

**DIRECTORS CERTIFICATE**



\*10059927664\*

for

**NZF MONEY LIMITED**

**(Pursuant to Section 37A(1A) Securities Act 1978)  
("Act")**

We Mark Hume Thornton and Craig Irving Alexander as directors of NZF Money Limited ("Company") hereby certify that, in the opinion of all directors of the Company after due enquiry by them:

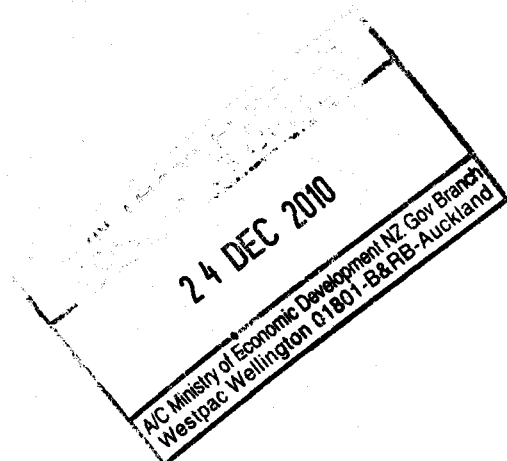
1. The financial position of the Company as shown in the statements of financial position to 31 March 2010 as contained in the current registered prospectus dated 23 September 2010 as amended by memorandum of amendments dated 29 November 2010 ("Prospectus") has not materially and adversely changed during the period from the date of the statements of financial position to the date of this certificate;
2. The Prospectus is not, at the date of this certificate, false or misleading in a material particular by reason of failing to refer, or give proper emphasis, to adverse circumstances.

We attach to this certificate as required by Section 37A(1A)(d) of the Act, financial statements for the six monthly period ended 30 September 2010 completed in accordance with the Securities Regulations 2009.

Dated the 23<sup>rd</sup> day of December 2010

Mark Hume Thornton

Craig Irving Alexander



**NZF MONEY LIMITED**

**INTERIM REPORT AND FINANCIAL STATEMENTS  
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2010**

**CONTENTS**

	<u>Page</u>
Company Directory	1
Interim Report	2
Independent Auditors' Report	3 - 4
Statement of Comprehensive Income	5
Statement of Changes in Equity	6
Statement of Financial Position	7
Statement of Cash Flows	8 - 9
Notes to the Financial Statements	10 - 62

# NZF MONEY LIMITED

## COMPANY DIRECTORY

### Chairman

Craig Irving Alexander LLB  
25 Milton Road, Mount Eden, Auckland

### Non-Executive Directors

Richard Alan Waddel BCom FCA (NZ), AF InstD  
301 Kingsridge, 424 Remuera Road, Remuera, Auckland

John Alan Callaghan BBS  
137 Hingaia Road, Papakura, Auckland

Peter Karl Christopher Huljich BCom, Dip. NZX, SA Fin.  
8 Karori Crescent, Orakei, Auckland

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

### Executive Director

Mark Hume Thornton (Chief Executive Officer)  
106 Hillcrest Road, Orewa, Auckland

### Company Secretary

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

### Registered Office

88 Broadway, Newmarket, Auckland  
Tel: 0800 379 9090

### Executive Team

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

**Acting Chief Financial Officer**  
David James Watton FCA

**General Manager Lending**  
Tony Milicich

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

### Company Number

868536

### Incorporated

27 August 1997

### Shares Issued

3,353,831 Ordinary

### Shareholder

NZF Group Limited

### Trustee

Covenant Trustee Company Limited  
Level 18, 48 Emily Place, Auckland

### Solicitors

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

Jones Young  
Level 14, ASB Bank Centre, 135 Albert Street, Auckland

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

### Auditor

Grant Thornton New Zealand Audit Partnership  
Grant Thornton House, 152 Fanshawe Street, Auckland

### Bankers

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

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

### Nature of Business

Financial Services Company

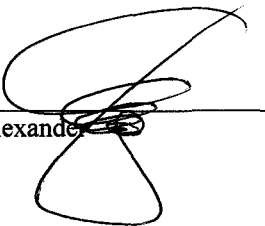
**NZF MONEY LIMITED**

**INTERIM REPORT  
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2010**

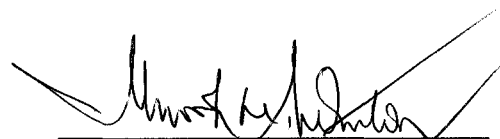
The Directors present the financial statements of the Company and the Group for the six month period ended 30 September 2010 and the auditors' report thereon.

The shareholder of the Company has exercised its right under Section 211(3) of the Companies Act 1993 and agreed that this interim report need not comply with any of the Sections (a) and (e) to (j) of Section 211(1) of the Act.

For and on behalf of the Board of Directors who approved these financial statements for issue on 23 December 2010.



\_\_\_\_\_  
Craig Irving Alexander  
Chairman



\_\_\_\_\_  
Mark Hume Thornton  
Executive Director

# Independent Auditor's Report

**Audit****Grant Thornton New Zealand Audit****Partnership**

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152 Fanshawe Street  
PO Box 1961  
Auckland 1140

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**To the shareholder of NZF Money Limited****Report on the Financial Statements**

We have only audited the financial statements of NZF Money Limited (the "company") on pages 5 to 62, which comprise the statement of financial position as at 30 September 2010 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period then ended and a summary of significant accounting policies and other explanatory information.

**Directors' Responsibility for the Financial Statements**

The company's Directors are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand 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 misstatements, whether due to fraud or error.

**Auditor's Responsibilities**

Our responsibility is to express an opinion on only the company financial statements based on our audit. We have not been engaged to express an opinion on the group financial statements on pages 5 to 62. 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 company's financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the company's financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the company's 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 the company's 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 controls.

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 company's 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 the company.

### **Opinion**

In our opinion, the company's financial statements on pages 5 to 62:

- 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 NZF Money Limited as at 30 September 2010 and its statement of comprehensive income, statement of changes in equity and statement of cash flows for the period ended on that date.

### **Report on Other Legal and Regulatory Requirements**

Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993 require us to comment on whether we have obtained all the information and explanations that we have required from NZF Money Limited and whether we consider that appropriate accounting records have been kept.

We have obtained all the information and explanations that we have required.

In our opinion proper accounting records have been kept by NZF Money Limited as far as appears from an examination of those records.



**Grant Thornton New Zealand Audit Partnership**  
**Auckland, New Zealand**  
**23 December 2010**

NZF MONEY LIMITED

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2010

	Note	Group			Company		
		30-Sep 2010 (6 Months) Unaudited \$'000	31-Mar 2010 (12 Months) Audited \$'000	30-Sep 2009 (6 Months) Unaudited \$'000	30-Sep 2010 (6 Months) Audited \$'000	31-Mar 2010 (12 Months) Audited \$'000	30-Sep 2009 (6 Months) Audited \$'000
Interest income	3	10,662	23,499	12,294	3,103	8,614	4,828
Interest expense	3	(7,803)	(17,946)	(9,314)	(1,975)	(5,945)	(3,157)
<b>Net interest income</b>	3	<b>2,859</b>	<b>5,553</b>	<b>2,980</b>	<b>1,128</b>	<b>2,669</b>	<b>1,671</b>
Fee and commission income	4	353	1,308	765	242	838	464
Fee and commission expense	4	(477)	(883)	(440)	(10)	(18)	(12)
<b>Net fee and commission income</b>	4	<b>(124)</b>	<b>425</b>	<b>325</b>	<b>232</b>	<b>820</b>	<b>452</b>
Gains on financial instruments at fair value	5	654	2,269	1,603	-	-	-
<b>Total operating income</b>		<b>3,389</b>	<b>8,247</b>	<b>4,908</b>	<b>1,360</b>	<b>3,489</b>	<b>2,123</b>
Net impairment (losses)/gains	6	(1,919)	210	516	(1,902)	315	549
Operating expenses and staff costs	7	(1,535)	(3,364)	(1,760)	(1,217)	(2,861)	(1,483)
<b>(Loss)/profit before income tax</b>		<b>(65)</b>	<b>5,093</b>	<b>3,664</b>	<b>(1,759)</b>	<b>943</b>	<b>1,189</b>
Income tax benefit/(expense)	9	17	(1,533)	(1,100)	527	(284)	(357)
<b>(Loss)/profit for the period</b>		<b>(48)</b>	<b>3,560</b>	<b>2,564</b>	<b>(1,232)</b>	<b>659</b>	<b>832</b>
<b>Other comprehensive income</b>							
Net (losses)/gains on cash flow hedges arising during the period		(590)	713	648	-	145	74
Income tax relating to components of other comprehensive income		-	-	-	-	-	-
<b>Other comprehensive income for the period, net of tax</b>		<b>(590)</b>	<b>713</b>	<b>648</b>	<b>-</b>	<b>145</b>	<b>74</b>
<b>Total comprehensive income for the period, net of tax</b>		<b>(638)</b>	<b>4,273</b>	<b>3,212</b>	<b>(1,232)</b>	<b>804</b>	<b>906</b>

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

NZF MONEY LIMITED

STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2010

	Note	Share Capital \$'000	Retained Earnings \$'000	Hedge Accounting Reserve \$'000	Total Equity \$'000
<b>GROUP</b>					
Balance as at 1 April 2009		4,574	8,260	(1,238)	11,596
Total comprehensive income		-	2,564	648	3,212
Issue of ordinary shares	22	500	-	-	500
Equity dividends		-	-	-	-
<b>Balance as at 30 September 2009 (Unaudited)</b>		<b>5,074</b>	<b>10,824</b>	<b>(590)</b>	<b>15,308</b>
Balance as at 1 April 2009		4,574	8,260	(1,238)	11,596
Total comprehensive income		-	3,560	713	4,273
Issue of ordinary shares	22	500	-	-	500
Equity dividends		-	-	-	-
<b>Balance as at 31 March 2010 (Audited)</b>		<b>5,074</b>	<b>11,820</b>	<b>(525)</b>	<b>16,369</b>
Balance as at 1 April 2010		5,074	11,820	(525)	16,369
Total comprehensive income		-	(48)	(590)	(638)
Equity dividends		-	-	-	-
<b>Balance as at 30 September 2010 (Unaudited)</b>		<b>5,074</b>	<b>11,772</b>	<b>(1,115)</b>	<b>15,731</b>
<b>COMPANY</b>					
Balance as at 1 April 2009		4,574	8,869	(145)	13,298
Total comprehensive income		-	832	74	906
Issue of ordinary shares	22	500	-	-	500
Equity dividends		-	-	-	-
<b>Balance as at 30 September 2009 (Audited)</b>		<b>5,074</b>	<b>9,701</b>	<b>(71)</b>	<b>14,704</b>
Balance as at 1 April 2009		4,574	8,869	(145)	13,298
Total comprehensive income		-	659	145	804
Issue of ordinary shares	22	500	-	-	500
Equity dividends		-	-	-	-
<b>Balance as at 31 March 2010 (Audited)</b>		<b>5,074</b>	<b>9,528</b>	<b>-</b>	<b>14,602</b>
Balance as at 1 April 2010		5,074	9,528	-	14,602
Total comprehensive income		-	(1,232)	-	(1,232)
Equity dividends		-	-	-	-
<b>Balance as at 30 September 2010 (Audited)</b>		<b>5,074</b>	<b>8,296</b>	<b>-</b>	<b>13,370</b>

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



**NZF MONEY LIMITED**

**STATEMENT OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2010**

	Note	Group			Company		
		30-Sep 2010 Unaudited \$'000	31-Mar 2010 Audited \$'000	30-Sep 2009 Unaudited \$'000	30-Sep 2010 Audited \$'000	31-Mar 2010 Audited \$'000	30-Sep 2009 Audited \$'000
<b>Assets</b>							
Cash and cash equivalents		2,864	12,509	5,370	1,178	12,133	4,512
Derivative assets held for risk management	12	-	47	-	-	-	-
Loans and advances to customers	13	244,358	259,206	261,556	38,495	58,700	76,220
Trade and other receivables	14	746	833	910	1,061	240	380
Current tax assets		-	-	12	1,041	487	290
Property, plant and equipment	15	116	145	192	73	92	123
Investment in subsidiary	16	-	-	-	1	1	1
Deferred tax asset	17	905	924	1,041	823	850	976
Other assets	18	2,742	2,650	2,674	897	926	1,099
<b>Total assets</b>		<b>251,731</b>	<b>276,314</b>	<b>271,755</b>	<b>43,569</b>	<b>73,429</b>	<b>83,601</b>
<b>Liabilities</b>							
Trade and other payables	19	1,819	2,513	1,168	480	559	644
Derivative liabilities held for risk management	12	1,441	1,552	2,394	-	-	225
Loans and borrowings	20	232,306	255,346	252,584	29,711	58,186	67,874
Current tax liabilities		272	305	-	-	-	-
Other liabilities	21	162	229	301	8	82	154
<b>Total liabilities</b>		<b>236,000</b>	<b>259,945</b>	<b>256,447</b>	<b>30,199</b>	<b>58,827</b>	<b>68,897</b>
<b>Net assets</b>		<b>15,731</b>	<b>16,369</b>	<b>15,308</b>	<b>13,370</b>	<b>14,602</b>	<b>14,704</b>
<b>Equity</b>							
Share capital	22	5,074	5,074	5,074	5,074	5,074	5,074
Retained earnings		11,772	11,820	10,824	8,296	9,528	9,701
Hedge accounting reserve		(1,115)	(525)	(590)	-	-	(71)
<b>Total equity</b>		<b>15,731</b>	<b>16,369</b>	<b>15,308</b>	<b>13,370</b>	<b>14,602</b>	<b>14,704</b>

For and on behalf of the Board of Directors who approved these financial statements for issue on 23 December 2010.

Craig Irving Alexander  
Chairman

Mark Hume Thornton  
Executive Director

NZF MONEY LIMITED

STATEMENT OF CASH FLOWS  
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2010

	Note	Group		Company		
		30-Sep 2010 (6 Months) Unaudited \$'000	31-Mar 2010 (12 Months) Audited \$'000	30-Sep 2009 (6 Months) Unaudited \$'000	30-Sep 2010 (6 Months) Audited \$'000	31-Mar 2010 (12 Months) Audited \$'000
<b>Cash Flows from Operating Activities</b>						
Interest received		10,339	22,753	11,776	2,772	4,256
Interest paid		(7,699)	(17,840)	(9,233)	(2,009)	(3,126)
Fee and commission income received		316	1,250	719	198	408
Payments to suppliers and employees		(2,078)	(4,740)	(2,533)	(1,224)	(1,582)
Taxation received/(paid)		3	(158)	(159)	-	171
Net decrease/(increase) in loans and advances to customers	1(t)	13,309	(4,349)	(6,634)	18,683	4,609
<b>Net Cash Flow from Operating Activities</b>		<b>14,190</b>	<b>(3,084)</b>	<b>(6,064)</b>	<b>18,420</b>	<b>4,736</b>
<b>Cash Flows used in Investing Activities</b>						
Purchase of property, plant and equipment	15	-	(26)	(26)	-	(25)
<b>Net Cash Flow from Investing Activities</b>		<b>-</b>	<b>(26)</b>	<b>(26)</b>	<b>-</b>	<b>(25)</b>
<b>Cash Flows from Financing Activities</b>						
Net (decrease)/increase in term loans	1(t)	(87,910)	5,700	3,250	-	(5,000)
Net increase in secured notes	1(t)	93,345	-	-	-	-
Net increase in secured subordinated notes	1(t)	-	1,460	1,460	-	-
Net (decrease)/increase in related party loans	1(t)	(795)	1,769	372	(900)	(9)
Net (decrease)/increase in secured debenture stock	1(t)	(28,475)	1,194	882	(28,475)	882
Issue of share capital	22	-	500	500	-	500
<b>Net Cash Flows from Financing Activities</b>		<b>(23,835)</b>	<b>10,623</b>	<b>6,464</b>	<b>(29,375)</b>	<b>(3,627)</b>
<b>Net (decrease)/increase in cash held</b>		<b>(9,645)</b>	<b>7,513</b>	<b>374</b>	<b>(10,955)</b>	<b>1,084</b>
<b>Cash balance at start of the period</b>		<b>12,509</b>	<b>4,996</b>	<b>4,996</b>	<b>12,133</b>	<b>3,428</b>
<b>Cash balance at end of the period</b>		<b>2,864</b>	<b>12,509</b>	<b>5,370</b>	<b>1,178</b>	<b>4,512</b>
<b>Made up as follows:</b>						
Cash and cash equivalents		2,864	12,509	5,370	1,178	4,512

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

NZF MONEY LIMITED

RECONCILIATION OF NET (LOSS)/ PROFIT WITH CASH FLOWS FROM OPERATING ACTIVITIES  
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2010

	Note	Group		Company			
		30-Sep 2010 (6 Months) Unaudited \$'000	31-Mar 2010 (12 Months) Audited \$'000	30-Sep 2009 (6 Months) Unaudited \$'000	30-Sep 2010 (6 Months) Audited \$'000	31-Mar 2010 (12 Months) Audited \$'000	30-Sep 2009 (6 Months) Audited \$'000
<b>(Loss)/profit for the period</b>		<b>(48)</b>	<b>3,560</b>	<b>2,564</b>	<b>(1,232)</b>	<b>659</b>	<b>832</b>
<b>Add:</b>							
Depreciation of property, plant and equipment		29	94	47	19	63	31
Decrease in collective and specific loan impairment allowances		(654)	(1,584)	(1,187)	(654)	(1,584)	(1,187)
Bad debts written off		2,193	534	72	2,176	429	39
<b>Deduct:</b>							
Net decrease/(increase) in loans and advances to customers	1(t)	13,309	(4,349)	(6,634)	18,683	22,136	4,609
Net increase in derivative assets and liabilities held for risk management	1(t)	(654)	(2,553)	(1,729)	-	(281)	(127)
(Increase)/decrease in accounts receivable and other assets		(5)	(66)	(163)	108	356	52
Increase/(decrease) in accounts payable and other liabilities		34	(95)	25	(153)	(198)	(42)
(Increase)/decrease in current tax assets and liabilities		(33)	439	122	(554)	(25)	173
Decrease in deferred tax asset		19	936	819	27	482	356
<b>Net Cash Flow from Operating Activities</b>		<b>14,190</b>	<b>(3,084)</b>	<b>(6,064)</b>	<b>18,420</b>	<b>22,037</b>	<b>4,736</b>

Major Non-Cash Transactions

During the six month period ended 30 September 2010, \$380,000 (31 March 2010: \$840,000; 30 September 2009: \$599,000) 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 13).

## NZF MONEY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2010

#### 1 SIGNIFICANT ACCOUNTING POLICIES

##### (a) General Information

The reporting entity is NZF Money Limited (the "Company"). It is profit oriented and incorporated and domiciled in New Zealand. The Group comprising the Company, its subsidiary undertaking and 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 is an Issuer as defined by the Securities Act 1978 and the Securities Regulations 2009 and under its Trust Deed is required to have an audit every six months. The Group however is not an Issuer as defined by the Securities Act 1978 and the Securities Regulations 2009 and therefore does not require an audit at 30 September 2010 or 30 September 2009.

##### (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 Statement of Comprehensive Income discloses the net interest income, net fee and commission income and other income in line with the Statement of Comprehensive Income presentation used by other Financial Institutions.

The 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 25) 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 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 2009 and the annual financial statements for the year ended 31 March 2010.

##### ***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 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 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.

## **NZF MONEY LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2010**

#### **1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **(e) Basis of Consolidation**

The Group financial statements consolidate the financial statements of the Company, NZF Money Limited, and its subsidiary undertaking and controlled entities as detailed in Note 16 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 Statement of Comprehensive Income from the date of acquisition or to the date of disposal.

##### **(f) Segment Reporting**

For management purposes, the Group is organised into two 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 the 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.

Management monitors the results of its two 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.

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.

## NZF MONEY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2010

#### 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (g) Revenue (continued)

###### **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 Statement of Comprehensive Income over the life of the loan using the effective interest 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 Statement of Comprehensive Income when the service is provided to the customer. When they are charged for services provided over a period, they are recognised in the Statement of Comprehensive Income on an accruals basis as the service is provided.

###### *Other income*

Other income comprises dividend income and other sundry income. Dividend income is recorded in the Statement of Comprehensive Income 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 the 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 Statement of Comprehensive Income when incurred. Assets and liabilities in this category are subsequently measured at fair value, with any changes recognised in the Statement of Comprehensive Income.

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 and Hedge Accounting 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.

## NZF MONEY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2010

#### 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (h) Financial Instruments (continued)

###### 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.

###### 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 and Hedge Accounting

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 Statement of Comprehensive Income. 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 Statement of Comprehensive Income in the same period that the hedged item affects profit or loss.

**NZF MONEY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2010**

**1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(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.

**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 Statement of Comprehensive Income as incurred.

**Depreciation**

Depreciation is provided on computers and software, and office furniture and equipment. Depreciation is recognised in the Statement of Comprehensive Income 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:

Computers and Software	14.4% - 48% Diminishing Value
Office Furniture and Equipment	11.4% - 50% Diminishing Value
Motor Vehicles	36% Diminishing Value

The useful lives and residual values are reviewed annually and the depreciation recognised in the Statement of Comprehensive Income 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) Investment in Subsidiary Undertaking**

Investment in subsidiary undertaking is held in the Company's financial statements at cost. The carrying amount of the investment is reviewed at each reporting date to determine if there is any evidence of impairment.

**(l) Intangible Assets**

**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.



## **NZF MONEY LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2010**

#### **1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **(l) Intangible Assets (continued)**

###### **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 Statement of Comprehensive Income.

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 Statement of Comprehensive Income 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 Statement of Comprehensive Income when incurred.

##### **(m) Leased Assets**

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Other leases are operating leases and are not recognised on the Group's Statement of Financial Position. 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2010**

**1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(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.

**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 intangible assets 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 Statement of Comprehensive Income.

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.

## **NZF MONEY LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2010**

#### **1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **(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 Statement of Comprehensive Income 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.

###### **Defined contribution plans**

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee expense in the Statement of Comprehensive Income when they are due.

##### **(s) Income Tax**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Statement of Comprehensive Income 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 period, 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.

## **NZF MONEY LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2010**

#### **1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **(t) Cash Flows**

The Statement of Cash Flows has been prepared using the direct approach. The following are the definitions used in the 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 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 derivative assets and liabilities held for risk management;
- (c) Net (decrease)/increase in term loans;
- (d) Net increase in secured notes;
- (e) Net increase in secured subordinated notes.
- (f) Net (decrease)/increase in related party loans;
- (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 period. 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.

## **NZF MONEY LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2010**

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

##### **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 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 can be deducted. 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 30 September 2010, NZF Money Limited and NZF Mortgages Warehouse B Trust had unrelieved income tax losses carried forward of \$524,000 (31 March 2010: \$nil; 30 September 2009: \$nil) and \$256,000 (31 March 2010: \$233,000; 30 September 2009: \$209,000) respectively. Management believes that sufficient and suitable taxable profits will be made available by these separate legal entities in the future and has accordingly accounted for a deferred tax asset of \$233,000 relating to these unrelieved income tax losses as at 30 September 2010 (31 March 2010: \$70,000; 30 September 2009: \$63,000).

**NZF MONEY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2010**

**3 NET INTEREST INCOME**

	Group			Company		
	30-Sep 2010 (6 Months) Unaudited \$'000	31-Mar 2010 (12 Months) Audited \$'000	30-Sep 2009 (6 Months) Unaudited \$'000	30-Sep 2010 (6 Months) Audited \$'000	31-Mar 2010 (12 Months) Audited \$'000	30-Sep 2009 (6 Months) Audited \$'000
<b>Interest income</b>						
Loans and advances	10,075	22,393	11,618	2,543	7,599	4,172
Impaired loans and advances	380	915	606	380	841	599
Interest from Available for Sale Financial Assets: Cash and short term investments	207	191	70	180	174	57
<b>Total interest income</b>	<b>10,662</b>	<b>23,499</b>	<b>12,294</b>	<b>3,103</b>	<b>8,614</b>	<b>4,828</b>
<b>Interest expense</b>						
Term loans	4,311	12,953	6,774	-	1,147	678
Secured notes	1,408	-	-	-	-	-
Secured subordinated notes	81	144	61	-	-	-
Secured debenture stock	1,934	4,680	2,418	1,934	4,680	2,418
Related party loans	28	51	-	-	-	-
Other similar charges	41	118	61	41	118	61
<b>Total interest expense</b>	<b>7,803</b>	<b>17,946</b>	<b>9,314</b>	<b>1,975</b>	<b>5,945</b>	<b>3,157</b>
<b>Net interest income</b>	<b>2,859</b>	<b>5,553</b>	<b>2,980</b>	<b>1,128</b>	<b>2,669</b>	<b>1,671</b>

**4 NET FEE AND COMMISSION INCOME**

	Group			Company		
	30-Sep 2010 (6 Months) Unaudited \$'000	31-Mar 2010 (12 Months) Audited \$'000	30-Sep 2009 (6 Months) Unaudited \$'000	30-Sep 2010 (6 Months) Audited \$'000	31-Mar 2010 (12 Months) Audited \$'000	30-Sep 2009 (6 Months) Audited \$'000
<b>Fee and commission income</b>						
Lending and credit related fee income	353	1,308	765	242	838	464
<b>Total fee and commission income</b>	<b>353</b>	<b>1,308</b>	<b>765</b>	<b>242</b>	<b>838</b>	<b>464</b>
<b>Fee and commission expense</b>						
Brokerage fees	477	883	440	10	18	12
<b>Total fee and commission expense</b>	<b>477</b>	<b>883</b>	<b>440</b>	<b>10</b>	<b>18</b>	<b>12</b>
<b>Net fee and commission income</b>	<b>(124)</b>	<b>425</b>	<b>325</b>	<b>232</b>	<b>820</b>	<b>452</b>

**5 GAINS ON FINANCIAL INSTRUMENTS AT FAIR VALUE**

	Group			Company		
	30-Sep 2010 (6 Months) Unaudited \$'000	31-Mar 2010 (12 Months) Audited \$'000	30-Sep 2009 (6 Months) Unaudited \$'000	30-Sep 2010 (6 Months) Audited \$'000	31-Mar 2010 (12 Months) Audited \$'000	30-Sep 2009 (6 Months) Audited \$'000
Gains on interest rate swaps held for risk management purposes	654	2,269	1,603	-	-	-

**NZF MONEY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2010**

**6 NET IMPAIRMENT LOSSES/(GAINS)**

	Note	Group			Company		
		30-Sep 2010 (6 Months) Unaudited \$'000	31-Mar 2010 (12 Months) Audited \$'000	30-Sep 2009 (6 Months) Unaudited \$'000	30-Sep 2010 (6 Months) Audited \$'000	31-Mar 2010 (12 Months) Audited \$'000	30-Sep 2009 (6 Months) Audited \$'000
Movement in collective loan allowance	13	(109)	(88)	(22)	(109)	(88)	(22)
Movement in specific loan allowance	13	(165)	(656)	(566)	(165)	(656)	(566)
Bad debts written off	26	2,193	534	72	2,176	429	39
		<b>1,919</b>	<b>(210)</b>	<b>(516)</b>	<b>1,902</b>	<b>(315)</b>	<b>(549)</b>

**7 OPERATING EXPENSES AND STAFF COSTS**

	Note	Group			Company		
		30-Sep 2010 (6 Months) Unaudited \$'000	31-Mar 2010 (12 Months) Audited \$'000	30-Sep 2009 (6 Months) Unaudited \$'000	30-Sep 2010 (6 Months) Audited \$'000	31-Mar 2010 (12 Months) Audited \$'000	30-Sep 2009 (6 Months) Audited \$'000
(Loss)/profit before income tax includes the following expenses:							
Executive Directors' remuneration		211	405	203	211	405	203
Auditor's remuneration	8	79	129	70	46	96	51
Depreciation of property, plant and equipment	15	29	94	47	19	63	31
Leasing and rental costs		43	82	37	43	82	37
Personnel costs		742	1,465	780	590	1,188	638
Administrative expenses		431	1,189	623	308	1,027	523
		<b>1,535</b>	<b>3,364</b>	<b>1,760</b>	<b>1,217</b>	<b>2,861</b>	<b>1,483</b>
Key management compensation included in the above:							
Short-term employee benefits		528	931	539	528	931	539

There were no post-employment benefits, other long-term benefits, termination benefits or share based payments made to key management personnel during the six month period ended 30 September 2010 (31 March 2010: \$nil; 30 September 2009: \$nil).

**8 AUDITOR'S REMUNERATION**

	Group			Company		
	30-Sep 2010 (6 Months) Unaudited \$'000	31-Mar 2010 (12 Months) Audited \$'000	30-Sep 2009 (6 Months) Unaudited \$'000	30-Sep 2010 (6 Months) Audited \$'000	31-Mar 2010 (12 Months) Audited \$'000	30-Sep 2009 (6 Months) Audited \$'000
Amounts paid to the auditor for:						
Audit related services	79	129	70	46	96	51
Other services	-	-	-	-	-	-
Total auditor's remuneration	<b>79</b>	<b>129</b>	<b>70</b>	<b>46</b>	<b>96</b>	<b>51</b>

**NZF MONEY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2010**

**9 INCOME TAX (BENEFIT)/EXPENSE**

	Note	Group			Company		
		30-Sep 2010 (6 Months) Unaudited \$'000	31-Mar 2010 (12 Months) Audited \$'000	30-Sep 2009 (6 Months) Unaudited \$'000	30-Sep 2010 (6 Months) Audited \$'000	31-Mar 2010 (12 Months) Audited \$'000	30-Sep 2009 (6 Months) Audited \$'000
<b>Income tax</b>							
Current period		(36)	597	281	(554)	1	
<b>Deferred tax</b>							
Origination and reversal of temporary differences	17	19	936	819	27	356	
<b>Income tax (benefit)/expense reported in the Statement of Comprehensive Income</b>		<b>(17)</b>	<b>1,533</b>	<b>1,100</b>	<b>(527)</b>	<b>357</b>	
<b>Numerical reconciliation of income tax (benefit)/expense to prima facie tax payable:</b>							
(Loss)/profit before income tax (benefit)/expense		(65)	5,093	3,664	(1,759)	1,189	
Tax at the New Zealand tax rate of 30%		(20)	1,528	1,099	(528)	357	
Tax amounts which are not taxable or deductible in calculating taxable income:							
Non-deductible expenses		3	5	1	1	-	
		<b>(17)</b>	<b>1,533</b>	<b>1,100</b>	<b>(527)</b>	<b>357</b>	

At 30 September 2010, NZF Money Limited and NZF Mortgages Warehouse B Trust had unrelieved income tax losses carried forward of \$524,000 (31 March 2010: \$nil; 30 September 2009: \$nil) and \$256,000 (31 March 2010: \$233,000; 30 September 2009: \$209,000) respectively. Management believes that sufficient and suitable taxable profits will be made available by these separate legal entities in the future and has accordingly accounted for a deferred tax asset of \$233,000 relating to these unrelieved income tax losses as at 30 September 2010 (31 March 2010: \$70,000; 30 September 2009: \$63,000).

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.



**NZF MONEY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2010**

**10 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			Company		
	30-Sep 2010 (6 Months) Unaudited \$'000	31-Mar 2010 (12 Months) Audited \$'000	30-Sep 2009 (6 Months) Unaudited \$'000	30-Sep 2010 (6 Months) Audited \$'000	31-Mar 2010 (12 Months) Audited \$'000	30-Sep 2009 (6 Months) Audited \$'000
Opening balance	6,035	6,449	6,449	6,035	6,449	6,449
Income tax (received from)/paid to IRD	(3)	158	159	-	(173)	(171)
Other debits	-	(572)	(572)	-	(241)	(241)
Closing balance	<b>6,032</b>	<b>6,035</b>	<b>6,036</b>	<b>6,035</b>	<b>6,035</b>	<b>6,037</b>

**11 SEGMENT INFORMATION**

The following information has been prepared on a consistent basis for all three accounting periods in accordance with NZ IFRS 8 Operating Segments.

GROUP	30 September 2010 (6 Months)			31 March 2010 (12 Months)		
	Total \$'000	Property Finance Division \$'000	Home Loans Division \$'000	Total \$'000	Property Finance Division \$'000	Home Loans Division \$'000
Interest income	10,662	3,103	7,559	23,499	8,614	14,885
Interest expense	(7,803)	(1,975)	(5,828)	(17,946)	(5,945)	(12,001)
Net interest income	<b>2,859</b>	<b>1,128</b>	<b>1,731</b>	<b>5,553</b>	<b>2,669</b>	<b>2,884</b>
Fee and commission income	353	242	111	1,308	838	470
Fee and commission expense	(477)	(10)	(467)	(883)	(18)	(865)
Net fee and commission income	<b>(124)</b>	<b>232</b>	<b>(356)</b>	<b>425</b>	<b>820</b>	<b>(395)</b>
Gains on financial instruments at fair value	654	-	654	2,269	-	2,269
<b>Total operating income</b>	<b>3,389</b>	<b>1,360</b>	<b>2,029</b>	<b>8,247</b>	<b>3,489</b>	<b>4,758</b>
Net impairment (losses)/gains	(1,919)	(1,902)	(17)	210	315	(105)
Depreciation and amortisation	(29)	(19)	(10)	(94)	(63)	(31)
Other operating expenses and staff costs	(1,506)	(1,198)	(308)	(3,270)	(2,798)	(472)
<b>(Loss)/profit before income tax</b>	<b>(65)</b>	<b>(1,759)</b>	<b>1,694</b>	<b>5,093</b>	<b>943</b>	<b>4,150</b>
Income tax benefit/(expense)	17	527	(510)	(1,533)	(284)	(1,249)
<b>(Loss)/profit for the period</b>	<b>(48)</b>	<b>(1,232)</b>	<b>1,184</b>	<b>3,560</b>	<b>659</b>	<b>2,901</b>
<b>Total assets</b>	<b>251,731</b>	<b>43,569</b>	<b>208,162</b>	<b>276,314</b>	<b>73,429</b>	<b>202,885</b>
<b>Total liabilities</b>	<b>236,000</b>	<b>30,199</b>	<b>205,801</b>	<b>259,945</b>	<b>58,827</b>	<b>201,118</b>

**NZF MONEY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2010**

**11 SEGMENT INFORMATION (CONTINUED)**

<b>GROUP</b>	<b>30 September 2009 (6 Months)</b>		
	<b>Total</b>	<b>Unaudited Property Finance Division</b>	<b>Home Loans Division</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Interest income	12,294	4,828	7,466
Interest expense	(9,314)	(3,157)	(6,157)
<b>Net interest income</b>	<b>2,980</b>	<b>1,671</b>	<b>1,309</b>
Fee and commission income	765	464	301
Fee and commission expense	(440)	(12)	(428)
<b>Net fee and commission income</b>	<b>325</b>	<b>452</b>	<b>(127)</b>
Gains on financial instruments at fair value	1,603	-	1,603
<b>Total operating income</b>	<b>4,908</b>	<b>2,123</b>	<b>2,785</b>
Net impairment gains/(losses)	516	549	(33)
Depreciation and amortisation	(47)	(31)	(16)
Other operating expenses and staff costs	(1,713)	(1,452)	(261)
<b>Profit before income tax</b>	<b>3,664</b>	<b>1,189</b>	<b>2,475</b>
Income tax expense	(1,100)	(357)	(743)
<b>Profit for the period</b>	<b>2,564</b>	<b>832</b>	<b>1,732</b>
<b>Total assets</b>	<b>271,755</b>	<b>83,601</b>	<b>188,154</b>
<b>Total liabilities</b>	<b>256,447</b>	<b>68,897</b>	<b>187,550</b>

There is no intersegment revenue. As a result, all revenue shown for each operating segment is that generated from external customers. No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue during any of the accounting periods reported on.

**12 DERIVATIVE ASSETS AND LIABILITIES HELD FOR RISK MANAGEMENT**

	<b>Group</b>			<b>Company</b>		
	<b>30-Sep 2010 Unaudited \$'000</b>	<b>31-Mar 2010 Audited \$'000</b>	<b>30-Sep 2009 Unaudited \$'000</b>	<b>30-Sep 2010 Audited \$'000</b>	<b>31-Mar 2010 Audited \$'000</b>	<b>30-Sep 2009 Audited \$'000</b>
<b>Derivative assets held for risk management</b>						
Interest rate swaps	-	47	-	-	-	-
<b>Derivative liabilities held for risk management</b>						
Interest rate swaps	1,441	1,552	2,394	-	-	225

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.

**NZF MONEY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2010**

**13 LOANS AND ADVANCES TO CUSTOMERS**

	Group			Company		
	30-Sep 2010 Unaudited \$'000	31-Mar 2010 Audited \$'000	30-Sep 2009 Unaudited \$'000	30-Sep 2010 Audited \$'000	31-Mar 2010 Audited \$'000	30-Sep 2009 Audited \$'000
<b>Property Finance Division:</b>						
<b>Loans and advances to customers</b>	<b>40,596</b>	<b>61,455</b>	<b>79,372</b>	<b>40,596</b>	<b>61,455</b>	<b>79,372</b>
Collective loan allowance	(382)	(491)	(557)	(382)	(491)	(557)
Specific loan allowance	(1,719)	(2,264)	(2,595)	(1,719)	(2,264)	(2,595)
<b>Total loan allowance</b>	<b>(2,101)</b>	<b>(2,755)</b>	<b>(3,152)</b>	<b>(2,101)</b>	<b>(2,755)</b>	<b>(3,152)</b>
<b>Net loans and advances to customers</b>	<b>38,495</b>	<b>58,700</b>	<b>76,220</b>	<b>38,495</b>	<b>58,700</b>	<b>76,220</b>
<b>Home Loans Division:</b>						
<b>Loans and advances to customers</b>	<b>205,863</b>	<b>200,506</b>	<b>185,336</b>	-	-	-
Collective loan allowance	-	-	-	-	-	-
Specific loan allowance	-	-	-	-	-	-
<b>Total loan allowance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net loans and advances to customers</b>	<b>205,863</b>	<b>200,506</b>	<b>185,336</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total:</b>						
<b>Loans and advances to customers</b>	<b>246,459</b>	<b>261,961</b>	<b>264,708</b>	<b>40,596</b>	<b>61,455</b>	<b>79,372</b>
Collective loan allowance	(382)	(491)	(557)	(382)	(491)	(557)
Specific loan allowance	(1,719)	(2,264)	(2,595)	(1,719)	(2,264)	(2,595)
<b>Total loan allowance</b>	<b>(2,101)</b>	<b>(2,755)</b>	<b>(3,152)</b>	<b>(2,101)</b>	<b>(2,755)</b>	<b>(3,152)</b>
<b>Net loans and advances to customers</b>	<b>244,358</b>	<b>259,206</b>	<b>261,556</b>	<b>38,495</b>	<b>58,700</b>	<b>76,220</b>

**NZF MONEY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2010**

**13 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)**

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

	Note	Home Loans Division Group Only			Property Finance Division Company and Group		
		30-Sep 2010	31-Mar 2010	30-Sep 2009	30-Sep 2010	31-Mar 2010	30-Sep 2009
		Unaudited \$'000	Audited \$'000	Unaudited \$'000	Audited \$'000	Audited \$'000	Audited \$'000
<b>Collective loan allowance</b>							
Opening balance		-	-	-	(491)	(579)	(579)
Credit/(charge) for the period	6	-	-	-	109	88	22
Closing balance		-	-	-	(382)	(491)	(557)
<b>Specific loan allowance</b>							
Opening balance		-	-	-	(2,264)	(3,760)	(3,760)
Interest accrued on impaired loans and advances		-	-	-	380	840	599
Credit/(charge) for the period	6	-	-	-	165	656	566
Closing balance		-	-	-	(1,719)	(2,264)	(2,595)
<b>Gross amounts of loans, individually determined to be impaired, before deducting the individually assessed impairment allowance</b>	26	-	-	-	4,308	11,627	15,229

**14 TRADE AND OTHER RECEIVABLES**

	Note	Group			Company		
		30-Sep 2010	31-Mar 2010	30-Sep 2009	30-Sep 2010	31-Mar 2010	30-Sep 2009
		Unaudited \$'000	Audited \$'000	Unaudited \$'000	Audited \$'000	Audited \$'000	Audited \$'000
Accounts receivable		139	169	229	139	169	229
Accrued loan interest		607	664	677	22	71	142
Secured subordinated note	27	-	-	-	900	-	-
Amount owed by group undertakings	27	-	-	4	-	-	9
		746	833	910	1,061	240	380

**Secured Subordinated Note**

On 14 September 2010, NZF Money Limited sold a selection of mortgages and loans valued at \$6,225,000 to NZF Mortgages Warehouse A Trust for the consideration of \$5,325,000 in cash and a Secured Subordinated Note with a face value of \$900,000, which was issued under the terms of the Warehouse Facility Agreement with Westpac Banking Corporation.

The Secured Subordinated Note carries interest at Bank Base Rate plus 5%, is secured against the assets and undertakings of NZF Mortgages Warehouse A Trust and is repayable at the earlier to occur of the date of three years from the Note Issue Date, the Vesting Date or such other date as agreed between the Noteholder, the Warehouse Facility Provider, NZF Homeloans Limited as Trust Manager, and The New Zealand Guardian Trust Company Limited as Trustee.

The Secured Subordinated Note is also subject to an Underwrite Put Option Agreement with NZF Group Limited, the Company's ultimate parent undertaking, which is exercisable upon the occurrence of an Event of Default of the Warehouse Facility Agreement or the exercise of acceleration rights by Westpac Banking Corporation.

**NZF MONEY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2010**

**15 PROPERTY, PLANT AND EQUIPMENT**

<b>GROUP</b>	<b>Computers &amp; Software \$'000</b>	<b>Office Furniture &amp; Equipment \$'000</b>	<b>Motor Vehicles \$'000</b>	<b>Total \$'000</b>
<b>Cost or deemed cost</b>				
Balance at 1 April 2009	219	490	-	709
Additions	5	-	21	26
<b>Balance at 30 September 2009</b>	<b>224</b>	<b>490</b>	<b>21</b>	<b>735</b>
Balance at 1 April 2009	219	490	-	709
Additions	5	-	21	26
<b>Balance at 31 March 2010</b>	<b>224</b>	<b>490</b>	<b>21</b>	<b>735</b>
Balance at 1 April 2010	224	490	21	735
Additions	-	-	-	-
<b>Balance at 30 September 2010</b>	<b>224</b>	<b>490</b>	<b>21</b>	<b>735</b>
<b>Depreciation and impairment losses</b>				
Balance at 1 April 2009	115	381	-	496
Depreciation charge for the period	25	19	3	47
<b>Balance at 30 September 2009</b>	<b>140</b>	<b>400</b>	<b>3</b>	<b>543</b>
Balance at 1 April 2009	115	381	-	496
Depreciation charge for the year	50	38	6	94
<b>Balance at 31 March 2010</b>	<b>165</b>	<b>419</b>	<b>6</b>	<b>590</b>
Balance at 1 April 2010	165	419	6	590
Depreciation charge for the period	14	12	3	29
<b>Balance at 30 September 2010</b>	<b>179</b>	<b>431</b>	<b>9</b>	<b>619</b>
<b>Carrying amounts</b>				
<b>At 30 September 2009 (Unaudited)</b>	<b>84</b>	<b>90</b>	<b>18</b>	<b>192</b>
<b>At 31 March 2010 (Audited)</b>	<b>59</b>	<b>71</b>	<b>15</b>	<b>145</b>
<b>At 30 September 2010 (Unaudited)</b>	<b>45</b>	<b>59</b>	<b>12</b>	<b>116</b>

**NZF MONEY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2010**

**15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

COMPANY	Computers & Software \$'000	Office Furniture & Equipment \$'000	Motor Vehicles \$'000	Total \$'000
<b>Cost or deemed cost</b>				
Balance at 1 April 2009	219	84	-	303
Additions	4	-	21	25
<b>Balance at 30 September 2009</b>	<b>223</b>	<b>84</b>	<b>21</b>	<b>328</b>
Balance at 1 April 2009	219	84	-	303
Additions	5	-	21	26
<b>Balance at 31 March 2010</b>	<b>224</b>	<b>84</b>	<b>21</b>	<b>329</b>
Balance at 1 April 2010	224	84	21	329
Additions	-	-	-	-
<b>Balance at 30 September 2010</b>	<b>224</b>	<b>84</b>	<b>21</b>	<b>329</b>
<b>Depreciation and impairment losses</b>				
Balance at 1 April 2009	115	59	-	174
Depreciation charge for the period	25	3	3	31
<b>Balance at 30 September 2009</b>	<b>140</b>	<b>62</b>	<b>3</b>	<b>205</b>
Balance at 1 April 2009	115	59	-	174
Depreciation charge for the year	50	7	6	63
<b>Balance at 31 March 2010</b>	<b>165</b>	<b>66</b>	<b>6</b>	<b>237</b>
Balance at 1 April 2010	165	66	6	237
Depreciation charge for the period	14	2	3	19
<b>Balance at 30 September 2010</b>	<b>179</b>	<b>68</b>	<b>9</b>	<b>256</b>
<b>Carrying amounts</b>				
At 30 September 2009 (Audited)	83	22	18	123
At 31 March 2010 (Audited)	59	18	15	92
At 30 September 2010 (Audited)	45	16	12	73

**16 INVESTMENT IN SUBSIDIARY**

The Company's investment in its subsidiary undertaking comprises shares at cost, as follows:

Subsidiary	Principal Activity	Shareholding		Cost of Investment	
		30 Sep & 31 Mar 2010 %	30 Sep 2009 %	30 Sep & 31 Mar 2010 \$'000	30 Sep 2009 \$'000
NZF Homeloans Limited	Mortgage Servicing Company	100%	100%	1	1

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. NZF Homeloans Limited, NZF Mortgages Warehouse A Trust, NZF Mortgages Warehouse B Trust and NZF Mortgages 2010-1 Trust all have annual balance dates of 31 March.

NZF MONEY LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2010

17 DEFERRED TAX ASSET

	Note	Group			Company		
		30-Sep 2010 Unaudited \$'000	31-Mar 2010 Audited \$'000	30-Sep 2009 Unaudited \$'000	30-Sep 2010 Audited \$'000	31-Mar 2010 Audited \$'000	30-Sep 2009 Audited \$'000
<b>The balance comprises temporary differences attributable to:</b>							
Collective loan impairment allowance		115	147	167	115	147	167
Specific loan impairment allowance		516	679	779	516	679	779
Income tax losses carried forward		233	70	63	156	-	-
Holiday pay accruals		41	28	32	36	24	30
<b>Net deferred tax asset</b>		<b>905</b>	<b>924</b>	<b>1,041</b>	<b>823</b>	<b>850</b>	<b>976</b>
<b>Movements</b>							
Opening balance		924	1,860	1,860	850	1,332	1,332
(Charged)/credited to the Statement of Comprehensive Income	9	(19)	(936)	(819)	(27)	(482)	(356)
<b>Closing balance</b>		<b>905</b>	<b>924</b>	<b>1,041</b>	<b>823</b>	<b>850</b>	<b>976</b>

The reduction in the corporate tax rate from 30% to 28% effective for years beginning on or after 1 April 2011 has not been brought to account in the consolidated financial statements for the six month period ended 30 September 2010, as a number of the timing differences are expected to reverse by 31 March 2011. Had the financial effects of the change in tax rate been recognised at 30 September 2010, there would have been a reduction in the deferred tax asset and an increase in the income tax expense for the Group and the Company of \$60,000 and \$55,000 respectively.

18 OTHER ASSETS

	Note	Group			Company		
		30-Sep 2010 Unaudited \$'000	31-Mar 2010 Audited \$'000	30-Sep 2009 Unaudited \$'000	30-Sep 2010 Audited \$'000	31-Mar 2010 Audited \$'000	30-Sep 2009 Audited \$'000
Deferred brokerage fees		1,346	1,560	1,295	16	54	94
Prepaid expenses		552	246	554	37	28	180
Purchased software under development but not yet deployed	28	844	844	825	844	844	825
		<b>2,742</b>	<b>2,650</b>	<b>2,674</b>	<b>897</b>	<b>926</b>	<b>1,099</b>
Current		1,707	1,596	1,827	897	920	1,089
Non-Current		1,035	1,054	847	-	6	10
		<b>2,742</b>	<b>2,650</b>	<b>2,674</b>	<b>897</b>	<b>926</b>	<b>1,099</b>

**NZF MONEY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2010**

**19 TRADE AND OTHER PAYABLES**

	Note	Group			Company		
		30-Sep 2010 Unaudited \$'000	31-Mar 2010 Audited \$'000	30-Sep 2009 Unaudited \$'000	30-Sep 2010 Audited \$'000	31-Mar 2010 Audited \$'000	30-Sep 2009 Audited \$'000
Accounts payable		295	395	482	224	311	386
Amount owed to group undertakings							
	27	605	1,400	7	-	-	-
Accrued interest		369	265	240	42	76	54
Accrued expenses		550	453	439	214	172	204
		<b>1,819</b>	<b>2,513</b>	<b>1,168</b>	<b>480</b>	<b>559</b>	<b>644</b>

**20 LOANS AND BORROWINGS**

	Group			Company		
	30-Sep 2010 Unaudited \$'000	31-Mar 2010 Audited \$'000	30-Sep 2009 Unaudited \$'000	30-Sep 2010 Audited \$'000	31-Mar 2010 Audited \$'000	30-Sep 2009 Audited \$'000
Term loans	105,790	193,700	191,250	-	-	10,000
Secured notes	93,345	-	-	-	-	-
Secured subordinated notes	3,460	3,460	3,460	-	-	-
Secured debenture stock	29,711	58,186	57,874	29,711	58,186	57,874
	<b>232,306</b>	<b>255,346</b>	<b>252,584</b>	<b>29,711</b>	<b>58,186</b>	<b>67,874</b>



**NZF MONEY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2010**

**20 LOANS AND BORROWINGS (CONTINUED)**

**Term Loans**

At 30 September 2010, the Group had the following Term Loan facilities:

Facility	Lender	Maturity Date	Interest Rate %	30 September 2010		
				Total Facility \$'000	Amount Drawn \$'000	Amount Undrawn \$'000
NZF Mortgages Warehouse A Trust Warehouse Facility	Westpac	18/10/11	4.02	225,000	105,790	119,210
<b>31 March 2010</b>						
<b>Audited</b>						
Facility	Lender	Maturity Date	Interest Rate %	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
<b>30 September 2009</b>						
<b>Unaudited</b>						
Facility	Lender	Maturity Date	Interest Rate %	Total Facility \$'000	Amount Drawn \$'000	Amount Undrawn \$'000
NZF Money Limited Cash Advances Facility	CBA	12/12/09	3.84	40,000	10,000	30,000
NZF Mortgages Warehouse A Trust Warehouse Facility	Westpac	18/10/10	3.48	225,000	181,250	43,750
				265,000	191,250	73,750

The \$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 is due for repayment on 18 October 2011. As is usual practice, the facility will be renegotiated in the ordinary course of business.

The \$40,000,000 Cash Advances Facility between Commonwealth Bank of Australia and NZF Money Limited ranked equally with secured debenture stockholders in terms of its security over all of the assets and undertakings of NZF Money Limited and was repaid in full on 19 February 2010.

## NZF MONEY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2010

#### 20 LOANS AND BORROWINGS (CONTINUED)

##### Secured Notes

On 15 June 2010, the Group successfully completed the launch of its inaugural \$100 million Residential Mortgage Backed Securities (RMBS) issue, the NZF Mortgages 2010-1 Trust, which was the first RMBS issue in New Zealand since late 2007. 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. Details of the Notes issued by the Trust were as follows:

Notes Issued	Note Issue Date	Call Date	Maturity Date	Issue Amount \$'000	Rating (Standard & Poor's)	30 September 2010 Unaudited	
						Interest Rate %	Principal Outstanding \$'000
Class A1 Notes	15/06/10	15/09/15	17/06/41	87,800	AAA	4.89	84,579
Class A2 Notes	15/06/10	15/09/15	17/06/41	9,100	AAA	5.74	8,766
				<u>96,900</u>			<u>93,345</u>
Class B Notes	15/06/10	15/09/15	17/06/41	2,500	AA-	Undisclosed	2,500
Class C Notes	15/06/10	15/09/15	17/06/41	600	Unrated	Undisclosed	600
				<u>100,000</u>			<u>96,445</u>

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.

The \$100 million of sales proceeds received by NZF Mortgages Warehouse A Trust were used to reduce the amount drawn under the Warehouse Facility with Westpac Banking Corporation.

##### Secured Subordinated Notes

Under the terms of the Warehouse Facility Agreement with Westpac Banking Corporation, NZF Group Limited has provided funding of \$3,460,000 to NZF Mortgages Warehouse A Trust in the form of Secured Subordinated Notes.

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 Trustee, the Trust Manager and the Warehouse Facility Provider.

##### Secured Debenture Stock

The debenture stock issued by NZF Money Limited is secured under a Debenture Stock Trust Deed 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, but not the assets or undertakings of NZF Homeloans Limited, NZF Mortgages Warehouse A Trust, NZF Mortgages Warehouse B Trust or NZF Mortgages 2010-1 Trust. At 30 September 2010, liabilities totalling \$166,000 (31 March 2010: \$215,000; 30 September 2009: \$238,000) rank in priority to secured debenture stockholders in the event that NZF Money Limited was liquidated.

## NZF MONEY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2010

#### 21 OTHER LIABILITIES

	Group			Company		
	30-Sep 2010 Unaudited \$'000	31-Mar 2010 Audited \$'000	30-Sep 2009 Unaudited \$'000	30-Sep 2010 Audited \$'000	31-Mar 2010 Audited \$'000	30-Sep 2009 Audited \$'000
Deferred fee income:						
Current	57	97	153	8	50	110
Non-Current	105	132	148	-	32	44
	<b>162</b>	<b>229</b>	<b>301</b>	<b>8</b>	<b>82</b>	<b>154</b>

#### 22 SHARE CAPITAL

	Group & Company		Group & Company		Group & Company	
	30-Sep 2010 No. of Shares	30-Sep 2010 \$'000	31-Mar 2010 No. of Shares	31-Mar 2010 \$'000	30-Sep 2009 No. of Shares	30-Sep 2009 \$'000
Issued and paid up capital:						
Ordinary Shares	<b>3,353,831</b>	<b>5,074</b>	<b>3,353,831</b>	<b>5,074</b>	<b>3,353,831</b>	<b>5,074</b>

On 30 June 2009, the Company issued 500,000 Ordinary Shares to NZF Group Limited for the consideration of \$500,000. No Ordinary Shares were issued by the Company during the six month period ended 30 September 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. Without prejudice to any special rights conferred on the existing Shareholders the Board may issue Shares with, or without, preferred, deferred or other special rights or restrictions, whether in regard to distributions, voting, return of capital or otherwise.

#### 23 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.

**NZF MONEY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2010**

**23 FINANCIAL INSTRUMENTS (CONTINUED)**

**Determination of fair value and fair value hierarchy (continued)**

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

GROUP	30 September 2010			
	Unaudited			Total Fair Value
	Level 1	Level 2	Level 3	
	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>				
<i>Derivative financial instruments:</i>				
Interest rate swaps	-	-	-	-
<b>Financial Liabilities</b>				
<i>Derivative financial instruments:</i>				
Interest rate swaps	-	1,441	-	1,441
<b>GROUP</b>				
	31 March 2010			
	Audited			Total Fair Value
	Level 1	Level 2	Level 3	
	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>				
<i>Derivative financial instruments:</i>				
Interest rate swaps	-	47	-	47
<b>Financial Liabilities</b>				
<i>Derivative financial instruments:</i>				
Interest rate swaps	-	1,552	-	1,552
<b>GROUP</b>				
	30 September 2009			
	Unaudited			Total Fair Value
	Level 1	Level 2	Level 3	
	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>				
<i>Derivative financial instruments:</i>				
Interest rate swaps	-	-	-	-
<b>Financial Liabilities</b>				
<i>Derivative financial instruments:</i>				
Interest rate swaps	-	2,394	-	2,394

**NZF MONEY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2010**

**23 FINANCIAL INSTRUMENTS (CONTINUED)**

**Determination of fair value and fair value hierarchy (continued)**

COMPANY	30 September 2010			
	Audited			
	Level 1	Level 2	Level 3	Total Fair Value
	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>				
<i>Derivative financial instruments:</i>				
Interest rate swaps	-	-	-	-
<b>Financial Liabilities</b>				
<i>Derivative financial instruments:</i>				
Interest rate swaps	-	-	-	-
<b>COMPANY</b>				
	31 March 2010			
	Audited			
	Level 1	Level 2	Level 3	Total Fair Value
	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>				
<i>Derivative financial instruments:</i>				
Interest rate swaps	-	-	-	-
<b>Financial Liabilities</b>				
<i>Derivative financial instruments:</i>				
Interest rate swaps	-	-	-	-
<b>COMPANY</b>				
	30 September 2009			
	Audited			
	Level 1	Level 2	Level 3	Total Fair Value
	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>				
<i>Derivative financial instruments:</i>				
Interest rate swaps	-	-	-	-
<b>Financial Liabilities</b>				
<i>Derivative financial instruments:</i>				
Interest rate swaps	-	225	-	225

**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.

**NZF MONEY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2010**

**23 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	30-Sep	30-Sep	31-Mar	31-Mar	30-Sep	30-Sep
	2010	2010	2010	2010	2009	2009
	Carrying	Total Fair	Carrying	Total Fair	Carrying	Total Fair
	Amount	Value	Amount	Value	Amount	Value
	Unaudited	Unaudited	Audited	Audited	Unaudited	Unaudited
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>						
<b><i>Available for sale assets:</i></b>						
Cash and cash equivalents	2,864	2,864	12,509	12,509	5,370	5,370
<b><i>Loans and receivables:</i></b>						
Loans and advances to customers	244,358	244,358	259,206	259,206	261,556	261,556
Trade and other receivables	746	746	833	833	910	910
	<b>245,104</b>	<b>245,104</b>	<b>260,039</b>	<b>260,039</b>	<b>262,466</b>	<b>262,466</b>
<b>Total Financial Assets</b>	<b>247,968</b>	<b>247,968</b>	<b>272,548</b>	<b>272,548</b>	<b>267,836</b>	<b>267,836</b>
<b>Financial Liabilities</b>						
<b><i>Amortised cost:</i></b>						
Loans and borrowings	232,306	232,306	255,346	255,346	252,584	252,584
Trade and other payables	1,819	1,819	2,513	2,513	1,168	1,168
	<b>234,125</b>	<b>234,125</b>	<b>257,859</b>	<b>257,859</b>	<b>253,752</b>	<b>253,752</b>
<b>Total Financial Liabilities</b>	<b>234,125</b>	<b>234,125</b>	<b>257,859</b>	<b>257,859</b>	<b>253,752</b>	<b>253,752</b>

**NZF MONEY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2010**

**23 FINANCIAL INSTRUMENTS (CONTINUED)**

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

COMPANY	30-Sep	30-Sep	31-Mar	31-Mar	30-Sep	30-Sep
	2010	2010	2010	2010	2009	2009
	Carrying	Total Fair	Carrying	Total Fair	Carrying	Total Fair
	Amount	Value	Amount	Value	Amount	Value
	Audited	Audited	Audited	Audited	Audited	Audited
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>						
<i>Available for sale assets:</i>						
Cash and cash equivalents	1,178	1,178	12,133	12,133	4,512	4,512
<i>Loans and receivables:</i>						
Loans and advances to customers	38,495	38,495	58,700	58,700	76,220	76,220
Trade and other receivables	1,061	1,061	240	240	380	380
	<b>39,556</b>	<b>39,556</b>	<b>58,940</b>	<b>58,940</b>	<b>76,600</b>	<b>76,600</b>
<b>Total Financial Assets</b>	<b>40,734</b>	<b>40,734</b>	<b>71,073</b>	<b>71,073</b>	<b>81,112</b>	<b>81,112</b>
<b>Financial Liabilities</b>						
<i>Amortised cost:</i>						
Loans and borrowings	29,711	29,711	58,186	58,186	67,874	67,874
Trade and other payables	480	480	559	559	644	644
	<b>30,191</b>	<b>30,191</b>	<b>58,745</b>	<b>58,745</b>	<b>68,518</b>	<b>68,518</b>
<b>Total Financial Liabilities</b>	<b>30,191</b>	<b>30,191</b>	<b>58,745</b>	<b>58,745</b>	<b>68,518</b>	<b>68,518</b>

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:

	30-Sep	31-Mar	30-Sep
	2010	2010	2009
Loans and advances to customers	6.10% - 15.00%	5.80% - 15.00%	5.75% - 15.00%
Term loans	4.02%	3.28%	3.46% - 3.85%
Secured notes	4.89% - 5.74%	N/A	N/A
Secured subordinated notes	3.75% - 6.14%	3.75% - 8.71%	3.75%
Secured debenture stock	4.25% - 11.00%	4.50% - 11.00%	4.25% - 11.00%

**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.

## NZF MONEY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2010

#### 23 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 views and defined risk appetite; ensuring optimal hedging strategies are applied, by either positioning the balance sheet 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 period.

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

##### GROUP

Outstanding Contracts	Average Contracted Fixed Interest Rate			Notional Principal Amount		
	30-Sep	31-Mar	30-Sep	30-Sep	31-Mar	30-Sep
	2010	2010	2009	2010	2010	2009
	Unaudited	Audited	Unaudited	Unaudited	Audited	Unaudited
	%	%	%	\$'000	\$'000	\$'000
Less than 1 year	3.98	4.10	5.55	117,691	115,548	100,413
1 to 2 years	5.58	4.57	6.03	26,103	19,556	22,807
2 to 5 years	6.92	6.52	6.54	4,784	16,551	17,699
				<b>148,578</b>	<b>151,655</b>	<b>140,919</b>



**NZF MONEY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2010**

**23 FINANCIAL INSTRUMENTS (CONTINUED)**

**Interest rate swap contracts (continued)**

**GROUP**

Outstanding Contracts	Net Fair Value		
	30-Sep 2010 Unaudited \$'000	31-Mar 2010 Audited \$'000	30-Sep 2009 Unaudited \$'000
Less than 1 year	(383)	(566)	(937)
1 to 2 years	(825)	(226)	(670)
2 to 5 years	(233)	(713)	(787)
	<u>(1,441)</u>	<u>(1,505)</u>	<u>(2,394)</u>

**COMPANY**

Outstanding Contracts	Average Contracted Fixed Interest Rate			Notional Principal Amount		
	30-Sep 2010 Audited %	31-Mar 2010 Audited %	30-Sep 2009 Audited %	30-Sep 2010 Audited \$'000	31-Mar 2010 Audited \$'000	30-Sep 2009 Audited \$'000
Less than 1 year	-	-	8.25	-	-	2,895
1 to 2 years	-	-	8.00	-	-	1,964
2 to 5 years	-	-	8.14	-	-	542
				<u>-</u>	<u>-</u>	<u>5,401</u>

Outstanding Contracts	Net Fair Value		
	30-Sep 2010 Audited \$'000	31-Mar 2010 Audited \$'000	30-Sep 2009 Audited \$'000
Less than 1 year	-	-	(63)
1 to 2 years	-	-	(111)
2 to 5 years	-	-	(51)
	<u>-</u>	<u>-</u>	<u>(225)</u>

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 will settle the difference between the fixed and floating interest rate on a net basis.

**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 and the Company's result for the period would decrease/increase by \$261,000 (31 March 2010: \$386,000; 30 September 2009: \$184,000) and \$99,000 (31 March 2010: \$328,000; 30 September 2009: \$162,000) respectively.

## **NZF MONEY LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2010**

#### **23 FINANCIAL INSTRUMENTS (CONTINUED)**

##### **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 Warehouse Facility Agreements. The Group closely monitors the performance of its borrowers, the payment of instalments 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 30 September 2010, \$190,822,000 (31 March 2010: \$192,471,000; 30 September 2009: \$174,381,000) 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 24 do not take into account the fair value of any collateral, in the event of counterparties failing to meet their contractual obligations.

##### **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 bank facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and financial liabilities.

The tables in Note 25 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.

**NZF MONEY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2010**

**23 FINANCIAL INSTRUMENTS (CONTINUED)**

**Capital management**

The Group considers share capital and retained earnings to be capital for management purposes. In implementing current capital requirements, the Debenture Stock Trust Deed entered into between NZF Money Limited and Covenant Trustee Company Limited as Trustee, requires the Company to maintain a prescribed ratio of total liabilities to total tangible assets. The Trust Deed prescribed ratio is 86%.

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 imposed capital requirements throughout the two years ended 31 March 2010 and the six month period ended 30 September 2010 and there has been no material change in the Group's approach to capital management during the period.

**24 CONCENTRATION OF CREDIT EXPOSURE**

**LOANS AND ADVANCES TO CUSTOMERS**

**Geographical Concentration of Loans and Advances**

<b>GROUP</b>	<b>30-Sep 2010 Unaudited %</b>	<b>30-Sep 2010 Unaudited \$'000</b>	<b>31-Mar 2010 Audited %</b>	<b>31-Mar 2010 Audited \$'000</b>	<b>30-Sep 2009 Unaudited %</b>	<b>30-Sep 2009 Unaudited \$'000</b>
<b>Residential Property</b>						
Auckland	46.64	114,942	49.70	130,136	52.21	138,229
Bay of Plenty	3.55	8,750	3.44	8,999	3.32	8,776
Canterbury	5.81	14,323	5.59	14,645	4.83	12,794
Gisborne	0.59	1,451	0.50	1,314	0.53	1,408
Hawkes Bay	1.95	4,818	2.09	5,478	2.16	5,722
North Shore	8.58	21,157	9.10	23,856	9.71	25,725
Northland	3.69	9,084	3.59	9,395	4.71	12,456
Queenstown	1.46	3,603	1.07	2,811	1.14	3,018
Southland/Otago	1.48	3,644	1.31	3,426	1.12	2,959
South Island – Other	2.69	6,626	2.36	6,182	2.75	7,273
Taranaki/Manawatu/Wanganui	2.71	6,681	2.62	6,859	1.95	5,149
Waikato	6.75	16,639	6.18	16,199	5.90	15,610
Wellington/Kapiti	12.43	30,632	11.20	29,352	8.43	22,302
	<b>98.33</b>	<b>242,350</b>	<b>98.75</b>	<b>258,652</b>	<b>98.76</b>	<b>261,421</b>
<b>Other Loans</b>						
Auckland	0.45	1,107	0.10	293	0.10	281
Wellington	1.22	3,002	1.15	3,016	1.14	3,006
	<b>1.67</b>	<b>4,109</b>	<b>1.25</b>	<b>3,309</b>	<b>1.24</b>	<b>3,287</b>
<b>Total</b>	<b>100.00</b>	<b>246,459</b>	<b>100.00</b>	<b>261,961</b>	<b>100.00</b>	<b>264,708</b>

**NZF MONEY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2010**

**24 CONCENTRATION OF CREDIT EXPOSURE (CONTINUED)**

**LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)**

**Collateral held over Loans and Advances**

GROUP	30-Sep	30-Sep	31-Mar	31-Mar	30-Sep	30-Sep
	2010	2010	2010	2010	2009	2009
	Unaudited	Unaudited	Audited	Audited	Unaudited	Unaudited
	%	\$'000	%	\$'000	%	\$'000
First Mortgages	97.66	240,693	98.08	256,916	97.50	258,074
Second Mortgages	0.67	1,657	0.65	1,711	1.26	3,347
GSA and Other Security	1.67	4,109	1.27	3,334	1.24	3,287
<b>Total</b>	<b>100.00</b>	<b>246,459</b>	<b>100.00</b>	<b>261,961</b>	<b>100.00</b>	<b>264,708</b>

**Geographical Concentration of Loans and Advances**

COMPANY	30-Sep	30-Sep	31-Mar	31-Mar	30-Sep	30-Sep
	2010	2010	2010	2010	2009	2009
	Audited	Audited	Audited	Audited	Audited	Audited
	%	\$'000	%	\$'000	%	\$'000
<b>Residential Property</b>						
Auckland	62.74	25,469	67.42	41,428	68.86	54,664
Bay of Plenty	-	-	0.92	565	0.93	736
Canterbury	-	-	0.55	335	0.42	332
Hawkes Bay	0.05	19	0.88	542	0.68	537
North Shore	0.39	159	1.15	708	5.81	4,611
Northland	0.95	384	3.58	2,201	7.05	5,594
Queenstown	7.69	3,123	4.57	2,811	3.80	3,018
Southland/Otago	0.29	119	0.57	348	0.44	349
Taranaki/Manawatu/Wanganui	-	-	0.24	149	0.18	144
Waikato	1.01	409	2.70	1,660	2.49	1,974
Wellington/Kapiti	16.76	6,805	12.04	7,399	5.20	4,126
<b>Total</b>	<b>89.88</b>	<b>36,487</b>	<b>94.62</b>	<b>58,146</b>	<b>95.86</b>	<b>76,085</b>
<b>Other Loans</b>						
Auckland	2.74	1,107	0.48	293	0.35	281
Wellington	7.38	3,002	4.90	3,016	3.79	3,006
<b>Total</b>	<b>10.12</b>	<b>4,109</b>	<b>5.38</b>	<b>3,309</b>	<b>4.14</b>	<b>3,287</b>
<b>Total</b>	<b>100.00</b>	<b>40,596</b>	<b>100.00</b>	<b>61,455</b>	<b>100.00</b>	<b>79,372</b>

**Collateral held over Loans and Advances**

COMPANY	30-Sep	30-Sep	31-Mar	31-Mar	30-Sep	30-Sep
	2010	2010	2010	2010	2009	2009
	Audited	Audited	Audited	Audited	Audited	Audited
	%	\$'000	%	\$'000	%	\$'000
First Mortgages	85.80	34,830	91.79	56,410	91.64	72,738
Second Mortgages	4.08	1,657	2.78	1,711	4.22	3,347
GSA and Other Security	10.12	4,109	5.43	3,334	4.14	3,287
<b>Total</b>	<b>100.00</b>	<b>40,596</b>	<b>100.00</b>	<b>61,455</b>	<b>100.00</b>	<b>79,372</b>

**NZF MONEY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2010**

**24 CONCENTRATION OF CREDIT EXPOSURE (CONTINUED)**

**LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)**

**Concentration of Loans and Advances to Individual Counterparties**

	Group			Company		
	30-Sep 2010 Unaudited	31-Mar 2010 Audited	30-Sep 2009 Unaudited	30-Sep 2010 Audited	31-Mar 2010 Audited	30-Sep 2009 Audited
	Number of Counterparties			Number of Counterparties		
<b>% of Shareholder Funds</b>						
10 - 19.99%	9	12	15	8	11	16
20 - 29.99%	3	3	4	3	4	5
30 - 39.99%	-	-	-	2	-	-
<b>Total</b>	<b>12</b>	<b>15</b>	<b>19</b>	<b>13</b>	<b>15</b>	<b>21</b>

**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	30-Sep 2010 Unaudited	30-Sep 2010 Unaudited	31-Mar 2010 Audited	31-Mar 2010 Audited	30-Sep 2009 Unaudited	30-Sep 2009 Unaudited
	%	\$'000	%	\$'000	%	\$'000
Term loans	45.54	105,790	75.86	193,700	75.72	191,250
Secured notes	40.18	93,345	-	-	-	-
Secured subordinated notes	1.49	3,460	1.36	3,460	1.37	3,460
Secured debenture stock	12.79	29,711	22.78	58,186	22.91	57,874
	<b>100.00</b>	<b>232,306</b>	<b>100.00</b>	<b>255,346</b>	<b>100.00</b>	<b>252,584</b>
COMPANY	30-Sep 2010 Audited	30-Sep 2010 Audited	31-Mar 2010 Audited	31-Mar 2010 Audited	30-Sep 2009 Audited	30-Sep 2009 Audited
	%	\$'000	%	\$'000	%	\$'000
Term loans	-	-	-	-	14.73	10,000
Secured debenture stock	100.00	29,711	100.00	58,186	85.27	57,874
	<b>100.00</b>	<b>29,711</b>	<b>100.00</b>	<b>58,186</b>	<b>100.00</b>	<b>67,874</b>

**NZF MONEY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2010**

**24 CONCENTRATION OF CREDIT EXPOSURE (CONTINUED)**

**FUNDING – LOANS AND BORROWINGS (CONTINUED)**

**Geographical Concentration of Funding**

GROUP	30-Sep	30-Sep	31-Mar	31-Mar	30-Sep	30-Sep
	2010	2010	2010	2010	2009	2009
	Unaudited	Unaudited	Audited	Audited	Unaudited	Unaudited
	%	\$'000	%	\$'000	%	\$'000
New Zealand	98.55	228,984	98.99	252,769	99.66	251,720
United Kingdom	0.56	1,301	0.18	457	0.07	166
Australia	0.42	969	0.43	1,120	0.04	101
France	0.16	369	0.12	333	0.12	308
China	0.10	239	0.06	161	-	-
Hong Kong	0.04	95	0.08	212	-	-
United Arab Emirates	0.03	76	-	-	-	-
Germany	0.02	55	0.01	25	0.01	35
USA	0.02	53	0.06	151	0.07	185
Japan	0.02	42	0.02	40	-	-
Netherlands	0.02	40	0.01	30	0.01	30
Switzerland	0.02	37	0.01	23	0.01	22
Romania	0.01	20	-	-	-	-
Ireland	0.01	11	0.01	11	0.01	11
Thailand	0.01	8	-	-	-	-
Taiwan	0.01	7	0.01	7	-	6
Korea	-	-	0.01	7	-	-
	<b>100.00</b>	<b>232,306</b>	<b>100.00</b>	<b>255,346</b>	<b>100.00</b>	<b>252,584</b>

COMPANY	30-Sep	30-Sep	31-Mar	31-Mar	30-Sep	30-Sep
	2010	2010	2010	2010	2009	2009
	Audited	Audited	Audited	Audited	Audited	Audited
	%	\$'000	%	\$'000	%	\$'000
New Zealand	88.82	26,389	95.58	55,609	98.74	67,010
United Kingdom	4.38	1,301	0.79	457	0.24	166
Australia	3.26	969	1.92	1,120	0.15	101
France	1.24	369	0.57	333	0.45	308
China	0.80	239	0.28	161	-	-
Hong Kong	0.32	95	0.36	212	-	-
United Arab Emirates	0.26	76	-	-	-	-
Germany	0.19	55	0.04	25	0.05	35
USA	0.18	53	0.26	151	0.27	185
Japan	0.14	42	0.07	40	-	-
Netherlands	0.13	40	0.05	30	0.04	30
Switzerland	0.12	37	0.04	23	0.03	22
Romania	0.07	20	-	-	-	-
Ireland	0.04	11	0.02	11	0.02	11
Thailand	0.03	8	-	-	-	-
Taiwan	0.02	7	0.01	7	0.01	6
Korea	-	-	0.01	7	-	-
	<b>100.00</b>	<b>29,711</b>	<b>100.00</b>	<b>58,186</b>	<b>100.00</b>	<b>67,874</b>

There is no material concentration of funding within New Zealand.

NZF MONEY LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2010

25 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	Weighted average effective interest rate %	30 September 2010 Unaudited					Total \$'000
		Current 0 - 6 Months \$'000	7 - 12 Months \$'000	1 - 2 Years \$'000	Non-Current 2 - 5 Years \$'000	5+ Years \$'000	
<b>Financial Assets</b>							
<i>Non-Derivative:</i>							
Cash and cash equivalents	2.75	2,864	-	-	-	-	2,864
Loans and advances to customers	7.88	36,891	842	108	402	206,115	244,358
Trade and other receivables	-	746	-	-	-	-	746
		<b>40,501</b>	<b>842</b>	<b>108</b>	<b>402</b>	<b>206,115</b>	<b>247,968</b>
<i>Derivative:</i>							
Derivative assets held for risk management	-	-	-	-	-	-	-
		<b>40,501</b>	<b>842</b>	<b>108</b>	<b>402</b>	<b>206,115</b>	<b>247,968</b>
<b>Financial Liabilities</b>							
<i>Non-Derivative:</i>							
Trade and other payables	-	1,819	-	-	-	-	1,819
Term loans	4.02	-	-	105,790	-	-	105,790
Secured notes	4.97	-	-	-	-	93,345	93,345
Secured subordinated notes	4.76	-	-	3,460	-	-	3,460
Secured debenture stock	8.09	14,873	10,057	4,011	770	-	29,711
		<b>16,692</b>	<b>10,057</b>	<b>113,261</b>	<b>770</b>	<b>93,345</b>	<b>234,125</b>
<i>Derivative:</i>							
Derivative liabilities held for risk management	-	144	239	825	233	-	1,441
		<b>16,836</b>	<b>10,296</b>	<b>114,086</b>	<b>1,003</b>	<b>93,345</b>	<b>235,566</b>

As disclosed in Note 20, the Group's term loan facility with Westpac Banking Corporation is due for repayment on 18 October 2011. As is usual practice, this facility will be renegotiated in the ordinary course of business.

NZF MONEY LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2010

25 MATURITY PROFILE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(a) Interest rate risk (continued)

GROUP	Weighted average effective interest rate %	31 March 2010 Audited					Total \$'000
		Current		Non-Current			
		0 - 6 Months \$'000	7 - 12 Months \$'000	1 - 2 Years \$'000	2 - 5 Years \$'000	5+ Years \$'000	
<b>Financial Assets</b>							
<i>Non-Derivative:</i>							
Cash and cash equivalents	2.75	12,509	-	-	-	-	12,509
Loans and advances to customers	7.84	48,915	8	49	62	210,172	259,206
Trade and other receivables	-	833	-	-	-	-	833
		<u>62,257</u>	<u>8</u>	<u>49</u>	<u>62</u>	<u>210,172</u>	<u>272,548</u>
<i>Derivative:</i>							
Derivative assets held for risk management	-	-	-	1	46	-	47
		<u>62,257</u>	<u>8</u>	<u>50</u>	<u>108</u>	<u>210,172</u>	<u>272,595</u>
<b>Financial Liabilities</b>							
<i>Non-Derivative:</i>							
Trade and other payables	-	2,513	-	-	-	-	2,513
Term loans	3.28	-	193,700	-	-	-	193,700
Secured subordinated notes	5.84	-	3,460	-	-	-	3,460
Secured debenture stock	7.77	35,007	12,691	9,125	1,363	-	58,186
		<u>37,520</u>	<u>209,851</u>	<u>9,125</u>	<u>1,363</u>	<u>-</u>	<u>257,859</u>
<i>Derivative:</i>							
Derivative liabilities held for risk management	-	183	383	227	759	-	1,552
		<u>37,703</u>	<u>210,234</u>	<u>9,352</u>	<u>2,122</u>	<u>-</u>	<u>259,411</u>



NZF MONEY LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2010

25 MATURITY PROFILE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(a) Interest rate risk (continued)

GROUP

	Weighted average effective interest rate %	30 September 2009 Unaudited					Total \$'000
		Current		Non-Current			
		0 - 6 Months \$'000	7 - 12 Months \$'000	1 - 2 Years \$'000	2 - 5 Years \$'000	5+ Years \$'000	
<b>Financial Assets</b>							
<i>Non-Derivative:</i>							
Cash and cash equivalents	3.25	5,370	-	-	-	-	5,370
Loans and advances to customers	8.43	59,601	5,721	290	48	195,896	261,556
Trade and other receivables	-	910	-	-	-	-	910
		<u>65,881</u>	<u>5,721</u>	<u>290</u>	<u>48</u>	<u>195,896</u>	<u>267,836</u>
<i>Derivative:</i>							
Derivative assets held for risk management	-	-	-	-	-	-	-
		<u>65,881</u>	<u>5,721</u>	<u>290</u>	<u>48</u>	<u>195,896</u>	<u>267,836</u>
<b>Financial Liabilities</b>							
<i>Non-Derivative:</i>							
Trade and other payables	-	1,168	-	-	-	-	1,168
Term loans	3.50	10,000	-	181,250	-	-	191,250
Secured subordinated notes	3.75	-	-	3,460	-	-	3,460
Secured debenture stock	7.98	17,494	27,030	12,144	1,206	-	57,874
		<u>28,662</u>	<u>27,030</u>	<u>196,854</u>	<u>1,206</u>	<u>-</u>	<u>253,752</u>
<i>Derivative:</i>							
Derivative liabilities held for risk management	-	378	559	670	787	-	2,394
		<u>378</u>	<u>559</u>	<u>670</u>	<u>787</u>	<u>-</u>	<u>2,394</u>
		<u>29,040</u>	<u>27,589</u>	<u>197,524</u>	<u>1,993</u>	<u>-</u>	<u>256,146</u>

**NZF MONEY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2010**

**25 MATURITY PROFILE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)**

**(a) Interest rate risk (continued)**

COMPANY	Weighted average effective interest rate %	30 September 2010 Audited					Total \$'000
		Current		Non-Current			
		0 - 6 Months \$'000	7 - 12 Months \$'000	1 - 2 Years \$'000	2 - 5 Years \$'000	5+ Years \$'000	
<b>Financial Assets</b>							
<i>Non-Derivative:</i>							
Cash and cash equivalents	2.75	1,178	-	-	-	-	1,178
Loans and advances to customers	9.27	36,889	836	28	35	707	38,495
Trade and other receivables	-	1,061	-	-	-	-	1,061
		<b>39,128</b>	<b>836</b>	<b>28</b>	<b>35</b>	<b>707</b>	<b>40,734</b>
<b>Financial Liabilities</b>							
<i>Non-Derivative:</i>							
Trade and other payables	-	480	-	-	-	-	480
Secured debenture stock	8.09	14,873	10,057	4,011	770	-	29,711
		<b>15,353</b>	<b>10,057</b>	<b>4,011</b>	<b>770</b>	<b>-</b>	<b>30,191</b>

COMPANY	Weighted average effective interest rate %	31 March 2010 Audited					Total \$'000
		Current		Non-Current			
		0 - 6 Months \$'000	7 - 12 Months \$'000	1 - 2 Years \$'000	2 - 5 Years \$'000	5+ Years \$'000	
<b>Financial Assets</b>							
<i>Non-Derivative:</i>							
Cash and cash equivalents	2.75	12,133	-	-	-	-	12,133
Loans and advances to customers	8.68	48,380	2	41	49	10,228	58,700
Trade and other receivables	-	240	-	-	-	-	240
		<b>60,753</b>	<b>2</b>	<b>41</b>	<b>49</b>	<b>10,228</b>	<b>71,073</b>
<b>Financial Liabilities</b>							
<i>Non-Derivative:</i>							
Trade and other payables	-	559	-	-	-	-	559
Secured debenture stock	7.77	35,007	12,691	9,125	1,363	-	58,186
		<b>35,566</b>	<b>12,691</b>	<b>9,125</b>	<b>1,363</b>	<b>-</b>	<b>58,745</b>

NZF MONEY LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2010

25 MATURITY PROFILE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(a) Interest rate risk (continued)

COMPANY	Weighted average effective interest rate %	30 September 2009 Audited					Total \$'000
		Current		Non-Current			
		0 - 6 Months \$'000	7 - 12 Months \$'000	1 - 2 Years \$'000	2 - 5 Years \$'000	5+ Years \$'000	
<b>Financial Assets</b>							
<i>Non-Derivative:</i>							
Cash and cash equivalents	3.25	4,512	-	-	-	-	4,512
Loans and advances to customers	9.84	59,601	5,185	270	32	11,132	76,220
Trade and other receivables	-	380	-	-	-	-	380
		<u>64,493</u>	<u>5,185</u>	<u>270</u>	<u>32</u>	<u>11,132</u>	<u>81,112</u>
<b>Financial Liabilities</b>							
<i>Non-Derivative:</i>							
Trade and other payables	-	644	-	-	-	-	644
Term loans	3.84	10,000	-	-	-	-	10,000
Secured debenture stock	7.98	17,494	27,030	12,144	1,206	-	57,874
		<u>28,138</u>	<u>27,030</u>	<u>12,144</u>	<u>1,206</u>	<u>-</u>	<u>68,518</u>
<i>Derivative:</i>							
Derivative liabilities held for risk management	-	12	51	111	51	-	225
		<u>28,150</u>	<u>27,081</u>	<u>12,255</u>	<u>1,257</u>	<u>-</u>	<u>68,743</u>

**NZF MONEY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2010**

**25 MATURITY PROFILE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)**

**(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	30 September 2010 Unaudited					Gross Nominal Inflow/ (Outflow) \$'000	Carrying Amount \$'000
	0 - 6 Months \$'000	7 - 12 Months \$'000	1 - 2 Years \$'000	2 - 5 Years \$'000	5+ Years \$'000		
<b>Financial Assets</b>							
<i>Non-Derivative:</i>							
Cash and cash equivalents	2,864	-	-	-	-	2,864	2,864
Loans and advances to customers	48,221	9,836	18,028	53,693	242,123	371,901	244,358
Trade and other receivables	746	-	-	-	-	746	746
	<b>51,831</b>	<b>9,836</b>	<b>18,028</b>	<b>53,693</b>	<b>242,123</b>	<b>375,511</b>	<b>247,968</b>
<b>Financial Liabilities</b>							
<i>Non-Derivative:</i>							
Trade and other payables	(1,819)	-	-	-	-	(1,819)	(1,819)
Term loans	(2,126)	(2,126)	(106,000)	-	-	(110,252)	(105,790)
Secured notes	(2,320)	(2,320)	(4,640)	(13,920)	(107,265)	(130,465)	(93,345)
Secured subordinated notes	(83)	(83)	(3,468)	-	-	(3,634)	(3,460)
Secured debenture stock	(15,539)	(10,552)	(4,325)	(843)	-	(31,259)	(29,711)
	<b>(21,887)</b>	<b>(15,081)</b>	<b>(118,433)</b>	<b>(14,763)</b>	<b>(107,265)</b>	<b>(277,429)</b>	<b>(234,125)</b>
<i>Derivative:</i>							
Derivative liabilities held for risk management	(144)	(239)	(825)	(233)	-	(1,441)	(1,441)
	<b>(22,031)</b>	<b>(15,320)</b>	<b>(119,258)</b>	<b>(14,996)</b>	<b>(107,265)</b>	<b>(278,870)</b>	<b>(235,566)</b>
<b>Total</b>	<b>29,800</b>	<b>(5,484)</b>	<b>(101,230)</b>	<b>38,697</b>	<b>134,858</b>	<b>96,641</b>	<b>12,402</b>

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 30 September 2010. The expected maturity of loans and advances and the adjusted contractual cash flows are as follows:

GROUP	30 September 2010 Unaudited					Gross Nominal Inflow/ (Outflow) \$'000
	0 - 6 Months \$'000	7 - 12 Months \$'000	1 - 2 Years \$'000	2 - 5 Years \$'000	5+ Years \$'000	
Loans and advances to customers (expected)	46,149	9,836	18,028	53,693	242,123	369,829
<b>Adjusted Total</b>	<b>27,728</b>	<b>(5,484)</b>	<b>(101,230)</b>	<b>38,697</b>	<b>134,858</b>	<b>94,569</b>

As disclosed in Note 20, the Group's term loan facility with Westpac Banking Corporation is due for repayment on 18 October 2011. As is usual practice, this facility will be renegotiated in the ordinary course of business.

NZF MONEY LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2010

25 MATURITY PROFILE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

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

GROUP	31 March 2010					Gross Nominal Inflow/ (Outflow) \$'000	Carrying Amount \$'000
	Audited						
	0 - 6 Months \$'000	7 - 12 Months \$'000	1 - 2 Years \$'000	2 - 5 Years \$'000	5+ Years \$'000		
<b>Financial Assets</b>							
<i>Non-Derivative:</i>							
Cash and cash equivalents	12,509	-	-	-	-	12,509	12,509
Loans and advances to customers	61,318	8,914	17,855	53,450	250,378	391,915	259,206
Trade and other receivables	833	-	-	-	-	833	833
	<u>74,660</u>	<u>8,914</u>	<u>17,855</u>	<u>53,450</u>	<u>250,378</u>	<u>405,257</u>	<u>272,548</u>
<i>Derivative:</i>							
Derivative assets held for risk management	-	-	1	46	-	47	47
	<u>74,660</u>	<u>8,914</u>	<u>17,856</u>	<u>53,496</u>	<u>250,378</u>	<u>405,304</u>	<u>272,595</u>
<b>Financial Liabilities</b>							
<i>Non-Derivative:</i>							
Trade and other payables	(2,513)	-	-	-	-	(2,513)	(2,513)
Term loans	(3,177)	(194,022)	-	-	-	(197,199)	(193,700)
Secured subordinated notes	(101)	(3,470)	-	-	-	(3,571)	(3,460)
Secured debenture stock	(36,631)	(13,359)	(9,654)	(1,489)	-	(61,133)	(58,186)
	<u>(42,422)</u>	<u>(210,851)</u>	<u>(9,654)</u>	<u>(1,489)</u>	<u>-</u>	<u>(264,416)</u>	<u>(257,859)</u>
<i>Derivative:</i>							
Derivative liabilities held for risk management	(183)	(383)	(227)	(759)	-	(1,552)	(1,552)
	<u>(42,605)</u>	<u>(211,234)</u>	<u>(9,881)</u>	<u>(2,248)</u>	<u>-</u>	<u>(265,968)</u>	<u>(259,411)</u>
<b>Total</b>	<u>32,055</u>	<u>(202,320)</u>	<u>7,975</u>	<u>51,248</u>	<u>250,378</u>	<u>139,336</u>	<u>13,184</u>

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	31 March 2010					Gross Nominal Inflow/ (Outflow) \$'000
	Audited					
	0 - 6 Months \$'000	7 - 12 Months \$'000	1 - 2 Years \$'000	2 - 5 Years \$'000	5+ Years \$'000	
Loans and advances to customers (expected)	59,083	8,914	17,855	53,450	250,378	389,680
<b>Adjusted Total</b>	<u>29,820</u>	<u>(202,320)</u>	<u>7,975</u>	<u>51,248</u>	<u>250,378</u>	<u>137,101</u>

NZF MONEY LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2010

25 MATURITY PROFILE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

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

GROUP	30 September 2009						Carrying Amount \$'000
	Unaudited						
	0 - 6 Months \$'000	7 - 12 Months \$'000	1 - 2 Years \$'000	2 - 5 Years \$'000	5+ Years \$'000	Gross Nominal Inflow/ (Outflow) \$'000	
<b>Financial Assets</b>							
<i>Non-Derivative:</i>							
Cash and cash equivalents	5,370	-	-	-	-	5,370	5,370
Loans and advances to customers	72,154	14,196	17,542	51,621	233,589	389,102	261,556
Trade and other receivables	910	-	-	-	-	910	910
	<u>78,434</u>	<u>14,196</u>	<u>17,542</u>	<u>51,621</u>	<u>233,589</u>	<u>395,382</u>	<u>267,836</u>
<b>Financial Liabilities</b>							
<i>Non-Derivative:</i>							
Trade and other payables	(1,168)	-	-	-	-	(1,168)	(1,168)
Term loans	(13,230)	(3,154)	(181,561)	-	-	(197,945)	(191,250)
Secured subordinated notes	(65)	(65)	(3,466)	-	-	(3,596)	(3,460)
Secured debenture stock	(19,071)	(28,396)	(12,947)	(1,308)	-	(61,722)	(57,874)
	<u>(33,534)</u>	<u>(31,615)</u>	<u>(197,974)</u>	<u>(1,308)</u>	<u>-</u>	<u>(264,431)</u>	<u>(253,752)</u>
<i>Derivative:</i>							
Derivative liabilities held for risk	(378)	(559)	(670)	(787)	-	(2,394)	(2,394)
	<u>(33,912)</u>	<u>(32,174)</u>	<u>(198,644)</u>	<u>(2,095)</u>	<u>-</u>	<u>(266,825)</u>	<u>(256,146)</u>
<b>Total</b>	<u>44,522</u>	<u>(17,978)</u>	<u>(181,102)</u>	<u>49,526</u>	<u>233,589</u>	<u>128,557</u>	<u>11,690</u>

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 30 September 2009. The expected maturity of loans and advances and the adjusted contractual cash flows are as follows:

GROUP	30 September 2009					
	Unaudited					
	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)	69,403	14,261	17,542	51,621	233,589	386,416
<b>Adjusted Total</b>	<u>41,771</u>	<u>(17,913)</u>	<u>(181,102)</u>	<u>49,526</u>	<u>233,589</u>	<u>125,871</u>

NZF MONEY LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2010

25 MATURITY PROFILE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

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

COMPANY	30 September 2010						Carrying Amount \$'000
	Audited						
	0 - 6 Months \$'000	7 - 12 Months \$'000	1 - 2 Years \$'000	2 - 5 Years \$'000	5+ Years \$'000	Gross Nominal Inflow/ (Outflow) \$'000	
<b>Financial Assets</b>							
<i>Non-Derivative:</i>							
Cash and cash equivalents	1,178	-	-	-	-	1,178	1,178
Loans and advances to customers	39,260	879	114	286	851	41,390	38,495
Trade and other receivables	197	36	72	972	-	1,277	1,061
	<b>40,635</b>	<b>915</b>	<b>186</b>	<b>1,258</b>	<b>851</b>	<b>43,845</b>	<b>40,734</b>
<b>Financial Liabilities</b>							
<i>Non-Derivative:</i>							
Trade and other payables	(480)	-	-	-	-	(480)	(480)
Secured debenture stock	(15,539)	(10,552)	(4,325)	(843)	-	(31,259)	(29,711)
	<b>(16,019)</b>	<b>(10,552)</b>	<b>(4,325)</b>	<b>(843)</b>	<b>-</b>	<b>(31,739)</b>	<b>(30,191)</b>
<b>Total</b>	<b>24,616</b>	<b>(9,637)</b>	<b>(4,139)</b>	<b>415</b>	<b>851</b>	<b>12,106</b>	<b>10,543</b>

The expected maturity of financial assets and financial liabilities differs materially from the contractual maturity in respect of loans and advances for the Company as at 30 September 2010. The expected maturity of loans and advances and the adjusted contractual cash flows are as follows:

COMPANY	30 September 2010					
	Audited					
	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)	37,188	879	114	286	851	39,318
<b>Adjusted Total</b>	<b>22,544</b>	<b>(9,637)</b>	<b>(4,139)</b>	<b>415</b>	<b>851</b>	<b>10,034</b>

**NZF MONEY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2010**

**25 MATURITY PROFILE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)**

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

COMPANY	31 March 2010					Gross Nominal Inflow/ (Outflow) \$'000	Carrying Amount \$'000
	0 - 6 Months \$'000	7 - 12 Months \$'000	1 - 2 Years \$'000	2 - 5 Years \$'000	5+ Years \$'000		
<b>Financial Assets</b>							
<i>Non-Derivative:</i>							
Cash and cash equivalents	12,133	-	-	-	-	12,133	12,133
Loans and advances to customers	52,381	531	1,097	3,202	12,932	70,143	58,700
Trade and other receivables	240	-	-	-	-	240	240
	<u>64,754</u>	<u>531</u>	<u>1,097</u>	<u>3,202</u>	<u>12,932</u>	<u>82,516</u>	<u>71,073</u>
<b>Financial Liabilities</b>							
<i>Non-Derivative:</i>							
Trade and other payables	(559)	-	-	-	-	(559)	(559)
Secured debenture stock	(36,631)	(13,359)	(9,654)	(1,489)	-	(61,133)	(58,186)
	<u>(37,190)</u>	<u>(13,359)</u>	<u>(9,654)</u>	<u>(1,489)</u>	<u>-</u>	<u>(61,692)</u>	<u>(58,745)</u>
<b>Total</b>	<u>27,564</u>	<u>(12,828)</u>	<u>(8,557)</u>	<u>1,713</u>	<u>12,932</u>	<u>20,824</u>	<u>12,328</u>

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

COMPANY	31 March 2010					Gross Nominal Inflow/ (Outflow) \$'000
	0 - 6 Months \$'000	7 - 12 Months \$'000	1 - 2 Years \$'000	2 - 5 Years \$'000	5+ Years \$'000	
Loans and advances to customers (expected)	50,146	531	1,097	3,202	12,932	67,908
<b>Adjusted Total</b>	<u>25,329</u>	<u>(12,828)</u>	<u>(8,557)</u>	<u>1,713</u>	<u>12,932</u>	<u>18,589</u>



NZF MONEY LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2010

25 MATURITY PROFILE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

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

COMPANY	30 September 2009 Audited					Gross Nominal Inflow/ (Outflow) \$'000	Carrying Amount \$'000
	0 - 6 Months \$'000	7 - 12 Months \$'000	1 - 2 Years \$'000	2 - 5 Years \$'000	5+ Years \$'000		
<b>Financial Assets</b>							
<i>Non-Derivative:</i>							
Cash and cash equivalents	4,512	-	-	-	-	4,512	4,512
Loans and advances to customers	64,120	6,174	1,553	3,706	14,100	89,653	76,220
Trade and other receivables	380	-	-	-	-	380	380
	<u>69,012</u>	<u>6,174</u>	<u>1,553</u>	<u>3,706</u>	<u>14,100</u>	<u>94,545</u>	<u>81,112</u>
<b>Financial Liabilities</b>							
<i>Non-Derivative:</i>							
Trade and other payables	(644)	-	-	-	-	(644)	(644)
Term loans	(10,077)	-	-	-	-	(10,077)	(10,000)
Secured debenture stock	(19,071)	(28,396)	(12,947)	(1,308)	-	(61,722)	(57,874)
	<u>(29,792)</u>	<u>(28,396)</u>	<u>(12,947)</u>	<u>(1,308)</u>	<u>-</u>	<u>(72,443)</u>	<u>(68,518)</u>
<i>Derivative:</i>							
Derivative liabilities held for risk management	(12)	(51)	(111)	(51)	-	(225)	(225)
	<u>(29,804)</u>	<u>(28,447)</u>	<u>(13,058)</u>	<u>(1,359)</u>	<u>-</u>	<u>(72,668)</u>	<u>(68,743)</u>
<b>Total</b>	<u>39,208</u>	<u>(22,273)</u>	<u>(11,505)</u>	<u>2,347</u>	<u>14,100</u>	<u>21,877</u>	<u>12,369</u>

The expected maturity of financial assets and financial liabilities differs materially from the contractual maturity in respect of loans and advances for the Company as at 30 September 2009. The expected maturity of loans and advances and the adjusted contractual cash flows are as follows:

COMPANY	30 September 2009 Audited					Gross Nominal Inflow/ (Outflow) \$'000
	0 - 6 Months \$'000	7 - 12 Months \$'000	1 - 2 Years \$'000	2 - 5 Years \$'000	5+ Years \$'000	
Loans and advances to customers (expected)	61,369	6,239	1,553	3,706	14,100	86,967
<b>Adjusted Total</b>	<u>36,457</u>	<u>(22,208)</u>	<u>(11,505)</u>	<u>2,347</u>	<u>14,100</u>	<u>19,191</u>

**NZF MONEY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2010**

**26 ASSET QUALITY**

**a) Summary of Lending**

	Group			Company		
	30-Sep 2010 Unaudited \$'000	31-Mar 2010 Audited \$'000	30-Sep 2009 Unaudited \$'000	30-Sep 2010 Audited \$'000	31-Mar 2010 Audited \$'000	30-Sep 2009 Audited \$'000
Neither past due nor impaired	224,865	238,986	225,306	33,600	45,149	54,882
Past due but not impaired	17,286	11,348	24,173	2,688	4,679	9,261
Impaired	4,308	11,627	15,229	4,308	11,627	15,229
<b>Gross loans and advances</b>	<b>246,459</b>	<b>261,961</b>	<b>264,708</b>	<b>40,596</b>	<b>61,455</b>	<b>79,372</b>
Less: Impaired loan allowance	(2,101)	(2,755)	(3,152)	(2,101)	(2,755)	(3,152)
<b>Net loans and advances</b>	<b>244,358</b>	<b>259,206</b>	<b>261,556</b>	<b>38,495</b>	<b>58,700</b>	<b>76,220</b>

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			Company		
	30-Sep 2010 Unaudited \$'000	31-Mar 2010 Audited \$'000	30-Sep 2009 Unaudited \$'000	30-Sep 2010 Audited \$'000	31-Mar 2010 Audited \$'000	30-Sep 2009 Audited \$'000
<b>Past Due Assets Not Impaired</b>						
Opening balance	11,348	24,624	24,624	4,679	3,185	3,185
Collected during the period	(8,467)	(20,296)	(15,494)	(4,393)	(3,096)	(584)
Reclassified as Impaired assets	-	(144)	(72)	-	(39)	(39)
Additions to Past Due asset status	14,405	7,164	15,115	2,402	4,629	6,699
<b>Closing balance</b>	<b>17,286</b>	<b>11,348</b>	<b>24,173</b>	<b>2,688</b>	<b>4,679</b>	<b>9,261</b>

**NZF MONEY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2010**

**26 ASSET QUALITY (CONTINUED)**

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

GROUP	30 September 2010			31 March 2010		
	Total	Instalment Arrears	Balance of Loan Principal	Total	Instalment Arrears	Balance of Loan Principal
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Analysis of Past Due Assets Not Impaired:</b>						
0 - 31 Days	13,201	87	13,114	4,925	27	4,898
32 - 60 Days	2,017	27	1,990	1,645	20	1,625
61 - 90 Days	1,548	32	1,516	286	8	278
90+ Days	520	21	499	4,492	330	4,162
<b>Total Past Due Assets Not Impaired</b>	<b>17,286</b>	<b>167</b>	<b>17,119</b>	<b>11,348</b>	<b>385</b>	<b>10,963</b>
<b>Security Value of Past Due Assets</b>	<b>32,477</b>			<b>16,078</b>		
<b>LVR</b>	<b>53%</b>			<b>71%</b>		
<b>Past Due Assets Underwritten by Third Party Insurers</b>	<b>10,959</b>			<b>6,780</b>		
<b>Past Due Assets Not Reinsured</b>	<b>6,327</b>			<b>4,568</b>		
<b>Security Value of Past Due Assets Not Reinsured</b>	<b>12,199</b>			<b>6,823</b>		
<b>LVR</b>	<b>52%</b>			<b>67%</b>		

**NZF MONEY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2010**

**26 ASSET QUALITY (CONTINUED)**

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

<b>GROUP</b>	<b>30 September 2009</b>					
	<b>Total</b>	<b>Instalment Arrears</b>	<b>Balance of Loan Principal</b>			
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>			
<b>Analysis of Past Due Assets Not Impaired:</b>						
0 - 31 Days	16,368	78	16,290			
32 - 60 Days	1,963	32	1,931			
61 - 90 Days	1,332	47	1,285			
90+ Days	4,510	222	4,288			
<b>Total Past Due Assets Not Impaired</b>	<b>24,173</b>	<b>379</b>	<b>23,794</b>			
<b>Security Value of Past Due Assets</b>	<b>37,617</b>					
<b>LVR</b>	<b>64%</b>					
<b>Past Due Assets Underwritten by Third Party Insurers</b>	<b>11,449</b>					
<b>Past Due Assets Not Reinsured</b>	<b>12,724</b>					
<b>Security Value of Past Due Assets Not Reinsured</b>	<b>21,682</b>					
<b>LVR</b>	<b>59%</b>					
<b>COMPANY</b>	<b>30 September 2010</b>		<b>31 March 2010</b>			
	<b>Total</b>	<b>Instalment Arrears</b>	<b>Balance of Loan Principal</b>	<b>Total</b>	<b>Instalment Arrears</b>	<b>Balance of Loan Principal</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Analysis of Past Due Assets Not Impaired:</b>						
0 - 31 Days	2,168	29	2,139	645	5	640
32 - 60 Days	-	-	-	383	6	377
61 - 90 Days	-	-	-	286	8	278
90+ Days	520	21	499	3,365	270	3,095
<b>Total Past Due Assets Not Impaired</b>	<b>2,688</b>	<b>50</b>	<b>2,638</b>	<b>4,679</b>	<b>289</b>	<b>4,390</b>
<b>Security Value of Past Due Assets</b>	<b>6,359</b>			<b>6,670</b>		
<b>LVR</b>	<b>42%</b>			<b>70%</b>		

**NZF MONEY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2010**

**26 ASSET QUALITY (CONTINUED)**

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

COMPANY	30 September 2009		
	Total	Audited Instalment Arrears	Balance of Loan Principal
	\$'000	\$'000	\$'000
<b>Analysis of Past Due Assets Not Impaired:</b>			
0 - 31 Days	4,962	15	4,947
32 - 60 Days	91	2	89
61 - 90 Days	759	35	724
90+ Days	3,449	159	3,290
<b>Total Past Due Assets Not Impaired</b>	<b>9,261</b>	<b>211</b>	<b>9,050</b>
<b>Security Value of Past Due Assets</b>	<b>16,160</b>		
<b>LVR</b>	<b>57%</b>		

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.

**c) Impaired Assets**

At 30 September 2010, there were no restructured assets, real estate assets or other assets acquired through the enforcement of security (31 March 2010 and 30 September 2009: \$nil). The breakdown of the gross amount of other individually impaired loans and advances and individual impairment allowances is as follows:

	Group			Company		
	30-Sep 2010 Unaudited \$'000	31-Mar 2010 Audited \$'000	30-Sep 2009 Unaudited \$'000	30-Sep 2010 Audited \$'000	31-Mar 2010 Audited \$'000	30-Sep 2009 Audited \$'000
<b>Total Gross Impaired Assets</b>						
Opening balance	11,627	16,511	16,511	11,627	16,511	16,511
Net (deletions)/additions	(386)	386	72	(403)	281	39
Loan repayments received	(4,740)	(4,736)	(1,282)	(4,740)	(4,736)	(1,282)
Amounts written off	(2,193)	(534)	(72)	(2,176)	(429)	(39)
Closing balance	<b>4,308</b>	<b>11,627</b>	<b>15,229</b>	<b>4,308</b>	<b>11,627</b>	<b>15,229</b>
<b>Individual Allowance for Impairment</b>	<b>(1,719)</b>	<b>(2,264)</b>	<b>(2,595)</b>	<b>(1,719)</b>	<b>(2,264)</b>	<b>(2,595)</b>
<b>Total Net Impaired Assets</b>	<b>2,589</b>	<b>9,363</b>	<b>12,634</b>	<b>2,589</b>	<b>9,363</b>	<b>12,634</b>
<b>Collateral held over Impaired Loans and Advances</b>						
First Mortgages	4,308	11,627	15,229	4,308	11,627	15,229
	100%	100%	100%	100%	100%	100%

**NZF MONEY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2010**

**27 OPERATING LEASE COMMITMENTS**

At 30 September 2010, the Company had non-cancellable operating lease commitments in respect of property, equipment and vehicles, the total future minimum payments of which were payable as follows:

COMPANY ONLY	30 September 2010			31 March 2010		
	Total	Property & Equipment	Motor Vehicles	Total	Property & Equipment	Motor Vehicles
	Audited \$'000	Audited \$'000	Audited \$'000	Audited \$'000	Audited \$'000	Audited \$'000
Less than one year	75	27	48	79	52	27
Between one and five years	38	-	38	13	-	13
	<b>113</b>	<b>27</b>	<b>86</b>	<b>92</b>	<b>52</b>	<b>40</b>

COMPANY ONLY	30 September 2009		
	Total	Property & Equipment	Motor Vehicles
	Audited \$'000	Audited \$'000	Audited \$'000
Less than one year	97	62	35
Between one and five years	45	21	24
	<b>142</b>	<b>83</b>	<b>59</b>

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

**28 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 amounts to \$400,000, which is 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 are estimated to be in the region of \$1,500,000; \$844,000 of which had been incurred as at 30 September 2010 (31 March 2010: \$844,000; 30 September 2009: \$825,000). 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 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 30 September 2010 (31 March 2010 and 30 September 2009: \$nil).

**29 CONTINGENT ASSETS AND LIABILITIES**

There were no contingent assets or liabilities at 30 September 2010 (31 March 2010 and 30 September 2009: \$nil).

**NZF MONEY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2010**

**30 RELATED PARTY TRANSACTIONS**

<b>GROUP</b>		<b>Interest Received/(Paid) &amp; Weighted Average Interest Rate</b>			<b>Asset/(Liability)</b>		
<b>Entity</b>	<b>Relationship</b>	<b>30-Sep</b>	<b>31-Mar</b>	<b>30-Sep</b>	<b>30-Sep</b>	<b>31-Mar</b>	<b>30-Sep</b>
		<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2010</b>	<b>2009</b>
		<b>(6 Months)</b>	<b>(12 Months)</b>	<b>(6 Months)</b>			
		<b>Unaudited</b>	<b>Audited</b>	<b>Unaudited</b>	<b>Unaudited</b>	<b>Audited</b>	<b>Unaudited</b>
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Call Account Deposit</b>							
NZF Group Limited	Parent Undertaking	-	(78)	(78)	-	-	-
		-	4.50%	4.50%			
<b>Related Party Loans</b>							
NZF Group Limited	Parent Undertaking	(28)	(51)	-	(605)	(1,400)	(7)
		3.75%	3.75%	-			
New Zealand Mortgage	Fellow Subsidiary	-	-	-	-	-	4
		-	-	-			
<b>Secured Subordinated Notes</b>							
NZF Group Limited	Parent Undertaking	(81)	(144)	(61)	(3,460)	(3,460)	(3,460)
		4.76%	5.84%	3.75%			
<b>Secured Debenture Stock</b>							
Pat Redpath O'Connor	Non-Executive	(62)	(99)	(58)	(1,800)	(1,800)	(1,800)
		7.07%	6.65%	6.42%			
<b>COMPANY</b>		<b>Interest Received/(Paid) &amp; Weighted Average Interest Rate</b>			<b>Asset/(Liability)</b>		
<b>Entity</b>	<b>Relationship</b>	<b>30-Sep</b>	<b>31-Mar</b>	<b>30-Sep</b>	<b>30-Sep</b>	<b>31-Mar</b>	<b>30-Sep</b>
		<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2010</b>	<b>2009</b>
		<b>(6 Months)</b>	<b>(12 Months)</b>	<b>(6 Months)</b>			
		<b>Audited</b>	<b>Audited</b>	<b>Audited</b>	<b>Audited</b>	<b>Audited</b>	<b>Audited</b>
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Call Account Deposit</b>							
NZF Group Limited	Parent Undertaking	-	(78)	(78)	-	-	-
		-	4.50%	4.50%			
<b>Secured Subordinated Notes</b>							
NZF Mortgages Warehouse A	Controlled Trust	-	-	-	900	-	-
		8.00%	-	-			
<b>Related Party Loans</b>							
NZF Mortgages Warehouse A	Controlled Trust	-	-	-	-	-	5
		-	-	-			
New Zealand Mortgage	Fellow Subsidiary	-	-	-	-	-	4
		-	-	-			
<b>Secured Debenture Stock</b>							
Pat Redpath O'Connor	Non-Executive	(62)	(99)	(58)	(1,800)	(1,800)	(1,800)
		7.07%	6.65%	6.42%			

## NZF MONEY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2010

#### 30 RELATED PARTY TRANSACTIONS (CONTINUED)

In addition to the above, the Group also paid brokerage fees of \$48,000 (31 March 2010: \$101,000; 30 September 2009: \$47,000) to New Zealand Mortgage Finance Limited and charged cost sharing fees of \$36,000 (31 March 2010: \$72,000; 30 September 2009: \$36,000) to Finance Direct Limited to cover the cost of shared services and central administration costs. Both New Zealand Mortgage Finance Limited and Finance Direct Limited are fellow subsidiary undertakings of NZF Group Limited, the Company's ultimate parent undertaking.

All of the above balances are unsecured and repayable on demand, except for the Secured Debenture Stock of \$1,800,000 (31 March 2010: \$1,800,000; 30 September 2009: \$1,800,000) and the Secured Subordinated Notes of \$3,460,000 (31 March 2010: \$3,460,000; 30 September 2009: \$3,460,000). The Secured Debenture Stock is secured against the assets and undertakings of NZF Money Limited and is scheduled for repayment as follows: \$400,000 on 25 January 2011, \$400,000 on 31 January 2011 and \$1,000,000 on 21 March 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.

No amounts owed by related parties have been written off or forgiven during the six month period ended 30 September 2010 (31 March 2010 and 30 September 2009: \$nil).

#### 31 SUBSEQUENT EVENTS

On 29 November 2010, the Company amended its Trust Deed in order to comply with the capital ratio, related party exposure and liquidity requirements imposed by the Reserve Bank of New Zealand Act 1989 with effect from 1 December 2010. The Trust Deed provides that the Company covenants with the Trustee that:

- It will not permit the Company's capital ratio to be less than 8%;
- It will not permit the Company's aggregate related party exposure ratio to exceed 15% of Capital; and
- The Company will manage its liquidity to ensure that, for each of the first three months of each monthly Liquidity Report, the Company's projected Liquidity Position is positive.

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 operations of NZF Money Limited.