

**NZF GROUP LIMITED**  
**UNAUDITED INTERIM FINANCIAL RESULT**  
**FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2013**

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**NZF GROUP LIMITED  
CHIEF EXECUTIVE OFFICER'S REPORT  
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2013**

NZF announces its interim results for the six month period ended 30 September 2013, which show an unaudited loss attributable to equity holders of \$746,000 compared to an unaudited loss attributable to equity holders of \$765,000 for the six month period ended 30 September 2012.

The interim results for the six month period ended 30 September 2013 comprise:

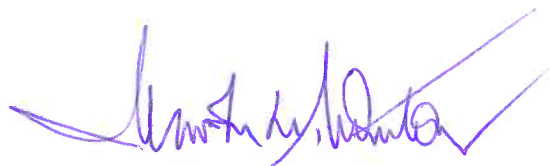
- An unaudited loss after taxation of \$864,000 from continuing operations compared to an unaudited loss after taxation of \$982,000 from continuing operations for the six month period ended 30 September 2012.
- An unaudited profit after taxation of \$118,000 from discontinued operations compared to an unaudited loss after taxation of \$217,000 from discontinued operations for the six month period ended 30 September 2012.

Over the past 12 months NZF has been working through concluding legacy issues and an asset realisation process. Court proceedings involving the receivers of NZF Money Limited were settled in February. Court proceedings involving Liberty Financial (our former joint venture partner in Mike Pero Mortgages) were settled in June. In June NZF also disposed of its interest in Mike Pero Mortgages to Liberty Financial.

On 27 November 2013 NZF concluded the sale of the residual assets it held in relation to its former home loans securitisation business (now owned by Resimac) for \$1,250,000.

The Board is now concluding its feasibility analysis on the merits and structural issues associated with a possible restructure of the NZF Capital Notes, and a new future direction for NZF. Details of the conclusions of the NZF Board in respect of any prospective restructuring are anticipated to be released to the market prior to Christmas.

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



**Mark Thornton  
Chief Executive Officer**

**29 November 2013**

**NZF GROUP LIMITED**  
**UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2013**

	Unaudited 6 months ended 30 September 2013 \$	Unaudited 6 months ended 30 September 2012 \$ Restated	Audited 12 months ended 31 March 2013 \$ Restated
Interest income	121	99	234
Interest expense	(547)	(541)	(1,115)
<b>Net interest loss</b>	<b>(426)</b>	<b>(442)</b>	<b>(881)</b>
Fee and commission income	269	349	642
Fee and commission expense	(220)	(261)	(467)
<b>Net fee and commission income</b>	<b>49</b>	<b>88</b>	<b>175</b>
<b>Total operating loss</b>	<b>(377)</b>	<b>(354)</b>	<b>(706)</b>
Net impairment losses	-	-	(7,196)
Operating expenses and staff costs	(487)	(1,043)	(2,989)
<b>Loss before income tax</b>	<b>(864)</b>	<b>(1,397)</b>	<b>(10,891)</b>
Income tax benefit	-	415	-
<b>Loss from continuing operations</b>	<b>(864)</b>	<b>(982)</b>	<b>(10,891)</b>
<b>Profit from discontinued operations (after tax)</b>	<b>118</b>	<b>217</b>	<b>516</b>
<b>Loss for the period</b>	<b>(746)</b>	<b>(765)</b>	<b>(10,375)</b>
<b>Other comprehensive income:</b>			
<b>Other comprehensive income for the year, net of tax</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive loss for the period, net of tax</b>	<b>(746)</b>	<b>(765)</b>	<b>(10,375)</b>
<b>Attributable to:</b>			
Equity holders of the Company	(746)	(765)	(10,375)
<b>Loss per share:</b>	<b>Cents</b>	<b>Cents</b>	<b>Cents</b>
	<b>Per Share</b>	<b>Per Share</b>	<b>Per Share</b>
<b>Basic (loss)/earnings per share:</b>			
From continuing operations	(0.79)	(0.89)	(9.90)
From discontinued operations	0.11	0.20	0.47
<b>Total basic loss per share</b>	<b>(0.68)</b>	<b>(0.70)</b>	<b>(9.44)</b>

The notes on the attached pages form part of and are to be read in conjunction with these financial statements.

**NZF GROUP LIMITED**  
**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2013**


Note	Attributable to Equity holders of the Company			Non-	Total
	Share Capital \$'000	Retained Earnings \$'000	Total \$'000	Controlling Interest \$'000	Equity \$'000
<b>Restated balance at 1 April 2012</b>	9,525	(14,303)	(4,778)	3	(4,775)
Total comprehensive loss	-	(765)	(765)	-	(765)
<b>Balance at 30 September 2012</b>	<u>9,525</u>	<u>(15,068)</u>	<u>(5,543)</u>	3	<u>(5,540)</u>
<b>Restated balance at 1 April 2012</b>	9,525	(14,303)	(4,778)	3	(4,775)
Total comprehensive loss	-	(10,375)	(10,375)	-	(10,375)
<b>Balance at 31 March 2013</b>	<u>9,525</u>	<u>(24,678)</u>	<u>(15,153)</u>	3	<u>(15,150)</u>
<b>Restated balance at 1 April 2013</b>	9,525	(24,678)	(15,153)	3	(15,150)
Total comprehensive loss	-	(746)	(746)	-	(746)
De-recognition on sale of MPMH Limited	-	(9)	(9)	(3)	(12)
<b>Balance at 30 September 2013</b>	<u>9,525</u>	<u>(25,433)</u>	<u>(15,908)</u>	-	<u>(15,908)</u>

The notes on the attached pages form part of and are to be read in conjunction with these financial statements.

**NZF GROUP LIMITED**  
**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2013**

	Unaudited 6 months ended 30 September 2013	Unaudited 6 months ended 30 September 2012	Audited 12 months ended 31 March 2013
Note	\$	\$ Restated	\$ Restated
<b>Assets</b>			
Cash and cash equivalents	2,593	1,699	1,334
Trade and other receivables	5	1,626	485
Other assets	169	340	340
Available-for-sale assets	6 1,250	1,250	1,250
Investments in other companies	-	6	3
Property, plant and equipment	20	170	163
Intangible assets	-	8,584	2,160
Current tax assets	-	450	-
<b>Total assets</b>	<b>4,037</b>	<b>14,125</b>	<b>5,735</b>
<b>Liabilities</b>			
Trade and other payables	1,926	1,601	2,821
Loans and borrowings	18,019	18,019	18,019
Deferred tax liability	-	45	45
<b>Total liabilities</b>	<b>19,945</b>	<b>19,665</b>	<b>20,885</b>
<b>Net liabilities</b>	<b>(15,908)</b>	<b>(5,540)</b>	<b>(15,150)</b>
<b>Equity</b>			
Share capital	9,525	9,525	9,525
Accumulated Deficit	(25,433)	(15,068)	(24,678)
Hedge accounting reserve	-	-	-
<b>Total equity attributable to equity holders of the</b>	<b>(15,908)</b>	<b>(5,543)</b>	<b>(15,153)</b>
Non-controlling interest	-	3	3
<b>Total equity</b>	<b>(15,908)</b>	<b>(5,540)</b>	<b>(15,150)</b>

For and on behalf of the Board:

  
 \_\_\_\_\_  
 Director

  
 \_\_\_\_\_  
 Director

Dated: 29 November 2013

The notes on the attached pages form part of and are to be read in conjunction with these financial statements.

**NZF GROUP LIMITED**  
**UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2013**

	Unaudited 6 months ended 30 September 2013	Unaudited 6 months ended 30 September 2012	Audited 12 months ended 31 March 2013
Note	\$	\$	\$
		Restated	Restated
<b>Cash Flows from Operating Activities</b>			
Interest received	125	110	254
Interest paid	-	(555)	(22)
Fee and commission income received	1,153	3,851	8,124
Other income received	13	12	24
Payments to suppliers and employees	(2,136)	(3,475)	(9,160)
Taxation paid	-	(134)	-
Increase in loans to jointly controlled entities	-	(63)	-
Net decrease/(increase) in franchisee loans	-	(202)	-
<b>Net Cash Flow from Operating Activities</b>	<b>(845)</b>	<b>(456)</b>	<b>(780)</b>
<b>Cash Flows used in Investing Activities</b>			
Net cash inflow on sale of MPMH Limited	2,104	-	-
Purchase of property, plant and equipment	-	(3)	-
Sale of property, plant and equipment	-	-	(44)
<b>Net Cash Flow from Investing Activities</b>	<b>2,104</b>	<b>(3)</b>	<b>(44)</b>
<b>Cash Flows from Financing Activities</b>			
Net decrease in term loans	-	(350)	(350)
<b>Net Cash Flow from Financing Activities</b>	<b>-</b>	<b>(350)</b>	<b>(350)</b>
<b>Net (decrease)/increase in cash held</b>	<b>1,259</b>	<b>(809)</b>	<b>(1,174)</b>
<b>Cash balance at start of the year</b>	<b>1,334</b>	<b>2,508</b>	<b>2,508</b>
<b>Cash balance at end of the year</b>	<b>2,593</b>	<b>1,699</b>	<b>1,334</b>
<b>Made up as follows:</b>			
Cash and cash equivalents	2,593	1,699	1,334

The notes on the attached pages form part of and are to be read in conjunction with these financial statements.

**NZF GROUP LIMITED**  
**UNAUDITED RECONCILIATION OF NET LOSS WITH CASH FLOWS FROM OPERATING ACTIVITIES**  
**FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2013**

	Unaudited 6 months ended 30 September 2013	Unaudited 6 months ended 30 September 2012	Audited 12 months ended 31 March 2013
Note	\$	\$	\$
<b>Total comprehensive loss for the year, net of tax</b>	<b>(746)</b>	<b>(853)</b>	<b>(10,375)</b>
<b>Add:</b>			
Depreciation of property, plant and equipment	6	25	27
Impairment loss on investments in subsidiary undertakings	-	-	6,424
Interest accrued on capital notes	547	-	1,115
<b>Add/(less) movements in working capital</b>			
Accounts receivable and other assets	144	(33)	1,069
Accounts payable and other liabilities	(860)	842	947
Current tax assets	64	(454)	(4)
Deferred tax asset	-	17	17
<b>Net Cash Flow from Operating Activities</b>	<b>(845)</b>	<b>(456)</b>	<b>(780)</b>

The notes on the attached pages form part of and are to be read in conjunction with these financial statements.

**NZF GROUP LIMITED**  
**UNAUDITED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2013**

**1. STATEMENT OF COMPLIANCE**

These unaudited consolidated condensed interim financial statements of NZF Group Limited (the Company) and its subsidiaries (together "the Group") have been prepared in accordance with New Zealand Generally Accepted Accounting Practice and comply with the requirements of International Accounting Standard (IAS) 34 Interim Financial Reporting and with New Zealand Equivalent to International Accounting Standard (IAS) 34 Interim Financial Reporting.

The Company is a profit oriented entity and is an issuer for the purposes of the New Zealand Financial Reporting Act 1993.

The unaudited consolidated condensed interim financial statements of the Group for the six months ended 30 September 2013 have been prepared using the same accounting policies and methods of computation as, and should be read in conjunction with, the financial statements and related notes included in the Group's Annual Report for the year ended 31 March 2013.

The same significant judgements, estimates and assumptions included in the notes to the financial statements in the Group's Annual Report for the year ended 31 March 2013 have been applied to these consolidated condensed interim financial statements.

These unaudited consolidated condensed interim financial statements were approved by the Board of Directors on 29 November 2013.

**2. SEGMENT REPORTING**

For management purposes, the Group is organised into the following operating segments:

***Continuing Divisions & Operations***

***Financial Services Distribution***

New Zealand Mortgage Finance Limited (100% subsidiary undertaking) has developed its own extensive broker networks to distribute a range of financial services products to clients, including Mortgages, Insurances and Personal Loans.

***Management & Holding Activities***

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.

***Discontinued Divisions & Operations***

***Financial Services Distribution***

NZF Group Limited sold its 50% shareholding in MPMH Limited. MPMH have developed its own extensive broker networks to distribute a range of financial services products to clients, including Mortgages, Insurances and Personal Loans.

***Licensed Real Estate Business***

The Licensed Real Estate Business is operated by Mike Pero Real Estate Limited, which is a 50% jointly controlled entity of MPMH Limited and Subsidiary Undertakings. NZF Group Limited no longer has any interest in this operation following the sale of MPMH Limited.

Management monitors the results of its 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.



**NZF GROUP LIMITED**

**UNAUDITED NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2013**

**2. SEGMENT REPORTING (CONTINUED)**

The principal activity of NZF Group Limited is to act as the management and holding company for the NZF Group of Companies.

The following information has been prepared on a consistent basis for all three accounting periods in accordance with NZ IFRS 8 Operating Segments. 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 operating segments have been shown within Management & Holding Activities.

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

**Continuing operations:**

**30 September 2013 (6 Months)**

	<b>Total</b>	<b>Eliminations and Adjustments</b>	<b>Financial Services Distribution</b>	<b>Management &amp; Holding Activities</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Interest income</b>				
From external sources	96	-	1	95
From investments	25	-	-	25
	<u>121</u>	<u>-</u>	<u>1</u>	<u>121</u>
Interest expense	(547)	-	-	(547)
<b>Net interest income</b>	<u>(425)</u>	<u>-</u>	<u>1</u>	<u>(426)</u>
<b>Fee and commission income</b>				
From external customers	269	-	269	-
	<u>269</u>	<u>-</u>	<u>269</u>	<u>-</u>
Fee and commission expense	(220)	-	(220)	-
<b>Net fee and commission income</b>	<u>48</u>	<u>-</u>	<u>48</u>	<u>-</u>
Other income	-	-	-	-
<b>Total operating income</b>	<u>(377)</u>	<u>-</u>	<u>49</u>	<u>(426)</u>
Depreciation and amortisation	(4)	-	(3)	(1)
Other operating expenses and staff costs	(483)	-	(10)	(472)
<b>(Loss)/profit before income tax</b>	<u>(864)</u>	<u>-</u>	<u>36</u>	<u>(900)</u>
Income tax benefit	-	-	-	-
<b>(Loss)/profit for the period</b>	<u>(864)</u>	<u>-</u>	<u>36</u>	<u>(900)</u>
<b>Total assets</b>	<u>4,037</u>	<u>(180)</u>	<u>129</u>	<u>4,088</u>
<b>Total liabilities</b>	<u>19,945</u>	<u>-</u>	<u>26</u>	<u>19,920</u>

NZF GROUP LIMITED

UNAUDITED NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2013

2. SEGMENT REPORTING (CONTINUED)

Continuing operations:

	30 September 2012 (6 months)			
	Total \$'000	Eliminations and Adjustments \$'000	Financial Services Distribution \$'000	Management & Holding Activities \$'000
<b>Interest income</b>				
From external customers	27	-	-	27
From investments	72	-	-	72
	<u>99</u>	<u>-</u>	<u>-</u>	<u>99</u>
Interest expense	(541)	-	-	(541)
<b>Net interest income</b>	<u>(442)</u>	<u>-</u>	<u>-</u>	<u>(442)</u>
<b>Fee and commission income</b>				
From external customers	349	-	349	-
	<u>349</u>	<u>-</u>	<u>349</u>	<u>-</u>
Fee and commission expense	(261)	-	(261)	-
<b>Net fee and commission income</b>	<u>88</u>	<u>-</u>	<u>88</u>	<u>-</u>
Other income	-	-	-	-
<b>Total operating income</b>	<u>(354)</u>	<u>-</u>	<u>88</u>	<u>(442)</u>
Depreciation and amortisation	(6)	-	(6)	-
Other operating expenses and staff costs	(1,125)	-	(31)	(1,094)
<b>Loss before income tax</b>	<u>(1,485)</u>	<u>-</u>	<u>51</u>	<u>(1,536)</u>
Income tax benefit/(expense)	415	-	(15)	430
<b>(Loss)/profit for the period</b>	<u>(1,070)</u>	<u>-</u>	<u>36</u>	<u>(1,106)</u>
<b>Total assets</b>	<u>13,933</u>	<u>(886)</u>	<u>1,261</u>	<u>13,558</u>
<b>Total liabilities</b>	<u>18,904</u>	<u>(797)</u>	<u>788</u>	<u>18,913</u>

NZF GROUP LIMITED

UNAUDITED NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2013

2. SEGMENT REPORTING (CONTINUED)

Continuing operations:

	31 March 2013 (12 Months)			
	Total	Eliminations and Adjustments	Financial Services Distribution	Management & Holding Activities
	\$'000	\$'000	\$'000	\$'000
<b>Interest income</b>				
From external sources	46	-	1	45
From investments	188	-	-	188
	<u>234</u>	<u>-</u>	<u>1</u>	<u>233</u>
Interest expense	(1,115)	-	-	(1,115)
<b>Net interest income</b>	<u>(881)</u>	<u>-</u>	<u>1</u>	<u>(882)</u>
<b>Fee and commission income</b>				
From external customers	642	-	642	-
	<u>642</u>	<u>-</u>	<u>642</u>	<u>-</u>
Fee and commission expense	(467)	-	(467)	-
<b>Net fee and commission income</b>	<u>175</u>	<u>-</u>	<u>175</u>	<u>-</u>
Other income	-	-	-	-
<b>Total operating income</b>	<u>(706)</u>	<u>-</u>	<u>176</u>	<u>(882)</u>
Net impairment losses	(7,196)	238	(438)	(6,996)
Depreciation and amortisation	(12)	-	(12)	-
Other operating expenses and staff costs	(2,977)	(3)	(170)	(2,804)
<b>(Loss)/profit before income tax</b>	<u>(10,891)</u>	<u>235</u>	<u>(444)</u>	<u>(10,682)</u>
Income tax benefit	-	-	-	-
<b>(Loss)/profit for the year</b>	<u>(10,891)</u>	<u>235</u>	<u>(444)</u>	<u>(10,682)</u>
<b>Total assets</b>	<u>4,844</u>	<u>(180)</u>	<u>89</u>	<u>4,935</u>
<b>Total liabilities</b>	<u>19,952</u>	<u>64</u>	<u>21</u>	<u>19,867</u>

**NZF GROUP LIMITED**  
**UNAUDITED NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2013**

**2. SEGMENT REPORTING (CONTINUED)**

Discontinued operations:	30 September 2013 (6 Months)		
	Total \$'000	Eliminations and Adjustments \$'000	Financial Services Distribution \$'000
<b>Interest income</b>			
From external customers	4	-	4
	<u>4</u>	<u>-</u>	<u>4</u>
Interest expense	0	-	-
<b>Net interest income</b>	<u>4</u>	<u>-</u>	<u>4</u>
<b>Fee and commission income</b>			
From external customers	884	-	884
	<u>884</u>	<u>-</u>	<u>884</u>
Fee and commission expense	(571)	-	(571)
<b>Net fee and commission income</b>	<u>313</u>	<u>-</u>	<u>313</u>
Other income	13	-	13
<b>Total operating income</b>	<u>330</u>	<u>-</u>	<u>330</u>
Depreciation and amortisation	(2)	-	(2)
Other operating expenses and staff costs	(164)	-	(164)
<b>Profit before income tax</b>	<u>164</u>	<u>-</u>	<u>164</u>
Income tax expense	(46)	-	(46)
<b>Profit for the period</b>	<u>118</u>	<u>-</u>	<u>118</u>
<b>Total assets</b>	<u>8,842</u>	<u>-</u>	<u>8,842</u>
<b>Total liabilities</b>	<u>752</u>	<u>-</u>	<u>752</u>

NZF GROUP LIMITED

UNAUDITED NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2013

2. SEGMENT REPORTING (CONTINUED)

Discontinued operations:

	30 September 2012 (6 months)			
	Total \$'000	Eliminations and Adjustments \$'000	Financial Services Distribution \$'000	Licensed Real Estate Business \$'000
<b>Interest income</b>				
From external customers	11	-	11	-
	<u>11</u>	<u>-</u>	<u>11</u>	<u>-</u>
Interest expense	(14)	-	(5)	(9)
<b>Net interest income</b>	<u>(3)</u>	<u>-</u>	<u>6</u>	<u>(9)</u>
<b>Fee and commission income</b>				
From external customers	3,502	-	2,386	1,116
	<u>3,502</u>	<u>-</u>	<u>2,386</u>	<u>1,116</u>
Fee and commission expense	(2,246)	-	(1,431)	(815)
<b>Net fee and commission income</b>	<u>1,256</u>	<u>-</u>	<u>955</u>	<u>301</u>
Other income	12	-	12	-
<b>Total operating income</b>	<u>1,265</u>	<u>-</u>	<u>973</u>	<u>292</u>
Depreciation and amortisation	(19)	-	(16)	(3)
Other operating expenses and staff costs	(934)	-	(647)	(287)
<b>Profit before income tax</b>	<u>312</u>	<u>-</u>	<u>310</u>	<u>2</u>
Income tax expense	(95)	-	(95)	-
<b>Profit for the period</b>	<u>217</u>	<u>-</u>	<u>215</u>	<u>2</u>
<b>Total assets</b>	<u>148</u>	<u>(8,408)</u>	<u>8,211</u>	<u>345</u>
<b>Total liabilities</b>	<u>717</u>	<u>-</u>	<u>374</u>	<u>343</u>
<b>Cash flows from discontinued operations:</b>				
Net cash flows from operating activities	252	-	253	(1)
Net cash flows from investing activities	25	-	13	12
Net cash flows from financing activities	(350)	-	(350)	0
<b>Net cash flows</b>	<u>(73)</u>	<u>-</u>	<u>(84)</u>	<u>11</u>

NZF GROUP LIMITED  
 UNAUDITED NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2013

2. SEGMENT REPORTING (CONTINUED)

Discontinued operations:	31 March 2013 (12 Months)			
	Total \$'000	Eliminations and Adjustments \$'000	Licensed Real Estate Business \$'000	Financial Services Distribution \$'000
<b>Interest income</b>				
From external sources	20	-	1	19
	<u>20</u>	<u>-</u>	<u>1</u>	<u>19</u>
Interest expense	(22)	-	(17)	(5)
<b>Net interest income</b>	<u>(2)</u>	<u>-</u>	<u>(16)</u>	<u>14</u>
<b>Fee and commission income</b>				
From external customers	7,736	-	2,955	4,781
	<u>7,736</u>	<u>-</u>	<u>2,955</u>	<u>4,781</u>
Fee and commission expense	(5,146)	-	(2,228)	(2,918)
<b>Net fee and commission income</b>	<u>2,590</u>	<u>-</u>	<u>727</u>	<u>1,863</u>
Other income	24	-	-	24
<b>Total operating income</b>	<u>2,612</u>	<u>-</u>	<u>711</u>	<u>1,901</u>
Depreciation and amortisation	(15)	-	-	(15)
Other operating expenses and staff costs	(1,902)	(199)	(720)	(983)
<b>Profit/(loss) before income tax</b>	<u>695</u>	<u>(199)</u>	<u>(9)</u>	<u>903</u>
Income tax expense	(179)	-	-	(179)
<b>Profit/(loss) for the year</b>	<u>516</u>	<u>(199)</u>	<u>(9)</u>	<u>724</u>
<b>Total assets</b>	<u>891</u>	<u>(8,252)</u>	<u>230</u>	<u>8,913</u>
<b>Total liabilities</b>	<u>933</u>	<u>-</u>	<u>321</u>	<u>612</u>
<b>Cash flows from discontinued operations:</b>				
Net cash flows from operating activities	1,011	-	161	850
Net cash flows from investing activities	(5)	-	(32)	27
Net cash flows from financing activities	(350)	-	-	(350)
<b>Net cash flows</b>	<u>656</u>	<u>-</u>	<u>129</u>	<u>527</u>

## NZF GROUP LIMITED

### UNAUDITED NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2013

#### 3. SALE OF INVESTMENT IN JOINTLY CONTROLLED ENTITY

A special meeting of shareholders of NZF Group Limited was held on Monday 27 May 2013, and the following special resolution was passed and approved at that meeting:

That pursuant to section 129 of the Companies Act 1993 and Listing Rule 9.1.1, the sale of the Company's 100 shares in MPMH Limited to Liberty Financial Pty Limited (or an associated company) for consideration of \$2,762,000 and the repayment of a shareholder loan of \$305,904 owing to the Company from MPMH Limited be approved.

The full proceeds of \$3,067,904 were received by the Company on 11 June 2013 in accordance with the terms approved by shareholders.

	\$'000
<b>Carrying amount of identifiable assets and liabilities disposed:</b>	
Cash and cash equivalents	963
Intangible assets	2,160
Investment in other companies	3
Trade and other receivables	282
Property, plant and equipment	139
Other assets	225
Trade and other payables	(889)
Deferred tax liability	(45)
Current tax liability	(64)
Non-controlling interest	-
Retained income	(9)
<b>Net assets disposed of</b>	<u>2,765</u>
Proceeds from disposal of jointly controlled entity	<u>(2,762)</u>
Proceeds from disposal of jointly controlled entity	2,762
Settlement of intercompany balance	305
Cash balances de-recognised	(963)
<b>Net cash inflow</b>	<u>2,104</u>

#### 4. RELATED PARTY TRANSACTIONS

At balance date there were neither related party transactions nor loans between NZF Group Limited and subsidiary New Zealand Mortgage Finance Limited.

#### 5. CAPITAL COMMITMENTS

There were no capital commitments at 30 September 2013 (30 September 2012:nil; 31 March 2013:nil).

#### 6. SUBSEQUENT EVENTS

The Company had entered into a conditional sale and purchase agreement with Resimac NZ Home Loans Limited for the sale of the 20% shareholding in Resimac NZ Home Loans Limited and subordinated notes held in NZF Mortgages A Trust and NZF Mortgages 2010-1 Trust. The sale was conditional on approval of the ordinary resolution to be tabled at a Meeting of Shareholders held on 21 November 2013, where the resolution was passed and the sale and purchase agreement went unconditional.

On 27 November 2013, the full sale proceeds of \$1,250,000 were received by NZF Group Limited for the available-for-sale asset with a carrying value of \$1,250,000.

On 28 November 2013, the Serious Fraud Office (SFO) closed its investigation into NZF Money Limited citing a lack of evidence to prosecute, and referred the matter to the Financial Markets Authority for further inquiry.

**NZF GROUP LIMITED**

**UNAUDITED NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2013**

**7. MATERIAL UNCERTAINTIES AFFECTING GOING CONCERN**

NZF Group Limited has a liability of \$18,019,000 in Capital Notes. These Capital Notes have an annual return of 6% and interest is payable quarterly. The Trust Deed permits the suspension of interest payments in certain circumstances, the Directors of NZF Group Limited resolved to suspend interest payments on 21 May 2012. On maturity of the Capital Notes on 15 March 2016, NZF Group Limited has the option to convert the Capital Notes to equity. The Company may with the agreement of Capital Note holders convert the Capital Notes to equity prior to maturity, however this has not been arranged as at the date of authorising and approving these financial statements.

These financial statements have been prepared on a going concern basis as the Directors believe that the Unsecured Capital Notes may eventually be converted to ordinary shares.

It should be noted that the outcome of the event noted above cannot be determined by the Company alone, as it involves third parties.

At 30 September 2013, the group had excess liabilities over assets of \$15.908m and is in breach of the solvency test as set out in the Companies Act 1993.

A further risk is that the cash funds utilised in the current business are limited and there is a need for future cash flows to be generated for the Company to continue as a going concern. The continued suspension of the Capital Note interest will see current cash reserves being sufficient to continue for the next 12 months.

The circumstances noted above create uncertainties that cast doubt on the Groups' ability to continue as a going concern for the long term (ie beyond the next 12 – 24 months) and therefore the Company may not be able to ultimately discharge its liabilities in the normal course of business in the long term.



**COMPANY DIRECTORY**  
**AS AT 30 SEPTEMBER 2013**

**Independent Directors**

Sean Robert Joyce (Appointed 21 August 2013)  
3 Heather Street, Parnell, Auckland

Craig Irving Alexander  
25 Milton Road, Mt Eden, Auckland

John Francis Hendersor (Retired 21 August 2013)  
25 Sunny Crescent, Huapai, Kemu

**Executive Director**

Mark Hume Thornton  
106 Hillcrest Road, Hatfields Beach, Orewa

**Company Secretary**

Mark Hume Thornton  
106 Hillcrest Road, Hatfields Beach, Orewa

**Registered Office**

166 Queen Street, Auckland  
Tel: 0800 379 9090

**Auditor**

RSM Prince Chartered Accountants  
86 Highbrook Drive, East Tamaki, Auckland

**Share Registrar**

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

**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

**Bankers**

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