

# Geneva Finance Limited – Half Year Results

## GENEVA FINANCE LIMITED RESULTS FOR ANNOUNCEMENT TO THE MARKET

Reporting period: 6 months to 30 September 2018.

Previous reporting period: 6 months to 30 September 2017.

Geneva has confirmed the Group's results for the reporting period for the 6 months to 30 September 2018.

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:

\$12,644,000	43% increase
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Profit / (Loss) from ordinary activities after tax attributable to security holders:

\$2,256,000	28% decrease
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Profit/(Loss) attributable to security holders:

\$2,256,000	28% decrease
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Interim dividend: \$911,691

Amount per security: \$0.0125

Imputed amount per security: \$0.00

Record date: 21 December 2018

Dividend payment date: 28 December 2018

### Comments:

#### Financial Result (6 months to 30<sup>th</sup> September 2018)

The after tax unaudited financial result for the period was a profit of \$2.3m down \$0.9m (28%) on the \$3.2m after tax profit reported in 2017. The reduction in after tax profit is solely attributable to a \$1.3m increase in the tax charge.

#### Taxation:

The tax expense in the period of \$0.4m compares to a tax credit of \$1.0m. in the prior year, an adverse impact on the reported after tax profit between the two periods of \$1.3m.

The Tax expense/credit referred to above is non cash in nature and reflects timing differences in the recognition of tax losses available to the group and when those losses are used. Current expectations are that the available tax losses will be used by 31 March 2021, i.e. The group will be required to charge tax in the revenue statement, but will not actually pay income tax on Group profits (including the \$0.4m charged in the current period) for earnings up to and including the year ending 31 March 2021.

#### Business Performance:

The group pre-tax profit of \$2.8m (up 26% on last year) comprised a trading entity pre-tax profit of \$4.1m less group overheads of \$1.3m.

Geneva Financial Services (GFSL - The lending business) reported a \$3.2m profit for the six months, 22% up on the previous period. This was a very good result given the decision to choose asset

quality over lending growth as the key driver of lending volumes. As a result the receivables ledger increased to \$66.8m up from \$62.5m the prior year. Asset quality remained strong and within expectations.

Quest Insurance Group Limited (Quest): Premium written increased by 42.4% to \$5.3m. Claim rates are within expectations and the unearned premium reserve (which is available to be released over the life of individual policies) increased a further \$2m over the six months and totals \$9.2m at balance date. While Quest's \$0.4m profit for the six months is down 7.4% on the previous period, we are confident the strong sales performance has this operation well positioned for the balance of the year.

Stellar Collections (Stellar): Stellar reported a profit of \$0.1m for the period, \$0.1m down on the prior year. The MFL business segment acquired late last year is making a positive contribution to Stellar and offers potential for increased profit growth. Cash collection on the old stellar business was down resulting in the profit decrease compared to the prior period.

Geneva Capital: (Invoice Factoring), reported a loss of \$0.3m for the period. The loss is due to initial setup costs incurred and the small size of the ledger at acquisition. Good ledger growth was achieved over the six months and the business is expected to move into profit by the end of the current financial year. Geneva owns 70% of this company. The Non-controlling loss amounted to \$83k for the period.

Federal Pacific Tonga: This business was acquired during the period and settled after balance date. The Group gained control over this business in April 2018 and the trading performance is included in the consolidated results from this date. This operation achieved a NZD \$0.6m profit. Geneva's 60% ownership, equating to \$0.3m, is recognized in the Group's consolidated results. The acquisition accounting for this transaction is incomplete and still in progress.

#### **Balance Sheet:**

Total group assets increased to \$117m (32% increase). The company's equity to total assets ratio is 26.9% vs 29.9% prior year.

#### **Revenues:**

Revenue increased by 43% to \$12.7m, with the increase being attributable increases from each of the existing operations plus the additional revenue from the Invoice Factoring and Tongan Finance operations.

#### **Operating Costs:**

Operating costs increased by 49% to \$6.2m with the increase largely originating from the increased insurance activity plus by the additional costs of the Invoice Factoring and Tongan Finance operations.

#### **Funding:**

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

- a. The securitized funding facility of \$60m was drawn to \$55m. The annual review for this facility is underway.
- b. Stellar's facility remained unchanged at \$3.4m, the facility's term was extended during the period.
- c. Professional investor debt funding increased to \$13.5m. This debt funding includes loans from two directors and a \$3.9m shareholder loan.

**Credit Rating:**

The group's insurance company, Quest Insurance Group Limited credit rating issued by AM Best remained unchanged being a Financial Strength Rating of B outlook stable and an issuer credit rating of bb+ outlook stable.

**Impairment:**

The Group completed a provisioning review based on changes to IFRS 9: Financial Instruments in line with expected credit losses and how impairment of assets is treated. As a result, an adjustment of \$1m has been added to the opening retained earnings balance

**Highlights / Key Events:**

- The 22% increase in profit of the lending business (GFSL).
- Quest premium Sales up 43% to \$0.9m per month
- The acquisition of the invoice factoring (Geneva Capital) and the Tongan Finance operations.
- Total group assets exceeded \$100m
- 27% increase in group pretax profit.

**Events Subsequent to Balance Date**

- The group settled the 60% purchase in the Tongan Finance company on 26 October 2018.
- The interim dividend payable on 28 December 2018 increased by 25% to 1.25 cents.

**Strategic Direction:**

The current focus is to continue to develop the group IT infrastructure to enhance the lending, invoice factoring, insurance and collection operations. In regard to the invoice financing acquisition, we see this acquisition as offering a revenue stream in a sector that is compatible but not competing with the existing operations; while the Tongan finance acquisition offers a new market place to promote our financial services products while also opening the door to further opportunities in the Pacific islands.

**Summary and outlook:**

During the period the group enjoyed good growth in the core lending and insurance operations, acquired two new business and in doing so delivered a 27% growth in pretax profit. Looking forward we have a positive outlook on the expectation that these investments will deliver profit growth, and the group's conservative gearing ratio offers further potential for acquisitions.

**GENEVA FINANCE LIMITED**

**CONSOLIDATED INCOME STATEMENT**

**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018**

	<b>Group</b>		
	Unaudited 30 Sep 18 6 months Unaudited \$000's	Unaudited 30 Sep 17 6 months Unaudited \$000's	Audited 31 Mar 18 12 months Audited \$000's
Interest income	7,451	6,114	12,242
Interest expense	2,141	1,777	3,584
<b>Net interest income</b>	<b>5,310</b>	<b>4,337</b>	<b>8,658</b>
Underwriting Profit	1,998	1,152	2,727
Other revenue	2,036	1,119	2,624
<b>Operating revenue</b> (net of interest expense)	<b>9,344</b>	<b>6,608</b>	<b>14,009</b>
Operating expenses	(6,162)	(4,124)	(9,122)
<b>Operating profit / (loss)</b>	<b>3,182</b>	<b>2,484</b>	<b>4,887</b>
Impaired asset expense / (release)	(406)	(289)	(363)
<b>Net profit / (loss) before taxation</b>	<b>2,776</b>	<b>2,195</b>	<b>4,524</b>
Taxation benefit (charge)	(373)	958	1,599
<b>Net profit after taxation</b>	<b>2,403</b>	<b>3,153</b>	<b>6,123</b>
Attributable to:			
Group	2,256	3,153	6,123
Non-controlling interest	147	-	-
Basic profit per share (cents)	3.09	4.48	8.69

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018**

	<b>Group</b>		
	Unaudited 30 Sep 18 6 months Unaudited \$000's	Unaudited 30 Sep 17 6 months Unaudited \$000's	Audited 31 Mar 18 12 months Audited \$000's
<b>Net profit after taxation</b>	<b>2,403</b>	<b>3,153</b>	<b>6,123</b>
<b>Other comprehensive income:</b>			
Movement in fair value of available for sale equity securities	-	-	200
Exchange differences on translation of foreign operations	119	-	-
Cash flow hedge, net of tax	(14)	52	96
Income tax relating to cash flow hedge	-	-	-
<b>Other comprehensive income / (loss), net of tax</b>	<b>105</b>	<b>52</b>	<b>296</b>
<b>Total comprehensive income / (loss)</b>	<b>2,508</b>	<b>3,205</b>	<b>6,419</b>
Attributable to:			
Group	2,361	3,205	6,419
Non-controlling interest	147	-	-

GENEVA FINANCE LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2018

	<b>Group</b>		
	Unaudited 30 Sep 18 6 months Unaudited \$000's	Unaudited 30 Sep 17 6 months Unaudited \$000's	Audited 31 Mar 18 12 months Audited \$000's
<b>Assets</b>			
Cash and cash equivalents	18,725	10,867	14,473
Prepayments and other debtors	3,249	1,249	4,143
Taxation receivable	11	11	11
Finance receivables	78,655	66,705	67,664
Financial assets at fair value through profit or loss	372	448	423
Deferred insurance contract acquisition costs	3,324	2,047	2,733
Deferred taxation	4,288	4,071	4,565
Available for sale equity securities	3,390	3,190	3,390
Fixed assets	252	130	128
Intangible assets	5,121	497	1,791
<b>Total assets</b>	<b>117,387</b>	<b>89,215</b>	<b>99,321</b>
<b>Liabilities</b>			
Accounts payable and accruals	4,495	1,649	2,211
Outstanding claims liability	816	309	570
Employee entitlements	159	275	313
Unearned premium liability	9,152	4,889	7,085
Derivative financial instruments	67	97	53
Term facilities	58,149	47,388	51,971
Other Borrowings	12,996	7,950	7,950
<b>Total liabilities</b>	<b>85,834</b>	<b>62,557</b>	<b>70,153</b>
<b>Equity</b>			
Share capital	53,037	51,287	51,287
Retained earnings	(23,441)	(25,487)	(23,221)
Cash flow hedge	(67)	(97)	(53)
Non Controlling Interest	869	-	-
Available for sale equity reserve	1,155	955	1,155
<b>Total equity</b>	<b>31,553</b>	<b>26,658</b>	<b>29,168</b>
<b>Total equity and liabilities</b>	<b>117,387</b>	<b>89,215</b>	<b>99,321</b>
<b>Net tangible assets per share (\$)</b>	<b>0.30</b>	<b>0.31</b>	<b>0.32</b>

GENEVA FINANCE LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

	Group						
	Share Capital	Share option reserve	Retained earnings	Non Controlling Interest	Cash flow hedge	Available for sale equity reserve	Total equity
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
<b>Balance at 1 April 2017</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>							
Increase in property revaluation reserve	-	-	-	-	-	-	-
Change in cash flow hedge, net of tax	-	-	-	-	52	-	52
Increase in available for sale equity reserve	-	-	-	-	-	-	-
<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 2017 (Unaudited)</b>	<b>51,287</b>	-	<b>(25,487)</b>	-	<b>(97)</b>	<b>955</b>	<b>26,658</b>
Net profit for the period	-	-	2,970	-	-	-	2,970
<b>Other comprehensive income</b>							
Increase in available for sale equity reserve	-	-	-	-	-	200	200
Change in cash flow hedge, net of tax	-	-	-	-	44	-	44
<b>Total other comprehensive income</b>	-	-	-	-	<b>44</b>	<b>200</b>	<b>244</b>
<b>Total comprehensive income</b>	-	-	<b>2,970</b>	-	<b>44</b>	<b>200</b>	<b>3,214</b>
<b>Transaction with owners</b>							
Dividends paid	-	-	(704)	-	-	-	(704)
<b>Total transactions with owners</b>	-	-	<b>(704)</b>	-	-	-	<b>(704)</b>
<b>Balance at 31 March 2018 (Audited)</b>	<b>51,287</b>	-	<b>(23,221)</b>	-	<b>(53)</b>	<b>1,155</b>	<b>29,168</b>
Change in accounting policy			(1,010)				(1,010)
Net profit for the period	-	-	2,256	147	-	-	2,403
<b>Other comprehensive income</b>							
Change in cash flow hedge, net of tax	-	-	-	-	(14)	-	(14)
Exchange differences on translation of foreign operations	-	-	119	-	-	-	119
Increase in available for sale equity reserve	-	-	-	-	-	-	-
<b>Total other comprehensive income</b>	-	-	<b>119</b>	-	<b>(14)</b>	-	<b>105</b>
<b>Total comprehensive income</b>	-	-	<b>2,375</b>	<b>147</b>	<b>(14)</b>	-	<b>2,508</b>
<b>Transaction with owners</b>							
Share consideration for acquisition of subsidiary	1,750	-	-	-	-	-	<b>1,750</b>
Non-controlling interest	-	-	-	722	-	-	<b>722</b>
Dividends paid	-	-	(1,585)	-	-	-	<b>(1,585)</b>
<b>Total transactions with owners</b>	<b>1,750</b>	-	<b>(1,585)</b>	<b>722</b>	-	-	<b>887</b>
<b>Balance at 30 September 2018 (Unaudited)</b>	<b>53,037</b>	-	<b>(23,441)</b>	<b>869</b>	<b>(67)</b>	<b>1,155</b>	<b>31,553</b>

**GENEVA FINANCE LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018**

	<b>Group</b>		
	Unaudited 30 Sep 18 \$000's	Unaudited 30 Sep 17 \$000's	Audited 31 Mar 18 \$000's
<b>Cash flow from operating activities:</b>			
Cash was provided from:			
Interest received	5,642	5,502	10,968
Dividends received	78	117	231
Receipts from insurance policy sales, collections activities and other sources	7,136	4,576	10,478
Proceeds from collections made on purchased debt ledger	140	197	456
	12,996	10,392	22,133
Cash was applied to:			
Net movement in finance receivables	(9,352)	(2,240)	(2,483)
Interest paid	(2,141)	(1,777)	(3,584)
Payments to suppliers and employees	(5,044)	(6,280)	(14,960)
Tax paid	(97)	-	-
	(16,634)	(10,297)	(21,027)
Net cash inflow from operating activities	(3,638)	95	1,106
<b>Cash flows from investing activities:</b>			
Cash was applied to:			
Purchase of plant and equipment	(78)	(33)	(53)
Purchase of intangible assets	(74)	(108)	(245)
Purchase of third-party debt ledger	(3,416)	-	(1,140)
	(3,568)	(141)	(1,438)
Net cash outflow from investing activities	(3,568)	(141)	(1,438)
<b>Cash flows from financing activities:</b>			
Cash was provided from:			
Net movement of term facilities: Westpac	6,168	1,250	5,846
Net movement in other borrowings	5,125	-	-
	11,293	1,250	5,846
Cash was applied to:			
Payments relating to the issue of new shares	1,750	-	-
Dividends paid to Company shareholders	(1,585)	(1,409)	(2,113)
	165	(1,409)	(2,113)
Net cash outflow from financing activities	11,458	(159)	3,733
<b>Net increase / (decrease) in cash and cash equivalents held</b>	<b>4,252</b>	<b>(205)</b>	<b>3,401</b>
<i>Add:</i> Opening cash and cash equivalents balance	14,473	11,072	11,072
<b>Cash and cash equivalents at the end of the period</b>	<b>18,725</b>	<b>10,867</b>	<b>14,473</b>
<b>Represented by:</b>			
Cash at bank	18,725	10,867	14,473
<b>Cash and cash equivalents at the end of the period</b>	<b>18,725</b>	<b>10,867</b>	<b>14,473</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. This segment of operations discontinued on 31 March 2018.
- Invoice Factoring: The operations of this segment includes invoice financing specialising in helping SMEs overcome cashflow challenges, offering a range of innovative and practical finance solutions specifically designed for a wide range of different industries and situations.
- Overseas: The operations in this segment include the lending of money to individuals, companies and other entities under the subsidiary "Federal Pacific Finance Ltd Tonga". This company was 60% acquired on 1 April 2018.

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 of the applicable segments revenue.

#### **Group summary revenues and results for the period ended 30 September 2018 (Unaudited)**

\$'000	Corporate	New Business	Insurance	Old Business	Invoice Factoring	Overseas	Eliminations	Group
External revenues	4	6,956	3,288	1,095	538	763	-	12,644
Revenue - other segments	754	445	148	112	-	-	(1,459)	-
Total	758	7,402	3,436	1,206	539	-	(1,459)	12,644
Segment profit/(loss)	(1,327)	3,172	437	116	(193)	346	77	2,628
Taxation benefit/(expense)	(373)	-	-	-	-	-	-	(373)
Non controlling interest	-	-	-	-	(83)	231	-	148
Net profit/(loss) after taxation	(1,700)	3,172	437	116	(276)	577	77	2,403
Interest income	835	6,670	201	124	395	762	(1,536)	7,451
Interest expense	1,106	2,034	-	123	400	14	(1,536)	2,141
Depreciation	-	18	6	1	-	11	-	36
Amortisation	-	96	13	44	4	-	-	157
Other material non-cash items: (release)/expense	77	689	-	(283)	-	-	(77)	406

#### **Group summary assets and liabilities as at 30 September 2018 (Unaudited)**

\$'000	Corporate	New Business	Insurance	Old Business	Invoice Factoring	Overseas	Eliminations	Group
Segment assets								
Total assets	47,207	83,672	20,475	11,123	6,817	3,051	(54,958)	117,387
Additions to non current assets	-	73	-	-	5	-	-	78
Segment liabilities								
Total liabilities	36,152	67,150	10,757	4,798	7,092	550	(40,665)	85,834



### 3. SEGMENT REPORTING (continued)

#### **Group summary revenues and results for the year 31 March 2018 (Audited)**

\$'000	Corporate	New Business	Insurance	Old Business	Property	Eliminations	Group
External revenues	5	13,277	4,435	1,275	-	-	18,992
Revenue - other segments	1,560	587	299	229	-	(2,675)	-
Total	1,565	13,864	4,734	1,504	-	(2,675)	18,992
Segment profit/(loss)	(1,913)	5,493	855	612	(27)	(495)	4,524
Taxation benefit/(expense)	1,591	-	-	8	-	-	1,599
Net profit/(loss) after taxation	(322)	5,493	855	620	(27)	(495)	6,123
Interest income	1,070	12,707	377	268	-	(2,180)	12,242
Interest expense	1,565	3,951	-	248	-	(2,180)	3,584
Depreciation	-	31	11	1	-	-	43
Amortisation	-	176	7	30	-	-	213
Other material non-cash items:							
Impaired assets expense	(495)	1,392	-	(1,029)	-	495	363

#### **Group summary assets and liabilities as at 31 March 2018 (Audited)**

\$'000	Corporate	New Business	Insurance	Old Business	Property	Eliminations	Group
Segment assets							
Total assets	40,364	81,900	17,621	10,505	-	(51,069)	99,321
Additions to non current assets	28	167	85	18	-	-	298
Segment liabilities							
Total liabilities	33,017	63,291	8,339	4,320	-	(38,814)	70,153

#### **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	6,855	1,930	568	-	(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:							
Impaired assets 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

#### **By geographical segment**

The Group operated predominantly in New Zealand. Revenues are derived from New Zealand with the exception of Federal Pacific Finance Ltd (Tonga) which operates in Tonga.