

## Geneva Finance Limited – Half Year Results

### GFNZ Group LIMITED RESULTS FOR ANNOUNCEMENT TO THE MARKET

Reporting period: 6 months to 30 September 2016.

Previous reporting period: 6 months to 30 September 2015.

Geneva has confirmed the Group's results for the reporting period for the 6 months to 30 September 2016.

The results, as follows, include the percentage change for the previous reporting period of the 6 months to 30 September 2016.

Revenue from ordinary activities:

\$7,536,000 31% increase

Profit /(Loss) from ordinary activities after tax attributable to security holders:

\$2,357,000 56% improvement

Profit/(Loss) attributable to security holders:

\$2,357,000 56% improvement

Interim/final dividend: nil

Amount per security: \$0.00

Imputed amount per security: \$0.00

Record date: n/a

Dividend payment date: n/a

### Comments:

#### Financial Result (6 months to 30<sup>th</sup> September 2016)

The after tax unaudited financial result for the period was a profit of \$2.4m up 56% on the \$1.5m profit reported in 2015.

#### Business Performance:

The group pre-tax profit of \$1.8m (up 72% on last year) comprised a trading entity pre-tax profit of \$2.6m less group overheads of \$0.9m. A deferred tax asset of \$0.6m was recognized during the period, resulting in the after tax profit of \$2.4m.

Geneva Financial Services (GFSL - The lending business) achieved lending growth of 12.5% compared to last year. This follows a 26% growth in Lending in the March 16 year on the back of a 61% increase in lending in the March 15 year. This sustained lending growth has seen the receivables ledger increase to \$55.3m and this in conjunction with Interest yields being maintained and asset quality being controlled has resulted in this business segment delivering a \$2.0m profit for the six months, a 73% increase on last year.

Quest Insurance Group Limited (Quest): Premiums for the ½ year increased by 70% to \$1.6m. This was largely due to the reintroduction of Mechanical Breakdown Insurance and recommencement of Comprehensive Vehicle Insurance in the second half of the previous year. The profit after tax increased to \$445k (+43%), is a result of this revenue growth in conjunction with an increase in investment income. Operating costs and claims incurred were within expectations.

Stellar Collections (Stellar): Stellar reported a profit of \$58k for the period, \$0.3m down on the prior year. The main focus for this segment has been the collection of the company owned

purchased debt ledgers and the ongoing improvement of the collection management processes. The reduced profit on last year is largely due to a more conservative view been taken on the valuation of the residual ledgers referred to above. Operating and collection costs were as per budget expectations.

**Balance Sheet:**

Total group assets increased to \$76m (26% increase). The company's equity to total assets ratio amounts to 28.7% vs 29.3% prior year.

**Revenues:**

The higher receivables ledger in conjunction with continued lending growth delivered the 31% increase in revenue earned during the period.

**Operating Costs:**

As a consequence of the increased lending (+12.5%) and insurance sales (+70%), operating costs increased by 11% to \$3.5m.

**Funding:**

The group maintained its three sources of funding components during the period:

- a. The securitized funding facility was increased to \$45m during the period and was drawn to \$41m at period end, a \$10 increase from prior period.
- b. Stellar's facility remained at \$3.4m.
- c. Professional investor debt funding remained at \$4.8m. This debt funding includes loans from two directors.

**Credit Rating:**

The group's insurance company, Quest Insurance Group Limited, was issued a B financial strength rating outlook stable and an issuer credit rating of bb outlook stable from AM Best in February 2016.

**Key Events:**

During July 16, we completed a 7 for 1 share consolidation. The primary goal being to move the share price away from the "penny dreadful perception" often associated with low priced shares. This move has been successful and will over the medium term add shareholder Value.

During August 16, The group paid its maiden dividend of 1.5 cents per share. This was a milestone event which again, has added shareholder value, and is indicative of the board's desire to balance the requirements of the company to finance its expansion with need to reward our shareholders for their ongoing support.

**Strategic Direction:**

While staying focused on our core business, the group is in the process of upgrading its loan management, sales delivery and collections platforms. This has been a key focus of the last six months and will continue to be so for the next twelve months and beyond. These system initiatives will provide improved service levels to both our introducers and the customers we both serve. We see, achieving this as delivering on our goal of "making life easier" for our customers, which in turn will enhance the business performance and the returns to our shareholders.

**Summary and outlook:**

Delivering a \$2.4m profit for the six months (56% up on last year) is satisfying, but there remains much to do. With the core business now established, the key focus' is on the use of technology to improve customer service levels and support the expansion of the group's lending and insurance and collections services. In addition, as noted in previous reports, the group's conservative debt ratios, and now sustainable profitability position us well for "the right" acquisition opportunity.

GENEVA FINANCE LIMITED

CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	<b>Group</b>		
	Unaudited 30 Sep 16 6 months Unaudited \$000's	Unaudited 30 Sep 15 6 months Unaudited \$000's	Audited 31 Mar 16 12 months Audited \$000's
Interest income	5,495	4,241	9,213
Interest expense	1,697	1,698	3,372
<b>Net interest income</b>	<b>3,798</b>	<b>2,543</b>	<b>5,841</b>
Net premium revenue	1,215	534	1,342
Net claim expense	(308)	(98)	(229)
Other revenue	826	981	1,675
<b>Operating revenue</b> (net of interest expense)	<b>5,531</b>	<b>3,960</b>	<b>8,629</b>
Operating expenses	(3,541)	(3,185)	(6,484)
<b>Operating profit / (loss)</b>	<b>1,990</b>	<b>775</b>	<b>2,145</b>
Impaired asset expense / (release)	256	(235)	(234)
<b>Net profit / (loss) before taxation</b>	<b>1,734</b>	<b>1,010</b>	<b>2,379</b>
Taxation benefit	623	497	1,150
<b>Net profit / (loss) after taxation</b>	<b>2,357</b>	<b>1,507</b>	<b>3,529</b>
<b>Loss per share</b>			
Basic profit / (loss) per share (cents)	3.35	2.18	5.10

GENEVA FINANCE LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	<b>Group</b>		
	Unaudited 30 Sep 16 6 months Unaudited \$000's	Unaudited 30 Sep 15 6 months Unaudited \$000's	Audited 31 Mar 16 12 months Audited \$000's
<b>Net profit / (loss) after taxation</b>	<b>2,357</b>	<b>1,507</b>	<b>3,529</b>
<b>Other comprehensive income:</b>			
Movement in fair value of available for sale equity securities	-	73	313
Cash flow hedge, net of tax	128	(218)	(173)
Income tax relating to cash flow hedge	-	-	-
<b>Other comprehensive income / (loss), net of tax</b>	<b>128</b>	<b>(145)</b>	<b>140</b>
<b>Total comprehensive income / (loss)</b>	<b>2,485</b>	<b>1,362</b>	<b>3,669</b>

GENEVA FINANCE LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2016

	<b>Group</b>		
	Unaudited 30 Sep 16 6 months Unaudited \$000's	Unaudited 30 Sep 15 6 months Unaudited \$000's	Audited 31 Mar 16 12 months Audited \$000's
<b>Assets</b>			
Cash and cash equivalents	7,007	5,416	8,025
Available for sale equity securities	3,031	2,791	3,031
Prepayments and other debtors	206	239	203
Taxation receivable	11	15	15
Finance receivables	60,530	48,852	54,576
Deferred insurance contract acquisition costs	1,311	717	1,082
Financial assets at fair value through profit or loss	549	696	630
Deferred taxation	2,418	1,142	1,796
Intangible assets	334	65	180
Fixed assets	156	75	90
<b>Total assets</b>	<b>75,553</b>	<b>60,008</b>	<b>69,628</b>
<b>Liabilities</b>			
Accounts payable and accruals	943	900	859
Outstanding claims liability	309	143	252
Employee entitlements	173	181	211
Unearned premium liability	2,697	1,422	2,272
Derivative financial instruments	392	565	520
Term facilities	44,505	34,378	40,408
Other Borrowings	4,850	4,848	4,850
<b>Total liabilities</b>	<b>53,869</b>	<b>42,437</b>	<b>49,372</b>
<b>Equity</b>			
Share capital	51,287	50,764	51,287
Share option reserve	-	285	-
Retained earnings	(30,007)	(33,469)	(31,307)
Cash flow hedge	(392)	(565)	(520)
Available for sale equity reserve	796	556	796
<b>Total equity</b>	<b>21,684</b>	<b>17,571</b>	<b>20,256</b>
<b>Total equity and liabilities</b>	<b>75,553</b>	<b>60,008</b>	<b>69,628</b>
<b>Net tangible assets per share (\$)</b>	<b>0.27</b>	<b>0.24</b>	<b>0.26</b>

**GENEVA FINANCE LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016**

	<b>Group</b>					
	Share Capital	Share option reserve	Retained earnings	Cash flow hedge	Available for sale equity reserve	Total equity
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
<b>Balance at 1 April 2015</b>	<b>50,764</b>	<b>240</b>	<b>(35,076)</b>	<b>(347)</b>	<b>483</b>	<b>16,064</b>
Net profit for the period	-	-	1,507	-	-	1,507
<b>Other comprehensive income</b>						
Increase in available for sale equity reserve	-	-	-	-	73	73
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(218)</b>	<b>73</b>	<b>(145)</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>1,507</b>	<b>(218)</b>	<b>73</b>	<b>1,362</b>
<b>Transaction with owners</b>						
Share options issued to employees forfeited	-	(100)	100	-	-	-
Share options issued to employees	-	145	-	-	-	145
<b>Total transactions with owners</b>	<b>-</b>	<b>45</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>145</b>
<b>Balance at 30 September 2015 (Unaudited)</b>	<b>50,764</b>	<b>285</b>	<b>(33,469)</b>	<b>(565)</b>	<b>556</b>	<b>17,571</b>
Net profit for the period	-	-	2,022	-	-	2,022
<b>Other comprehensive income</b>						
Increase in available for sale equity reserve	-	-	-	-	240	240
Change in cash flow hedge, net of tax	-	-	-	45	-	45
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45</b>	<b>240</b>	<b>285</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>2,022</b>	<b>45</b>	<b>240</b>	<b>2,307</b>
<b>Transaction with owners</b>						
Share options issued to shareholders forfeited	-	(140)	140	-	-	-
Share options issued to employees exercised	145	(145)	-	-	-	-
Placement of new ordinary shares	380	-	-	-	-	380
Share issue costs	(2)	-	-	-	-	(2)
<b>Total transactions with owners</b>	<b>523</b>	<b>(285)</b>	<b>140</b>	<b>-</b>	<b>-</b>	<b>378</b>
<b>Balance at 31 March 2016 (Audited)</b>	<b>51,287</b>	<b>-</b>	<b>(31,307)</b>	<b>(520)</b>	<b>796</b>	<b>20,256</b>
Net profit for the period	-	-	2,357	-	-	2,357
<b>Other comprehensive income</b>						
Change in cash flow hedge, net of tax	-	-	-	128	-	128
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>128</b>	<b>-</b>	<b>128</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>2,357</b>	<b>128</b>	<b>-</b>	<b>2,485</b>
<b>Transaction with owners</b>						
Dividends paid	-	-	(1,057)	-	-	(1,057)
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>(1,057)</b>	<b>-</b>	<b>-</b>	<b>(1,057)</b>
<b>Balance at 30 September 2016 (Unaudited)</b>	<b>51,287</b>	<b>-</b>	<b>(30,007)</b>	<b>(392)</b>	<b>796</b>	<b>21,684</b>

**GENEVA FINANCE LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016**

	<b>Group</b>		
	Unaudited 30 Sep 16 \$000's	Unaudited 30 Sep 15 \$000's	Audited 31 Mar 16 \$000's
<b>Cash flow from operating activities:</b>			
Cash was provided from:			
Interest received	5,111	3,947	8,525
Dividends received	108	115	170
Receipts from insurance policy sales, collections activities and other sources	2,243	1,554	3,847
Proceeds from collections made on purchased debt ledger	196	205	423
Taxation receipts	4	-	-
	7,662	5,821	12,965
Cash was applied to:			
Net movement in finance receivables	(5,811)	(6,608)	(11,918)
Interest paid	(1,697)	(1,698)	(3,372)
Payments to suppliers and employees	(3,965)	(3,400)	(7,022)
Tax paid	-	-	-
	(11,473)	(11,706)	(22,312)
Net cash inflow from operating activities	(3,811)	(5,885)	(9,347)
<b>Cash flows from investing activities:</b>			
Cash was provided from:			
Proceeds from the sale of fixed assets	-	-	12
	-	-	12
Cash was applied to:			
Purchase of plant and equipment	(84)	(15)	(38)
Purchase of intangible assets	(166)	-	(153)
Purchase of third-party debt ledger	-	-	(143)
	(250)	(15)	(334)
Net cash outflow from investing activities	(250)	(15)	(322)
<b>Cash flows from financing activities:</b>			
Cash was provided from:			
Net movement of term facilities: Westpac	4,100	4,170	10,170
Net movement of term facilities: Kiwi Bank	-	3,400	3,400
Issue of new shares	-	-	380
	4,100	7,570	13,950
Cash was applied to:			
Net movement of other borrowings	-	(348)	(348)
Payments relating to the issue of new shares	-	-	(2)
Dividends paid to Company shareholders	(1,057)	-	-
	(1,057)	(348)	(350)
Net cash outflow from financing activities	3,043	7,222	13,600
<b>Net increase / (decrease) in cash and cash equivalents held</b>	<b>(1,018)</b>	<b>1,322</b>	<b>3,931</b>
<i>Add: Opening cash and cash equivalents balance</i>	<i>8,025</i>	<i>4,094</i>	<i>4,094</i>
<b>Cash and cash equivalents at the end of the period</b>	<b>7,007</b>	<b>5,416</b>	<b>8,025</b>
<b>Represented by:</b>			
Cash at bank	7,007	5,416	8,025
<b>Cash and cash equivalents at the end of the period</b>	<b>7,007</b>	<b>5,416</b>	<b>8,025</b>

### 3. SEGMENT REPORTING

The Group's reportable operating segments are as follows:

- Corporate: The operations of this segment include the raising of debt and the advancing loans to other operating segments within the Group.
- New Business: The operations of this segment include the lending of money to individuals, companies and other entities. On 1 August 2013 this segment entered into a wholesale funding arrangement with Westpac New Zealand Limited (Westpac) under which it securitised loan receivables.
- Insurance: The operations of this segment include the issuing of temporary insurance contracts covering death, disablement and redundancy risks and short term motor vehicle contracts covering comprehensive, third party, mechanical breakdown risk and guaranteed asset protection.
- Old Business: The operations of this segment include the collection and management of money lent to individuals, companies and other entities originally originated by the Group and external debt collection.
- Property: The operations of this segment included a holding in a property investment and raising debt to advance to Corporate segment. The holding in the property investment was transferred to the insurance segment during the prior period and the segment debt was settled at the same juncture.

Each Group operating segment is operated as a discrete business unit and transactions between segments are on

None of the Group's operating segments place any reliance on a single major customer amounting to 10% or more

#### **Group summary revenues and results for the period ended 30 September 2016 (Unaudited)**

\$'000	Corporate	New Business	Insurance	Old Business	Property	Eliminations	Group
External revenues	2	5,911	1,344	279	-	-	7,536
Revenue - other segments	542	189	113	98	-	(942)	-
Total	544	6,101	1,457	376	1	(942)	7,536
Segment profit/(loss)	(802)	2,092	445	57	-	(58)	1,734
Taxation benefit/(expense)	623	-	-	-	-	-	623
Net profit/(loss) after taxation	(179)	2,092	445	57	-	(58)	2,357
Interest income	485	5,635	135	124	-	(884)	5,495
Interest expense	520	1,931	-	130	-	(884)	1,697
Depreciation	-	20	-	-	-	-	20
Amortisation	-	12	-	-	-	-	12
Other material non-cash items: (release)/expense	(58)	677	-	(421)	-	58	256

#### **Group summary assets and liabilities as at 30 September 2016 (Unaudited)**

\$'000	Corporate	New Business	Insurance	Old Business	Property	Eliminations	Group
Segment assets							
Total assets	34,024	64,785	10,826	8,981	2,814	(45,878)	75,553
Additions to non current assets	166	84	-	-	-	-	250
Segment liabilities							
Total liabilities	26,947	54,376	3,250	3,589	-	(34,293)	53,869

### 3. SEGMENT REPORTING (continued)

#### **Group summary revenues and results for the year 31 March 2016 (Audited)**

\$'000	Corporate	New Business	Insurance	Old Business	Property	Eliminations	Group
External revenues	7	10,053	1,636	419	115	-	12,230
Revenue - other segments	1,439	262	188	145	34	(2,068)	-
Total	1,446	10,315	1,824	564	149	(2,068)	12,230
Segment profit/(loss)	(1,178)	2,971	475	552	112	(553)	2,379
Taxation benefit/(expense)	1,150	-	-	-	-	-	1,150
Net profit/(loss) after taxation	(28)	2,971	475	552	112	(553)	3,529
Interest income	893	9,378	237	187	34	(1,516)	9,213
Interest expense	892	3,671	-	288	37	(1,516)	3,372
Depreciation	-	28	-	-	-	-	28
Amortisation	-	40	-	-	-	-	40
Other material non-cash items:							
Impaired assets expense	(552)	1,229	-	(1,463)	-	552	(234)
Share Option Expense	145	-	-	-	-	-	145

#### **Group summary assets and liabilities as at 31 March 2016 (Audited)**

\$'000	Corporate	New Business	Insurance	Old Business	Property	Eliminations	Group
Segment assets							
Total assets	33,332	55,852	9,898	8,968	2,814	(41,236)	69,628
Additions to non current assets	127	64	-	-	-	-	191
Segment liabilities							
Total liabilities	25,019	47,664	2,767	3,632	-	(29,710)	49,372

#### **Group summary revenues and results for the period ended 30 September 2015 (Unaudited)**

\$'000	Corporate	New Business	Insurance	Old Business	Property	Eliminations	Group
External revenues	6	4,690	768	177	115	-	5,756
Revenue - other segments	432	584	101	64	34	(1,216)	-
Total	438	5,275	869	240	150	(1,216)	5,756
Segment profit/(loss)	(979)	1,208	312	357	112	-	1,010
Taxation benefit/(expense)	497	-	-	-	-	-	497
Net profit/(loss) after taxation	(482)	1,208	312	357	112	-	1,507
Interest income	438	4,345	124	78	34	(778)	4,241
Interest expense	437	1,848	-	154	37	(778)	1,698
Depreciation	-	14	-	-	-	-	14
Amortisation	-	24	-	-	-	-	24
Other material non-cash items:							
Impaired assets expense	-	580	-	(815)	-	-	(235)

#### **Group summary assets and liabilities as at 30 September 2015 (Unaudited)**

\$'000	Corporate	New Business	Insurance	Old Business	Property	Eliminations	Group
Segment assets							
Total assets	26,804	47,387	8,443	8,738	2,887	(34,251)	60,008
Additions to non current assets	-	15	-	-	-	-	15
Segment liabilities							
Total liabilities	13,006	41,005	1,787	3,599	-	(16,960)	42,437

#### **By geographical segment**

The Group operated predominantly in New Zealand and all revenues are derived from New Zealand