NEWHORIZONS

ANNUAL REPORT 2011

WHEN YOUR VISION IS CLEAR, YOUR DECISIONS ARE EASY. *Walt Disney*

CONTENTS

A CHANGING LANDSCAPE

CEO'S REPORT MARK THORNTON

"WE ARE PLEASED TO ADVISE THAT ON 10 JUNE 2011, NZF ACCEPTED A TERM SHEET WITH A STAGED PERIOD OF EXCLUSIVITY WITH AN AUSTRALIAN PRIVATE COMPANY TO COMPLETE THE FINAL STAGES OF MUTUAL DUE DILIGENCE FOLLOWING WHICH IT IS EXPECTED THAT A JOINT VENTURE WILL EMERGE FOCUSED ON THE GROUP'S HOME LENDING ACTIVITIES."

The Board of NZF Group Limited 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. We are also pleased to advise that the $225,000,000 Warehouse Facility provided by Westpac has also been renegotiated and extended to 18 October 2012.

Looking forward, we are also pleased to advise that on 10 June 2011, NZF accepted a term sheet with a staged period of exclusivity with an Australian private company to complete the final stages of mutual due diligence following which it is expected that a joint venture will emerge focused on the Group's home lending activities.

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.

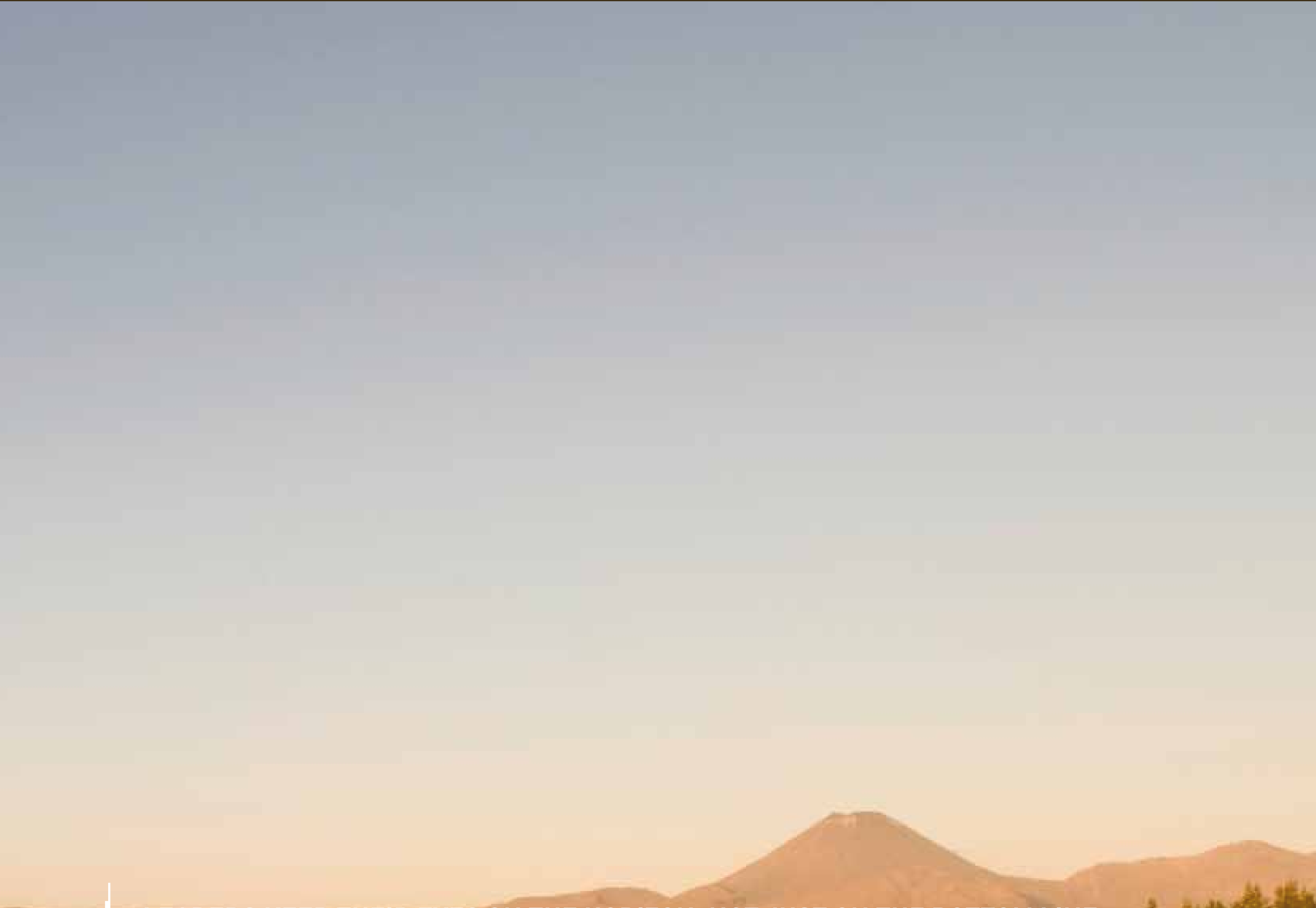
As previously reported, the expiry of the RDGS on 12 October 2010 put unnatural pressures on cash flows nearing the expiry of the guarantee. This is highlighted by the reduction in the Group's secured debenture stock funding from $63.794 million as at 31 March 2010 to $20.876 million as at 31 March 2011.

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.



LEADERS KEEP THEIR EYES ON THE HORIZON, NOT JUST ON THE BOTTOM LINE. *Warren G. Bennis*

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.

On the 3rd of June 2011 the $225,000,000 Warehouse Facility between Westpac Banking Corporation, NZF Mortgages Warehouse A Trust, NZF Homeloans Limited and NZF Group Limited, was renegotiated and extended the maturity date of the facility to 18 October 2012.

On 10 June 2011, NZF Group Limited entered into exclusive due diligence with an Australian private company over a staged period. It is expected that the party will support the home loan activities. The Australian partner which will have a majority stake in NZF's home loan division and is vastly experienced in the Australian RMBS market and will add significantly to the current operations of this division.

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.

NEW DIRECTIONS

DIRECTORS' REPORT

The Directors of NZF Group Limited resolved to submit the following report with respect to the financial position of the Company and Group as at 31 March 2011 and its financial performance and cash flows for the year ended on that date.

Directors

The names of the Directors of the Company in office at the date of this report are:

Craig Irving Alexander
Chairman and Independent Director

Mark Hume Thornton
Executive Director

John Francis Henderson
Independent Director

Pat Redpath O'Connor
Non-Executive Director

In accordance with the Company's Constitution, Mark Hume Thornton and Pat Redpath O'Connor will retire, and, being eligible, offer themselves for re-election.

Nature of Business

The business of the Company and Group has continued to be the provision of a broad range of financial products and services during the year under review.

Consolidated Result For The Year

	2011 $'000	2010 $'000
Total gross operating income from continuing operations	**26,031**	30,887
Total net operating income	**5,549**	6,833
Movement in loan impairment allowances and bad debts written off	**(5,795)**	158
Gains/(losses) on financial instruments at fair value	**723**	2,269
Operating expenses and staff costs	**(5,530)**	(5,992)
Operating profit/(loss) before impairment loss on intangible assets	**(5,053)**	3,268
Impairment loss on intangible assets	**-**	(6,975)
Loss before income tax	**(5,053)**	(3,707)
Income tax (expense)/benefit	**1,240**	(971)
Loss from continuing operations	**(3,813)**	(4,678)
(Loss)/profit from discontinued operations (after tax)	**(1,067)**	117
Total comprehensive income for the year	**(4,880)**	(4,561)
Attributable to:		
Non controlling interest	**(113)**	35
Equity holders of the Company	**(4,767)**	(4,596)

Remuneration of Directors

During the year the following remuneration was paid or payable to Directors:

	2011 $'000	2010 $'000
COMPANY		
NZF Group Limited		
Pat Redpath O'Connor	**27**	27
Mark Hume Thornton	**-**	-
Jeffrey Albert Barkwill (Resigned 22 September 2010)	**17**	33
Richard Alan Waddel (Resigned 31 December 2010)	**43**	45
John Alan Callaghan (Resigned 15 March 2011)	**2**	-
Peter Karl Christopher Huljich (Resigned 12 April 2011)	**30**	33
SUBSIDIARIES		
NZF Money Limited		
Pat Redpath O'Connor	**-**	-
Mark Hume Thornton	**184**	180
Craig Irving Alexander (Appointed 29 October 2010)	**30**	-
John Francis Henderson (Appointed 31 December 2010)	**4**	-
Jeffrey Albert Barkwill (Resigned 13 September 2010)	**-**	-
Richard Alan Waddel (Resigned 31 December 2010)	**-**	-
John Alan Callaghan (Resigned 15 March 2011)	**196**	225
Peter Karl Christopher Huljich (Resigned 12 April 2011)	**-**	-
NZF Homeloans Limited		
Mark Hume Thornton	**-**	-
John Alan Callaghan (Resigned 15 March 2011)	**-**	-
NZF Securitisation Limited		
Mark Hume Thornton	**-**	-
John Alan Callaghan (Resigned 15 March 2011)	**-**	-
NZF Mortgages Limited		
Mark Hume Thornton	**-**	-
John Alan Callaghan (Resigned 15 March 2011)	**-**	-
New Zealand Mortgage Finance Limited		
Mark Hume Thornton (Appointed 15 March 2011)	**-**	-
John Alan Callaghan (Resigned 15 March 2011)	**-**	-
Approved Mortgage Brokers Limited		
Mark Hume Thornton (Appointed 15 March 2011)	**-**	-
John Alan Callaghan (Resigned 15 March 2011)	**-**	-
Finance Direct Limited (Sold 30 March 2011)		
Wayne Darrin Croad	**134**	145
Richard Alan Waddel (Resigned 17 September 2010)	**3**	9
Craig Irving Alexander (Appointed 23 July 2010)	**23**	-
John Francis Henderson (Appointed 31 December 2010)	**3**	-
Peter Karl Christopher Huljich	**-**	-
Mark Hume Thornton (Appointed 30 November 2010)	**-**	-
John Alan Callaghan (Resigned 31 December 2010)	**-**	-
	696	697

Employees

The number of employees, other than Directors, within the Company and Group receiving remuneration and benefits above $100,000, as is required to be disclosed in accordance with Section 211(g) of the Companies Act 1993, is indicated in the following table:

	2011 Number	2010 Number
NZF Money Limited		
$100,000 - $109,999	**-**	1
$110,000 - $119,999	**1**	1
$120,000 - $129,999	**-**	1
$130,000 - $139,999	**-**	1
$140,000 - $149,999	**2**	1
$150,000 - $159,999	**1**	1
$160,000 - $169,999	**-**	-
$170,000 - $179,999	**-**	-
$180,000 - $189,999	**1**	-

Directors' Shareholdings

Director	Holder	Number Of Shares
John Alan Callaghan (Resigned 15 March 2011)	Bluewater Corporation Limited	17,951,218
Pat Redpath O'Connor	Hillview Trust	16,910,002
Mark Hume Thornton	Colsam Trust	9,095,514
Peter Karl Christopher Huljich	Best Investments Limited	5,768,622
Peter Karl Christopher Huljich	E A Huljich Family Trust	1,122,859
Peter Karl Christopher Huljich	Peter Karl Christopher Huljich	1,007,667
Richard Alan Waddel (Resigned 31 December 2010)	Richard Waddel Investments Limited	36,000
Jeffrey Albert Barkwill (Resigned 22 September 2010)	Jeffrey Albert Barkwill	26,000

Interested Transactions

The Directors have disclosed the following transactions with the Company and Group:

Interested Transactions
Peter Karl Christopher Huljich is a beneficial shareholder in Huljich Wealth Management (New Zealand) Limited. NZF Group Limited and Mike Pero Mortgages Limited distribute the Huljich KiwiSaver Scheme using the NZF SuperKiwi and Mike Pero Saver brands. Huljich Wealth Management (New Zealand) Limited is the Funds Management provider and pays upfront and trail commission to NZF Group Limited and Mike Pero Mortgages Limited, of which $110,000 was received during the year ended 31 March 2011 (2010: $272,000).

Pat Redpath O'Connor had $1,800,000 invested in secured debenture stock issued by NZF Money Limited during the year ended 31 March 2011 (2010: $1,800,000) on which interest of $121,205 (2010: $98,946) was paid. At 31 March 2011, $1,400,000 (2010: $1,800,000) of secured debenture stock was held by Pat Redpath O'Connor in NZF Money Limited.

Pat Redpath O'Connor provided NZF Money Limited with a term funding facility of $2,300,000 during the year ended 31 March 2011 (2010: $nil) on which interest of $82,783 (2010: $nil) was paid. At 31 March 2011, $2,300,000 was owed to Pat Redpath O'Connor by NZF Money Limited.

There were no other transactions during the year with interested or related parties.

Interested Transactions (Continued)

Directors' Remuneration
Remuneration details of Directors are provided above.

Indemnification and Insurance of Officers and Directors
The Company indemnifies Directors and Executive Officers of the Group against all liabilities which arise out of the performance of their normal duties as Directors or Executive Officers, unless the liability relates to conduct involving lack of good faith. To manage this risk, the Group has indemnity insurance. The total cost of this insurance expensed during the financial year was $129,967 (2010: $33,775).

Share Transactions
No Directors acquired or disposed of any Ordinary Shares in the Company during the year.

Directors' Loans
There were no loans made by the Company or Group to Directors.
The Board received no notices during the year from Directors requesting to use Company information received in their capacity as Directors which would not otherwise have been available to them.

Auditors
During the year the Group paid fees of $237,000 (2010: $312,000) for audit related services to the auditors, Grant Thornton. In accordance with Section 200 of the Companies Act 1993, the auditors, Grant Thornton, continue in office.

Donations
There were no donations paid during the year (2010: $nil).

Directors' Declaration
In the opinion of the Directors of NZF Group Limited, the financial statements and notes, on pages 19 to 80:

- Comply with New Zealand Generally Accepted Accounting Practice and give a true and fair view of the financial position of the Company and Group as at 31 March 2011 and the results of their operations and cash flows for the year ended on that date.

- Have been prepared using appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates.

The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and the Group and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

The Directors consider that they have taken adequate steps to safeguard the assets of the Company and the Group, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide reasonable assurance as to the integrity and reliability of the financial statements.

The Directors are pleased to present the financial statements of NZF Group Limited for the year ended 31 March 2011.

For and on behalf of the Board of Directors who approved this annual report for issue on 24 June 2011.

Mark Hume Thornton
Executive Director /Chief Executive Officer

Pat Redpath O'Connor
Non-Executive Director

Shareholder Information
for the year ended 31 March 2011

Shareholders
As at 31 March 2011 there were 435 shareholders.

Share Issues
33,290,954 ordinary shares were issued on 15 March 2011 to capital note holders that elected to receive ordinary shares on the maturity date of the capital note issue.

Shareholder Details
The ordinary shares of NZF Group Limited are listed on the NZX.

The information in the disclosures below has been taken from the Company's registers as at 31 March 2011:

20 Largest Shareholders

Name	Fully Paid Number	Ordinary Shares %
Bluewater Corporation Limited	17,951,218	16.33%
Robert Norman Burnes, Pat Redpath O'Connor & Kay O'Connor for Hillview Trust	16,910,002	15.38%
Lynton Ross Campbell, Dennis Michael Graham & Mark Hume Thornton for Colsam Trust	9,095,514	8.27%
Barbara Charlotte Thornton & SW Trust Services Limited	7,834,488	7.13%
Best Investments Limited	5,768,622	5.25%
FNZ Custodians Limited	4,277,392	3.89%
W Custodians Limited	4,098,360	3.73%
David Burton Gibson	3,168,934	2.88%
New Zealand Central Securities	2,401,577	2.18%
Walter Mick George Yovich & Jeanette Julia Yovich	2,216,934	2.02%
Ted Burak	1,890,000	1.72%
Kim Nigel Lyons, Fiona Patricia Lyons & Christopher John Davis	1,667,917	1.52%
Christopher Peter Huljich & Colin Gordon Powell	1,122,859	1.02%
Peter Karl Christopher Huljich	1,007,667	0.92%
Ian Leonard Hobbs	983,606	0.89%
Macleay Investments Limited	910,492	0.83%
John Albert Galt	819,672	0.75%
John Michael Torney Greene	819,672	0.75%
Margaret Dorothea Greene	819,672	0.75%
Small Family Holdings Limited	819,672	0.75%
Total	**84,584,270**	**76.96%**

Shareholder Information (Continued)

for the year ended 31 March 2011

Distribution of Equity Securities

Size of Holdings As at 31 March 2011	Shareholders Number	Shareholders %	Fully Paid Ordinary Shares Number	Fully Paid Ordinary Shares %
1 – 9,999	189	43.45	712,569	0.65
10,000 – 49,999	133	30.57	2,419,154	2.20
50,000 – 99,999	27	6.21	1,844,391	1.68
100,000 – 199,999	27	6.21	3,875,878	3.52
200,000 – 499,999	29	6.67	9,858,427	8.97
500,000 – 999,999	16	3.68	11,835,719	10.76
Over 1,000,000	14	3.21	79,411,484	72.22
Total	**435**	**100.00%**	**109,957,622**	**100.00%**

Substantial Security Holders

Pursuant to Section 26 of the Securities Markets Act 1988, details of substantial security holders and their total relevant interests as per their most recent notices are:

Name	Number Of Shares	Record Date	Date of Notice
Bluewater Corporation Limited	17,951,218	27 December 2006	27 December 2006
Robert Norman Burnes, Pat Redpath O'Connor & Kay O'Connor for Hillview Trust	16,910,002	6 October 2004	6 October 2004
Lynton Ross Campbell, Dennis Michael Graham & Mark Hume Thornton for Colsam Trust	9,095,514	23 June 2006	23 June 2006
Barbara Charlotte Thornton & SW Trust Services Limited	7,834,488	4 August 2006	4 August 2006
Best Investments Limited	5,768,622	14 August 2007	14 August 2007
Best Investments Limited	5,768,622	15 March 2011	5 April 2011
Peter Karl Christopher Huljich	1,007,667	15 March 2011	5 April 2011
Robert Norman Burnes, Pat Redpath O'Connor & Kay O'Connor for Hillview Trust	16,910,002	15 March 2011	6 April 2011

Shareholder Enquiries

Shareholders should send changes of address to Link Market Services Limited at the address noted in the Company Directory on page 81. Notification must be in writing. Questions relating to shareholdings should also be addressed to Link Market Services Limited. For information about the Group please contact the Company at the Registered Office by sending an e-mail to info@nzf.co.nz or visit the website www.nzf.co.nz.

Announcement and Reporting to Shareholders

The Company has established an e-mail list of Shareholders that want to receive announcements and reports made by NZF Group Limited to the NZX. Announcements and reports are e-mailed to Shareholders who wish to receive them shortly after they are released. This will include the Annual Meeting addresses, Annual Reports and Interim Reports. If you want to be added to this listing please e-mail registry@nzf.co.nz and advise us of your preferred e-mail address. Your e-mail details will be kept confidential.

Announcements are also posted on our website www.nzf.co.nz normally a day after they are released.

SOUND GOVERNANCE

CORPORATE GOVERNANCE

The Board of NZF Group Limited is committed to acting with integrity and expects high standards of behaviour and accountability from all its officers and staff. The Board recognises the need to continue to enhance its Governance Standards in line with developing best practice. In so doing, the Board has considered standards, guidelines and principles published by a range of interested parties in New Zealand and Internationally. The Governance Principles adopted by the Board are designed to meet best practice. Generally NZF Group Limited follows the NZX Corporate Governance Best Practice Code, except that there is no Nominations Committee. The Board has reviewed those Rules, Principles and Guidelines and is taking progressive steps to improve the Governance Systems and Processes by reference to them.

Role of the Board
The Board's primary objective is the enhancement of Shareholder value by following appropriate strategies and ensuring effective and innovative use of available Group resources. The Board is responsible for the management, supervision and direction of the Group. Day-to-day management of the Group is delegated to the Group Chief Executive Officer.

Board Meetings
The Board normally meets eleven times each year for scheduled meetings. Additional meetings are held where specific matters require attention between scheduled meetings.

Board meetings are used to monitor, challenge, develop and fully understand business and operational issues.

Composition of the Board
The Constitution provides that there will be no less than three and not more than nine Directors. NZX requirements are that at least two Directors, or one-third, are Independent Directors. The Board currently consists of two Independent Directors including the Chairman.

Criteria for Board Membership
When a vacancy arises, the Board will identify candidates with a mix of capabilities and perspectives considered necessary for the Board to carry out its responsibilities effectively. A Director appointed by the Board must stand for election at the next Annual Meeting. At each Annual Meeting one-third of Directors (excluding the Chief Executive Officer) must retire by rotation. Retiring Directors are eligible for re-election.

Board Committees
The Board has established an Audit & Risk Committee and a Remuneration Committee.

The Audit & Risk Committee operates under a Charter approved by the Board and is accountable to the Board for: the business relationship with, and the independence of, external auditors; the reliability and appropriateness of the disclosure of the financial statements and external financial communication; and the maintenance of an effective business risk management framework including compliance and internal controls. The Audit & Risk Committee is comprised of Non-Executive Directors. The Chairman of the Committee is Craig Irving Alexander.

The Remuneration Committee operates under a Charter approved by the Board and is accountable to the Board for: obtaining assurance that the Group's human resources policies and practices support achievement of the Group's goals; overseeing appointments of the Chief Executive Officer, roles reporting to the Chief Executive Officer, and key professional advisors in the area of Legal, Tax and Public Relations; and overseeing the development of key employees.

LEADERSHIP IS THE CAPACITY TO TRANSLATE VISION INTO REALITY. *Henry Miller*

The Remuneration Committee recommends to the Board the level of the Chief Executive Officer's remuneration package.

The Remuneration Committee is comprised of Non-Executive Directors. The Chairman of the Committee is Pat Redpath O'Connor.

Trading in Shares
NZF Group Limited has a detailed Insider Trading Policy applying to all Directors and employees. A procedure must be followed to obtain consent to trade in the Company's shares at all times. Generally trading is permitted from the release of interim results until 28 February and from the release of the final results until 31 August. Directors and employees are not able to trade in Company shares, if they are in possession of unpublished price sensitive information.

The Company reinforces these measures by requiring that anyone designated as having the opportunity to access price sensitive information can transact in the Company's securities only with the prior approval of the Company Secretary and Chairman.

Make Timely and Balanced Disclosure
The Company has in place procedures designed to ensure compliance with the NZX Listing Rules such that:

- All investors have equal and timely access to material information concerning the Company, including its financial situation, performance, ownership and governance.
- Company announcements are factual and presented in a clear and balanced way.

Accountability for compliance with disclosure obligations is with the Company Secretary. Significant market announcements, including the preliminary announcement of the half year and full year results, and the financial statements for those periods, require review by the Audit & Risk Committee and the Board.

Grant Thornton

Independent Auditor's Report

Audit

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To the Shareholders of NZF Group Limited

Report on the Financial Statements

We have audited the parent and group financial statements of NZF Group Limited on pages 19 to 80, which comprise the statement of financial position as at 31 March 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' Responsibilities

The Directors are responsible for the preparation of parent and group financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express an opinion on the parent and group financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the parent and group financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the parent and group financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the parent and group financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditor we have no relationship with, or interests in NZF Group Limited.

Opinion

In our opinion, the financial statements on pages 19 to 80:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of the parent and group as at 31 March 2011 and their financial performance and their cash flows for the year ended on that date.

Report on Other Legal and Regulatory Matters

Per the Financial Reporting Act 1993:

- we have obtained all the information and explanations that we have required;
- in our opinion, proper accounting records have been kept by NZF Group Limited as far as appears from an examination of those records.

Grant Thornton

Grant Thornton New Zealand Audit Partnership
Auckland, New Zealand
24 June 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2011

	Note	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Interest income	3	**20,294**	23,580	**240**	332
Interest expense	3	**(16,773)**	(19,650)	**(1,917)**	(1,952)
Net interest income	3	**3,521**	3,930	**(1,677)**	(1,620)
Fee and commission income	4	**5,596**	7,102	**66**	216
Fee and commission expense	4	**(3,709)**	(4,456)	**(30)**	(163)
Net fee and commission income	4	**1,887**	2,646	**36**	53
Gains on financial instruments at fair value	5	**723**	2,269	**-**	-
Other income	6	**141**	205	**3,500**	-
Total operating income		**6,272**	9,050	**1,859**	(1,567)
Net impairment losses	7	**(5,795)**	(6,765)	**(858)**	(6,593)
Operating expenses and staff costs	8	**(5,530)**	(5,992)	**(647)**	(626)
(Loss)/profit before income tax		**(5,053)**	(3,707)	**354**	(8,786)
Income tax benefit/(expense)	10	**1,240**	(971)	**559**	658
(Loss)/profit from continuing operations	14	**(3,813)**	(4,678)	**913**	(8,128)
(Loss)/profit from discontinued operations (after tax)	14	**(1,067)**	117	**-**	-
(Loss)/profit for the year		**(4,880)**	(4,561)	**913**	(8,128)
Attributable to:					
Non-controlling interest		**(113)**	35	**-**	-
Equity holders of the Company		**(4,767)**	(4,596)	**913**	(8,128)
		(4,880)	(4,561)	**913**	(8,128)

Earnings per share:		Cents Per Share	Cents Per Share
Basic earnings per share:			
From continuing operations	13	**(4.87)**	(6.10)
From discontinued operations	13	**(1.22)**	0.11
Total basic earnings per share	13	**(6.09)**	(5.99)
Diluted earnings per share:			
From continuing operations	13	**(4.87)**	(6.10)
From discontinued operations	13	**(1.22)**	0.11
Total diluted earnings per share	13	**(6.09)**	(5.99)

The attached notes form part of and are to be read in conjunction with the Financial Statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2011

	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
(Loss)/profit for the year	**(4,880)**	(4,561)	**913**	(8,128)
Other comprehensive income:				
(Losses)/gains on cash flow hedges arising during the year	**(686)**	713	**-**	-
Income tax relating to components of other comprehensive income	**-**	-	**-**	-
Other comprehensive income for the year, net of tax	**(686)**	713	**-**	-
Total comprehensive income for the year, net of tax	**(5,566)**	(3,848)	**913**	(8,128)
Attributable to:				
Non-controlling interest	**(113)**	35	**-**	-
Equity holders of the Company	**(5,453)**	(3,883)	**913**	(8,128)
	(5,566)	(3,848)	**913**	(8,128)

The attached notes form part of and are to be read in conjunction with the Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2011

	Note	Share Capital $'000	Retained Earnings $'000	Hedge Accounting Reserve $'000	Total $'000	Non-Controlling Interest $'000	Total Equity $'000
		Attributable to Equity holders of the Company					
GROUP							
Balance as at 1 April 2009		7,503	11,306	(1,238)	17,571	515	18,086
Total comprehensive income		-	(4,596)	713	(3,883)	35	(3,848)
Cash drawn by non-controlling interests in MPMH Limited		-	-	-	-	(32)	(32)
Equity dividends	**12**	-	-	-	-	-	-
Balance as at 31 March 2010		**7,503**	**6,710**	**(525)**	**13,688**	**518**	**14,206**
Balance as at 1 April 2010		7,503	6,710	(525)	13,688	518	14,206
Total comprehensive income		-	(4,767)	(686)	(5,453)	(113)	(5,566)
Issue of ordinary shares on conversion of unsecured capital notes	**24/26**	2,031	-	-	2,031	-	2,031
Share issue expenses	**26**	(9)	-	-	(9)	-	(9)
Non-controlling interest reduction on sale of shares in Finance Direct Limited	**20**	-	-	-	-	(399)	(399)
Cash drawn by non-controlling interests in MPMH Limited		-	-	-	-	(3)	(3)
Equity dividends	**12**	-	-	-	-	-	-
Balance as at 31 March 2011		**9,525**	**1,943**	**(1,211)**	**10,257**	**3**	**10,260**
COMPANY							
Balance as at 1 April 2009		7,503	3,273	-	10,776	-	10,776
Total comprehensive income		-	(8,128)	-	(8,128)	-	(8,128)
Equity dividends	**12**	-	-	-	-	-	-
Balance as at 31 March 2010		**7,503**	**(4,855)**	**-**	**2,648**	**-**	**2,648**
Balance as at 1 April 2010		7,503	(4,855)	-	2,648	-	2,648
Total comprehensive income		-	913	-	913	-	913
Issue of ordinary shares on conversion of unsecured capital notes	**24/26**	2,031	-	-	2,031	-	2,031
Share issue expenses	**26**	(9)	-	-	(9)	-	(9)
Equity dividends	**12**	-	-	-	-	-	-
Balance as at 31 March 2011		**9,525**	**(3,942)**	-	**5,583**	-	**5,583**

Nature and Purpose of Reserves

Hedge Accounting Reserve

The hedge accounting reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet settled.

The attached notes form part of and are to be read in conjunction with the Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 20011

	Note	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Assets					
Cash and cash equivalents		**5,656**	15,346	**106**	802
Derivative assets held for risk management	**15**	**-**	47	**-**	-
Loans and advances to customers	**16**	**227,096**	264,989	**-**	-
Trade and other receivables	**17**	**1,201**	1,400	**10,075**	6,269
Current tax assets		**100**	362	**18**	673
Property, plant and equipment	**18**	**313**	531	**-**	-
Intangible assets	**19**	**9,105**	9,721	**-**	-
Investment in subsidiary undertakings and jointly controlled entities	**20**	**-**	-	**13,484**	15,196
Deferred tax asset	**21**	**2,193**	1,005	**619**	60
Other assets	**22**	**3,015**	3,212	**48**	260
Total assets		**248,679**	296,613	**24,350**	23,260
Liabilities					
Trade and other payables	**23**	**1,809**	2,265	**748**	562
Derivative liabilities held for risk management	**15**	**1,468**	1,552	**-**	-
Loans and borrowings	**24**	**235,006**	278,194	**18,019**	20,050
Other liabilities	**25**	**136**	396	**-**	-
Total liabilities		**238,419**	282,407	**18,767**	20,612
Net assets		**10,260**	14,206	**5,583**	2,648
Equity					
Share capital	**26**	**9,525**	7,503	**9,525**	7,503
Retained earnings		**1,943**	6,710	**(3,942)**	(4,855)
Hedge accounting reserve		**(1,211)**	(525)	**-**	-
Total equity attributable to equity holders of the company		**10,257**	13,688	**5,583**	2,648
Non-controlling interest		**3**	518	**-**	-
Total equity		**10,260**	14,206	**5,583**	2,648

For and on behalf of the Board of Directors who approved these financial statements for issue on 24 June 2011.

Mark Hume Thornton
Executive Director/Chief Executive Officer

Pat Redpath O'Connor
Non-Executive Director

The attached notes form part of and are to be read in conjunction with the Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2011

	Note	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Cash Flows from Operating Activities					
Interest received		**20,646**	23,988	**240**	332
Interest paid		**(17,011)**	(20,006)	**(1,955)**	(1,949)
Fee and commission income received		**6,193**	7,993	**66**	216
Other income received		**163**	(30)	**-**	-
Dividends received		**-**	-	**3,500**	-
Payments to suppliers and employees		**(10,271)**	(11,836)	**(428)**	(527)
Taxation received		**242**	99	**655**	449
Net decrease/(increase) in loans and advances to customers	**1(t)**	**29,230**	(5,279)	**-**	-
Net increase in loans to subsidiary undertakings	**1(t)**	**-**	-	**(3,622)**	(3,261)
Increase in loans to jointly controlled entities		**(50)**	-	**-**	-
Net (increase)/decrease in franchisee loans	**1(t)**	**(14)**	36	**-**	-
Employee loan repayments		**3**	3	**3**	3
Net Cash Flow from Operating Activities		**29,131**	(5,032)	**(1,541)**	(4,737)
Cash Flows used in Investing Activities					
Acquisition of shares in subsidiary undertakings	**20**	**-**	-	**(1)**	(500)
Net cash (outflow)/inflow on sale of investment in Finance Direct Limited	**20**	**(193)**	-	**855**	-
Purchase of property, plant and equipment	**18**	**(20)**	(52)	**-**	-
Sale of property, plant and equipment		**11**	-	**-**	-
Net Cash Flow from Investing Activities		**(202)**	(52)	**854**	(500)
Cash Flows from Financing Activities					
Net (decrease)/increase in term loans	**1(t)**	**(82,857)**	5,500	**-**	-
Net increase in secured notes	**1(t)**	**84,618**	-	**-**	-
Net (decrease)/increase in secured debenture stock	**1(t)**	**(40,368)**	7,066	**-**	-
Share issue expenses	**26**	**(9)**	-	**(9)**	-
Cash drawn by non-controlling interests		**(3)**	(32)	**-**	-
Net Cash Flow from Financing Activities		**(38,619)**	12,534	**(9)**	-
Net (decrease)/increase in cash held		**(9,690)**	7,450	**(696)**	(5,237)
Cash balance at start of the year		**15,346**	7,896	**802**	6,039
Cash balance at end of the year		**5,656**	15,346	**106**	802
Made up as follows:					
Cash and cash equivalents		**5,656**	15,346	**106**	802

The attached notes form part of and are to be read in conjunction with the Financial Statements

RECONCILIATION OF NET (LOSS)/PROFIT WITH CASH FLOWS FROM OPERATING ACTIVITIES

for the year ended 31 March 2011

	Note	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
(Loss)/profit for the year		**(4,880)**	(4,561)	**913**	(8,128)
Add:					
Depreciation of property, plant and equipment		**184**	218	**-**	-
Loss on sale of property, plant and equipment		**21**	29	**-**	-
Increase/(decrease) in collective and specific loan allowances		**1,865**	(1,648)	**-**	-
Bad debts written off		**3,896**	650	**-**	-
Impairment loss on other assets	**19/20**	**690**	6,975	**858**	6,593
Deduct:					
Net decrease/(increase) in loans and advances to customers	**1(t)**	**29,230**	(5,279)	**-**	-
Net increase in derivative assets and liabilities held for risk management	**1(t)**	**(723)**	(2,553)	**-**	-
Decrease/(increase) in accounts receivable and other assets		**388**	225	**(3,594)**	(3,073)
(Decrease)/increase in accounts payable and other liabilities		**(407)**	(209)	**186**	80
Decrease/(increase) in current tax assets		**260**	172	**655**	(209)
(Increase)/decrease in deferred tax asset		**(1,393)**	949	**(559)**	-
Net Cash Flow from Operating Activities		**29,131**	(5,032)	**(1,541)**	(4,737)

Major Non-Cash Transactions

1. On 15 March 2011, $2,030,750 of unsecured capital notes were converted into issued ordinary share capital and $18,019,250 of unsecured capital notes were rolled over and extended for a further 5 year term maturing on 15 March 2016 (see Notes 24 and 26).

2. During the year ended 31 March 2011, $380,000 (2010: $840,000) of interest was accrued on impaired loans and advances, as required by NZ IAS 39 Financial Instruments: Recognition and Measurement, in order to recognise the discount applied using the effective interest rate method to future cash receipts expected on those loans and advances (see Note 16).

The attached notes form part of and are to be read in conjunction with the Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2011

1. SIGNIFICANT ACCOUNTING POLICIES

(a) General Information

The reporting entity is NZF Group Limited (the "Company"). It is profit oriented and incorporated and domiciled in New Zealand. The Group comprising the Company and its subsidiary undertakings, controlled entities and jointly controlled entities is a reporting entity for the purposes of the Financial Reporting Act 1993 and its financial statements comply with that Act. The Company and the Group is an Issuer as defined by the Securities Act 1978 and the Securities Regulations 2009. The principal activities of the Group are stated in accounting policy 1(f) below.

(b) Basis of Preparation

The consolidated financial statements for the Group have been prepared on the basis of historical cost, as modified by the fair value measurement of available for sale financial assets, financial instruments held at fair value through profit or loss and all derivative contracts. Cost is based on the fair values of the consideration given in exchange for assets.

The Group meets the definition of a Financial Institution under NZ IFRS 7 Financial Instruments: Disclosures and is subject to the specific additional disclosure requirements applicable to Financial Institutions defined in Appendix E of NZ IFRS 7.

The Consolidated Income Statement discloses the net interest income, net fee and commission income and other income in line with the Income Statement presentation used by other Financial Institutions.

The Consolidated Statement of Financial Position discloses assets and liabilities in order of their liquidity in line with the Statement of Financial Position presentation used by other Financial Institutions. Where it is not evident from the financial statement line item, disclosure of the current/non-current split has been made in the Maturity Profile of Financial Assets and Financial Liabilities (see Note 29) or the relevant note.

The consolidated financial statements for the Group are presented in New Zealand dollars ($), which is the functional currency of all entities within the Group. All financial information presented in New Zealand dollars has been rounded to the nearest thousand dollars ($'000).

(c) Statement of Compliance

The consolidated financial statements for the Group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP") and the requirements of the Companies Act 1993 and the Financial Reporting Act 1993. They comply with New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable financial standards, as appropriate for profit-oriented entities. The consolidated financial statements comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

(d) Changes in Accounting Policies and Disclosures

The accounting policies and disclosures adopted are consistent with those used in the previous financial year except that the Group has adopted the following new and amended New Zealand Equivalents to International Financial Reporting Standards and interpretations:

NZ IAS 27 Consolidated and Separate Financial Statements (Revised 2008) (effective from 1 July 2009)

NZ IAS 27 has introduced additional changes to the definition of cost and deemed costs, as well as a paragraph on restructuring dividends. NZ IAS 27 requires accounting for a change in ownership by a Group in a subsidiary, whilst still retaining control, to be recognised in equity. Additional disclosure requirements have been added and the amendments to NZ IAS 27 may result in changes to the disclosures in the Group's financial statements. Other than additional disclosure, the amendments are not expected to have a significant impact on the Group's financial statements.

Standards and interpretations to published standards that are not yet effective and have not been adopted early by the Group
At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued which were not yet effective at the reporting date, and have not been adopted early by the Group.

Management anticipates that all of the pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

NZ IFRS 7 Financial Instruments: Disclosures (effective from 1 July 2011)

This standard incorporates many of the disclosure requirements previously in NZ IAS 32 Financial Instruments: Presentation. The standard applies to risks arising from all financial instruments. The standard requires disclosure of:

a) the significance of financial instruments for an entity's financial position and performance.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Changes in Accounting Policies and Disclosures (continued)

b) qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. The qualitative disclosures describe management's objectives, policies and processes for managing those risks. The quantitative disclosures provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel. Together, these disclosures provide an overview of the entity's use of financial instruments and the exposures to risks they create.

Management is still assessing the impact of this standard on the Group.

NZ IFRS 9 – Financial Instruments: Disclosures (Amendments) (effective from 1 January 2013)

This standard is part of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. The standard applies to financial assets, their classification and measurement. All financial assets are required to be classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial assets are initially recorded at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs and measured at amortised cost or fair value. Management is still assessing the impact of this standard on the Group.

Annual Improvements 2010

The Accounting Standards Review Board has issued Improvements for International Financial Reporting Standards 2010. Most of these amendments become effective in annual periods beginning on or after 1 January 2011. These amendments are not expected to have a significant impact on the Group's financial statements.

(e) Basis of Consolidation

The Group financial statements consolidate the financial statements of the Company, NZF Group Limited, and its subsidiary undertakings and controlled entities as detailed in Note 20 to the financial statements, using the purchase method of accounting.

Subsidiary undertakings are entities controlled, either directly or indirectly, by the Company. All material transactions between subsidiary undertakings and the Company are eliminated on consolidation. The results of subsidiary undertakings acquired or disposed of during the year are included in the Consolidated Income Statement from the date of acquisition or to the date of disposal.

Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement requiring unanimous consent for strategic, financial and operating decisions.

Jointly controlled entities are accounted for using the proportionate line by line method. The consolidated financial statements include the Group's share of income and expenses of jointly controlled entities, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases.

(f) Segment Reporting

For management purposes, the Group is organised into four operating segments, as follows:

Property Finance Division
The Property Finance Division is operated by NZF Money Limited, which provides property finance to a range of clients for residential properties (owner occupied houses), investment properties (houses), commercial and industrial properties, property development (houses and quality apartments), rural and farm properties and bare land (residential development land), which is predominantly backed by first mortgage security.

NZF Money Limited also provides secured business and personal loans to some of its clients and employees. However, this does not form a significant part of that Company's activities and is therefore not managed and measured separately from its main Property Finance activities. As a result, all financial information relating to NZF Money Limited has been disclosed within Property Finance activities.

Home Loans Division
The Home Loans Division comprises NZF Homeloans Limited, NZF Mortgages Warehouse A Trust, NZF Mortgages Warehouse B Trust and NZF Mortgages 2010-1 Trust. The principal activity of the Home Loans Division is to provide residential mortgage customers with bank competitive Home Loans, which are secured by first mortgage security.

Consumer Finance Division
The Consumer Finance Division comprised the Company's 70% investment in Finance Direct Limited, a consumer based finance company, which was sold to the existing minority shareholder on 30 March 2011, following a decision being made by the Board that Consumer Finance was not considered to be core to the Group's operations going forward (see Note 14 and 20).

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Services Distribution
NZF Group Limited, New Zealand Mortgage Finance Limited (100% subsidiary undertaking) and MPMH Limited (50% jointly controlled entity) have developed their own extensive broker networks to distribute a range of financial services products to clients, including Mortgages, Insurances, Personal Loans and Kiwisaver. Whilst the financial services business of all three companies are managed and measured independently from one another, their results have been aggregated and shown as a single operating segment, as they have similar economic characteristics. These include the nature of the products and services provided to clients, the types and classes of clients to whom services are provided, the distribution methods employed and the regulatory environment within which all three businesses operate.

The principal activity of NZF Group Limited is to act as the management and holding company for the NZF Group of Companies. This includes holding the investments in subsidiary undertakings and jointly controlled entities, managing Group cash flow requirements, Corporate Governance, Financial Reporting, complying with the NZX Listing Rules and dealing with Investor relations. NZF Group Limited is funded by Ordinary Share Capital, Retained Earnings and $18,019,250 (2010: $20,050,000) of Unsecured Capital Notes which are due to mature on 15 March 2016. Interest is payable on the Unsecured Capital Notes at the rate of 6% (2010: 9.75%) per annum, quarterly in arrears. This interest, together with other central operating expenses, assets and liabilities, are not allocated by management to the four operating segments when making decisions about resource allocation and performance assessment.

Management monitors the results of its four operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss. Income taxes are managed by operating segment due to the number of separate legal and tax entities involved.

In order to provide a full reconciliation of the Group's total revenue, total profit/(loss), total assets and total liabilities for each accounting period, any revenue, costs, assets and liabilities of NZF Group Limited that are not allocated by management to the four operating segments have been shown within Management & Holding Activities. Goodwill and intangible assets have also been allocated by management to the operating segments to which those assets relate.

All business activities are carried out within New Zealand so there is no geographic segment reporting to management.

(g) Revenue

Recognition of income

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income and similar expense

For all financial instruments measured at amortised cost, interest income and expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

Once the recorded value of a financial asset or a group of financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount.

The Group recognises interest revenue and establishment fees on an accruals basis when the services are rendered using the effective interest rate method.

Fee and commission income

The Group earns fee income from a range of services it provides to customers. Fee income can be divided into the following categories:

Lending/Establishment fees
Fees and direct costs relating to loan origination, financing or restructuring and to loan commitments are deferred and amortised to the Consolidated Income Statement over the life of the loan using the effective interest rate method. Lending fees not directly related to the origination of a loan are recognised over the period of service.

Commissions and other fees
When commissions or fees relate to specific transactions or events, they are recognised in the Consolidated Income Statement when the service is provided to the customer. When they are charged for services provided over a period, they are recognised in the Consolidated Income Statement on an accruals basis as the service is provided.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Brokerage fees
Fees arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction. Fees or components of fees that are linked to certain performance are recognised after fulfilling the corresponding criteria.

Payment protection insurance
The Group acts as an agent for payment protection insurance on small business loans and consumer finance loans. Given the agency relationship, under NZ IFRS the income is presented on a net basis rather than on a gross basis. This means that only the commission income is recognised, not the full amount of the insurance premiums offset by the cost to the Group. The Group recognises the estimated liability on payment protection insurance refunds at each reporting date. The amount of the liability is estimated using historical refund data.

Other income
Other income comprises dividend income, franchise sales, rent receivable and other sundry income. Dividend income is recorded in the Consolidated Income Statement when the right to receive the dividend is established.

(h) Financial Instruments

Financial instruments are classified in one of the following categories at initial recognition: Financial Assets at Fair Value through Profit or Loss, Held to Maturity Investments, Loans and Receivables, Available for Sale Financial Assets, Financial Liabilities at Fair Value through Profit or Loss and Financial Liabilities measured at Amortised Cost. Furthermore, financial instruments are split between derivative and non-derivative financial instruments.

Financial instruments are transacted on a commercial basis to derive an interest yield/cost with terms and conditions having due regard to the nature of the transaction and the risks involved.

Some of these categories require measurement at fair value. Where available, quoted market prices are used as a measure of fair value. Bid prices are used to estimate fair values of assets, whereas offer prices are applied to liabilities. Where quoted market prices do not exist, fair values are estimated using present value or other market accepted valuation techniques, using methods and assumptions that are based on market conditions and risks existing as at each reporting date.

Where the Group has assets and liabilities with offsetting market risk, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies a bid/offer spread adjustment to the net open position as appropriate.

If changes in these assumptions to a reasonably possible alternative would result in a significantly different fair value this has been disclosed with a range of possibilities.

Financial Assets and Liabilities at Fair Value through Profit or Loss

Assets and liabilities in this category are either held for trading or are managed with other assets and liabilities and are accounted for and evaluated on a fair value basis. Fair value reporting of these assets and liabilities reflects the Group's risk management process, which includes utilising natural offsets where possible and managing overall risks of the portfolio on a trading basis.

Upon initial recognition, attributable transaction costs are included in the Consolidated Income Statement when incurred. Assets and liabilities in this category are subsequently measured at fair value, with any changes recognised in the Consolidated Income Statement.

Assets and liabilities in this category include derivative financial instruments to hedge the Group's exposure to interest rate risks arising from financing and investment activities using interest rate swaps as detailed in the Derivative Financial Instruments note below.

Held to Maturity Investments

Assets in this category are recorded upon initial recognition at fair value plus transaction costs and are subsequently measured at amortised cost using the effective interest rate method, less impairment.

Loans and Receivables

These assets are recorded upon initial recognition at fair value plus transaction costs and are subsequently measured at amortised cost using the effective interest rate method, less impairment. This category of Financial Asset includes:

Loans and advances to customers
These are recorded at amortised cost using the effective interest rate method, less impairment.

Trade and other receivables
These include accounts receivable, accrued interest on loans and advances to customers, and amounts due from group undertakings, less impairment.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Available for Sale Financial Assets

Available for sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. Assets in this category include cash and cash equivalents that comprise cash balances and call deposits. Assets in this category are measured upon initial recognition at fair value plus transaction costs directly attributable to their acquisition. Subsequently such assets are measured at fair value excluding transaction costs.

Financial Liabilities measured at Amortised Cost

This category includes all financial liabilities other than those at Fair Value through Profit or Loss. Liabilities in this category are measured at amortised cost using the effective interest rate method and include:

Loans and borrowings
All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Other liabilities
These are recorded at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial period that are unpaid and arise when the Group becomes obliged to make future payments. These amounts are unsecured.

Derivative Financial Instruments

The Group uses derivative financial instruments to hedge its exposure to interest rate risks arising from financing and investment activities using interest rate swaps.

Derivatives are initially recognised at fair value on the date a derivative contract is executed, and are subsequently re-measured to their fair value at each reporting date. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the yield curve at reporting date derived from quoted interest rates. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The Group documents at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge will be recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value will be recognised in the Consolidated Income Statement.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting will be discontinued. The cumulative gain or loss previously recognised in equity will remain there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity will be transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity will be transferred to the Consolidated Income Statement in the same period that the hedged item affects profit or loss.

(i) Share Capital

Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

(j) Property, Plant and Equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the Consolidated Income Statement as incurred.

Depreciation

Depreciation is provided on leasehold improvements, computers and software, office furniture and equipment, and motor vehicles. Depreciation is recognised in the Consolidated Income Statement to write off the cost of an item of property, plant and equipment, less any residual value, over its expected useful life, at the following rates:

Leasehold Improvements	18% - 26.4% Diminishing Value
Computers and Software	14.4% - 48% Diminishing Value
Office Furniture and Equipment	11.4% - 60% Diminishing Value
Motor Vehicles	22% - 36% Diminishing Value

The useful lives and residual values are reviewed annually and the depreciation recognised in the Consolidated Income Statement calculated on a straight line basis would not be materially different from the depreciation recognised using the above rates as allowed by the Income Tax Act 2004.

(k) Investments in Subsidiary Undertakings and Jointly Controlled Entities

Investments in subsidiary undertakings and jointly controlled entities are held in the Company's financial statements at cost less accumulated impairment losses. The carrying amount of the investments is reviewed at each reporting date to determine if there is any evidence of impairment.

(l) Intangible Assets

Goodwill

Goodwill arises on the acquisition of subsidiary undertakings and jointly controlled entities. It represents the excess of the fair value of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired. It is recognised as an asset and not amortised, but tested for impairment annually and whenever there is an indication that the goodwill may be impaired, any impairment is recognised immediately in the Consolidated Income Statement.

Acquisitions prior to 1 April 2006
As part of its transition to NZ IFRS, the Group elected to restate only those business combinations that occurred on or after 1 April 2006. In respect of acquisitions prior to 1 April 2006, goodwill represents the amount recognised under previous NZ GAAP.

Acquisitions on or after 1 April 2006
For acquisitions on or after 1 April 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. When the excess of the interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is over cost, it is recognised immediately in the Consolidated Income Statement.

Other intangible assets

Other intangible assets that are acquired by the Group, which have indefinite useful lives, are measured at cost and not amortised, but tested for impairment annually and whenever there is an indication that the other intangible assets may be impaired, any impairment is recognised immediately in the Consolidated Income Statement. Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in the Consolidated Income Statement on a straight line basis from the date that they are available for use.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the Consolidated Income Statement when incurred.

Software development

The costs of purchasing and developing software for use by the Group are capitalised. Once the software development is complete and in use it will be amortised over its useful economic life. Until the software is in use the Group tests it annually for impairment.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Leased Assets

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

(n) Asset Quality

Past Due Assets

An asset is Past Due when a counterparty has failed to make a payment when contractually due. A 90 Day Past Due Asset is any asset which has not been operated by the counterparty within its key terms for at least 90 days and which is not a restructured asset, other individually impaired asset, or a financial asset acquired through the enforcement of security.

Impaired Assets

Impaired assets consist of restructured assets, assets acquired through the enforcement of security and other impaired assets.

"Restructured asset" means any credit exposure for which:

(a) the original terms have been changed to grant the counterparty a concession that would not otherwise have been available, due to the counterparty's difficulties in complying with the original terms; and
(b) the revised terms of the facility are not comparable with the terms of new facilities with comparable risks; and
(c) the yield on the asset following restructuring is equal to, or greater than, the Group's average cost of funds, or that a loss is not otherwise expected to be incurred.

Assets acquired through the enforcement of security are those assets (primarily real estate) which are legally owned as a result of the enforcement of security.

Other impaired assets refers to any credit exposure for which an impairment loss is recognised in accordance with NZ IAS 39 Financial Instruments: Recognition and Measurement.

(o) Impairment

Impairment of Loans and Advances

Losses for impaired loans and advances are recognised immediately when there is objective evidence that impairment of a loan or portfolio of loans has occurred. A loan is considered impaired when management determines that it is probable that all amounts owing in accordance with the terms of the original contract 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.

Impairment losses are calculated on individually significant loans and loans assessed collectively. Losses expected from future events no matter how likely, are not recognised.

Individually significant loans
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 impairment allowances.

Collectively assessed loans
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.

Loan write offs
Loans are normally written off, either partially or in full, when there is no realistic prospect of recovery of these amounts and, for collateralised loans, when the proceeds from realising the security has been received.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Trade and Other Receivables

The recoverable amount of the Group's trade and other receivables carried at amortised cost is calculated on an undiscounted basis due to their short term nature. At each reporting date, the Group reviews individually significant trade and other receivables for evidence of impairment. For trade and other receivables which are not significant on an individual basis, collective impairment is assessed on a portfolio basis based on numbers of days overdue, and taking into account the historical loss experience in portfolios with a similar amount of days overdue.

Impairment of Non-Financial Assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the Consolidated Income Statement.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(p) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability.

The increase in the provision resulting from the passage of time is recognised in finance costs. If economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be reliably measured.

(q) Expense Recognition

All expenses are recognised in the Consolidated Income Statement on an accruals basis.

(r) Employee Benefits

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Consolidated Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

In principle deferred tax liabilities are recognised from taxable temporary timing differences. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences and unused tax losses and tax credits can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company has a legally enforceable right to offset current tax assets against current tax liabilities.

(t) Cash Flows

The Consolidated Statement of Cash Flows has been prepared using the direct approach. The following are the definitions used in the Consolidated Statement of Cash Flows:

Cash and cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Operating activities are the principal revenue-producing activities of the Group and other activities that are not investing or financing activities.

Investing activities are the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.

Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the Group.

In accordance with paragraph 24 of NZ IAS 7 Statement of Cash Flows, cash receipts and payments shown under the following headings in the Consolidated Statement of Cash Flows have been disclosed on a net basis:

(a) Net decrease/(increase) in loans and advances to customers;
(b) Net increase in loans to subsidiary undertakings;
(c) Net increase in franchisee loans;
(d) Net increase in derivative assets and liabilities held for risk management;
(e) Net (decrease)/increase in term loans;
(f) Net increase in secured notes;
(g) Net (decrease)/increase in secured debenture stock.

The Group manages its ongoing day to day lending, cash flow and funding requirements on a net basis and believes that the disclosure of cash receipts and payments on a net basis for the above items provides users of the financial statements with a better understanding on how the Group has managed its cash flows during the year. In addition, the Group's Term Loan facilities typically roll over on a monthly basis and in the Directors' view disclosure of the gross amounts of these rollovers would provide no additional insight to the users of the financial statements.

2. CRITICAL ESTIMATES AND JUDGEMENTS USED IN APPLYING ACCOUNTING POLICIES

The Group prepares its consolidated financial statements in accordance with NZ IFRS, the application of which often requires judgements to be made by management when formulating the Group's financial position and results. Under NZ IFRS, the Directors are required to adopt those accounting policies most appropriate to the Group's circumstances for the purpose of presenting fairly the Group's financial position, financial performance and cash flows.

In determining and applying accounting policies, judgement is often required in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the reported results or net asset position of the Group should it later be determined that a different choice would be more appropriate.

Management considers the accounting estimates and assumptions discussed below to be its critical accounting estimates and, accordingly, provides an explanation of each below.

The discussion below should also be read in conjunction with the Group's disclosure of significant NZ IFRS accounting policies, which is provided in Note 1 to the consolidated financial statements, "Significant Accounting Policies".

Management has discussed its critical accounting estimates and associated disclosures with the Company's Audit & Risk Committee.

Impairment reviews

Asset recoverability is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters, as noted below.

In accordance with NZ IFRS, management undertakes an annual test for impairment for goodwill, its indefinite life assets and intangible assets not yet available for use. Indefinite life assets include the Mike Pero Mortgages Group brands which the Directors consider have an indefinite useful life, as Mike Pero Mortgages continues to be the most recognised Mortgage Broking name in New Zealand and there is continual substantial ongoing investment in its brands.

For both financial and non-financial assets with a finite life, the Company and Group tests for impairment if any events or changes in circumstances indicate that the carrying amount of these types of asset may not be recoverable.

Goodwill

Goodwill only arises in business combinations. The amount of goodwill initially recognised is dependent on the allocation of the purchase price to the fair value of the identifiable assets acquired and the liabilities assumed. The determination of the fair value of the assets and liabilities is based, to a considerable extent, on management's judgement.

NZ IFRS requires that goodwill is tested for impairment at least annually.

To determine if goodwill is impaired the carrying value of the identified Cash Generating Unit ("CGU") to which the goodwill is allocated, including the allocated goodwill, is compared to its recoverable amount. Recoverable amount in these circumstances being defined as the higher of the CGUs fair value less costs to sell and its value in use. Value in use is the present value of expected future cash flows from the CGU.

Goodwill has been allocated to two separate CGUs: MPMH Limited and New Zealand Mortgage Finance Limited because this is the lowest level at which goodwill is monitored for internal management reporting purposes. In determining the recoverable amount of each CGU the value in use calculation is based on a discounted cash flow approach. These calculations use pre-tax cash flow projections based on financial budgets approved by the Board covering a 5 year period.

Determination of appropriate cash flows and discount rates for the calculation of value in use is subjective and requires a number of assumptions and estimates to be made, including growth in EBITDA ("Earnings Before Interest, Tax, Depreciation and Amortisation"), timing and quantum of future capital expenditure, long term growth rates and the selection of discount rates to reflect the risks involved.

In determining the discount rate, judgement was applied in comparing companies and transactions, particularly with respect to the risk of business, geographic location, growth prospects, riskiness of earnings and the size of the overall business.

Other factors taken into account when testing goodwill for impairment include:

- actual financial performance against budgeted financial performance,
- any material unfavourable operational factors and regulatory factors, and
- any material unfavourable economic outlook and market competitive factors.

The key assumptions made in determining the value in use calculations are included in Note 19. Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect the Group's impairment evaluation and, hence, results.

2. CRITICAL ESTIMATES AND JUDGEMENTS USED IN APPLYING ACCOUNTING POLICIES (CONTINUED)

Goodwill impairment testing undertaken at 31 March 2011 did not indicate that there had been any further impairment in the amount of goodwill allocated to the MPMH Limited CGU following the impairment loss of $6,975,000 that was accounted for as at 31 March 2010. Goodwill impairment testing undertaken at 31 March 2011 and 31 March 2010 did not indicate that goodwill allocated to the New Zealand Mortgage Finance Limited CGU had been impaired.

Brand value

The Mike Pero Brand represents an indefinite lived intangible asset. Such assets must be tested annually for impairment as with goodwill.

IAS 36 requires that an entity first test individual (identifiable intangible) assets for impairment, then test the goodwill.

Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independently of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash generating unit to which the asset belongs unless either;

- the asset's Fair Value Less Cost To Sell (FVLCS) is higher than the carrying amount, or
- the assets Value In Use (VIU) can be estimated to be close to its FVLCS and FVLCS can be determined (para 22)

In our view the Brand does not generate cash inflows that are largely independently of those from other assets or groups of assets. MPMH has assessed recoverable amount at the level of the CGU (to which the Brand (and Goodwill) have been allocated) based on a calculation of VIU. The VIU test presented is NOT a valuation of the Brand, and is a valuation of the CGU.

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 used in assessing loans for impairment, including specific loan assessment and collective 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.

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.

Fair value estimation

The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the yield curve at reporting date derived from quoted interest rates. The carrying amounts of loans and advances net of impairment allowances are assumed to approximate their fair values. The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate for similar financial instruments.

Recognition of deferred tax assets

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future, against which the reversal of temporary differences and unused tax losses and tax credits can be utilised. Recognition, therefore, involves judgement regarding the future financial performance of the particular legal entity or tax group in which the deferred tax asset has been recognised.

At 31 March 2011, NZF Group Limited, NZF Money Limited, NZF Mortgages Warehouse B Trust and Mike Pero Real Estate Limited had total unrelieved income tax losses carried forward of $3,529,000 (2010: $233,000). Management believes that sufficient and suitable taxable profits will be made available by these entities in the future and has accordingly accounted for a deferred tax asset of $988,000 relating to these unrelieved income tax losses as at 31 March 2011 (2010: $70,000).

3. NET INTEREST INCOME

	Note	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Interest income					
Loans and advances		**19,072**	23,485	**-**	-
Impaired loans and advances		**1,515**	953	**-**	-
Intercompany advances		**-**	-	**192**	284
Interest from Available for Sale Financial Assets: Cash and short term investments		**370**	297	**48**	48
Total interest income		**20,957**	24,735	**240**	332
Attributable to:					
Continuing operations	**14**	**20,294**	23,580	**240**	332
Discontinued operations	**14**	**663**	1,155	**-**	-
		20,957	24,735	**240**	332
Interest expense					
Term loans		**8,251**	12,988	**-**	-
Secured notes		**3,677**	-	**-**	-
Unsecured capital notes		**1,917**	1,952	**1,917**	1,952
Secured debenture stock		**3,147**	5,056	**-**	-
Other similar charges		**52**	119	**-**	-
Total interest expense		**17,044**	20,115	**1,917**	1,952
Attributable to:					
Continuing operations	**14**	**16,773**	19,650	**1,917**	1,952
Discontinued operations	**14**	**271**	465	**-**	-
		17,044	20,115	**1,917**	1,952
Net interest income		**3,913**	4,620	**(1,677)**	(1,620)
Attributable to:					
Continuing operations	**14**	**3,521**	3,930	**(1,677)**	(1,620)
Discontinued operations	**14**	**392**	690	**-**	-
		3,913	4,620	**(1,677)**	(1,620)

4. NET FEE AND COMMISSION INCOME

	Note	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Fee and commission income					
Lending and credit related fee income		**980**	1,756	**-**	-
Brokerage income		**4,918**	5,951	**66**	216
Franchise levies and cost recharges		**287**	302	**-**	-
Total fee and commission income		**6,185**	8,009	**66**	216
Attributable to:					
Continuing operations	**14**	**5,596**	7,102	**66**	216
Discontinued operations	**14**	**589**	907	**-**	-
		6,185	8,009	**66**	216
Fee and commission expense					
Brokerage fees		**3,807**	4,632	**30**	163
Total fee and commission expense		**3,807**	4,632	**30**	163
Attributable to:					
Continuing operations	**14**	**3,709**	4,456	**30**	163
Discontinued operations	**14**	**98**	176	**-**	-
		3,807	4,632	**30**	163
Net fee and commission income		**2,378**	3,377	**36**	53
Attributable to:					
Continuing operations	**14**	**1,887**	2,646	**36**	53
Discontinued operations	**14**	**491**	731	**-**	-
		2,378	3,377	**36**	53

5. GAINS ON FINANCIAL INSTRUMENTS AT FAIR VALUE

GROUP ONLY	Note	2011 $'000	2010 $'000
Gains on interest rate swaps held for risk management purposes		**723**	2,269
Attributable to:			
Continuing operations	**14**	**723**	2,269
Discontinued operations	**14**	**-**	-
		723	2,269

6. OTHER INCOME

	Note	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Dividends received from subsidiary undertakings		**-**	-	**3,500**	-
Franchise sales, rent receivable and other income		**163**	254	**-**	-
		163	254	**3,500**	-
Attributable to:					
Continuing operations	**14**	**141**	205	**3,500**	-
Discontinued operations	**14**	**22**	49	**-**	-
		163	254	**3,500**	-

7. NET IMPAIRMENT LOSSES

	Note	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Movement in collective loan allowance	**16**	**(241)**	(44)	**-**	-
Movement in specific loan allowance	**16**	**2,486**	(764)	**-**	-
Bad debts written off	**30**	**3,896**	650	**-**	-
Impairment of goodwill in MPMH Limited	**19**	**-**	6,975	**-**	-
Impairment of investment in MPMH Limited	**20**	**-**	-	**-**	6,593
Loss on sale of investment in Finance Direct Limited	**20**	**-**	-	**858**	-
		6,141	6,817	**858**	6,593
Attributable to:					
Continuing operations	**14**	**5,795**	6,765	**-**	6,593
Discontinued operations	**14/20**	**346**	52	**858**	-
		6,141	6,817	**858**	6,593

8. OPERATING EXPENSES AND STAFF COSTS

	Note	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
(Loss)/profit before income tax includes the following expenses:					
Executive Directors' remuneration		**514**	550	**-**	-
Non-Executive Directors' fees		**182**	147	**119**	138
Auditors' remuneration	**9**	**237**	312	**43**	82
Depreciation of property, plant and equipment	**18**	**184**	218	**-**	-
Loss on sale of property, plant and equipment		**21**	29	**-**	-
Leasing and rental costs		**276**	312	**-**	-
Insurance costs		**136**	78	**77**	21
Personnel costs		**2,170**	2,291	**-**	-
Marketing and selling costs		**533**	782	**-**	9
NZX, share registry, trust and other corporate costs		**872**	1,239	**305**	329
Administrative expenses		**1,476**	1,284	**103**	47
		6,601	7,242	**647**	626
Attributable to:					
Continuing operations	**14**	**5,530**	5,992	**647**	626
Discontinued operations	**14**	**1,071**	1,250	**-**	-
		6,601	7,242	**647**	626
Key management compensation included in the above:					
Short-term employee benefits		**1,149**	1,076	**-**	-
Attributable to:					
Continuing operations		**1,015**	931	**-**	-
Discontinued operations		**134**	145	**-**	-
		1,149	1,076	**-**	-

There were no post-employment benefits, other long-term benefits, termination benefits or share based payments made to key management personnel during the year ended 31 March 2011 (2010: $nil).

9. AUDITORS' REMUNERATION

	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Amounts paid to the auditor for:				
Audit related services	**237**	312	**43**	82
Other services	**-**	-	**-**	-
Total auditors' remuneration	**237**	312	**43**	82
Attributable to:				
Continuing operations	**173**	240	**43**	82
Discontinued operations	**64**	72	**-**	-
	237	312	**43**	82

10. INCOME TAX (BENEFIT)/EXPENSE

	Note	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Income tax					
Current year		**18**	88	**-**	(658)
Adjustment for prior years		**-**	(15)	**-**	-
		18	73	**-**	(658)
Deferred tax					
Origination and reversal of temporary differences	**21**	**(1,559)**	949	**(603)**	-
Decrease in effective tax rate to 28% (2010: 30%)	**21**	**166**	-	**44**	-
		(1,393)	949	**(559)**	-
Total tax (benefit)/expense		**(1,375)**	1,022	**(559)**	(658)
Attributable to:					
Continuing operations	**14**	**(1,240)**	971	**(559)**	(658)
Discontinued operations	**14**	**(135)**	51	**-**	-
		(1,375)	1,022	**(559)**	(658)

10. INCOME TAX (BENEFIT)/EXPENSE (CONTINUED)

The prima facie income tax (benefit)/expense on pre-tax accounting (loss)/profit from operations reconciles to the income tax (benefit)/expense in the consolidated financial statements as follows:

	Note	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
(Loss)/profit from continuing operations	14	**(5,053)**	(3,707)	**354**	(8,786)
(Loss)/profit from discontinued operations	14	**(1,202)**	168	**-**	-
(Loss)/profit from operations		**(6,255)**	(3,539)	**354**	(8,786)
Tax at the New Zealand tax rate of 30%		**(1,877)**	(1,062)	**106**	(2,636)
Tax amounts which are not taxable or deductible in calculating taxable income:					
Non-taxable income		**-**	-	**(1,050)**	-
Non-deductible expenses		**69**	8	**24**	-
Loss on sale of investment in Finance Direct Limited		**207**	-	**257**	-
Impairment of goodwill in MPMH Limited		**-**	2,093	**-**	-
Impairment of investment in MPMH Limited		**-**	-	**-**	1,978
Adjustment for prior years		**-**	(15)	**-**	-
Deferred tax:					
Decrease in effective tax rate to 28% (2010: 30%)		**166**	-	**44**	-
Adjustment for prior years		**60**	(2)	**60**	-
Total tax (benefit)/expense		**(1,375)**	1,022	**(559)**	(658)

At 31 March 2011, NZF Group Limited, NZF Money Limited, NZF Mortgages Warehouse B Trust and Mike Pero Real Estate Limited had total unrelieved income tax losses carried forward of $3,529,000 (2010: $233,000). Management believes that sufficient and suitable taxable profits will be made available by these entities in the future and has accordingly accounted for a deferred tax asset of $988,000 relating to these unrelieved income tax losses as at 31 March 2011 (2010: $70,000).

The Company is a member of a tax consolidated group that is recognised as a single tax entity for income tax purposes. Gains and losses incurred by the Company are taken into account in calculating the taxable income of the consolidated group.

11. IMPUTATION CREDIT ACCOUNT

The Company is a member of a tax consolidated group. The movements in the Imputation Credit Account attributable to the Group and Company were as follows:

	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Opening balance	**7,003**	7,121	**608**	128
Income tax (received from)/paid to the IRD	**(242)**	(99)	**(278)**	15
Imputation credits lost on sale of investment in Finance Direct Limited	**(33)**	-	**-**	-
Other (debits)/credits	**-**	(19)	**-**	465
Closing balance	**6,728**	7,003	**330**	608

12. DIVIDENDS DECLARED AND PAID

No dividends were declared and paid relating to the Group's results for the year ended 31 March 2011 (2010: $nil).

13. EARNINGS PER SHARE

GROUP ONLY	2011 Cents Per Share	2010 Cents Per Share
Basic earnings per share:		
From continuing operations	**(4.87)**	(6.10)
From discontinued operations	**(1.22)**	0.11
Total basic earnings per share	**(6.09)**	(5.99)
Diluted earnings per share:		
From continuing operations	**(4.87)**	(6.10)
From discontinued operations	**(1.22)**	0.11
Total diluted earnings per share	**(6.09)**	(5.99)

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

	2011 $'000	2010 $'000
Loss from continuing operations	**(3,813)**	(4,678)
Loss from discontinued operations	**(954)**	82
Loss for the year attributable to Equity holders of the Company	**(4,767)**	(4,596)

	2011 No. of Shares '000	2010 No. of Shares '000
Ordinary shares at the start of the year	**76,667**	76,667
Ordinary shares issued during the year	**33,291**	-
Ordinary shares at the end of the year	**109,958**	76,667
Weighted average number of ordinary shares	**78,217**	76,667

At 31 March 2011, there were no financial instruments that carried any shareholder dilution rights or characteristics (2010: $nil). Accordingly, basic and diluted earnings per share are identical in both accounting periods being reported on.

14. SEGMENT INFORMATION

The following information has been prepared on a consistent basis for both accounting periods in accordance with NZ IFRS 8 Operating Segments. Inter-segment revenues, assets and liabilities are eliminated on consolidation. No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue during either accounting period reported on.

Continuing operations:	2011					
	Total	Eliminations and Adjustments	Property Finance Division	Home Loans Division	Financial Services Distribution	Management & Holding Activities
	$'000	$'000	$'000	$'000	$'000	$'000
Interest income						
From external customers	20,294	-	4,936	15,300	10	48
From other segments	-	(229)	37	-	-	192
	20,294	(229)	4,973	15,300	10	240
Interest expense	(16,773)	229	(3,010)	(12,044)	(31)	(1,917)
Net interest income	3,521	-	1,963	3,256	(21)	(1,677)
Fee and commission income						
From external customers	5,596	-	489	235	4,872	-
From other segments	-	(71)	-	-	71	-
	5,596	(71)	489	235	4,943	-
Fee and commission expense	(3,709)	71	(17)	(825)	(2,938)	-
Net fee and commission income	1,887	-	472	(590)	2,005	-
Gains on financial instruments at fair value	723	-	-	723	-	-
Other income	141	-	-	-	141	-
Total operating income	6,272	-	2,435	3,389	2,125	(1,677)
Net impairment losses	(5,795)	-	(5,485)	(310)	-	-
Depreciation and amortisation	(198)	-	(35)	(19)	(144)	-
Other operating expenses and staff costs	(5,332)	-	(2,338)	(549)	(1,794)	(651)
(Loss)/profit before income tax	(5,053)	-	(5,423)	2,511	187	(2,328)
Income tax benefit/(expense)	1,240	-	1,521	(767)	(84)	570
(Loss)/profit for the year	(3,813)	-	(3,902)	1,744	103	(1,758)
Total assets	248,679	(24,302)	34,326	204,256	10,049	24,350
Total liabilities	238,419	(10,849)	23,626	204,931	1,944	18,767

14. SEGMENT INFORMATION (CONTINUED)

Continuing operations:	2010					
	Total $'000	Eliminations and Adjustments $'000	Property Finance Division $'000	Home Loans Division $'000	Financial Services Distribution $'000	Management & Holding Activities $'000
Interest income						
From external customers	23,580	-	8,614	14,885	33	48
From other segments	-	(284)	-	-	-	284
	23,580	(284)	8,614	14,885	33	332
Interest expense	(19,650)	284	(5,945)	(12,001)	(36)	(1,952)
Net interest income	3,930	-	2,669	2,884	(3)	(1,620)
Fee and commission income						
From external customers	7,102	-	838	470	5,794	-
From other segments	-	(163)	-	-	163	-
	7,102	(163)	838	470	5,957	-
Fee and commission expense	(4,456)	163	(18)	(865)	(3,736)	-
Net fee and commission income	2,646	-	820	(395)	2,221	-
Gains on financial instruments at fair value	2,269	-	-	2,269	-	-
Other income	205	-	-	-	205	-
Total operating income	9,050	-	3,489	4,758	2,423	(1,620)
Net impairment losses	(6,765)	-	315	(105)	(6,975)	-
Depreciation and amortisation	(237)	-	(63)	(31)	(143)	-
Other operating expenses and staff costs	(5,755)	-	(2,798)	(472)	(1,859)	(626)
(Loss)/profit before income tax	(3,707)	-	943	4,150	(6,554)	(2,246)
Income tax (expense)/benefit	(971)	-	(284)	(1,249)	(112)	674
(Loss)/profit for the year	(4,678)	-	659	2,901	(6,666)	(1,572)
Total assets	288,308	(21,422)	73,429	202,885	10,156	23,260
Total liabilities	276,426	(6,257)	58,827	201,118	2,126	20,612

14. SEGMENT INFORMATION (CONTINUED)

Discontinued operations:	**Consumer Finance Division**	
	2011	**2010**
	$'000	**$'000**
Interest income		
From external customers	**663**	1,155
From other segments	**-**	-
	663	1,155
Interest expense	**(271)**	(465)
Net interest income	**392**	690
Fee and commission income		
From external customers	**589**	907
From other segments	**-**	-
	589	907
Fee and commission expense	**(98)**	(176)
Net fee and commission income	**491**	731
Other income	**22**	49
Total operating income	**905**	1,470
Net impairment losses	**(346)**	(52)
Depreciation and amortisation	**(7)**	(10)
Other operating expenses and staff costs	**(1,064)**	(1,240)
Loss on disposal of operation (see Note 20)	**(690)**	-
(Loss)/profit before income tax	**(1,202)**	168
Income tax benefit/(expense)	**135**	(51)
(Loss)/profit for the year	**(1,067)**	117
Total assets	**-**	8,305
Total liabilities	**-**	5,981

Cash flows from discontinued operations:	**2011**	**2010**
	$'000	**$'000**
Net cash flows from operating activities	**2,331**	(742)
Net cash flows from investing activities	**-**	(2)
Net cash flows from financing activities	**(3,058)**	1,451
Net cash flows	**(727)**	707

15. DERIVATIVE ASSETS AND LIABILITIES HELD FOR RISK MANAGEMENT

GROUP ONLY	2011 $'000	2010 $'000
Derivative assets held for risk management		
Interest rate swaps	**-**	47
Derivative liabilities held for risk management		
Interest rate swaps	**1,468**	1,552

The Group uses interest rate swaps to mitigate the risk of changing interest rates on the fair value of fixed rate mortgages and the cash flow exposures on the issued variable debt.

16. LOANS AND ADVANCES TO CUSTOMERS

GROUP ONLY	2011			
	Property Finance Division $'000	Home Loans Division $'000	Consumer Finance Division $'000	Total $'000
Loans and advances to customers	**34,536**	**196,935**	**-**	**231,471**
Impaired loan allowance				
Collective loan allowance	**(299)**	**-**	**-**	**(299)**
Specific loan allowance	**(3,815)**	**(261)**	**-**	**(4,076)**
Total loan allowance	**(4,114)**	**(261)**	**-**	**(4,375)**
Net loans and advances to customers	**30,422**	**196,674**	**-**	**227,096**

GROUP ONLY	2010			
	Property Finance Division $'000	Home Loans Division $'000	Consumer Finance Division $'000	Total $'000
Loans and advances to customers	61,455	200,506	5,951	267,912
Impaired loan allowance				
Collective loan allowance	(491)	-	(91)	(582)
Specific loan allowance	(2,264)	-	(77)	(2,341)
Total loan allowance	(2,755)	-	(168)	(2,923)
Net loans and advances to customers	58,700	200,506	5,783	264,989

16. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

A reconciliation of the allowance for impairment losses for loans and advances, by class, is as follows:

GROUP ONLY

		2011			
	Note	Property Finance Division $'000	Home Loans Division $'000	Consumer Finance Division $'000	Total $'000
Collective loan allowance					
Opening balance		(491)	-	(91)	(582)
Credit for the year	7	192	-	49	241
Derecognition on sale of Finance Direct Limited	20	-	-	42	42
Closing balance		(299)	-	-	(299)
Specific loan allowance					
Opening balance		(2,264)	-	(77)	(2,341)
Interest accrued on impaired loans and advances		380	-	-	380
(Charge)/credit for the year	7	(1,931)	(261)	(294)	(2,486)
Derecognition on sale of Finance Direct Limited	20	-	-	371	371
Closing balance		(3,815)	(261)	-	(4,076)
Gross amounts of loans, individually determined to be impaired, before deducting the individually assessed impairment allowance	30	8,971	261	-	9,232

GROUP ONLY

		2010			
	Note	Property Finance Division $'000	Home Loans Division $'000	Consumer Finance Division $'000	Total $'000
Collective loan allowance					
Opening balance		(579)	-	(47)	(626)
Credit/(charge) for the year	7	88	-	(44)	44
Closing balance		(491)	-	(91)	(582)
Specific loan allowance					
Opening balance		(3,760)	-	(185)	(3,945)
Interest accrued on impaired loans and advances		840	-	-	840
Credit/(charge) for the year	7	656	-	108	764
Closing balance		(2,264)	-	(77)	(2,341)
Gross amounts of loans, individually determined to be impaired, before deducting the individually assessed impairment allowance	30	11,627	-	163	11,790

17. TRADE AND OTHER RECEIVABLES

	Note	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Accounts receivable		**297**	488	**-**	-
Accrued loan interest		**595**	664	**-**	-
Secured subordinated notes	**34**	**-**	-	**3,810**	3,460
Loans to subsidiary undertakings and controlled entities	**34**	**-**	-	**5,864**	2,405
Loans to jointly controlled entities	**34**	**249**	199	**398**	398
Loans to franchisees		**57**	43	**-**	-
Loans to employees	**26**	**3**	6	**3**	6
		1,201	1,400	**10,075**	6,269

Secured Subordinated Notes

Under the terms of the Warehouse Facility Agreement with Westpac Banking Corporation, NZF Group Limited has provided funding of $3,810,000 (2010: $3,460,000) to NZF Mortgages Warehouse A Trust. The Secured Subordinated Notes are secured against the assets and undertakings of NZF Mortgages Warehouse A Trust and are repayable at the earlier to occur of the date of termination of the Warehouse Facility Agreement or the Vesting Date or such other date as agreed between the Warehouse Facility Provider, NZF Homeloans Limited as Trust Manager, and The New Zealand Guardian Trust Company Limited as Trustee.

18. PROPERTY, PLANT AND EQUIPMENT

GROUP ONLY	Leasehold Improvements $'000	Computers & Software $'000	Office Furniture & Equipment $'000	Motor Vehicles $'000	Total $'000
Cost or deemed cost					
Balance at 1 April 2009	152	630	749	19	1,550
Additions	1	26	4	21	52
Disposals	(61)	(1)	(2)	-	(64)
Balance at 31 March 2010	**92**	**655**	**751**	**40**	**1,538**
Balance at 1 April 2010	92	655	751	40	1,538
Additions	5	14	1	-	20
Disposals	(30)	-	-	(21)	(51)
Assets derecognised on sale of shares held in Finance Direct Limited (see Note 20)	-	-	(138)	-	(138)
Balance at 31 March 2011	**67**	**669**	**614**	**19**	**1,369**
Depreciation and impairment losses					
Balance at 1 April 2009	30	301	480	13	824
Depreciation charge for the year	10	130	70	8	218
On disposals	(33)	(1)	(1)	-	(35)
Balance at 31 March 2010	**7**	**430**	**549**	**21**	**1,007**
Balance at 1 April 2010	7	430	549	21	1,007
Depreciation charge for the year	8	121	50	5	184
On disposals	(9)	-	-	(10)	(19)
Assets derecognised on sale of shares held in Finance Direct Limited (see Note 20)	-	-	(116)	-	(116)
Balance at 31 March 2011	**6**	**551**	**483**	**16**	**1,056**
Carrying amounts					
At 31 March 2010	**85**	**225**	**202**	**19**	**531**
At 31 March 2011	**61**	**118**	**131**	**3**	**313**

19. INTANGIBLE ASSETS

GROUP ONLY	Note	Goodwill $'000	Brand Value $'000	Total $'000
Cost or deemed cost				
At 1 April 2009		10,082	6,614	16,696
Additions		-	-	-
Disposals		-	-	-
At 31 March 2010		**10,082**	**6,614**	**16,696**
At 1 April 2010		10,082	6,614	16,696
Additions		-	-	-
Disposals	**7**	(616)	-	(616)
At 31 March 2011		**9,466**	**6,614**	**16,080**
Accumulated impairment losses				
At 1 April 2009		-	-	-
Impairment loss for the year	**7**	6,975	-	6,975
At 31 March 2010		**6,975**	**-**	**6,975**
At 1 April 2010		6,975	-	6,975
Impairment loss for the year	**7**	-	-	-
At 31 March 2011		**6,975**	**-**	**6,975**
Net book amount				
At 31 March 2010		**3,107**	**6,614**	**9,721**
At 31 March 2011		**2,491**	**6,614**	**9,105**

Goodwill
For the purpose of impairment testing, goodwill is allocated to Cash Generating Units (CGUs) at the lowest level at which the goodwill is monitored for internal management purposes. Goodwill has been allocated to three separate CGUs, MPMH Limited, New Zealand Mortgage Finance Limited and Finance Direct Limited. The aggregate carrying amounts of goodwill allocated to each CGU are as follows:

GROUP ONLY	2011 $'000	2010 $'000
MPMH Limited	**894**	894
New Zealand Mortgage Finance Limited	**1,597**	1,597
Finance Direct Limited	**-**	616
	2,491	3,107

The goodwill allocated to Finance Direct Limited, which comprised the Consumer Finance Division of NZF Group Limited, was written off when the Company's 70% interest in that company was sold on 30 March 2011 (see Notes 14 and 20). The goodwill allocated to the activities of MPMH Limited and New Zealand Mortgage Finance Limited forms part of the Financial Services Distribution reportable segment of NZF Group Limited (see Note 14).

The Directors have carried out an annual impairment review of goodwill allocated to each CGU, in order to ensure that recoverable amounts exceed aggregate carrying amounts. The recoverable amount of the separate CGUs was determined based on value in use calculations. Key assumptions made in determining the value in use calculations were as follows:

19. INTANGIBLE ASSETS (CONTINUED)

Budgeted EBITDA
The cash flow projections use pre-tax cash flow amounts based on financial budgets approved by the Board covering a five year period. Budgeted EBITDA was based on past experience adjusted for expected increases in the short term growth rates of each CGU.

The short term growth rate applied to the budgeted EBITDA for MPMH Limited reflects the strategic growth objectives that were approved by the Board prior to each reporting date. The growth objectives are designed to:

- increase market share by increasing the number of franchisees, loan writers and KiwiSaver specialists writing new business;
- replicate proven strategies to increase its profile in towns and cities where its market share at 31 March 2011 was significantly below its market share nationwide;
- gain a strong foothold and market presence in the Licensed Real Estate Market following the successful launch of Mike Pero Real Estate Limited; and
- extract maximum value from the nationwide distribution network that was purchased in 2006.

The short term growth rate applied to the budgeted EBITDA for New Zealand Mortgage Finance Limited reflects continued growth of its current business based on growth achieved in the last 12 months.

Budgeted capital expenditure
The cash flow projections for capital expenditure are based on past experience and take into account anticipated cash outflows for the maintenance of the current functionality and performance of its property, plant and equipment.

Long term growth rate
The long term growth rate applies to post 5 year forecast period. Management determined the long term average growth rate with reference to inflation rates that have been published by the New Zealand Government.

Pre-tax adjusted discount rate
The discount rate applied to the cash flows of the CGU was based on the risk free rate assessed with reference to the yield on ten year bonds issued by the New Zealand Government, adjusted for a risk premium to reflect both systematic risk and the specific risks of the business, having regard to its geographical location, size, growth prospects, earning volatility and the rates implicit in the traded stock prices of comparable public companies.

Sensitivity to changes in assumptions
The table below shows the key assumptions made in determining the value in use calculations and the amount by which each key assumption must change in isolation in order for the estimated recoverable amount to be equal to its carrying value at 31 March 2011.

	Assumptions used in value in use calculation			% change required in this input variable, all other things being equal, for carrying value to equal the recoverable amount		
	MPMH	**NZMF**	**FDL**	**MPMH**	**NZMF**	**FDL**
Budgeted EBITDA	10.00%	2.50%	N/A	13.50%	6.25%	N/A
Budgeted capital expenditure	3.00%	1.30%	N/A	41.35%	23.00%	N/A
Long term growth rate	2.50%	2.50%	N/A	7.65%	4.40%	N/A
Pre-tax adjusted discount rate	16.39%	16.39%	N/A	6.60%	4.00%	N/A

19. INTANGIBLE ASSETS (CONTINUED)

The assumptions used in the prior year were:

	Assumptions used in value in use calculation			% change required in this input variable, all other things being equal, for carrying value to equal the recoverable amount		
	MPMH	NZMF	FDL	MPMH	NZMF	FDL
Budgeted EBITDA	15.00%	2.50%	2.50%	-	3.50%	6.75%
Budgeted capital expenditure	4.75%	1.50%	0.90%	-	10.50%	19.75%
Long term growth rate	2.50%	2.50%	2.50%	-	1.50%	3.50%
Pre-tax adjusted discount rate	16.86%	16.86%	16.86%	-	1.50%	3.35%

Brand Value

The brand value of $6,614,000 (2010: $6,614,000) relates to the Group's 50% investment in its jointly controlled entity MPMH Limited. For the purpose of impairment testing, the brand is allocated to this Cash Generating Unit (CGU) as it is the lowest level at which the brand is monitored for internal management purposes.

The Directors have carried out an annual impairment review of the brand value allocated to the CGU, in order to ensure that recoverable amounts exceed aggregate carrying amounts, which was determined based on value in use calculations. Key assumptions made in determining the value in use calculations were as follows:

Budgeted EBITDA
The cash flow projections use pre-tax cash flow amounts based on financial budgets approved by the Board covering a five year period. Budgeted EBITDA was based on past experience adjusted for expected increases in the short term growth rates of the CGU.

The short term growth rate applied to the budgeted EBITDA for MPMH Limited reflects the strategic growth objectives that were approved by the Board prior to each reporting date. The growth objectives are designed to:

- increase market share by increasing the number of franchisees, loan writers and KiwiSaver specialists writing new business;
- replicate proven strategies to increase its profile in towns and cities where its market share at 31 March 2011 was significantly below its market share nationwide;
- gain a strong foothold and market presence in the Licensed Real Estate Market following the successful launch of Mike Pero Real Estate Limited; and
- extract maximum value from the nationwide distribution network that was purchased in 2006.

Budgeted capital expenditure
The cash flow projections for capital expenditure are based on past experience and take into account anticipated cash outflows for the maintenance of the current functionality and performance of its property, plant and equipment.

Long term growth rate
Management determined the long term average growth rate with reference to inflation rates that have been published by the New Zealand Government.

Pre-tax adjusted discount rate
The discount rate applied to the cash flows of the CGU was based on the risk free rate for ten year bonds issued by the New Zealand Government, adjusted for a risk premium to reflect both the increased risk of investing in equities and the systematic risk of each business.

19. INTANGIBLE ASSETS (CONTINUED)

Sensitivity to changes in assumptions
The table below shows the key assumptions made in determining the value in use calculations (1) and the amount by which each key assumption must change in isolation in order for the estimated recoverable amount to be equal to its carrying value (2).

	(1)	(2)
Budgeted EBITDA	10.00%	13.50%
Budgeted capital expenditure	3.00%	41.35%
Long term growth rate	2.50%	7.65%
Pre-tax adjusted discount rate	16.39%	6.60%

The assumptions used in the prior year were:

	(1)	(2)
Budgeted EBITDA	15.00%	2.75%
Budgeted capital expenditure	4.75%	16.20%
Long term growth rate	2.50%	1.55%
Pre-tax adjusted discount rate	16.86%	1.60%

At 31 March 2011, the date of the Group's annual impairment test, the estimated recoverable amount of the MPMH Limited CGU and the New Zealand Mortgage Finance Limited CGU exceeded their carrying value by $3,585,000 (2010: $894,000) and $468,000 (2010: $182,000) respectively.

20. INVESTMENT IN SUBSIDIARY UNDERTAKINGS AND JOINTLY CONTROLLED ENTITIES

The Company's investment in subsidiary undertakings and jointly controlled entities comprises shares held at cost less accumulated impairment losses.

	Note	Subsidiary Undertakings $'000	Jointly Controlled Entities $'000	Total $'000
Cost or deemed cost				
At 1 April 2009		7,188	14,101	21,289
Additions		500	-	500
Disposals		-	-	-
At 31 March 2010		**7,688**	**14,101**	**21,789**
At 1 April 2010		7,688	14,101	21,789
Additions		1	-	1
Disposals		(1,713)	-	(1,713)
At 31 March 2011		**5,976**	**14,101**	**20,077**
Accumulated impairment losses				
At 1 April 2009		-	-	-
Impairment loss for the year	**7**	-	6,593	6,593
At 31 March 2010		**-**	**6,593**	**6,593**
At 1 April 2010		-	6,593	6,593
Impairment loss for the year	**7**	-	-	-
At 31 March 2011		**-**	**6,593**	**6,593**
Net book amount				
At 31 March 2010		**7,688**	**7,508**	**15,196**
At 31 March 2011		**5,976**	**7,508**	**13,484**

20. INVESTMENT IN SUBSIDIARY UNDERTAKINGS AND JOINTLY CONTROLLED ENTITIES (CONTINUED)

Significant subsidiary undertakings and jointly controlled entities include:

Subsidiary Undertaking	Principal Activity	Shareholding 2011 %	Shareholding 2010 %	Carrying Value 2011 $'000	Carrying Value 2010 $'000
NZF Money Limited	Finance Company	**100%**	100%	**5,074**	5,074
NZF Homeloans Limited	Mortgage Servicing Company	**100%**	-	**1**	-
NZF Securitisation Limited	Mortgage Lending	**100%**	100%	**1**	1
New Zealand Mortgage Finance Limited	Mortgage Advisory	**100%**	100%	**900**	900
Finance Direct Limited	Finance Company	**-**	70%	**-**	1,713
				5,976	7,688
Jointly Controlled Entities					
MPMH Limited	Holding Company	**50%**	50%	**7,508**	7,508
Total Investments				**13,484**	15,196

	Principal Activity	Shareholding 2011 %	Shareholding 2010 %
Subsidiary Undertaking of NZF Money Limited:			
NZF Homeloans Limited	Mortgage Servicing Company	**-**	100%
Subsidiary Undertaking of NZF Securitisation Limited:			
NZF Mortgages Limited	Mortgage Lending	**100%**	100%
Subsidiary Undertaking of New Zealand Mortgage Finance Limited:			
Approved Mortgage Brokers Limited	Mortgage Advisory	**100%**	100%
Subsidiary Undertaking of MPMH Limited:			
Mike Pero Mortgages Limited	Mortgage and Insurance Broking	**100%**	100%
Subsidiary Undertakings of Mike Pero Mortgages Limited:			
Mike Pero (New Zealand) Limited	Mortgage Broking	**100%**	100%
Mike Pero Insurances Limited	Insurance Broking	**100%**	100%
Subsidiary Undertaking of Mike Pero Insurances Limited:			
Pyco Insurances Limited	Dormant	**51%**	51%
Jointly Controlled Entity of Mike Pero Mortgages Limited:			
MPRE Limited	Holding Company	**50%**	-
Subsidiary Undertaking of MPRE Limited:			
Mike Pero Real Estate Limited	Licensed Real Estate Agency	**100%**	-

20. INVESTMENT IN SUBSIDIARY UNDERTAKINGS AND JOINTLY CONTROLLED ENTITIES (CONTINUED)

On 1 November 2010, NZF Money Limited's 100% shareholding in NZF Homeloans Limited was transferred at cost to NZF Group Limited.

NZF Homeloans Limited is the Trust Manager and exercises control over the assets and undertakings of NZF Mortgages Warehouse A Trust, NZF Mortgages Warehouse B Trust and NZF Mortgages 2010-1 Trust, as it has sole entitlement to both the Residual Capital Interest and Residual Income Interest of all three Trusts. NZF Homeloans Limited, NZF Mortgages Warehouse A Trust, NZF Mortgages Warehouse B Trust and NZF Mortgages 2010-1 Trust comprise the Home Loans Division of the Group. The principal activity of the Home Loans Division is to provide residential mortgage customers with bank competitive Home Loans, which are secured by first mortgage security.

All subsidiary undertakings, controlled entities and jointly controlled entities have reporting dates of 31 March.

Sale of Finance Direct Limited

On 30 March 2011, NZF Group Limited sold its 70% interest in Finance Direct Limited to the existing minority shareholder, following a decision being made by the Board that Consumer Finance was not considered to be core to the Group's operations going forward. Total consideration received net of transaction costs was $855,000, which resulted in a loss on disposal of $858,000 being recognised by the Company against its original cost of investment of $1,713,000 and a loss on disposal of Consumer Finance operations of $690,000 being recognised by the Group, as follows:

	$'000	$'000
Consideration received, satisfied in cash		875
Less: Transaction costs		(20)
Net consideration received, satisfied in cash		855
Carrying amount of identifiable assets and liabilities disposed:		
Cash and cash equivalents	1,048	
Loans and advances to customers	3,315	
Collective loan allowance	(42)	
Specific loan allowance	(371)	
Trade and other receivables	1	
Current tax assets	2	
Property, plant and equipment	22	
Deferred tax asset	205	
Other assets	7	
Trade and other payables	(225)	
Loans and borrowings	(2,550)	
Other liabilities	(84)	
Non-controlling interest	(399)	
		(929)
		(74)
Goodwill on acquisition written off (see Note 19)		(616)
Loss on disposal of operation (see Note 14)		**(690)**
Net consideration received, satisfied in cash		855
Cash and cash equivalents disposed		(1,048)
Net cash outflow		**(193)**

The fair values of the identifiable assets and liabilities disposed were not considered to be materially different to their carrying amounts. No income tax expense arose on the sale of the Company's 70% interest in Finance Direct Limited or on the discontinuance of the Group's Consumer Finance operations.

20. INVESTMENT IN SUBSIDIARY UNDERTAKINGS AND JOINTLY CONTROLLED ENTITIES (CONTINUED)

Proportional Consolidation of Jointly Controlled Entities

The Group's investment in MPMH Limited is consolidated using the proportionate line by line method. The consolidated financial statements include the Group's share of the total assets, total liabilities, non-controlling interests, income and expenses of jointly controlled entities, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases.

The consolidated financial statements include the following amounts, which represent the Group's share of the total assets, total liabilities and non-controlling interests of MPMH Limited as at each reporting date:

	2011 $'000	2010 $'000
Assets		
Cash and cash equivalents	287	243
Trade and other receivables	93	77
Current tax assets	22	28
Property, plant and equipment	156	259
Intangible assets	7,508	7,508
Other assets	281	273
Total assets	8,347	8,388
Liabilities		
Trade and other payables	381	326
Loans and borrowings	575	650
Deferred tax liability	31	45
Total liabilities	987	1,021
Net assets	7,360	7,367
Non-controlling interests	3	6

The consolidated financial statements also include the following amounts, which represent the Group's share of the income and expenses of MPMH Limited for the year ended 31 March 2011:

	2011 $'000	2010 $'000
Interest income	9	32
Interest expense	(31)	(36)
Net interest income	(22)	(4)
Fee and commission income	3,777	4,309
Fee and commission expense	(2,092)	(2,453)
Net fee and commission income	1,685	1,856
Other income	120	175
Total operating income	1,783	2,027
Net impairment loss	-	(6,966)
Operating expenses and staff costs	(1,784)	(1,884)
Loss before income tax	(1)	(6,823)
Income tax expense	(3)	(29)
Loss for the year attributable to equity holders of the company	(4)	(6,852)

21. DEFERRED TAX ASSET

	Note	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
The balance comprises temporary differences attributable to:					
Collective loan impairment allowance		**84**	175	**-**	-
Specific loan impairment allowance		**1,141**	702	**-**	-
Other impairment allowance		**-**	60	**-**	60
Income tax losses carried forward		**988**	70	**619**	-
Prepaid advertising expenditure		**(51)**	(51)	**-**	-
Holiday pay accruals		**33**	36	**-**	-
Other timing differences		**(2)**	13	**-**	-
Net deferred tax asset		**2,193**	1,005	**619**	60
Movements					
Opening balance		**1,005**	1,954	**60**	60
Deferred tax asset derecognised on sale of Finance Direct Limited	**20**	**(205)**	-	**-**	-
Credited/(charged) to the Income Statement	**10**	**1,393**	(949)	**559**	-
Closing balance		**2,193**	1,005	**619**	60

The reduction in the corporate tax rate from 30% to 28% from 1 April 2011 has been taken into account in calculating the value of deferred tax as at 31 March 2011.

22. OTHER ASSETS

	Note	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Deferred brokerage fees		**1,112**	1,584	**-**	-
Prepaid expenses		**1,025**	784	**48**	260
Purchased software under development but not yet deployed	**32**	**878**	844	**-**	-
		3,015	3,212	**48**	260
Current		**2,193**	2,149	**48**	260
Non-Current		**822**	1,063	**-**	-
		3,015	3,212	**48**	260

23. TRADE AND OTHER PAYABLES

	Note	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Accounts payable		**880**	1,124	**464**	433
Amount owed to subsidiary undertaking	**34**	**-**	-	**187**	-
Accrued interest		**381**	348	**45**	83
Accrued expenses		**548**	793	**52**	46
		1,809	2,265	**748**	562

24. LOANS AND BORROWINGS

	Note	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Term loans	(a)	**111,493**	194,350	**-**	-
Secured mortgage backed notes	(b)	**84,618**	-	**-**	-
Unsecured capital notes	(c)	**18,019**	20,050	**18,019**	20,050
Secured debenture stock	(d)	**20,876**	63,794	**-**	-
		235,006	278,194	**18,019**	20,050

(a) Term Loans
At 31 March 2011, the Group had the following Term Loan facilities:

Facility	Lender	Maturity Date	Interest Rate %	2011 Total Facility $'000	Amount Drawn $'000	Amount Undrawn $'000
NZF Mortgages Warehouse A Trust						
Warehouse Facility	Westpac	18/10/11	**4.05**	**225,000**	**108,535**	**116,465**
NZF Money Limited						
Loan Participation Arrangement	Hillview Trust	See Below	**8.00**	**2,383**	**2,383**	**-**
MPMH Limited						
Term Loan	Westpac	31/05/11	**4.65**	**575**	**575**	**-**
				227,958	**111,493**	**116,465**

Facility	Lender	Maturity Date	Interest Rate %	2010 Total Facility $'000	Amount Drawn $'000	Amount Undrawn $'000
NZF Mortgages Warehouse A Trust						
Warehouse Facility	Westpac	18/10/10	3.28	225,000	193,700	31,300
MPMH Limited						
Term Loan	Westpac	31/05/10	4.72	650	650	-
				225,650	194,350	31,300

The $225,000,000 (2010: $225,000,000) Warehouse Facility between Westpac Banking Corporation, NZF Mortgages Warehouse A Trust, NZF Homeloans Limited and NZF Group Limited, is to be used for the provision of residential mortgages as per agreed credit criteria. Interest payable on the Warehouse Facility is set at the date of drawdown or periodic rollover of the facility. The Warehouse Facility is secured by first registered mortgages and was due for repayment on 18 October 2011. On 3 June 2011, Westpac Banking Corporation agreed to extend the maturity date of the facility to 18 October 2012.

In October 2010, NZF Money Limited entered into a Loan Participation Arrangement with the Hillview Trust, a Trust associated with Pat Redpath O'Connor (Non-Executive Director). As at 31 March 2011, the Hillview Trust has advanced $2,383,000 (2010: $nil) to NZF Money Limited, which bears interest at the rate of 8% per annum and is secured against certain first mortgage loans totalling $8,313,000 (2010: $nil), in which the Trust participates on a first priority basis.

The $1,150,000 (2010: $1,300,000) Term Loan Facility between Westpac Banking Corporation and MPMH Limited is secured over the assets and undertakings of the Mike Pero Mortgages Group. On 26 May 2011, the Term Loan Facility limit was reduced to $700,000 and the maturity date extended to 31 May 2012.

At 31 March 2011, the Group had cash reserves of $5,656,000 (2010: $15,346,000) and total undrawn term loan facilities of $116,465,000 (2010: $31,300,000).

24. LOANS AND BORROWINGS (CONTINUED)

(b) Secured Mortgage Backed Notes

Notes Issued	Call Date	Maturity Date	Issue Amount $'000	Rating (Standard & Poor's)	As at 31 March 2011 Interest Rate Rate %	As at 31 March 2011 Principal Outstanding $'000
Class A1 Notes	15/09/15	17/06/41	87,800	AAA	**4.49**	**76,672**
Class A2 Notes	15/09/15	17/06/41	9,100	AAA	**5.34**	**7,946**
			96,900			**84,618**
Class B Notes	15/09/15	17/06/41	2,500	AA-	**4.84**	**2,500**
Class C Notes	15/09/15	17/06/41	600	Not Rated	**7.74**	**600**
			100,000			**87,718**
Less: Class B & Class C Notes held by NZF Homeloans Limited						**(3,100)**
						84,618

On 15 June 2010, the NZF Group successfully completed the launch of its inaugural $100 million Residential Mortgage Backed Securities (RMBS) issue, the NZF Mortgages 2010-1 Trust. The transaction involved the sale of $100 million of fully reinsured Residential Home Loans from NZF Mortgages Warehouse A Trust to NZF Mortgages 2010-1 Trust and the issue of $100 million of Notes by the Trust.

NZF Homeloans Limited invested $3.1 million to acquire all of the Class B and Class C Notes, in order to facilitate the transaction. The ratings assigned by Standard & Poor's to each Note Class took into account a number of factors, including the credit risk of the underlying Residential Home Loans sold, which further underlines the Group's commitment to quality lending.

(c) Unsecured Capital Notes

2011	Issue Date	Maturity Date	Interest Rate %	Total Issued $'000
Unsecured Capital Notes (NZF020)	15/03/11	15/03/16	**6.00**	**18,019**

2010	Issue Date	Maturity Date	Interest Rate %	Total Issued $'000
Unsecured Capital Notes (NZF010)	6/10/06	15/03/11	9.75	20,050

In October 2006, $20,050,000 of unsecured capital notes were issued by NZF Group Limited with a fixed maturity date of 15 March 2011. Prior to the maturity date, the Company had the option to elect to offer the unsecured capital noteholders the option to renew the unsecured capital notes on new terms and conditions, to convert the unsecured capital notes by issuing new ordinary shares in the Company at a discount to the then current market price, or by redeeming the unsecured capital notes for cash.

In January 2011, the Company elected to offer unsecured capital noteholders the option to renew the unsecured capital notes on new terms and conditions, or to convert the unsecured capital notes by issuing new ordinary shares in the Company at a discount to the then current market price.

On 15 March 2011, $2,030,750 of the unsecured capital notes were converted into 33,290,954 new ordinary shares in the Company (see Note 26) and $18,019,250 of the unsecured capital notes were rolled over on new terms and conditions. The unsecured capital notes now pay fixed interest at the rate of 6% per annum, quarterly in arrears and mature on 15 March 2016. Prior to the maturity date, the Company may elect to offer unsecured capital noteholders the option to renew the unsecured capital notes on new terms and conditions. Alternatively, the Company may elect to convert the unsecured capital notes by issuing new ordinary shares in the Company at a discount to the then current market price, or by redeeming the unsecured capital notes for cash.

24. LOANS AND BORROWINGS (CONTINUED)

(d) Secured Debenture Stock

At 31 March 2011, secured debenture stock of $20,876,000 (2010: $63,794,000) comprises $20,876,000 (2010: $58,186,000) in respect of secured debenture stock issued by NZF Money Limited and $nil (2010: $5,608,000) of secured debenture stock issued by Finance Direct Limited, following the sale of the Company's investment in that company on 30 March 2011 (see Note 20).

The debenture stock issued by NZF Money Limited is secured under a Debenture Stock Trust Deed dated 21 October 1999 between NZF Money Limited and Covenant Trustee Company Limited as Trustee. The Deed creates a floating charge in favour of the Trustee over all of the assets and undertakings of NZF Money Limited. At 31 March 2011, liabilities totalling $102,000 (2010: $215,000) rank in priority to secured debenture stockholders in the event that NZF Money Limited was liquidated.

25. OTHER LIABILITIES

GROUP ONLY	2011 $'000	2010 $'000
Deferred fee income:		
Current	**80**	196
Non-Current	**56**	200
	136	396

26. SHARE CAPITAL

	Group & Company		Group & Company	
	2011 No. of Shares '000	2011 $'000	2010 No. of Shares '000	2010 $'000
Issued and paid up capital:				
Ordinary shares at the start of the year	**76,667**	**7,503**	76,667	7,503
Ordinary shares issued during the year	**33,291**	**2,031**	-	-
Share issue expenses	**-**	**(9)**	-	-
Ordinary shares at the end of the year	**109,958**	**9,525**	76,667	7,503

On 15 March 2011, $2,030,750 of the unsecured capital notes were converted into 33,290,954 new ordinary shares in the Company at a share price of $0.061 per share, representing 95% of the weighted average sales price of ordinary shares in the Company sold during the last 20 business days immediately prior to the maturity date of 15 March 2011 (see Note 24). No Ordinary Shares were issued by the Company during the year ended 31 March 2010.

All Ordinary Shares are issued and fully paid, have no par value and have an equal right to vote, to dividends and to any surplus on winding up. The Company does not have a total number of authorised shares. The Board may issue Shares or other Equity Securities to any person in any number it thinks fit provided that while the Company is Listed, the issue is made in accordance with the NZX Listing Rules.

On 19 August 2004, the Company issued 500,000 Ordinary Shares for $150,000 pursuant to an employee share purchase scheme complying with Section DF7 of the Income Tax Act 2004. As required by the Income Tax Act the consideration for the shares was funded by an interest free loan to each employee to be repaid over a five year restricted period. At 31 March 2011, the total receivable owing from the employees was $3,000 (2010: $6,000). The shares allocated to employees are held on their behalf by the Trustee, which is NZF Trustee Limited. Employees are entitled to receive the dividend on the shares, with any such amounts received applied to reducing their respective loans. Voting rights on the shares are exercised by the Trustee on behalf of the employees. John Alan Callaghan and Mark Hume Thornton have been appointed by the Company as Directors of NZF Trustee Limited.

27. FINANCIAL INSTRUMENTS

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

Determination of fair value and fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: Quoted prices in active markets for the same instrument (i.e. without modification or repackaging);

Level 2: Quoted prices in active markets for similar assets or liabilities or other valuation techniques for which all significant inputs are based on observable market data and yield curve information provided by the Group's bankers; and

Level 3: Valuation techniques for which any significant input is not based on observable market data.

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

GROUP ONLY	**2011**			
	Level 1	**Level 2**	**Level 3**	**Total Fair Value**
	$'000	**$'000**	**$'000**	**$'000**
Financial Assets				
Derivative financial instruments:				
Interest rate swaps	**-**	**-**	**-**	**-**
Financial Liabilities				
Derivative financial instruments:				
Interest rate swaps	**-**	**1,468**	**-**	**1,468**

GROUP ONLY	**2010**			
	Level 1	**Level 2**	**Level 3**	**Total Fair Value**
	$'000	**$'000**	**$'000**	**$'000**
Financial Assets				
Derivative financial instruments:				
Interest rate swaps	-	47	-	47
Financial Liabilities				
Derivative financial instruments:				
Interest rate swaps	-	1,552	-	1,552

There have been no significant transfers between levels during the year ended 31 March 2011 or the year ended 31 March 2010.

Financial instruments recorded at fair value

The following is a description of the determination of fair value for financial instruments which are recorded at fair value using valuation techniques. These incorporate the Group's estimate of assumptions that a market participant would make when valuing the instruments.

Derivatives
Derivative products valued using a valuation technique with market observable inputs are mainly interest rate swaps. The most frequently applied valuation techniques include swap models, using present value calculations. The models incorporate various inputs including the applicable interest rate yield curves derived from quoted interest rates.

27. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of financial assets and financial liabilities not carried at fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

Loans and advances to customers
Each loan has particular circumstances, which determine its fair value. The carrying amounts of the loans net of impairment allowances best represent their fair value.

Loans and borrowings
Fair value is calculated based on the present value of contractual principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Cash and cash equivalents, trade and other receivables and trade and other payables
Due to their relatively short term nature, the carrying amounts of these items are considered to be equivalent to their fair value.

Set out below is a comparison by class of the carrying amounts and fair values of financial instruments that are not carried at fair value in the financial statements. These tables do not include the fair values of non-financial assets and non-financial liabilities.

GROUP	2011 Carrying Amount $'000	2011 Total Fair Value $'000	2010 Carrying Amount $'000	2010 Total Fair Value $'000
Financial Assets				
Available for sale assets:				
Cash and cash equivalents	**5,656**	**5,656**	15,346	15,346
Loans and receivables:				
Loans and advances to customers	**227,096**	**227,096**	264,989	264,989
Trade and other receivables	**1,201**	**1,201**	1,400	1,400
	228,297	**228,297**	266,389	266,389
Total Financial Assets	**233,953**	**233,953**	281,735	281,735
Financial Liabilities				
Amortised cost:				
Loans and borrowings	**235,006**	**235,006**	278,194	278,194
Trade and other payables	**1,809**	**1,809**	2,265	2,265
Total Financial Liabilities	**236,815**	**236,815**	280,459	280,459

27. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of financial assets and financial liabilities not carried at fair value (continued)

COMPANY	2011 Carrying Amount $'000	2011 Total Fair Value $'000	2010 Carrying Amount $'000	2010 Total Fair Value $'000
Financial Assets				
Available for sale assets:				
Cash and cash equivalents	**106**	**106**	802	802
Loans and receivables:				
Trade and other receivables	**10,075**	**10,075**	6,269	6,269
Total Financial Assets	**10,181**	**10,181**	7,071	7,071
Financial Liabilities				
Amortised cost:				
Loans and borrowings	**18,019**	**18,019**	20,050	20,050
Trade and other payables	**748**	**748**	562	562
Total Financial Liabilities	**18,767**	**18,767**	20,612	20,612

The Company and the Group have not classified any assets as Held to Maturity Investments.

Interest rates used for determining fair value

The following interest rates used to discount estimated cash flows, where applicable, are based on the yield curve as at reporting date plus an appropriate constant credit spread:

	2011	2010
Loans and advances to customers	**6.25% - 15.00%**	5.80% - 19.95%
Term loans	**4.05% - 8.00%**	3.28% - 4.72%
Secured mortgage backed notes	**4.49% - 7.74%**	N/A
Unsecured capital notes	**6.00%**	9.75%
Secured subordinated notes	**3.75% - 7.96%**	3.75% - 8.71%
Secured debenture stock	**5.75% - 11.00%**	4.50% - 12.00%

Financial risk management objectives

The Group's management provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the Board of Directors on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

27. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rates. The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate risk, including interest rate swap contracts to mitigate the risk of changes in interest rates.

Market risk exposures are analysed by sensitivity analysis. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

Foreign currency risk management

All of the Group's operations are carried out within New Zealand. As a result, the Group is not exposed to any direct foreign currency exchange risks.

Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group borrow and lend funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings and by the use of interest rate swap contracts in order to maintain the Group's lending margin on fixed rate mortgages.

Under the terms of the Warehouse Facility Agreement with Westpac Banking Corporation all fixed rate mortgages are matched with individual interest rate swap contracts for the duration of the fixed rate loan period. As a result, all fixed rate lending is hedged.

Hedging activities are evaluated regularly to align with interest rate policy and defined risk appetite; ensuring optimal hedging strategies are applied, by either positioning the Statement of Financial Position or protecting interest expense through different interest rate cycles.

Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of fixed rate mortgages and the cash flow exposures on the issued variable debt. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the yield curves at reporting date and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year.

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at reporting date:

GROUP ONLY

Outstanding Contracts	Average Contracted Fixed Interest Rate		Notional Principal Amount		Net Fair Value	
	2011	2010	2011	2010	2011	2010
	%	%	$'000	$'000	$'000	$'000
Less than 1 year	**3.75**	4.10	**105,275**	115,548	**(478)**	(566)
1 to 2 years	**5.30**	4.57	**24,741**	19,556	**(757)**	(226)
2 to 5 years	**5.31**	6.52	**5,591**	16,551	**(233)**	(713)
			135,607	151,655	**(1,468)**	(1,505)

The interest rate swap contracts settle on a monthly basis. The floating rate on the interest rate swap contracts is the interbank rate of New Zealand (BKBM). The Group settles any difference between the fixed and floating interest rates on a net basis.

27. FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. A 50 basis point (0.5%) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

For each interest rate movement of 50 basis points higher/lower, assuming all other variables were held constant, the Group's loss for the year would increase/decrease by $1,381,000 (2010: $386,000).

Credit risk management

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Financial instruments which potentially subject the Group to credit risk principally consist of cash and cash equivalents, derivative assets held for risk management, loans and advances to customers, and trade and other receivables.

The Group's cash balances, call deposits and derivative assets held for risk management are placed with major trading banks with high credit-ratings assigned by international credit-rating agencies. The Group performs credit evaluations on all customers requiring loans and advances. The Group requires collateral or other security to support financial instruments with credit risk.

The Group operates a lending policy with various levels of authority depending on the size and loan to value ratio of the loan, ensuring compliance with all Trust Deed covenants and agreed credit criteria set out in term loan facility agreements. The Group closely monitors the performance of its borrowers, the payment of installments under its loans, and has adopted a formal debt management process to be followed when a loan falls into arrears.

Risk gradings categorise exposures according to the degree of risk of financial loss faced and focus management on the attendant risks. Risk grades are used to determine where impairment allowances may be required. The current risk grading framework consists of three grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. They are as follows:

- Neither past due or impaired – compliance with all terms, good security value, no adverse events affecting the borrower.
- Past due but not impaired – material compliance with all terms, no concerns over security value or future events that may affect the borrower.
- Impaired – non-compliance with terms or evidence of impairment of security held, or adverse event affecting the borrower.

The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances to customers are:

- Mortgages over properties.
- General Security Agreements.
- Charges over business assets and motor vehicles.
- Personal guarantees.

The Group also limits potential exposure to credit risk from certain Home Loan mortgage customers by fully reinsuring loan principal amounts and 12 months cash flow cover with third party insurers. At 31 March 2011, $183,128,000 (2010: $192,471,000) of the reported loans and advances to customers were fully reinsured with third party insurers.

Maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, which is net of any impairment allowance. Concentration of credit exposures set out in Note 28 do not take into account the fair value of any collateral, in the event of counterparties failing to meet their contractual obligations.

27. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate cash reserves and funding facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and financial liabilities. Included in Note 24 are details of additional undrawn term loan facilities that the Group had at its disposal at 31 March 2011 to further reduce liquidity risk.

On 1 December 2010, the Debenture Stock Trust Deed dated 21 October 1999 between NZF Money Limited and Covenant Trustee Company Limited as Trustee, was varied by a Deed of Amendment, primarily to give effect to the capital ratio, liquidity and related party exposure requirements imposed by the Reserve Bank of New Zealand Act 1989 and its regulations. As a result, NZF Money Limited is now required to manage its liquidity to ensure that, for each of the first 3 months of each monthly Liquidity Report submitted to the Trustee, NZF Money Limited's projected Liquidity Position is positive.

NZF Money Limited has complied with all Trustee imposed liquidity requirements following their introduction on 1 December 2010 and continues to manage its liquidity risk by maintaining adequate cash reserves and funding facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and financial liabilities.

The tables in Note 29 detail the Group's expected maturity for its financial assets and the remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the contractual maturities of the financial assets except where the Group anticipates that the cash flow will occur in a different period and the cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

Capital management

The Group considers share capital and retained earnings to be capital for management purposes. In implementing current capital requirements, the Board of Directors is cognisant of its responsibilities for ensuring that NZF Money Limited complies with the following requirements:

- To maintain a Capital Ratio of not less than 8%, as required under the Reserve Bank of New Zealand Act 1989 and its regulations.
- To ensure that Aggregate Related Party Exposures do not exceed 15% of Capital, as required under the Reserve Bank of New Zealand Act 1989 and its regulations and the Debenture Stock Trust Deed dated 21 October 1999 between NZF Money Limited and Covenant Trustee Company Limited as Trustee.
- To maintain a Capital Ratio of not less than 10%, as required under the Debenture Stock Trust Deed dated 21 October 1999 between NZF Money Limited and Covenant Trustee Company Limited as Trustee.
- To not at any time permit Total Liabilities to exceed 86% of Total Tangible Assets, as required under the Debenture Stock Trust Deed dated 21 October 1999 between NZF Money Limited and Covenant Trustee Company Limited as Trustee.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. The Group also monitors the level of dividends to ordinary shareholders. NZF Money Limited has complied with all Trustee and statutorily imposed capital requirements throughout the two years ended 31 March 2011 and there has been no material change in the Group's approach to capital management during the year.

28. CONCENTRATION OF CREDIT EXPOSURE

LOANS AND ADVANCES TO CUSTOMERS
Geographical Concentration of Loans and Advances

GROUP ONLY	2011 %	2011 $'000	2010 %	2010 $'000
Residential Properties				
Owner Occupied, Investment and Lifestyle Properties				
Auckland	**37.92**	**87,778**	39.91	106,919
Bay of Plenty	**3.88**	**8,975**	3.36	8,999
Canterbury	**6.05**	**13,994**	5.47	14,645
Gisborne	**0.62**	**1,443**	0.49	1,314
Hawkes Bay	**2.15**	**4,969**	2.04	5,478
North Shore	**7.89**	**18,273**	8.90	23,856
Northland	**3.63**	**8,398**	3.11	8,324
Southland/Otago	**1.65**	**3,821**	1.28	3,426
South Island - Other	**3.00**	**6,941**	2.31	6,182
Taranaki/Manawatu/Wanganui	**2.78**	**6,433**	2.56	6,859
Waikato	**6.79**	**15,707**	6.05	16,199
Wellington	**9.70**	**22,455**	9.45	25,324
	86.06	**199,187**	84.93	227,525
Residential Development Land				
Auckland	**3.61**	**8,345**	4.10	10,977
Northland	**0.15**	**347**	0.11	288
Wellington	**1.86**	**4,309**	1.50	4,028
	5.62	**13,001**	5.71	15,293
Residential Development Site				
Auckland	**1.96**	**4,548**	1.66	4,452
Commercial and Industrial Properties				
Mixed Use Properties				
Auckland	**2.20**	**5,100**	2.25	6,012
Northland	**-**	**-**	0.29	783
	2.20	**5,100**	2.54	6,795
Commercial Development Land				
Queenstown	**2.34**	**5,420**	1.71	4,587
Business Lending and Other Activities				
Auckland	**0.52**	**1,196**	0.11	293
Wellington	**1.30**	**3,019**	1.13	3,016
	1.82	**4,215**	1.24	3,309
Consumer Finance				
New Zealand	**-**	**-**	2.21	5,951
Total	**100.00**	**231,471**	100.00	267,912

28. CONCENTRATION OF CREDIT EXPOSURE (CONTINUED)

LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)
Collateral held over Loans and Advances

	2011 %	2011 $'000	2010 %	2010 $'000
First Mortgages	**95.41**	**220,853**	95.90	256,916
Second Mortgages	**2.77**	**6,403**	0.64	1,711
GSA and Other Security	**1.82**	**4,215**	3.46	9,285
Total	**100.00**	**231,471**	100.00	267,912

Concentration of Loans and Advances to Individual Counterparties

	Number of Counterparties 2011	Number of Counterparties 2010
% of Shareholder Funds		
10 - 19.99%	**3**	12
20 - 29.99%	**3**	3
30 - 39.99%	**4**	1
40 - 49.99%	**1**	-
Total	**11**	16

Managed Funds, Custodial and Other Fiduciary Activities
The Group has not had any involvement in funds management and/or custodial activities.

FUNDING – LOANS AND BORROWINGS
Product Concentration of Funding

	Group 2011 %	Group 2011 $'000	Group 2010 %	Group 2010 $'000	Company 2011 %	Company 2011 $'000	Company 2010 %	Company 2010 $'000
Term loans	**47.44**	**111,493**	69.86	194,350	**-**	**-**	-	-
Secured mortgage backed notes	**36.01**	**84,618**	-	-	**-**	**-**	-	-
Secured debenture stock	**8.88**	**20,876**	22.93	63,794	**-**	**-**	-	-
Unsecured capital notes	**7.67**	**18,019**	7.21	20,050	**100.00**	**18,019**	100.00	20,050
Total	**100.00**	**235,006**	100.00	278,194	**100.00**	**18,019**	100.00	20,050

28. CONCENTRATION OF CREDIT EXPOSURE (CONTINUED)

FUNDING – LOANS AND BORROWINGS (CONTINUED)
Geographical Concentration of Funding

	Group 2011 %	Group 2011 $'000	Group 2010 %	Group 2010 $'000	Company 2011 %	Company 2011 $'000	Company 2010 %	Company 2010 $'000
New Zealand	**99.16**	**233,127**	98.77	274,812	**99.13**	**17,863**	99.28	19,905
Australia	**0.37**	**861**	0.55	1,571	**0.32**	**58**	0.27	55
United Kingdom	**0.12**	**276**	0.21	615	**-**	**-**	-	-
China	**0.11**	**249**	0.06	161	**-**	**-**	-	-
Switzerland	**0.05**	**108**	0.03	73	**0.39**	**70**	0.25	50
Hong Kong	**0.04**	**100**	0.08	212	**-**	**-**	-	-
USA	**0.04**	**83**	0.06	176	**0.16**	**28**	0.12	25
Germany	**0.02**	**55**	0.01	25	**-**	**-**	-	-
Japan	**0.02**	**44**	0.02	46	**-**	**-**	-	-
Netherlands	**0.02**	**40**	0.01	30	**-**	**-**	-	-
Romania	**0.01**	**20**	-	-	**-**	**-**	-	-
France	**0.01**	**16**	0.12	348	**-**	**-**	0.08	15
Ireland	**0.01**	**12**	0.01	11	**-**	**-**	-	-
Thailand	**0.01**	**8**	-	-	**-**	**-**	-	-
Taiwan	**0.01**	**7**	0.01	7	**-**	**-**	-	-
Canada	**-**	**-**	0.03	85	**-**	**-**	-	-
Singapore	**-**	**-**	0.01	10	**-**	**-**	-	-
Korea	**-**	**-**	0.01	7	**-**	**-**	-	-
Malaysia	**-**	**-**	0.01	5	**-**	**-**	-	-
Total	**100.00**	**235,006**	100.00	278,194	**100.00**	**18,019**	100.00	20,050

There is no material concentration of funding within New Zealand.

29. MATURITY PROFILE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(a) Interest rate risk
The following tables summarise the Group's interest rate gap position on the basis of net discounted cash flows:

GROUP	2011						
	Weighted average effective interest rate %	Current 0 - 6 Months $'000	7 - 12 Months $'000	Non-Current 1 - 2 Years $'000	2 - 5 Years $'000	5+ Years $'000	Total $'000
Financial Assets							
Non-Derivative:							
Cash and cash equivalents	2.25	5,656	-	-	-	-	5,656
Loans and advances to customers	7.86	25,191	3,565	225	1,516	196,599	227,096
Trade and other receivables	-	1,201	-	-	-	-	1,201
		32,048	3,565	225	1,516	196,599	233,953
Financial Liabilities							
Non-Derivative:							
Trade and other payables	-	1,809	-	-	-	-	1,809
Term loans	4.14	2,958	108,535	-	-	-	111,493
Secured mortgage backed notes	4.57	-	-	-	-	84,618	84,618
Unsecured capital notes	6.00	-	-	-	18,019	-	18,019
Secured debenture stock	8.56	11,716	5,718	3,196	246	-	20,876
		16,483	114,253	3,196	18,265	84,618	236,815
Derivative:							
Derivative liabilities held for risk management	-	222	256	757	233	-	1,468
		16,705	114,509	3,953	18,498	84,618	238,283

As disclosed in Note 24, on 3 June 2011, Westpac Banking Corporation agreed to extend the maturity date of the $225,000,000 Warehouse Facility made available to NZF Mortgages Warehouse A Trust by a further 12 months to 18 October 2012. As is usual practice, this facility will be renegotiated in the ordinary course of business.

29. MATURITY PROFILE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(a) Interest rate risk (continued)

GROUP	2010						
	Weighted average effective interest rate %	0 - 6 Months $'000	Current 7 - 12 Months $'000	1 - 2 Years $'000	2 - 5 Years $'000	Non-Current 5+ Years $'000	Total $'000
Financial Assets							
Non-Derivative:							
Cash and cash equivalents	2.75	15,346	-	-	-	-	15,346
Loans and advances to customers	8.03	50,121	364	1,480	2,852	210,172	264,989
Trade and other receivables	-	1,400	-	-	-	-	1,400
		66,867	364	1,480	2,852	210,172	281,735
Derivative:							
Derivative assets held for risk management	-	-	-	1	46	-	47
		66,867	364	1,481	2,898	210,172	281,782
Financial Liabilities							
Non-Derivative:							
Trade and other payables	-	2,265	-	-	-	-	2,265
Term loans	3.28	650	193,700	-	-	-	194,350
Unsecured capital notes	9.75	-	20,050	-	-	-	20,050
Secured debenture stock	7.80	39,047	13,158	10,138	1,451	-	63,794
		41,962	226,908	10,138	1,451	-	280,459
Derivative:							
Derivative liabilities held for risk management	-	183	383	227	759	-	1,552
		42,145	227,291	10,365	2,210	-	282,011

COMPANY	2011						
	Weighted average effective interest rate %	Current 0 - 6 Months $'000	7 - 12 Months $'000	1 - 2 Years $'000	Non-Current 2 - 5 Years $'000	5+ Years $'000	Total $'000
Financial Assets							
Non-Derivative:							
Cash and cash equivalents	**2.25**	**106**	**-**	**-**	**-**	**-**	**106**
Trade and other receivables	**1.82**	**6,265**	**3,810**	**-**	**-**	**-**	**10,075**
		6,371	**3,810**	**-**	**-**	**-**	**10,181**
Financial Liabilities							
Non-Derivative:							
Trade and other payables	**-**	**748**	**-**	**-**	**-**	**-**	**748**
Unsecured capital notes	**6.00**	**-**	**-**	**-**	**18,019**	**-**	**18,019**
		748	**-**	**-**	**18,019**	**-**	**18,767**

29. MATURITY PROFILE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(a) Interest rate risk (continued)

COMPANY

	2010						
	Weighted average effective interest rate %	Current 0 - 6 Months $'000	7 - 12 Months $'000	Non-Current 1 - 2 Years $'000	2 - 5 Years $'000	5+ Years $'000	Total $'000
Financial Assets							
Non-Derivative:							
Cash and cash equivalents	2.75	802	-	-	-	-	802
Trade and other receivables	2.53	2,809	3,460	-	-	-	6,269
		3,611	3,460	-	-	-	7,071
Financial Liabilities							
Non-Derivative:							
Trade and other payables	-	562	-	-	-	-	562
Unsecured capital notes	9.75	-	20,050	-	-	-	20,050
		562	20,050	-	-	-	20,612

(b) Residual contractual maturities of financial assets and financial liabilities

The following tables show the gross undiscounted cash flows of the Group's financial assets and financial liabilities on the basis of their earliest possible contractual maturity and their expected maturity. The Gross nominal inflow/(outflow) disclosed in the following tables is the contractual, undiscounted cash flow of the financial asset or financial liability.

GROUP

	2011						
	0 - 6 Months $'000	7 - 12 Months $'000	1 - 2 Years $'000	2 - 5 Years $'000	5+ Years $'000	Gross Nominal Inflow/ (Outflow) $'000	Carrying Amount $'000
Financial Assets							
Non-Derivative:							
Cash and cash equivalents	**5,656**	**-**	**-**	**-**	**-**	**5,656**	**5,656**
Loans and advances to customers	**37,923**	**12,177**	**17,254**	**51,214**	**194,431**	**312,999**	**227,096**
Trade and other receivables	**1,201**	**-**	**-**	**-**	**-**	**1,201**	**1,201**
	44,780	**12,177**	**17,254**	**51,214**	**194,431**	**319,856**	**233,953**
Financial Liabilities							
Non-Derivative:							
Trade and other payables	**(1,809)**	**-**	**-**	**-**	**-**	**(1,809)**	**(1,809)**
Term loans	**(5,256)**	**(108,758)**	**-**	**-**	**-**	**(114,014)**	**(111,493)**
Secured mortgage backed notes	**(2,016)**	**(2,016)**	**(4,031)**	**(12,094)**	**(91,750)**	**(111,907)**	**(84,618)**
Unsecured capital notes	**(541)**	**(541)**	**(1,082)**	**(21,265)**	**-**	**(23,429)**	**(18,019)**
Secured debenture stock	**(12,259)**	**(6,055)**	**(3,404)**	**(272)**	**-**	**(21,990)**	**(20,876)**
	(21,881)	**(117,370)**	**(8,517)**	**(33,631)**	**(91,750)**	**(273,149)**	**(236,815)**
Derivative:							
Derivative liabilities held for risk management	**(222)**	**(256)**	**(757)**	**(233)**	**-**	**(1,468)**	**(1,468)**
	(22,103)	**(117,626)**	**(9,274)**	**(33,864)**	**(91,750)**	**(274,617)**	**(238,283)**
Total	**22,677**	**(105,449)**	**7,980**	**17,350**	**102,681**	**45,239**	**(4,330)**

29. MATURITY PROFILE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(b) Residual contractual maturities of financial assets and financial liabilities (continued)

The expected maturity of financial assets and financial liabilities differs materially from the contractual maturity in respect of loans and advances for the Group as at 31 March 2011. The expected maturity of loans and advances and the adjusted contractual cash flows are as follows:

GROUP	2011					
	0 - 6 Months $'000	7 - 12 Months $'000	1 - 2 Years $'000	2 - 5 Years $'000	5+ Years $'000	Gross Nominal Inflow/ (Outflow) $'000
Loans and advances to customers (expected)	**21,864**	**14,527**	**27,065**	**54,410**	**194,459**	**312,325**
Adjusted Total	**6,618**	**(103,099)**	**17,791**	**20,546**	**102,709**	**44,565**

As disclosed in Note 24, on 3 June 2011, Westpac Banking Corporation agreed to extend the maturity date of the $225,000,000 Warehouse Facility made available to NZF Mortgages Warehouse A Trust by a further 12 months to 18 October 2012. As is usual practice, this facility will be renegotiated in the ordinary course of business.

GROUP	2010						
	0 - 6 Months $'000	7 - 12 Months $'000	1 - 2 Years $'000	2 - 5 Years $'000	5+ Years $'000	Gross Nominal Inflow/ (Outflow) $'000	Carrying Amount $'000
Financial Assets							
Non-Derivative:							
Cash and cash equivalents	15,346	-	-	-	-	15,346	15,346
Loans and advances to customers	63,395	10,702	19,746	54,813	250,378	399,034	264,989
Trade and other receivables	1,400	-	-	-	-	1,400	1,400
	80,141	10,702	19,746	54,813	250,378	415,780	281,735
Derivative:							
Derivative assets held for risk management	-	-	1	46	-	47	47
	80,141	10,702	19,747	54,859	250,378	415,827	281,782
Financial Liabilities							
Non-Derivative:							
Trade and other payables	(2,265)	-	-	-	-	(2,265)	(2,265)
Term loans	(3,832)	(194,022)	-	-	-	(197,854)	(194,350)
Unsecured capital notes	(977)	(20,942)	-	-	-	(21,919)	(20,050)
Secured debenture stock	(40,845)	(13,883)	(10,696)	(1,582)	-	(67,006)	(63,794)
	(47,919)	(228,847)	(10,696)	(1,582)	-	(289,044)	(280,459)
Derivative:							
Derivative liabilities held for risk management	(183)	(383)	(227)	(759)	-	(1,552)	(1,552)
	(48,102)	(229,230)	(10,923)	(2,341)	-	(290,596)	(282,011)
Total	32,039	(218,528)	8,824	52,518	250,378	125,231	(229)

29. MATURITY PROFILE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(b) Residual contractual maturities of financial assets and financial liabilities (continued)

The expected maturity of financial assets and financial liabilities differs materially from the contractual maturity in respect of loans and advances for the Group as at 31 March 2010. The expected maturity of loans and advances and the adjusted contractual cash flows are as follows:

GROUP	2010					
	0 - 6 Months $'000	7 - 12 Months $'000	1 - 2 Years $'000	2 - 5 Years $'000	5+ Years $'000	Gross Nominal Inflow/ (Outflow) $'000
Loans and advances to customers (expected)	61,069	10,681	19,746	54,757	250,378	396,631
Adjusted Total	29,713	(218,549)	8,824	52,462	250,378	122,828

COMPANY	2011						
	0 - 6 Months $'000	7 - 12 Months $'000	1 - 2 Years $'000	2 - 5 Years $'000	5+ Years $'000	Gross Nominal Inflow/ (Outflow) $'000	Carrying Amount $'000
Financial Assets							
Non-Derivative:							
Cash and cash equivalents	**106**	**-**	**-**	**-**	**-**	**106**	**106**
Trade and other receivables	**6,356**	**3,819**	**-**	**-**	**-**	**10,175**	**10,075**
	6,462	**3,819**	**-**	**-**	**-**	**10,281**	**10,181**
Financial Liabilities							
Non-Derivative:							
Trade and other payables	**(748)**	**-**	**-**	**-**	**-**	**(748)**	**(748)**
Unsecured capital notes	**(541)**	**(541)**	**(1,082)**	**(21,265)**	**-**	**(23,429)**	**(18,019)**
	(1,289)	**(541)**	**(1,082)**	**(21,265)**	**-**	**(24,177)**	**(18,767)**
Total	**5,173**	**3,278**	**(1,082)**	**(21,265)**	**-**	**(13,896)**	**(8,586)**

29. MATURITY PROFILE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(b) Residual contractual maturities of financial assets and financial liabilities (continued)

COMPANY	2010						
	0 - 6 Months $'000	7 - 12 Months $'000	1 - 2 Years $'000	2 - 5 Years $'000	5+ Years $'000	Gross Nominal Inflow/ (Outflow) $'000	Carrying Amount $'000
Financial Assets							
Non-Derivative:							
Cash and cash equivalents	802	-	-	-	-	802	802
Trade and other receivables	2,910	3,470	-	-	-	6,380	6,269
	3,712	3,470	-	-	-	7,182	7,071
Financial Liabilities							
Non-Derivative:							
Trade and other payables	(562)	-	-	-	-	(562)	(562)
Unsecured capital notes	(977)	(20,942)	-	-	-	(21,919)	(20,050)
	(1,539)	(20,942)	-	-	-	(22,481)	(20,612)
Total	2,173	(17,472)	-	-	-	(15,299)	(13,541)

30. ASSET QUALITY

(a) Summary of Lending

GROUP ONLY	2011 $'000	2010 $'000
Neither past due nor impaired	**204,664**	243,480
Past due but not impaired	**17,575**	12,642
Impaired	**9,232**	11,790
Gross loans and advances	**231,471**	267,912
Less: Impaired loan allowance	**(4,375)**	(2,923)
Net loans and advances	**227,096**	264,989

The Group closely monitors the performance of its borrowers and the payment of instalments under its loans. The Board has adopted a formal debt management process to be followed when a loan falls into arrears, which includes specified time driven debt collection procedures, although management may take such actions earlier as circumstances require. Special monitoring of assets occurs when there is a risk of the asset becoming impaired and active management is required to maintain the debt.

(b) Loans and Advances Past Due But Not Impaired

GROUP ONLY	2011 $'000	2010 $'000
Past Due Assets Not Impaired		
Opening balance	**12,642**	25,068
Collected during the year	**(9,837)**	(20,678)
Additions to Past Due asset status	**27,120**	8,409
Reclassified as Impaired assets	**(11,414)**	(157)
Derecognised on sale of Finance Direct Limited	**(936)**	-
Closing balance	**17,575**	12,642

30. ASSET QUALITY (CONTINUED)

(b) Loans and Advances Past Due But Not Impaired (continued)

GROUP ONLY	2011			2010		
	Total	Instalment Arrears	Balance of Loan Principal	Total	Instalment Arrears	Balance of Loan Principal
	$'000	$'000	$'000	$'000	$'000	$'000
Analysis of Past Due Assets Not Impaired:						
0 - 31 Days	**9,482**	**39**	**9,443**	5,879	63	5,816
32 - 60 Days	**2,799**	**39**	**2,760**	1,736	30	1,706
61 - 90 Days	**-**	**-**	**-**	361	55	306
90+ Days	**5,294**	**31**	**5,263**	4,666	400	4,266
Total Past Due Assets Not Impaired	**17,575**	**109**	**17,466**	12,642	548	12,094
Security Value of Past Due Assets	**23,434**			17,372		
LVR	**75%**			73%		
Past Due Assets Underwritten by Third Party Insurers	**8,270**			6,780		
Past Due Assets Not Reinsured	**9,305**			5,862		
Security Value of Past Due Assets Not Reinsured	**11,954**			8,117		
LVR	**78%**			72%		

Past Due Assets Not Impaired represent Loans and Advances to Customers where contractual interest or principal payments are past due but the Group believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Group.

30. ASSET QUALITY (CONTINUED)

(c) Impaired Assets

At 31 March 2011, there were no restructured assets, real estate assets or other assets acquired through the enforcement of security (2010: $nil). The breakdown of the gross amount of other individually impaired loans and advances and individual impairment allowances is as follows:

GROUP ONLY	2011				2010			
	Total	Property Finance	Home Loans	Consumer Finance	Total	Property Finance	Home Loans	Consumer Finance
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Total Gross Impaired Assets								
Opening balance	**11,790**	**11,627**	**-**	**163**	16,825	16,511	-	314
Net additions	**11,414**	**10,231**	**419**	**764**	510	386	-	124
Loan repayments received	**(9,331)**	**(9,141)**	**(109)**	**(81)**	(4,895)	(4,736)	-	(159)
Amounts written off	**(3,896)**	**(3,746)**	**(49)**	**(101)**	(650)	(534)	-	(116)
Derecognised on sale of Finance Direct Limited	**(745)**	**-**	**-**	**(745)**	-	-	-	-
Closing balance	**9,232**	**8,971**	**261**	**-**	11,790	11,627	-	163
Individual Allowance for Impairment	**(4,076)**	**(3,815)**	**(261)**	**-**	(2,341)	(2,264)	-	(77)
Total Net Impaired Assets	**5,156**	**5,156**	**-**	**-**	9,449	9,363	-	86
Collateral held over Impaired Loans and Advances								
First Mortgages	**4,184**	**4,184**	**-**	**-**	11,627	11,627	-	-
Second Mortgages	**4,787**	**4,787**	**-**	**-**	-	-	-	-
GSA and Other Security	**261**	**-**	**261**	**-**	163	-	-	163
	9,232	**8,971**	**261**	**-**	11,790	11,627	-	163

31. OPERATING LEASE COMMITMENTS

At 31 March 2011, the Group had operating lease commitments in respect of property, equipment and vehicles used by subsidiary undertakings and jointly controlled entities. At 31 March 2011, total future minimum payments under non-cancellable operating leases were payable as follows:

GROUP ONLY	2011			2010		
	Total	Property & Equipment	Motor Vehicles	Total	Property & Equipment	Motor Vehicles
	$'000	$'000	$'000	$'000	$'000	$'000
Less than one year	**132**	**85**	**47**	236	202	34
Between one and five years	**164**	**104**	**60**	121	106	15
	296	**189**	**107**	357	308	49

There are no onerous terms concerning renewal of the above leases and the Group does not sublet any of the leased assets.

32. CAPITAL COMMITMENTS

On 26 June 2008, NZF Money Limited entered into a Software Licence and Maintenance Agreement with Ultradata Australia Pty Limited for the procurement of a new IT operating platform. Under the terms of the agreement, the Licence Fee commitment amounted to $400,000, which was payable in various stages up to and including the Go Live date, with annual Maintenance Fees then payable, representing 20% of the Licence Fee amount. Total implementation costs were estimated to be in the region of $1,500,000; $844,000 of which had been incurred as at 31 March 2010. On 1 December 2010, the intellectual property, together with all costs incurred to date in connection with developing the new IT operating platform, were transferred at carrying value of $878,000 to NZF Homeloans Limited, as the Board of Directors considered that the project now had more scope to add value and help with expansion of the Group's Home Loans business. There were no other material capital commitments at 31 March 2011 (2010: $nil).

33. CONTINGENT ASSETS AND LIABILITIES

Under a Share Sale and Purchase Agreement dated 2 April 2007, NZF Group Limited agreed to provide a facility of up to $1,000,000 to Finance Direct Limited. This agreement, along with the Company's commitment to provide a facility, was cancelled contemporaneously with the sale of the Company's investment in Finance Direct Limited to the existing minority shareholder on 30 March 2011 (see Note 20).

There were no other contingent assets or liabilities at 31 March 2011 (2010: $nil).

34. RELATED PARTY TRANSACTIONS

GROUP		Weighted Average Interest Rate		Interest Received/ (Paid)		Asset/(Liability) at 31 March	
		2011	2010	2011	2010	2011	2010
Entity	**Relationship**	**%**	**%**	**$'000**	**$'000**	**$'000**	**$'000**
Related Party Loans							
MPMH Limited	Jointly Controlled Entities	**-**	-	**-**	-	**199**	199
Mike Pero Real Estate Limited		**-**	-	**-**	-	**50**	-
				-	-	**249**	199
Term Loans							
Hillview Trust	Trust Associated with Pat Redpath O'Connor (Non-Executive Director)	**8.00%**	-	**(83)**	-	**(2,383)**	-
Secured Debenture Stock							
Hillview Trust		**6.73%**	6.65%	**(121)**	(99)	**(1,400)**	(1,800)

COMPANY		Weighted Average Interest Rate		Interest Received/ (Paid)		Asset/(Liability) at 31 March	
		2011	2010	2011	2010	2011	2010
Entity	**Relationship**	**%**	**%**	**$'000**	**$'000**	**$'000**	**$'000**
Call Account Deposit							
NZF Money Limited	Subsidiary	**-**	4.50%	**-**	78	**-**	-
Secured Subordinated Notes							
NZF Mortgages Warehouse A Trust	Controlled Trust	**4.80%**	5.84%	**163**	144	**3,810**	3,460
Related Party Loans							
NZF Money Limited	Subsidiary	**-**	-	**-**	-	**(187)**	-
NZF Homeloans Limited	Subsidiary	**-**	-	**-**	-	**4,992**	-
NZF Mortgages Warehouse A Trust	Controlled Trust	**3.75%**	3.75%	**29**	51	**-**	1,400
New Zealand Mortgage Finance Limited	Subsidiary	**-**	-	**-**	-	**872**	1,005
Finance Direct Limited	Subsidiary	**-**	-	**-**	11	**-**	-
				29	62	**5,677**	2,405
MPMH Limited	Jointly Controlled Entity	**-**	-	**-**	-	**398**	398

34. RELATED PARTY TRANSACTIONS (CONTINUED)

All of the above balances are unsecured and repayable on demand, except for the Term Loans of $2,383,000 (2010: $nil), the Secured Debenture Stock of $1,400,000 (2010: $1,800,000) and the Secured Subordinated Notes of $3,810,000 (2010: $3,460,000). The Term Loans provided by the Hillview Trust to NZF Money Limited under a Loan Participation Arrangement are secured against certain first mortgage loans totalling $8,313,000 as at 31 March 2011 (2010: $nil), in which the Trust participates on a first priority basis. The Secured Debenture Stock funding of $1,400,000 (2010: $1,800,000) provided by the Hillview Trust to NZF Money Limited is secured against the assets and undertakings of NZF Money Limited and is scheduled for repayment on 29 April 2011. The Secured Subordinated Notes are secured against the assets and undertakings of NZF Mortgages Warehouse A Trust and are repayable at the earlier to occur of the date of termination of the Warehouse Facility Agreement or the Vesting Date or such other date as agreed between the Warehouse Facility Provider, NZF Homeloans Limited as Trust Manager, and The New Zealand Guardian Trust Company Limited as Trustee.

In addition to the above, NZF Group Limited and Mike Pero Mortgages Limited distributed the Huljich KiwiSaver Scheme using the NZF SuperKiwi and Mike Pero Saver brands, prior to the cancellation of their respective distribution agreements during the year. Huljich Wealth Management (New Zealand) Limited was the Funds Management provider responsible for paying upfront and trail commissions to NZF Group Limited and Mike Pero Mortgages Limited, of which $66,000 (2010: $216,000) and $44,000 (2010: $56,000) was respectively received during the year ended 31 March 2011. Peter Karl Christopher Huljich, a former Non-Executive Director of NZF Group Limited, was a beneficial shareholder in Huljich Wealth Management (New Zealand) Limited.

No amounts owed by related parties were written off or forgiven during the year ended 31 March 2011 (2010: $nil).

35. SUBSEQUENT EVENTS

On 3 June 2011 the $225,000,000 Warehouse Facility between Westpac Banking Corporation, NZF Mortgages Warehouse A Trust, NZF Homeloans Limited and NZF Group Limited, was renegotiated and extended the maturity date of the facility to 18 October 2012.

On 10 June 2011, NZF Group Limited has entered into exclusive due diligence with an Australian private company over a staged period. It is expected that the party will support the home loan activities. The Australian partner which will have a majority stake in NZF's home loan division and is vastly experienced in the Australian RMBS market and will add significantly to the current operations of this division.

The Directors are not aware of any matters or circumstances since the end of the reporting period, not otherwise dealt with within this report or financial statements that have significantly or may significantly affect the consolidated operations of NZF Group Limited.

COMPANY DIRECTORY

As at 31 March 2011

Independent Directors

Craig Irving Alexander
25 Milton Road, Mount Eden, Auckland

John Francis Henderson
25 Sunny Crescent, Huapai, Kemu

Non-Executive Director

Pat Redpath O'Connor
9 Joseph Banks Terrace, Newmarket, Auckland

Executive Director/Chief Executive Officer

Mark Hume Thornton
106 Hillcrest Road, Orewa, Auckland

Company Secretary

Malcolm Lindeque CA, BCom CA (SA)
5 Mary Forgham Drive, Albany, Auckland

Registered Office

88 Broadway, Newmarket, Auckland
Tel: 0800 379 9090

Executive Team

Chief Financial Officer
David Watton FCA

Chief Operating Officer
Malcolm Lindeque CA, BCom CA (SA)

General Manager Lending
Tony Milicich

General Manager Investments and Insurance
Dave Shatford Dip P Fin Plan (Waikato)

Company Number

1474151

Incorporated

22 January 2004

Shares Issued

109,957,622 Ordinary

Solicitors

Alexander Dorrington Lawyers
Level 8, Forsyth Barr Tower, 55 - 65 Shortland Street, Auckland

Mayne Wetherell
Level 23, IAG House, 151 Queen Street, Auckland

Auditor

Grant Thornton
152 Fanshawe Street, Auckland

Share Registrar

Link Market Services Limited
138 Tancred Street, PO Box 384, Ashburton
Tel:03 308 8887

Bankers

ASB Bank Limited
Level 21, ASB Bank Centre, 135 Albert Street, Auckland

Westpac Banking Corporation
Level 15, PWC Tower, 188 Quay Street, Auckland

NZF Group Ltd
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