March 2011
Previous Reporting Period	12 months to 31 March 2010

	Amount (000s)	Percentage change
Revenue from continuing ordinary activities	\$26,031	-15.7%
Loss from continuing activities after tax attributable to security holders	-\$3,813	18.5%
Loss from discontinued activities after tax attributable to security holders	-\$954	
Net loss attributable to security holders	-\$4,767	-3.7%

	Amount per security	Imputed amount per security
Final Dividend		
No final dividend has been declared for this reporting period.	\$0.0000	\$0.00000
NZF has no dividend reinvestment plan currently in operation.		

Record Date	N/A
Dividend Payment Date	N/A

Comments:

The Directors of NZF Group Limited today report an audited net operating loss of \$4.767 million for the year ended 31 March 2011, which compares with a net operating loss of \$4.596 million incurred in the previous financial year.

In what can only be described as another extremely difficult and challenging year for the Financial Services sector in New Zealand, NZF's results have continued to be adversely affected by:

- The far reaching impacts of the Global Financial Crisis;
- A depressed local property market and slow economic recovery in New Zealand;
- The expiry of the Crown Retail Deposit Guarantee Scheme (RDGS) on 12 October 2010; and
- Negative media surrounding a number of large high profile Finance Company failures.

Whilst total revenues earned by NZF's Financial Services Distribution Division fell by approximately 17% on the previous financial year, the most significant impact on NZF's results for the year were in its Property Finance and Consumer Finance Divisions. However, this result was moderated by NZF's Home Loans Division, which had another very successful year of operation and recorded a net operating profit before tax of \$2.511 million.

Property Finance Division

NZF's Property Finance Division incurred a net operating loss before tax of \$5.423 million for the year ended 31 March 2011, which is stated net of loan impairment allowance movements and bad debt costs of \$5.105 million. This compared to a net operating profit before tax of \$0.943 million achieved in the previous financial year.

As previously reported, the expiry of the RDGS on 12 October 2010 put unnatural pressures on cash flows nearing the expiry of the guarantee. This is highlighted by the reduction in the Group's secured debenture stock funding from \$63.794 million as at 31 March 2010 to \$20.876 million as at 31 March

2011.

Due to the pressures placed on cash flows nearing the expiry of the RDGS, the Group's sole focus became that of increasing liquidity in order to fund approximately \$42.918 million of maturing secured debenture stock for those investors that relied solely on the RDGS. This included careful management of our Property Finance loan book where in some cases, mortgagee sales prices achieved were less than previously expected due to a slump in property sales.

Whilst market conditions remain difficult, we are pleased to report that reinvestment rates (currently in excess of 50%) and new investment rates for secured debenture stock funding have shown significant improvement following the expiry of the RDGS. The local property market is also showing signs of improvement, with a clear need for established providers of non-bank finance.

Consumer Finance Division

NZF's Consumer Finance Division, which comprised NZF's 70% shareholding in Finance Direct Limited, incurred a net operating loss after tax of \$1.067 million for the year ended 31 March 2011, compared to a net operating profit after tax of \$0.117 million achieved in the previous financial year.

The net operating loss after tax incurred in the current financial year included a loss on the sale of NZF's 70% shareholding in Finance Direct Limited to the existing minority shareholder on 30 March 2011, following a decision being made by the Board that Consumer Finance was not considered core to NZF's operations going forward.

Home Loans Division

NZF's Home Loans Division has had another very successful year of operation and recorded a net operating profit before tax of \$2.511 million.

During the year ended 31 March 2011, NZF's Home Loans portfolio decreased slightly from \$200.506 million to \$196.935 million and completed the launch of its first \$100 million Residential Mortgage Backed Securities (RMBS) issue, which was the first RMBS issue in New Zealand since late 2007.

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.

B: NZF Group Limited **Audited result for the year ended 31 March 2011**

Audited **full year** report on consolidated results (including the results for the previous corresponding full year) in accordance with Listing Rule 10.4.2.

This report has been prepared in a manner which complies with generally accepted accounting practice and gives a true and fair view of the matters to which the report relates and is based on audited financial statements.

The accounting policies used in the preparation of these financial statements are consistent with those used in the interim financial statements for the six months ended 30 September 2010 and in the audited financial statements for the year ended 31 March 2010.

The Listed Issuer has a formally constituted Audit & Risk Committee of the Board of Directors.

C: Consolidated Income Statement

	Mar-11 \$NZ '000	Up / Down %	Mar-10 \$NZ '000
Interest income	20,294		23,580
Interest expense	(16,773)		(19,650)
Net interest income	3,521	-10.4%	3,930
Fee and commission income	5,596		7,102
Fee and commission expense	(3,709)		(4,456)
Net fee and commission income	1,887	-28.7%	2,646
Franchise sales, rent receivable and other income	141		205
Total net operating income	5,549	-18.2%	6,781
Gains on interest rate swap contracts	723		2,269
Operating expenses and staff costs	(5,530)	-7.7%	(5,992)
Operating profit before impairment losses	742	-75.7%	3,058
Movement in loan impairment allowances and bad debts written off	(5,795)		210
Impairment loss on intangible assets	0		(6,975)
Loss before income tax	(5,053)	-36.3%	(3,707)
Income tax benefit/(expense)	1,240		(971)
Loss from continuing operations	(3,813)	18.5%	(4,678)
(Loss)/profit from discontinued operations (after tax)	(1,067)		117
Loss for the year	(4,880)	-7.0%	(4,561)
Loss/(profit) attributable to non-controlling interests	113		(35)
Loss attributable to equity holders of the Company	(4,767)	-3.7%	(4,596)
	No.		No.
Total number of shares in issue	109,957,622		76,666,668
Weighted average number of shares in issue	78,217,206		76,666,668
	Cents		Cents
Earnings Per Share:			
Basic	(6.09)		(5.99)
Diluted	(6.09)		(5.99)

D: Consolidated Statement of Financial Position

	Mar-11 \$NZ '000	Up / Down %	Mar-10 \$NZ '000
Assets			
Cash and cash equivalents	5,656		15,346
Derivative assets held for risk management	0		47
Loans and advances to customers	227,096		264,989
Trade and other receivables	1,201		1,400
Current tax assets	100		362
Property, plant and equipment	313		531
Deferred tax asset	2,193		1,005
Other assets	2,137		2,368
Total tangible assets	238,696	-16.6%	286,048
Intangible assets	9,983		10,565
Total assets	248,679	-16.2%	296,613
Liabilities			
Trade and other payables	1,809		2,265
Derivative liabilities held for risk management	1,468		1,552
Term loans	111,493		194,350
Secured notes	84,618		0
Secured debenture stock	20,876		63,794
Unsecured capital notes	18,019		20,050
Other liabilities	136		396
Total liabilities	238,419	-15.6%	282,407
Net assets	10,260	-27.8%	14,206
Equity			
Share capital	9,525		7,503
Retained earnings	1,943		6,710
Hedge accounting reserve	(1,211)		(525)
Total equity attributable to equity holders of the Company	10,257		13,688
Non-controlling interests	3		518
Total equity	10,260	-27.8%	14,206
	Cents		Cents
Net tangible assets per share	0.25		4.75

E: Statement of Changes in Equity

	Mar-11 \$NZ '000	Up / Down %	Mar-10 \$NZ '000
Loss for the year	(4,880)		(4,561)
Increase in issued share capital	2,022		0
Hedge accounting reserve movement	(686)		713
Distributions to owners	0		0
Non-controlling interests movement	(402)		(32)
Movements in equity for the year	(3,946)		(3,880)
Equity at start of the year	14,206		18,086
Equity at end of the year	10,260	-27.8%	14,206

F: Consolidated Statement of Cash Flows

	Mar-11 \$NZ '000	Up / Down %	Mar-10 \$NZ '000
Loss for the year	(4,880)		(4,561)
Add/(Less):			
Depreciation of property, plant and equipment	184		218
Loss on sale of property, plant and equipment	21		30
Increase/(decrease) in collective and specific loan allowances	1,865		(1,648)
Bad debts written off	3,896		650
Impairment loss on investments and intangible assets	690		6,975
Net decrease/(increase) in loans and advances to customers	29,230		(5,279)
Net increase in derivative assets and liabilities held for risk management	(723)		(2,553)
Decrease in accounts receivable and other assets	388		225
Decrease in accounts payable and other liabilities	(407)		(209)
Decrease in current tax assets	260		172
(Increase)/decrease in deferred tax asset	(1,393)		949
Net cash flow from operating activities	29,131	679.0%	(5,031)
Net cash flow from investing activities	(202)		(53)
Net cash flow from financing activities	(38,619)		12,534
Net (decrease)/increase in cash held	(9,690)		7,450
Opening bank balance	15,346	94.4%	7,896
Closing bank balance	5,656	-63.1%	15,346
Made up as follows:			
Cash and cash equivalents	5,656	-63.1%	15,346

G: Material Acquisition of Subsidiaries

N/A

H: Material Disposal of Subsidiaries

(a) Name of subsidiary	Finance Direct Limited
(b) Date of loss of control	30/03/2011
(c) Contribution to consolidated loss for the period	(1,067,000)
(d) Date from which such contribution has been calculated	1/04/2010
(e) Contribution to consolidated loss for the previous corresponding period	117,000
(f) Date from which such contribution has been calculated	1/04/2009

I: Material Investment in Joint Venture

(a) Name of joint venture	MPMH Limited
(b) Percentage of ownership acquired	50%
(c) Contribution to consolidated loss for the period	(3,992)
(d) Date from which such contribution has been calculated	1/04/2010
(e) Contribution to consolidated loss for the previous corresponding period	(6,852,341)
(f) Date from which such contribution has been calculated	1/04/2009

J: Issued and Quoted Securities at End of Current Period

Category of Securities Issued	Number	Quoted
ORDINARY SHARES:		
Total number of shares in issue	109,957,622	109,957,622
Issued during the current year	33,290,954	33,290,954

K: Comments by Directors

If no report in any section, state NIL. If insufficient space below, provide details in the form of notes to be attached to this report.

- (a) Material factors affecting the revenues and expenses of the group for the current full year or half year

Refer to Commentary in Section A.

- (b) Significant trends or events since the end of the current full year or half year

Refer to Commentary in Section A.

- (c) Changes in accounting policies since last Annual Report and/or last Half Yearly to be disclosed

None.

- (d) Critical Accounting Policies - Management believes the following to be critical accounting policies. That is they are both important to the portrayal of the Issuer's financial condition and results, as they require management to make judgments and estimates about matters that they are inherently uncertain

Impairment losses on loans and advances

An impairment allowance is established if there is objective evidence that a loan is impaired. A loan is considered impaired when management determines that it is probable that all amounts due according to the original contractual terms will not be collected. When a loan has been identified as impaired, the carrying amount of the loan is decreased by recording specific allowances for the loss to reduce the loan to its estimated recoverable amount, which is the present value of expected future cash flows including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loan.

There are two methods in assessing loans for impairment as follows:

Specific loan assessment

At each reporting date the Group reviews individually significant loans for evidence of impairment. All relevant information, including the economic situation, solvency of the customer/guarantor, enforceability of guarantees, current security values and the time value of future cash flows are taken into account in determining individual allowances.

Collective assessment

At each reporting date loans that have been individually assessed but no objective evidence of impairment existed and loans that are not considered individually significant are pooled in similar credit risk groups. These groups are then assessed for impairment based on historical loss experience of assets with similar risk characteristics. The historical loss experience is then adjusted for the impact of current observable data.


Management regularly reviews and adjusts the methodology and assumptions for impairment testing as improved analysis becomes available to minimise any differences between loss estimates and actual loss experience.

Impairment of goodwill and intangibles with indefinite useful lives

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units, using value in use discounted cash flow methodology, to which the goodwill and intangibles with indefinite useful lives are allocated.

- (e) Management's discussion and analysis of financial condition, result and/or operations (optional) - this section should contain forward looking statements that should outline where these involve risk and uncertainty

Refer to Commentary in Section A.



30 May 2011

(signed by) Authorised Officer of Listed Issuer

(date)

SEGMENT INFORMATION		TOTAL	TOTAL	RESULT FOR
YEAR ENDED 31 MARCH 2011		ASSETS	REVENUE	THE YEAR
		\$'000	\$'000	\$'000
GROUP CONTINUING OPERATIONS:				
Property Finance Division	31/03/2011	34,326	5,425	(5,423)
Home Loans Division	31/03/2011	204,256	15,535	2,511
Financial Services Distribution	31/03/2011	10,049	5,023	187
Management & Holding Activities	31/03/2011	48	48	(2,328)
		<u>248,679</u>	<u>26,031</u>	<u>(5,053)</u>
GROUP CONTINUING OPERATIONS:				
Property Finance Division	31/03/2010	73,429	9,452	943
Home Loans Division	31/03/2010	202,885	15,355	4,150
Financial Services Distribution	31/03/2010	10,156	6,032	(6,554)
Management & Holding Activities	31/03/2010	1,838	48	(2,246)
		<u>288,308</u>	<u>30,887</u>	<u>(3,707)</u>
INCOME TAX BENEFIT/(EXPENSE)	31/03/2011			1,240
	31/03/2010			(971)
LOSS AFTER INCOME TAX	31/03/2011			(3,813)
	31/03/2010			(4,678)
GROUP DISCONTINUED OPERATIONS:				
Consumer Finance Division	31/03/2011	-	1,274	(1,067)
	31/03/2010	<u>8,305</u>	<u>2,111</u>	<u>117</u>
LOSS FOR THE YEAR	31/03/2011			(4,880)
	31/03/2010			(4,561)
ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	31/03/2011			(113)
	31/03/2010			35
ATTRIBUTABLE TO EQUITY SHAREHOLDERS	31/03/2011			(4,767)
	31/03/2010			(4,596)