

## **Geneva Finance Limited – Half Year Results**

### **GENEVA FINANCE LIMITED RESULTS FOR ANNOUNCEMENT TO THE MARKET**

Reporting period: 6 months to 30 September 2017.

Previous reporting period: 6 months to 30 September 2016.

Geneva has confirmed the Group's results for the reporting period for the 6 months to 30 September 2017.

The results, as follows, include the percentage change for the previous reporting period of the 6 months to 30 September 2017.

Revenue from ordinary activities:

\$8,860,000 18% increase

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

\$3,153,000 34% improvement

Profit/(Loss) attributable to security holders:

\$3,153,000 34% improvement

Interim dividend: \$704,353

Amount per security: \$0.01

Imputed amount per security: \$0.00

Record date: 8 December 2017

Dividend payment date: 15 December 2017

### **Comments:**

#### **Financial Result (6 months to 30<sup>th</sup> September 2017)**

The after tax unaudited financial result for the period was a profit of \$3.2m up 34% on the \$2.4m profit reported in 2016.

#### **Business Performance:**

The group pre-tax profit of \$2.2m (up 27% on last year) comprised a trading entity pre-tax profit of \$3.3m less group overheads of \$1.1m. A deferred tax asset of \$0.96m was recognized during the period, resulting in the after tax profit of \$3.2m.

Geneva Financial Services (GFSL - The lending business): Lending growth continued and was 8.6% above the previous period. The receivables ledger increased to \$62.5m from \$55.3m the prior year. Contractual yields were maintained and as a result this business segment delivered a \$2.6m profit for the six months, a 24% increase on last year.

Quest Insurance Group Limited (Quest): Premium written increased by 125% to \$3.7m. Deferral of premium income over the life of the policy, will see the bulk of the profit benefit being recognized in future periods and as a consequence Quest delivered a \$0.5m profit for the six months, a relatively modest, 6% increase on the prior period.

Stellar Collections (Stellar): Stellar reported a profit of \$0.3m for the period, \$0.2m up on the prior year. During the period Stellar disposed of a portion of non paying receivables. This sale had a positive impact on the valuation of these ledgers contributing to the profit increase.

**Balance Sheet:**

Total group assets increased to \$89m (18% increase). The company's equity to total assets ratio amounts to 29.9% vs 28.7% prior year.

**Revenues:**

Revenue increased by 18% and with the increase coming from all three trading operations.

**Operating Costs:**

Operating costs increased by 16% to \$4.1m with the increase largely being due to the increase in direct costs (commissions etc.) associated with the increases in lending volumes and insurance sales.

**Funding:**

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

- a. The securitized funding facility of \$45m was drawn to \$44m .
- b. Stellar's facility remained unchanged at \$3.4m.
- c. Professional investor debt funding increased to \$7.9m. This debt funding includes loans from two directors.

**Credit Rating:**

The group's insurance company, Quest Insurance Group Limited credit rating remained unchanged during the period as a B financial strength rating outlook stable and an issuer credit rating of bb outlook stable, credit ratings is issued by AM Best.

**Key Events:**

The June 17 dividend of 2.0 cps was an increase of 33% up on the dividend paid in August 2016. Quest's sales growth strategy (both direct and through contracted distributors) has delivered a 125% increase on last year. The sale by Stellar of a core of old ledger(s) non paying accounts will allow this company to focus more on new business growth opportunities.

**Events Subsequent to Balance Date**

Geneva's inaugural interim dividend of 1.0 cents per share (payable on 15<sup>th</sup> December) was declared in November 17. This brings total dividends paid of 3.0 cents per share in the 12 months to 15 December 2017, and increase of 100% on the previous 12 months. On 30<sup>th</sup> November, Stellar Collections acquired MFL Limited. MFL is a technology focused debt collection operation offering a point of difference in business to business debt collection, a growth area for Stellar.

**Strategic Direction:**

The group is continuing its focus on the core Lending, Collections and Insurance operations and in particular, investment in technology to grow and enhance business performance. In this regard, we continue to invest in our online introducer platforms, in both lending and insurance and as reported above in debt collection systems.

**Summary and outlook:**

The group as a whole had a good six months with all trading segments delivering improved results as reflected in the 34% half year profit increase. The group's debt ratios remained conservative and the business is well positioned for further acquisitions.

GENEVA FINANCE LIMITED

CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

	<b>Group</b>		
	Unaudited 30 Sep 17 6 months Unaudited \$000's	Unaudited 30 Sep 16 6 months Unaudited \$000's	Audited 31 Mar 17 12 months Audited \$000's
Interest income	6,114	5,495	11,357
Interest expense	1,777	1,697	3,456
<b>Net interest income</b>	<b>4,337</b>	<b>3,798</b>	<b>7,901</b>
Net premium revenue	1,627	1,215	2,469
Net claim expense	(475)	(308)	(540)
Other revenue	1,119	826	1,593
<b>Operating revenue</b> (net of interest expense)	<b>6,608</b>	<b>5,531</b>	<b>11,423</b>
Operating expenses	(4,124)	(3,541)	(7,257)
<b>Operating profit / (loss)</b>	<b>2,484</b>	<b>1,990</b>	<b>4,166</b>
Impaired asset expense / (release)	(289)	(256)	(351)
<b>Net profit / (loss) before taxation</b>	<b>2,195</b>	<b>1,734</b>	<b>3,815</b>
Taxation benefit	958	623	1,318
<b>Net profit / (loss) after taxation</b>	<b>3,153</b>	<b>2,357</b>	<b>5,133</b>
<b>Loss per share</b>			
Basic profit / (loss) per share (cents)	4.48	3.35	7.29

GENEVA FINANCE LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

	<b>Group</b>		
	Unaudited 30 Sep 17 6 months Unaudited \$000's	Unaudited 30 Sep 16 6 months Unaudited \$000's	Audited 31 Mar 17 12 months Audited \$000's
<b>Net profit / (loss) after taxation</b>	<b>3,153</b>	<b>2,357</b>	<b>5,133</b>
<b>Other comprehensive income:</b>			
Movement in fair value of available for sale equity securities	-	-	159
Cash flow hedge, net of tax	52	128	371
Income tax relating to cash flow hedge	-	-	-
<b>Other comprehensive income / (loss), net of tax</b>	<b>52</b>	<b>128</b>	<b>530</b>
<b>Total comprehensive income / (loss)</b>	<b>3,205</b>	<b>2,485</b>	<b>5,663</b>

GENEVA FINANCE LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2017

	<b>Group</b>		
	Unaudited 30 Sep 17 6 months Unaudited \$000's	Unaudited 30 Sep 16 6 months Unaudited \$000's	Audited 31 Mar 17 12 months Audited \$000's
<b>Assets</b>			
Cash and cash equivalents	10,867	7,007	11,072
Available for sale equity securities	3,190	3,031	3,190
Prepayments and other debtors	1,249	206	250
Taxation receivable	11	11	11
Finance receivables	66,705	60,530	64,077
Deferred insurance contract acquisition costs	2,047	1,311	1,400
Financial assets at fair value through profit or loss	448	549	475
Deferred taxation	4,071	2,418	3,114
Intangible assets	497	334	471
Fixed assets	130	156	117
<b>Total assets</b>	<b>89,215</b>	<b>75,553</b>	<b>84,177</b>
<b>Liabilities</b>			
Accounts payable and accruals	1,649	943	1,705
Outstanding claims liability	309	309	338
Employee entitlements	275	173	274
Unearned premium liability	4,889	2,697	2,772
Derivative financial instruments	97	392	149
Term facilities	47,388	44,505	46,127
Other Borrowings	7,950	4,850	7,950
<b>Total liabilities</b>	<b>62,557</b>	<b>53,869</b>	<b>59,315</b>
<b>Equity</b>			
Share capital	51,287	51,287	51,287
Share option reserve	-	-	-
Retained earnings	(25,487)	(30,007)	(27,231)
Cash flow hedge	(97)	(392)	(149)
Available for sale equity reserve	955	796	955
<b>Total equity</b>	<b>26,658</b>	<b>21,684</b>	<b>24,862</b>
<b>Total equity and liabilities</b>	<b>89,215</b>	<b>75,553</b>	<b>84,177</b>
<b>Net tangible assets per share (\$)</b>	<b>0.31</b>	<b>0.27</b>	<b>0.30</b>

**GENEVA FINANCE LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017**

	<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 2016</b>	<b>51,287</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>						
Increase in property revaluation reserve	-	-	-	-	-	-
Change in cash flow hedge, net of tax	-	-	-	128	-	128
Increase in available for sale equity reserve	-	-	-	-	-	-
<b>Total other comprehensive income</b>	-	-	-	<b>128</b>	-	<b>128</b>
<b>Total comprehensive income</b>	-	-	<b>2,357</b>	<b>128</b>	-	<b>2,485</b>
<b>Transaction with owners</b>						
Dividends paid	-	-	(1,057)	-	-	(1,057)
<b>Total transactions with owners</b>	-	-	<b>(1,057)</b>	-	-	<b>(1,057)</b>
<b>Balance at 30 September 2016 (Unaudited)</b>	<b>51,287</b>	-	<b>(30,007)</b>	<b>(392)</b>	<b>796</b>	<b>21,684</b>
Net profit for the period	-	-	2,776	-	-	2,776
<b>Other comprehensive income</b>						
Increase in available for sale equity reserve	-	-	-	-	159	159
Change in cash flow hedge, net of tax	-	-	-	243	-	243
<b>Total other comprehensive income</b>	-	-	-	<b>243</b>	<b>159</b>	<b>402</b>
<b>Total comprehensive income</b>	-	-	<b>2,776</b>	<b>243</b>	<b>159</b>	<b>3,178</b>
<b>Transaction with owners</b>						
Dividends paid	-	-	-	-	-	-
<b>Total transactions with owners</b>	-	-	-	-	-	-
<b>Balance at 31 March 2017 (Audited)</b>	<b>51,287</b>	-	<b>(27,231)</b>	<b>(149)</b>	<b>955</b>	<b>24,862</b>
Net profit for the period	-	-	3,153	-	-	3,153
<b>Other comprehensive income</b>						
Change in cash flow hedge, net of tax	-	-	-	52	-	52
<b>Total other comprehensive income</b>	-	-	-	<b>52</b>	-	<b>52</b>
<b>Total comprehensive income</b>	-	-	<b>3,153</b>	<b>52</b>	-	<b>3,205</b>
<b>Transaction with owners</b>						
Dividends paid	-	-	(1,409)	-	-	(1,409)
<b>Total transactions with owners</b>	-	-	<b>(1,409)</b>	-	-	<b>(1,409)</b>
<b>Balance at 30 September 2016 (Unaudited)</b>	<b>51,287</b>	-	<b>(25,487)</b>	<b>(97)</b>	<b>955</b>	<b>26,658</b>

**GENEVA FINANCE LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017**

	<b>Group</b>		
	Unaudited 30 Sep 17 \$000's	Unaudited 30 Sep 16 \$000's	Audited 31 Mar 17 \$000's
<b>Cash flow from operating activities:</b>			
Cash was provided from:			
Interest received	5,502	5,111	10,220
Dividends received	117	108	163
Receipts from insurance policy sales, collections activities and other sources	4,576	2,243	4,140
Proceeds from collections made on purchased debt ledger	197	196	434
Taxation receipts	-	4	-
	10,392	7,662	14,957
Cash was applied to:			
Net movement in finance receivables	(2,240)	(5,811)	(8,652)
Interest paid	(1,777)	(1,697)	(3,456)
Payments to suppliers and employees	(6,280)	(3,965)	(7,120)
Tax paid	-	-	-
	(10,297)	(11,473)	(19,228)
Net cash inflow from operating activities	95	(3,811)	(4,271)
<b>Cash flows from investing activities:</b>			
Cash was provided from:			
Proceeds from the sale of fixed assets	-	-	-
	-	-	-
Cash was applied to:			
Purchase of plant and equipment	(33)	(84)	(66)
Purchase of intangible assets	(108)	(166)	(359)
Purchase of third-party debt ledger	-	-	-
	(141)	(250)	(425)
Net cash outflow from investing activities	(141)	(250)	(425)
<b>Cash flows from financing activities:</b>			
Cash was provided from:			
Net movement of term facilities: Westpac	1,250	4,100	5,700
Net movement of term facilities: Kiwi Bank	-	0	0
Issue of new shares	-	-	3,100
	1,250	4,100	8,800
Cash was applied to:			
Net movement of other borrowings	-	-	-
Payments relating to the issue of new shares	-	-	-
Dividends paid to Company shareholders	(1,409)	(1,057)	(1,057)
	(1,409)	(1,057)	(1,057)
Net cash outflow from financing activities	(159)	3,043	7,743
<b>Net increase / (decrease) in cash and cash equivalents held</b>	(205)	(1,018)	3,047
<i>Add: Opening cash and cash equivalents balance</i>	11,072	8,025	8,025
<b>Cash and cash equivalents at the end of the period</b>	<b>10,867</b>	<b>7,007</b>	<b>11,072</b>
<b>Represented by:</b>			
Cash at bank	10,867	7,007	11,072
<b>Cash and cash equivalents at the end of the period</b>	<b>10,867</b>	<b>7,007</b>	<b>11,072</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 normal commercial terms and conditions. The eliminations arise from transactions between the Group segments and are predominantly interest, commission/brokerage, marketing subsidy, debt collection and rent/lease charges

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 2017 (Unaudited)**

\$'000	Corporate	New Business	Insurance	Old Business	Property	Eliminations	Group
External revenues	1	6,624	1,781	454	-	-	8,860
Revenue - other segments	781	231	149	114	-	(1,275)	-
Total	782	6,856	1,930	567	1	(1,275)	8,860
Segment profit/(loss)	(878)	2,600	472	258	-	(257)	2,195
Taxation benefit/(expense)	958	-	-	-	-	-	958
Net profit/(loss) after taxation	80	2,600	472	258	-	(257)	3,153
Interest income	525	6,281	186	140	-	(1,018)	6,114
Interest expense	715	1,955	-	125	-	(1,018)	1,777
Depreciation	-	15	5	-	-	-	20
Amortisation	-	80	1	-	-	-	81
Other material non-cash items: (release)/expense	(257)	773	-	(484)	-	257	289

#### **Group summary assets and liabilities as at 30 September 2017 (Unaudited)**

\$'000	Corporate	New Business	Insurance	Old Business	Property	Eliminations	Group
Segment assets							
Total assets	36,327	73,218	14,415	10,035	2,814	(47,594)	89,215
Additions to non current assets	(96)	157	78	2	-	-	141
Segment liabilities							
Total liabilities	30,660	57,546	5,716	4,211	-	(35,576)	62,557

### 3. SEGMENT REPORTING (continued)

#### **Group summary revenues and results for the year 31 March 2017 (Audited)**

\$'000	Corporate	New Business	Insurance	Old Business	Property	Eliminations	Group
External revenues	2	12,244	2,680	493	-	-	15,419
Revenue - other segments	1,227	426	263	208	-	(2,124)	-
Total	1,229	12,670	2,943	701	-	(2,124)	15,419
Segment profit/(loss)	(1,585)	4,462	938	230	-	(230)	3,815
Taxation benefit/(expense)	1,318	-	-	-	-	-	1,318
Net profit/(loss) after taxation	(267)	4,462	938	230	-	(230)	5,133
Interest income	999	11,683	314	255	-	(1,894)	11,357
Interest expense	1,177	3,917	-	256	-	(1,894)	3,456
Depreciation	-	39	2	-	7	-	48
Amortisation	-	68	-	-	-	-	68
Other material non-cash items:							
Impaired assets expense	(230)	1,397	-	(1,046)	-	230	351

#### **Group summary assets and liabilities as at 31 March 2017 (Audited)**

\$'000	Corporate	New Business	Insurance	Old Business	Property	Eliminations	Group
Segment assets							
Total assets	35,127	69,279	11,504	9,968	2,814	(44,516)	84,176
Additions to non current assets	(32)	426	31	-	-	-	425
Segment liabilities							
Total liabilities	28,129	56,258	3,279	4,402	-	(32,754)	59,314

#### **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:							
Impaired assets 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

#### **By geographical segment**

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