

NZF GROUP LIMITED
UNAUDITED INTERIM FINANCIAL RESULT
FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2014

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NZF GROUP LIMITED
CHIEF EXECUTIVE OFFICER'S REPORT
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2014

The NZF group of companies ("Group") has now successfully completed the Group's divestment programme and all of the Group's investments and business interests have been sold. The Group's only significant asset at 30 September 2014 is the cash which is held on deposit in the bank.

During the course of the financial year: the following material transaction was entered into and completed:

- On 27 March 2014, NZF concluded the sale of its interest in the subsidiary New Zealand Mortgage Finance Limited, for \$95,000 with settlement in cash on 1 April 2014,

As at 1 April 2014, NZF has no remaining trading assets.

As previously advised to the market, the Board of NZF had been undertaking a strategic review of the restructuring options available to NZF given that the principal business operations of the NZF Group have either been sold or have been wound down or discontinued.

On 23 May 2014 the Board of NZF received a formal notice of requisition from a holder of more than 10% of the Capital Notes on issue, requesting NZF to call a special meeting of Capital Noteholders, and that the following motions to be put to the special meeting:

1. *That no action to liquidate NZF proceeds until 31 August 2014, while the Directors explore opportunities for transactions that will increase the value of the business, and therefore the value for the Capital Noteholders.*
2. *That the Directors will limit incurring expenses of the Company to no greater than \$50,000 per month from the date of this notice until 30 September 2014*
3. *That the Directors are authorised to spend in addition to 2. Above, the funds required for an audit of the Company, and an additional \$50,000 specific to investigating and concluding a specific transaction as contemplated in 1. Above*
4. *That a further Noteholders' meeting is called for no later than by 10 September 2014, and held no later than 30 September 2014, with the specific intent of approving a transaction, or liquidation of the Company.*

The aforementioned resolutions were approved by a significant majority of those Noteholders who cast their votes at the special meeting of Noteholders.

Whilst the aforementioned resolutions were not binding upon the Board, the Board has acted in accordance with the spirit of the resolutions that were ultimately approved by the Noteholders. In addition, the Board has sought to consult with the major holder of the Notes, who exercised their voting rights at the recent special meeting of Noteholders, with a view to ensuring that the Board has the support of that Noteholder with respect to any prospective initiatives to be considered by the NZF Board.

On 18 September 2014, NZF advised the market that the Board was in confidential discussions with several parties who represented businesses that were potentially appropriate for a reverse listing transaction with NZF. Following on from those discussions, the Board identified one particular business which it considered appropriate as a potential acquisition target. However, on 3 October 2014 NZF announced that, although a non-binding Heads of Agreement had been entered into in respect of that initiative, NZF had resolved to not proceed with that potential acquisition.

**NZF GROUP LIMITED
CHIEF EXECUTIVE OFFICER'S REPORT
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2014 (CONTINUED)**

On 18 September NZF also announced that it had been previously introduced to a second potential transaction which the Board reviewed and considered had merit as a potential acquisition possibility. The Board has undertaken due diligence investigations of this business, and the owners of the business are in turn undertaking due diligence investigations of NZF.


On 1 December 2014, NZF announced that it had entered into a conditional agreement with the stakeholders of Inventory Technologies Limited ("ITL") to acquire 100% of the shares on issue in ITL.

The acquisition will be funded by the issue of NZF ordinary shares.

ITL is an "Internet of Things" company based in Christchurch. ITL is seeking to revolutionise inventory measurement and management in healthcare internationally. ITL has developed a groundbreaking proprietary, live, touch sensitive sensor called Cleversense, a technology that is now ready for commercialisation.

ITL does not currently generate any meaningful revenue streams, but the NZF Board and the executive of ITL believe that the prospects of the business are strong and the company has a material first mover opportunity to scale and grow its business internationally.

Documentation to approve the acquisition of ITL, the restructure of the NZF Capital Notes, and collateral arrangements will be circulated to NZF Shareholders and NZF Capital Noteholders in due course. It is anticipated that separate meetings of Noteholders and shareholders will be held during the course of February 2015.



Mark Thornton
Chief Executive officer

5 December 2014

NZF GROUP LIMITED
UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2014

| | Unaudited 6 months ended 30 September 2014 \$'000 | Unaudited 6 months ended 30 September 2013 \$'000 | Audited 12 months ended 31 March 2014 \$'000 |
|--|--|--|---|
| Interest income | 56 | 121 | 198 |
| Interest expense | (615) | (547) | (1,174) |
| Net interest loss | (559) | (426) | (976) |
| Other income | - | - | 474 |
| Total operating loss | (559) | (426) | (502) |
| Operating expenses and staff costs | (522) | (474) | (1,461) |
| Loss before income tax | (1,081) | (900) | (1,963) |
| Income tax benefit | - | - | - |
| Loss from continuing operations | (1,081) | (900) | (1,963) |
| Profit from discontinued operations (after tax) attributable to equity holders of the Company 2 | - | 154 | 200 |
| Loss for the period | (1,081) | (746) | (1,763) |
| Other comprehensive income: | | | |
| Other comprehensive income for the year, net of tax | - | - | - |
| Total comprehensive loss for the period, net of tax | (1,081) | (746) | (1,763) |
| Attributable to: | | | |
| Equity holders of the Company | (1,081) | (746) | (1,763) |
| Loss per share: | Cents | Cents | Cents |
| | Per Share | Per Share | Per Share |
| Basic (loss)/earnings per share: | | | |
| From continuing operations | (0.98) | (0.82) | (1.79) |
| From discontinued operations | - | 0.14 | 0.18 |
| Total basic loss per share | (0.98) | (0.68) | (1.61) |
| Diluted (loss)/earnings per share: | | | |
| From continuing operations | (0.98) | (0.82) | (1.79) |
| From discontinued operations | - | 0.14 | 0.18 |
| Total diluted loss per share | (0.98) | (0.68) | (1.61) |

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 2014

| | Attributable to Equity holders of the Company | | | Non- Controlling Interest | Total Equity |
|---|--|------------------------|------------------------|---------------------------------|------------------------|
| | Share Capital | Accumulated Deficit | Total | | |
| Note | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 1 April 2013 | 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) |
| Balance at 30 September 2013 | <u>9,525</u> | <u>(25,433)</u> | <u>(15,908)</u> | - | <u>(15,908)</u> |
| Balance at 1 April 2013 | 9,525 | (24,678) | (15,153) | 3 | (15,150) |
| Total comprehensive loss | - | (1,763) | (1,763) | - | (1,763) |
| De-recognition on sale of MPMH Limited | - | (9) | (9) | (3) | (12) |
| Balance at 31 March 2014 | <u>9,525</u> | <u>(26,450)</u> | <u>(16,925)</u> | - | <u>(16,925)</u> |
| Balance at 1 April 2014 | 9,525 | (26,450) | (16,925) | - | (16,925) |
| Total comprehensive loss | - | (1,081) | (1,081) | - | (1,081) |
| De-recognition on sale of New Zealand Mortgage Finance Limited | - | 101 | 101 | - | 101 |
| Balance at 30 September 2014 | <u>9,525</u> | <u>(27,430)</u> | <u>(17,905)</u> | - | <u>(17,905)</u> |

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

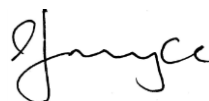
NZF GROUP LIMITED
UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2014

| | Unaudited 6 months ended 30 September 2014 \$'000 | Unaudited 6 months ended 30 September 2013 \$'000 | Audited 12 months ended 31 March 2014 \$'000 |
|---|--|--|---|
| Assets | | | |
| Cash and cash equivalents | 3,002 | 2,593 | 3,415 |
| Trade and other receivables | 5 | 5 | 5 |
| Other assets | 103 | 169 | 88 |
| Available-for-sale assets | 6 - | 1,250 | - |
| Property, plant and equipment | 10 | 20 | 22 |
| Total assets | 3,120 | 4,037 | 3,530 |
| Liabilities | | | |
| Trade and other payables | 3,006 | 1,926 | 2,436 |
| Loans and borrowings | 18,019 | 18,019 | 18,019 |
| Total liabilities | 21,025 | 19,945 | 20,455 |
| Net assets/(liabilities) | (17,905) | (15,908) | (16,925) |
| Equity | | | |
| Share capital | 9,525 | 9,525 | 9,525 |
| Retained earnings/(Accumulated deficit) | (27,430) | (25,433) | (26,450) |
| Total equity attributable to equity holders of the company | (17,905) | (15,908) | (16,925) |

For and on behalf of the Board:



Director



Director

Dated: 5 December 2014

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 2014 Note | Unaudited 6 months ended 30 September 2013 | Audited 12 months ended 31 March 2014 |
|---|--|--|---|
| | \$'000 | \$'000 | \$'000 |
| Cash Flows from Operating Activities | | | |
| Interest received | 56 | 125 | 204 |
| Interest paid | - | - | - |
| Fee and commission income received | - | 1,153 | 1,389 |
| Other income received | - | 13 | 487 |
| Payments to suppliers and employees | (551) | (2,136) | (3,347) |
| Net Cash Flow from Operating Activities | (495) | (845) | (1,267) |
| Cash Flows used in Investing Activities | | | |
| Sale proceeds of secured subordinated notes | - | - | 1,250 |
| Sale of MPMH Limited, net of cash disposed of | - | 2,104 | 2,104 |
| Sale of New Zealand Mortgage Finance Limited, net of cash disposed of | 95 | - | - |
| Purchase of property, plant and equipment | - | - | (6) |
| Sale of property, plant and equipment | (13) | - | - |
| Net Cash Flow from Investing Activities | 82 | 2,104 | 3,348 |
| Cash Flows from Financing Activities | | | |
| Net movement in loans and borrowings | - | - | - |
| Net Cash Flow from Financing Activities | - | - | - |
| Net (decrease)/increase in cash held | (413) | 1,259 | 2,081 |
| Cash balance at start of the year | 3,415 | 1,334 | 1,334 |
| Cash balance at end of the year | 3,002 | 2,593 | 3,415 |
| Comprising the following: | | | |
| Cash and cash equivalents | 3,002 | 2,593 | 3,415 |

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 2014**

| | Unaudited 6 months ended 30 September 2014 \$'000 | Unaudited 6 months ended 30 September 2013 \$'000 | Audited 12 months ended 31 March 2014 \$'000 |
|---|--|--|---|
| Total comprehensive loss for the period/year, net of tax | (1,081) | (746) | (1,763) |
| Add: | | | |
| Depreciation of property, plant and equipment | 1 | 6 | 8 |
| Interest accrued on capital notes | 615 | 547 | 1,173 |
| Add/(less) movements in working capital | | | |
| Accounts receivable and other assets | 15 | 144 | (80) |
| Accounts payable and other liabilities | (45) | (860) | (605) |
| Current tax assets | - | 64 | - |
| Net Cash Flow from Operating Activities | (495) | (845) | (1,267) |

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 2014

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 2014 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 2014.

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 2014 have been applied to these consolidated condensed interim financial statements.

Certain comparatives have been restated in the statement of comprehensive income, earnings per share disclosures and note 2 “Segment Reporting” to present the results of New Zealand Mortgage Finance Limited as a discontinued operation.

These unaudited consolidated condensed interim financial statements were approved by the Board of Directors on 5 December 2014.

2. SEGMENT REPORTING

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

Continuing Divisions & Operations

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 managing Company cash flow requirements, Corporate Governance, Financial Reporting, complying with the NZX Listing Rules and dealing with Investor relations.

Discontinued Divisions & Operations

Financial Services Distribution

On 27 May 2013, shareholders of NZF Group Limited approved the sale of the 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. Operating results for MPMH Limited have been included from 1 April 2013 to the date of disposal, as discontinued operations. Comparative results for the operating segment have been restated to reflect this classification.

On 1 April 2014, NZF Group Limited sold its 100% shareholding in New Zealand Mortgage Finance Limited (‘NZMF’). NZMF has developed its own extensive broker networks to distribute a range of financial services products to clients, including Mortgages, Insurances and Personal Loans. Operating results for NZMF have not been included from 1 April 2014, being the date of disposal, as a discontinued operation. Comparative results for the operating segment have been restated to reflect this classification. As from 1 April 2014, the Company no longer has any investments in subsidiary companies nor jointly controlled entities.

NZF GROUP LIMITED

**UNAUDITED NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2014**

2. SEGMENT REPORTING (CONTINUED)

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 on 27 May 2013. Operating results for The Licensed Real Estate Business operation have been included from 1 April 2013 to the date of disposal, as discontinued operations. Comparative results for the operating segment have been restated to reflect this classification.

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. As from 1 April 2014, the Company no longer has any investments in subsidiary companies nor jointly controlled entities.

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.

NZF GROUP LIMITED
UNAUDITED NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2014

2. SEGMENT REPORTING (CONTINUED)

| Continuing operations: | 30 September 2014 (6 Months) | | |
|--|-------------------------------------|--|---|
| | Total \$'000 | Eliminations and Adjustments \$'000 | Management & Holding & Activities \$'000 |
| Interest income | | | |
| From external sources | 56 | - | 56 |
| Interest expense | (615) | - | (615) |
| Net interest income | (559) | - | (559) |
| Total operating income | (559) | - | (559) |
| Depreciation and amortisation | (1) | - | (1) |
| Other operating expenses and staff costs | (521) | - | (521) |
| (Loss) before income tax | (1,081) | - | (1,081) |
| Income tax (expense)/benefit | - | - | - |
| (Loss) for the period | (1,081) | - | (1,081) |
| Total assets | 3,120 | - | 3,120 |
| Total liabilities | 21,025 | - | 21,025 |
| Continuing operations: | 30 September 2013 (6 Months) | | |
| | Total \$'000 | Eliminations and Adjustments \$'000 | Management & Holding & Activities \$'000 |
| Interest income | | | |
| From external sources | 121 | - | 121 |
| Interest expense | (547) | - | (547) |
| Net interest income | (426) | - | (426) |
| Total operating income | (426) | - | (426) |
| Other operating expenses and staff costs | (474) | - | (474) |
| (Loss) before income tax | (900) | - | (900) |
| Income tax benefit | - | - | - |
| (Loss) for the period | (900) | - | (900) |
| Total assets | 4,088 | - | 4,088 |
| Total liabilities | 19,920 | - | 19,920 |

NZF GROUP LIMITED
UNAUDITED NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2014

2. SEGMENT REPORTING (CONTINUED)

| Continuing operations: | 31 March 2014 (12 Months) | | |
|--|---------------------------|--|---|
| | Total \$'000 | Eliminations and Adjustments \$'000 | Management & Holding & Activities \$'000 |
| Interest income | | | |
| From external sources | 74 | - | 74 |
| From investments | 124 | - | 124 |
| | <u>198</u> | <u>-</u> | <u>198</u> |
| Interest expense | (1,174) | - | (1,174) |
| Net interest income | <u>(976)</u> | <u>-</u> | <u>(976)</u> |
| Other income | 474 | (156) | 630 |
| Total operating income | <u>(502)</u> | <u>(156)</u> | <u>(346)</u> |
| Depreciation and amortisation | (3) | - | (3) |
| Other operating expenses and staff costs | (1,458) | - | (1,458) |
| (Loss) before income tax | <u>(1,963)</u> | <u>(156)</u> | <u>(1,807)</u> |
| Income tax (expense)/benefit | - | - | - |
| (Loss) for the year | <u>(1,963)</u> | <u>(156)</u> | <u>(1,807)</u> |
| Total assets | <u>3,530</u> | <u>(95)</u> | <u>3,625</u> |
| Total liabilities | <u>20,455</u> | <u>-</u> | <u>20,455</u> |

NZF GROUP LIMITED

**UNAUDITED NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2014**

2. SEGMENT REPORTING (CONTINUED)

| Discontinued operations: | 30 September 2013 (6 Months) | | |
|---|-------------------------------------|---|--|
| | Total | Eliminations and Adjustments | Financial Services Distribution |
| | \$'000 | \$'000 | \$'000 |
| Interest income | | | |
| From external customers | 4 | - | 4 |
| From investments | - | - | - |
| | <u>4</u> | <u>-</u> | <u>4</u> |
| Interest expense | - | - | - |
| Net interest income | <u>4</u> | <u>-</u> | <u>4</u> |
| Fee and commission income | | | |
| From external customers | 1,153 | - | 1,153 |
| | <u>1,153</u> | <u>-</u> | <u>1,153</u> |
| Fee and commission expense | (791) | - | (791) |
| Net fee and commission income | <u>362</u> | <u>-</u> | <u>362</u> |
| Other income | 13 | - | 13 |
| Total operating income | <u>379</u> | <u>-</u> | <u>379</u> |
| Depreciation and amortisation | (2) | - | (2) |
| Other operating expenses and staff costs | (177) | - | (177) |
| Profit before income tax | <u>200</u> | <u>-</u> | <u>200</u> |
| Income tax expense | (46) | - | (46) |
| Profit for the period | <u>154</u> | <u>-</u> | <u>154</u> |
| Total assets | <u>8,791</u> | <u>(180)</u> | <u>8,971</u> |
| Total liabilities | <u>778</u> | <u>-</u> | <u>778</u> |
| Cash flows from discontinued operations: | | | |
| Net cash flows from operating activities | (462) | - | (462) |
| Net cash flows from investing activities | 142 | - | 142 |
| Net cash flows from financing activities | (599) | - | (599) |
| Net cash flows | <u>(919)</u> | <u>-</u> | <u>(919)</u> |

The discontinued operation segment report does not separate the Licensed Real Estate Business as only the consolidated financial results for MPMH Limited have been made available to the NZF Directors. This consolidated result has been shown as the Financial Services Distribution operating segment together with the result of New Zealand Mortgage Finance Limited.

NZF GROUP LIMITED
UNAUDITED NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2014

2. SEGMENT REPORTING (CONTINUED)

| Discontinued operations: | 31 March 2014 (12 Months) | | | Financial |
|---|----------------------------------|---------------------|----------------------|---------------------|
| | Total | Eliminations | and | Services |
| | Adjustments | Management | & Holding | Distribution |
| | \$'000 | \$'000 | Activities | \$'000 |
| | | | \$'000 | |
| Interest income | | | | |
| From external customers | 6 | - | - | 6 |
| Interest expense | - | - | - | - |
| Net interest income | 6 | - | - | 6 |
| Fee and commission income | | | | |
| From external customers | 1,389 | - | - | 1,389 |
| Fee and commission expense | (969) | - | - | (969) |
| Net fee and commission income | 420 | - | - | 420 |
| Other income | 13 | - | - | 13 |
| Total operating income | 439 | - | - | 439 |
| Net impairment losses | - | 85 | (85) | - |
| Depreciation and amortisation | (5) | - | - | (5) |
| Other operating expenses and staff costs | (188) | - | - | (188) |
| Profit/(loss) before income tax | 246 | 85 | (85) | 246 |
| Income tax expense | (46) | - | - | (46) |
| Profit/(loss) for the year | 200 | 85 | (85) | 200 |
| Total assets | 8,858 | - | - | 8,858 |
| Total liabilities | 774 | - | - | 774 |
| Cash flows from discontinued operations: | | | | |
| Net cash flows from operating activities | (502) | - | - | (502) |
| Net cash flows from investing activities | 143 | - | - | 143 |
| Net cash flows from financing activities | (673) | - | - | (673) |
| Net cash flows | (1,032) | - | - | (1,032) |

The discontinued operation segment report does not separate the Licensed Real Estate Business as only the consolidated financial results for MPMH Limited have been made available to the NZF Directors. This consolidated result has been shown as the Financial Services Distribution operating segment together with the result of New Zealand Mortgage Finance Limited.

NZF GROUP LIMITED
UNAUDITED NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2014

3. RELATED PARTY TRANSACTIONS

At balance date there were no related party transactions.

4. CAPITAL COMMITMENTS

There were no capital commitments at 30 September 2014 (30 September 2013:nil; 31 March 2014:nil).

5. SUBSEQUENT EVENTS

On 18 September NZF also announced that it had been previously introduced to a second potential transaction which the Board reviewed and considered had merit as a potential acquisition possibility. The Board has undertaken due diligence investigations of this business, and the owners of the business are in turn undertaking due diligence investigations of NZF.

On 1 December 2014, NZF announced that it had entered into a conditional agreement with the stakeholders of Inventory Technologies Limited ("ITL") to acquire 100% of the shares on issue in ITL.

The acquisition will be funded by the issue of NZF ordinary shares.

6. MATERIAL UNCERTAINTIES AFFECTING GOING CONCERN

These financial statements have been prepared on a going concern basis. The adoption of the going concern basis is subject to a number of material uncertainties, as documented below:

- The Company currently has negative equity of \$17.905m.
- During the year ended 31 March 2014, the company divested of its remaining investments in subsidiary undertakings and joint operations. As such the Company no longer has any ongoing trading activities and accordingly is reliant on existing cash reserves to provide funding for future operating expenses.
- The cash funds available are limited and there is a need for future cash inflows 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 enable the Company to continue as a going concern for a period in excess of 12 months from the date of the financial statements based on the current level of operating expenditure.
- The Company 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, and as disclosed in the financial statements for the year ended 31 March 2013 on 21 May 2012 the Receivers of NZF Money Limited declined to give the Company consent to make further interest payments. Accordingly, interest payments were therefore suspended on that date however interest has continued to be accrued as a liability in the financial statements. Under the terms of the Note Holder agreement, the Company has the ability to force conversion of the Capital Notes to issued capital without the agreement of Capital Note holders in certain circumstances. As at the date of authorising and approving these financial statements this has not occurred and the directors of the Company have no immediate plans to force such a conversion.

The circumstances noted above create material uncertainties that cast significant doubt on the Company's ability to continue as a going concern and therefore the Company may be unable to discharge their liabilities in the normal course of business (all non-cash assets having been realized).

At 30 September 2014, the group had excess liabilities over assets of \$17.905m and is in breach of the solvency test as set out in the Companies Act 1993.

**COMPANY DIRECTORY
AS AT 30 SEPTEMBER 2014**

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 Henderson (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

William Buck Christmas Gouwland
Level 4, Zurich House, 21 Queen Street, 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
ASB, North Wharf, 12 Jellicoe Street, Auckland