

NZF GROUP LIMITED
PRELIMINARY UNAUDITED INTERIM FINANCIAL RESULT
FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2012

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NZF GROUP LIMITED

CHIEF EXECUTIVE OFFICER'S REPORT FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2012

NZF announces its interim results for the six month period ended 30 September 2012, which show an unaudited loss attributable to equity holders of \$0.853 million compared to an unaudited loss attributable to equity holders of \$11.081 million for the six month period ended 30 September 2011.

The interim results for the six month period ended 30 September 2012 comprise:

- An unaudited loss after taxation of \$0.853 million from continuing operations compared to an unaudited loss after taxation of \$0.269 million from continuing operations for the six month period ended 30 September 2011.
- An unaudited loss after taxation of \$0 from discontinued operations compared to an unaudited loss after taxation of \$10.812 million from discontinued operations for the six month period ended 30 September 2011.

There remain three key uncertainties facing NZF Group at this time:

- The proceedings brought against the company by NZF Money Limited (in receivership) and the associated freezing orders which have placed cash flow constraints on NZF Group. A trial date has been set down for February 2013.
- The resolution of the proceedings with Liberty and the future ownership of MPMH. Shareholders will vote on this hopefully before the end of this calendar year or early next year.
- Obtaining the approval of capital note holders to the early conversion of their notes to shares. At present interest payments are suspended on the notes and are likely to remain suspended. This early conversion should correct NZF Group's balance sheet (including if the MPMH sale proceeds at the current valuation) as its liabilities should then, no longer, exceed its assets. This occurs because despite the convertible notes being a hybrid debt/equity instrument, they are classified as liabilities on NZF Group's balance sheet. The Board considers that it is only appropriate to proceed with this course of action once the first two issues above are resolved.

The future of NZF Group and its financial position will ultimately be dictated by the outcome of the three matters identified above.

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



Mark Thornton
Chief Executive Officer

4 December 2012

NZF GROUP LIMITED

**UNAUDITED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2012**

	30-Sep 2012 (6 Months) Unaudited \$'000	31-Mar 2012 (12 Months) Audited \$'000	30-Sep 2011 (6 Months) Unaudited \$'000
Interest income	110	43	8
Interest expense	(555)	(1,124)	(479)
Net interest income	(445)	(1,081)	(471)
Fee and commission income	3,851	6,105	2,571
Fee and commission expense	(2,507)	(3,695)	(1,605)
Net fee and commission income	1,344	2,410	966
Other income	12	43	189
Total operating income	911	1,372	684
Net impairment losses	-	(6,744)	(878)
Operating expenses and staff costs	(2,084)	(2,759)	(1,036)
Loss before income tax	(1,173)	(8,131)	(1,230)
Income tax benefit/(expense)	320	(113)	961
Loss from continuing operations	(853)	(8,244)	(269)
Loss from discontinued operations (after tax)	-	(7,914)	(10,812)
Loss for the year	(853)	(16,158)	(11,081)
Attributable to:			
Non-controlling interest	-	-	-
Equity holders of the Company	(853)	(16,158)	(11,081)
	(853)	(16,158)	(11,081)
Earnings per share:			
Basic earnings per share:			
From continuing operations	(0.78)	(7.50)	(0.24)
From discontinued operations	-	(7.20)	(9.83)
Total basic earnings per share	(0.78)	(14.70)	(10.07)

NZF GROUP LIMITED**UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2012**

	30-Sep 2012 (6 Months) Unaudited \$'000	31-Mar 2012 (12 Months) Audited \$'000	30-Sep 2011 (6 Months) Unaudited \$'000
Loss for the year	(853)	(16,158)	(11,081)
Other comprehensive income:			
Gains on cash flow hedges arising during the period	-	503	487
Balance of hedge reserve sold with subsidiary	-	708	-
Income tax relating to components of other comprehensive income	-	-	-
Other comprehensive income for the year, net of tax	-	1,211	487
Total comprehensive income for the year, net of tax	(853)	(14,947)	(10,594)
Attributable to:			
Non-controlling interest	-	-	-
Equity holders of the Company	(853)	(14,947)	(10,594)
	(853)	(14,947)	(10,594)

NZF GROUP LIMITED

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2012**

	30-Sep 2012 (6 Months) Unaudited \$'000	31-Mar 2012 (12 Months) Audited \$'000	30-Sep 2011 (6 Months) Unaudited \$'000
Assets			
Cash and cash equivalents	1,699	2,574	4,451
Loans and advances to customers	-	-	168,517
Trade and other receivables	2,876	2,804	1,184
Current tax assets	450	(4)	97
Property, plant and equipment	170	192	258
Intangible assets	8,584	8,584	9,105
Investments in other companies	6	6	-
Deferred tax asset	(45)	(28)	856
Other assets	340	379	1,931
Total assets	14,081	14,507	186,399
Liabilities			
Bank Overdraft	-	66	-
Trade and other payables	1,601	759	1,818
Derivative liabilities held for risk management	-	-	875
Loans and borrowings	18,019	18,369	183,955
Other liabilities	-	-	85
Total liabilities	19,621	19,194	186,733
Net assets	(5,540)	(4,687)	(334)
Equity			
Share capital	9,525	9,525	9,525
Retained earnings	(15,068)	(14,215)	(9,138)
Hedge accounting reserve	-	-	(724)
Total equity attributable to equity holders of the company	(5,543)	(4,690)	(337)
Non-controlling interest	3	3	3
Total equity	(5,540)	(4,687)	(334)
	Cents Per Share	Cents Per Share	Cents Per Share
Net tangible assets per share	(5.04)	(4.26)	(0.30)

NZF GROUP LIMITED

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2012**

	Attributable to Equity holders of the Company					Total Equity \$'000
	Share Capital \$'000	Retained Earnings \$'000	Hedge	Total \$'000	Non- Controlling Interest \$'000	
			Accounting Reserve \$'000			
Balance at 1 April 2011	9,525	1,943	(1,211)	10,257	3	10,260
Total comprehensive (loss)/income	-	(11,081)	487	(10,594)	-	(10,594)
Equity dividends	-	-	-	-	-	-
Balance at 30 September 2011	9,525	(9,138)	(724)	(337)	3	(334)
Balance at 1 April 2011	9,525	1,943	(1,211)	10,257	3	10,260
Total comprehensive (loss)/income	-	(16,158)	1,211	(14,947)	-	(14,947)
Equity dividends	-	-	-	-	-	-
Balance at 31 March 2012	9,525	(14,215)	-	(4,690)	3	(4,687)
Balance at 1 April 2012	9,525	(14,215)	-	(4,690)	3	(4,687)
Total comprehensive (loss)/income	-	(853)	-	(853)	-	(853)
Equity dividends	-	-	-	-	-	-
Balance at 30 September 2012	9,525	(15,068)	-	(5,543)	3	(5,540)

NZF GROUP LIMITED

**UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2012**

	30-Sep 2012 (6 Months) Unaudited \$'000	31-Mar 2012 (12 Months) Audited \$'000	30-Sep 2011 (6 Months) Unaudited \$'000
Cash Flows from Operating Activities			
Interest received	110	10,470	7,683
Interest paid	(555)	(9,794)	(6,774)
Fee and commission income received	3,851	6,137	2,600
Other income received	12	44	190
Payments to suppliers and employees	(3,475)	(7,927)	(3,623)
Taxation paid	(134)	(55)	(27)
Net decrease in loans and advances to customers	-	47,214	31,757
Increase in loans to jointly controlled entities	(63)	(12)	(75)
Net increase in franchisee loans	(202)	(23)	(4)
Net employee loan advances	-	(2)	(2)
Net Cash Flow from Operating Activities	(456)	46,052	31,725
Cash Flows used in Investing Activities			
Acquisition of shares in other companies	-	(106)	-
Net cash outflow on receivership of NZF Money Limited	-	(710)	(428)
Net cash outflow on sale of NZF Home Loans Limited	-	(505)	-
Purchase of property, plant and equipment	(3)	(54)	(50)
Net Cash Flow from Investing Activities	(3)	(1,375)	(478)
Cash Flows from Financing Activities			
Net decrease in term loans	(350)	(26,744)	(16,794)
Net decrease in secured mortgage backed notes	-	(16,455)	(11,032)
Net decrease in secured debenture stock	-	(4,626)	(4,626)
Net Cash Flow from Financing Activities	(350)	(47,825)	(32,452)
Net decrease in cash held	(809)	(3,148)	(1,205)
Cash balance at start of the year	2,508	5,656	5,656
Cash balance at end of the year	1,699	2,508	4,451
Made up as follows:			
Cash and cash equivalents	1,699	2,574	4,451
Bank Overdraft	-	(66)	-
	1,699	2,508	4,451

NZF GROUP LIMITED

**UNAUDITED RECONCILIATION OF NET LOSS WITH CASH FLOWS FROM OPERATING ACTIVITIES
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2012**

	30-Sep 2012	31-Mar 2012	30-Sep 2011
	(6 Months)	(12 Months)	(6 Months)
	Unaudited	Audited	Unaudited
	\$'000	\$'000	\$'000
Loss for the year	(853)	(16,159)	(11,081)
Add:			
Depreciation of property, plant and equipment	25	87	45
Loss on sale of property, plant and equipment	-	18	19
Decrease in collective and specific loan impairment allowances	-	(1,463)	(461)
Bad debts written off	-	2,769	1,754
Impairment loss on investments in subsidiary undertakings	-	14,241	10,145
Deduct:			
Net decrease in loans and advances to customers	-	47,214	31,757
Net increase in derivative assets and liabilities held for risk management	-	(153)	(106)
Decrease in accounts receivable and other assets	(33)	283	940
Increase/(Decrease) in accounts payable and other liabilities	842	(629)	(18)
Increase in current tax assets	(454)	(476)	(910)
Decrease/(Increase) in deferred tax asset	17	320	(359)
Net Cash Flow from Operating Activities	(456)	46,052	31,725

NZF GROUP LIMITED
UNAUDITED NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2012

1. 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").

These consolidated interim financial statements were approved by the Board of Directors on 4th December 2012.

2. 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.

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).

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.

Accounting policies are selected and applied in a manner which ensures the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable in the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions, and bases of which, are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the interim financial statements for the six month period ended 30 September 2011 and in the audited financial statements for the year ended 31 March 2012.

These interim financial statements have been prepared in accordance with NZ IAS 34 and IAS 34 covering Interim Financial Reporting, and should be read in conjunction with the 2012 Annual Report.

3. SEGMENT REPORTING

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

Continuing Divisions & Operations

Financial Services Distribution

NZF Group Limited, New Zealand Mortgage Finance Limited (100% subsidiary undertaking) and MPMH Limited and Subsidiary Undertakings (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.

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. Information disclosed relating to the Licensed Real Estate Business represents the Group's effective 25% shareholding in Mike Pero Real Estate Limited.

Discontinued Divisions & Operations

Home Loans Division

The Home Loans Division comprises NZF Mortgages Limited, NZF Securitisation Limited, NZF HomeLoans Limited, NZF Mortgages Warehouse A Trust, NZF Mortgages Warehouse B Trust and NZF Mortgages 2010-1 Trust (100% controlled entities). 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. The Home Loans Division was sold on 22 December 2011.

Property Finance Division

The Property Finance Division comprised the Company's 100% investment in NZF Money Limited, a company which specialised in providing property finance, which was placed into receivership on 22 July 2011.

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.

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.

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, jointly controlled entities and investments, 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 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 6.00% per annum, quarterly in arrears. Interest payments on the Unsecured Capital Notes were suspended on 21 May 2012. This interest, together with other central operating expenses, assets and liabilities, are not allocated by management to the operating segments when making decisions about resource allocation and performance assessment.

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. Goodwill and intangible assets have also been allocated by management to the operating segments to which those assets relate.

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 in 2011 or 2012.

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

Continuing operations:

30 September 2012 (6 Months)

	Unaudited				
	Total	Eliminations	Financial	Licensed Management	
		and	Services	Real Estate	& Holding
	Adjustments	Distribution	Business	Activities	
	\$'000	\$'000	\$'000	\$'000	\$'000
Interest income					
From external customers	110	-	11	-	99
From other segments	-	-	-	-	-
	110	-	11	-	99
Interest expense	(555)	-	(5)	(9)	(541)
Net interest income	(445)	-	6	(9)	(442)
Fee and commission income					
From external customers	3,851	-	2,735	1,116	-
From other segments	-	-	-	-	-
	3,851	-	2,735	1,116	-
Fee and commission expense	(2,507)	-	(1,692)	(815)	-
Net fee and commission income	1,344	-	1,043	301	-
Other income	12	-	12	-	-
Total operating income/(loss)	911	-	1,061	292	(442)
Depreciation and amortisation	(25)	-	(22)	(3)	-
Other operating expenses and staff costs	(2,059)	-	(678)	(287)	(1,094)
(Loss)/profit before income tax	(1,173)	-	361	2	(1,536)
Income tax benefit/(expense)	320	-	(110)	-	430
(Loss)/profit for the period	(853)	-	251	2	(1,106)
Total assets	14,081	(9,294)	9,472	345	13,558
Total liabilities	19,621	(797)	1,162	343	18,913

Continuing operations:

31 March 2012 (12 Months)

	Audited				
	Total	Eliminations	Financial	Licensed	Management
	and	Adjustments	Services	Real Estate	& Holding
	\$'000	\$'000	\$'000	Business	Activities
	\$'000	\$'000	\$'000	\$'000	\$'000
Interest income					
From external customers	43	-	18	1	24
From other segments	-	(167)	-	-	167
	<u>43</u>	<u>(167)</u>	<u>18</u>	<u>1</u>	<u>191</u>
Interest expense	(1,124)	-	(22)	(13)	(1,089)
Net interest income	<u>(1,081)</u>	<u>(167)</u>	<u>(4)</u>	<u>(12)</u>	<u>(898)</u>
Fee and commission income					
From external customers	6,105	-	4,981	1,073	51
From other segments	-	-	-	-	-
	<u>6,105</u>	<u>-</u>	<u>4,981</u>	<u>1,073</u>	<u>51</u>
Fee and commission expense	(3,695)	-	(3,079)	(611)	(5)
Net fee and commission income	<u>2,410</u>	<u>-</u>	<u>1,902</u>	<u>462</u>	<u>46</u>
Other income	43	(2,727)	43	-	2,727
Total operating income/(loss)	<u>1,372</u>	<u>(2,894)</u>	<u>1,941</u>	<u>450</u>	<u>1,875</u>
Net impairment losses	(6,744)	-	(621)	-	(6,123)
Depreciation and amortisation	(73)	-	(69)	(4)	-
Other operating expenses and staff costs	(2,686)	-	(1,351)	(395)	(940)
(Loss)/profit before income tax	<u>(8,131)</u>	<u>(2,894)</u>	<u>(100)</u>	<u>51</u>	<u>(5,188)</u>
Income tax expense	(113)	-	(98)	(15)	-
(Loss)/profit for the period	<u>(8,244)</u>	<u>(2,894)</u>	<u>(198)</u>	<u>36</u>	<u>(5,188)</u>
Total assets	<u>15,080</u>	<u>(9,263)</u>	<u>10,153</u>	<u>245</u>	<u>13,945</u>
Total liabilities	<u>19,129</u>	<u>(784)</u>	<u>1,474</u>	<u>244</u>	<u>18,195</u>

Continuing operations:

30 September 2011 (6 Months)

	Unaudited				
	Total	Eliminations and Adjustments	Financial Services Distribution	Licensed Real Estate Business	Management & Holding Activities
	\$'000	\$'000	\$'000	\$'000	\$'000
Interest income					
From external customers	8	-	7	-	1
From other segments	-	(79)	-	-	79
	<u>8</u>	<u>(79)</u>	<u>7</u>	<u>-</u>	<u>80</u>
Interest expense	(479)	79	(13)	(5)	(540)
Net interest income	<u>(471)</u>	<u>-</u>	<u>(6)</u>	<u>(5)</u>	<u>(460)</u>
Fee and commission income					
From external customers	2,571	-	2,443	128	-
From other segments	-	(28)	28	-	-
	<u>2,571</u>	<u>(28)</u>	<u>2,471</u>	<u>128</u>	<u>-</u>
Fee and commission expense	(1,605)	28	(1,529)	(104)	-
Net fee and commission income	<u>966</u>	<u>-</u>	<u>942</u>	<u>24</u>	<u>-</u>
Other income	189	-	33	156	-
Total operating income/(loss)	<u>684</u>	<u>-</u>	<u>969</u>	<u>175</u>	<u>(460)</u>
Net impairment losses	(878)	-	-	-	(878)
Depreciation and amortisation	(53)	-	(53)	-	-
Other operating expenses and staff costs	(983)	-	(675)	(158)	(150)
(Loss)/profit before income tax	<u>(1,230)</u>	<u>-</u>	<u>241</u>	<u>17</u>	<u>(1,488)</u>
Income tax benefit/(expense)	961	-	(70)	(5)	1,036
(Loss)/profit for the period	<u>(269)</u>	<u>-</u>	<u>171</u>	<u>12</u>	<u>(452)</u>
Total assets	<u>11,652</u>	<u>(17,075)</u>	<u>9,824</u>	<u>232</u>	<u>18,671</u>
Total liabilities	<u>11,686</u>	<u>(8,696)</u>	<u>1,532</u>	<u>256</u>	<u>18,594</u>

Discontinued operations:	31 March 2012 (12 Months)			30 September 2011 (6 Months)		
	Audited			Unaudited		
	Total	Property Finance Division	Home Loans Division	Total	Property Finance Division	Home Loans Division
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Interest income						
From external customers	10,310	619	9,691	7,553	602	6,951
From other segments	-	-	-	17	17	-
	<u>10,310</u>	<u>619</u>	<u>9,691</u>	<u>7,570</u>	<u>619</u>	<u>6,951</u>
Interest expense	(8,434)	(464)	(7,970)	(6,273)	(464)	(5,809)
Net interest income	<u>1,876</u>	<u>155</u>	<u>1,721</u>	<u>1,297</u>	<u>155</u>	<u>1,142</u>
Fee and commission income						
From external customers	326	5	321	222	5	217
From other segments	-	-	-	-	-	-
	<u>326</u>	<u>5</u>	<u>321</u>	<u>222</u>	<u>5</u>	<u>217</u>
Fee and commission expense	(625)	(4)	(621)	(439)	(4)	(435)
Net fee and commission income	<u>(299)</u>	<u>1</u>	<u>(300)</u>	<u>(217)</u>	<u>1</u>	<u>(218)</u>
Gains on financial instruments at fair value	154	-	154	107	-	107
Total operating income	<u>1,731</u>	<u>156</u>	<u>1,575</u>	<u>1,187</u>	<u>156</u>	<u>1,031</u>
Net impairment losses	(1,809)	(472)	(1,337)	(1,293)	(472)	(821)
Depreciation and amortisation	(14)	(5)	(9)	(11)	(5)	(6)
Other operating expenses and staff costs	(1,042)	(472)	(570)	(831)	(472)	(359)
Loss on cessation of operations	(6,996)	(5,071)	(1,925)	(10,145)	(10,145)	-
Loss before income tax	<u>(8,130)</u>	<u>(5,864)</u>	<u>(2,266)</u>	<u>(11,093)</u>	<u>(10,938)</u>	<u>(155)</u>
Income tax benefit	216	238	(22)	281	238	43
Loss for the period	<u>(7,914)</u>	<u>(5,626)</u>	<u>(2,288)</u>	<u>(10,812)</u>	<u>(10,700)</u>	<u>(112)</u>
Total assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>174,747</u>	<u>-</u>	<u>174,747</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>175,047</u>	<u>-</u>	<u>175,047</u>
Cash flows from discontinued operations:						
Net cash flows from operating activities	47,402	4,015	43,387	31,117	3,919	27,198
Net cash flows from investing activities	(100)	(96)	(4)	(5)	-	(5)
Net cash flows from financing activities	(50,412)	(3,760)	(46,652)	(31,890)	(3,760)	(28,130)
Net cash flows	<u>(3,110)</u>	<u>159</u>	<u>(3,269)</u>	<u>(778)</u>	<u>159</u>	<u>(937)</u>

4. SUBSEQUENT EVENTS

In early September 2012, NZF Group entered a sale process with its joint venture partner Liberty Financial with respect to its 50% interest in MPMH Limited. In accordance with the joint venture agreement the sale price was determined by independent valuation. On 22 November the final valuation was released and valued the 50% interest in MPMH Limited at \$2,762,000. This is less than the carrying value of the investment in NZF Group's accounts which may need to be further

considered for impairment. The sale now rests on NZF Group shareholder approval with a meeting intended for either late December or early January.

5. MATERIAL UNCERTAINTIES AFFECTING GOING CONCERN

On 5 April 2012 the High Court issued a freezing order over the assets of NZF Group Limited following an application made by the receivers of NZF Money Limited. The proceedings relate to decisions made by the Directors involving an internal restructure of companies within the Group. While the freezing order remains in place the Company is prohibited from investing funds and it only allows for day to day operational costs to be met. NZF Group Limited cannot resume its activities until this freezing order is lifted. A High Court hearing on these proceedings this has been set down for 18 February 2013 and until this takes place the Directors will be unable to assess the outcome on the Company and Group.

In addition, 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 which the Directors were considering. However, on 21 May 2012 the Receivers of NZF Money Limited declined to give the Company consent to pay the interest. Interest payments were therefore suspended on that date. NZF Group Limited has the option to convert the Capital Notes to Equity with the agreement of Capital Note holders; however this has not been arranged as at the date of authorising and approving these financial statements.

Further a statement of claim has been filed against the Company alleging a breach of a Joint Venture Agreement involving MPMH Limited. However it was subsequently agreed with the plaintiff, Liberty Financial, to enter a sale process in respect of this investment. This sale process is now near completion and subject only to NZF Group shareholder approval. If shareholder approval is not obtained it is likely that these proceedings will be revived.

These financial statements have been prepared on a going concern basis as the Directors believe the freeze order will be released, that the Capital Notes will eventually be converted to an equivalent value of ordinary shares, and the claim made against the Company alleging a breach of a Joint Agreement was spurious.

It should be noted that the outcome of each event noted above cannot be determined by the Company alone, they all involve third parties.

The circumstances noted above create material uncertainties that cast doubt on the Company and Group's ability to continue as a going concern and therefore the Company and Group may be unable to realise their assets and discharge their liabilities in the normal course of business.

The Directors are not aware of any other 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.