

## GFNZ Group Limited – Full Results

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

Reporting period: 12 months to 31 March 2016.

Previous reporting period: 12 months to 31 March 2015.

GFNZ Group has confirmed the Group's results for the reporting period for the 12 months to 31 March 2016.

The results, as follows, include the percentage change for the previous reporting period of the 12 months to 31 March 2015.

Revenue from ordinary activities:

\$12,230,000 23% increase

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

\$3,529,000 61% increase

Profit/(Loss) attributable to security holders:

\$3,529,000 61% increase

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 (12 months to 31<sup>st</sup> March 2016)

The after tax unaudited\* financial result for the year was a profit of \$3.5m vs a \$2.2m in 2015.

\* Audit is currently in progress

#### GFNZ Group managing director David O'Connell says:

"This has been a pleasing year for the Group and we are highly satisfied with the results, which position us well for the future. The company is now delivering sustainable profits, and the outlook for the future is positive. The key focus is to maintain and build on the growth achieved to date to further enhance shareholder value."

### Business Performance:

The Group reported an after tax profit for the year of \$3.5m (2015: \$2.2m).

All of the trading operating segments of the Group reported profits for the year, continuing from momentum gained the prior year. Each performed as follows:

#### Geneva Financial Services (New Business Lending) Mar. 16 pretax profit \$3.0m (Mar. 15 \$1.5m)

The improved profit (100% up from prior year) is a combined result of the growing receivables ledger book and maintaining good asset quality during the period. Lending increased by 26% on prior year volumes, resulted in the receivable ledger growing to \$48.8m, an increase of \$13.3m (37%) on the prior year.

#### Quest Insurance Group (Insurance): Mar. 16 pretax profit \$0.5m (Mar. 15 \$0.5m)

During February 16 this operation obtained an Issuer credit rating BB (outlook stable) from AM Best and was recapitalized to qualify as a full insurer. This has allowed Quest to exit the small

insurer regime and the maximum \$1.5m annual premium limit no longer applies. Consequently during the year the Company wrote \$2.6m of premiums compared to \$1.4m the prior year. Quest is now ideally placed to focus on premium growth for the coming year both externally and from within the Group.

**Stellar Collections (Old Business Ledgers): Mar. 16 pretax profit \$0.6m (Mar. 15 \$0.6m)**

The Company reported a similar profit than the previous year. Though the key focus continues to focus on collecting the old receivables ledger previously owned by the parent, the Company is now actively pursuing third party distressed ledgers to add to its portfolio.

**Pacific Rise (Property) Mar. 16 pretax profit \$0.1m (Mar. 1 \$0.3m)**

During the period the property investment was transferred to the insurance company (Quest) resulting in reduced dividend income earned by the Company for the period.

**Parent Company (GFNZ Group, Corporate) Mar. 16 pretax loss \$1.3m (Mar. 15 \$0.7m loss)**

The Group has approximately \$8.0m (tax effected) of tax losses available and has recognized additional \$1.2m of deferred tax this period. Corporate and governance costs continued to be carried by the Parent Company.

**Revenues:**

Operating revenues comprise interest from receivables ledgers of \$9.2m up \$2.7m (+42%) on last year. Net insurance premium income of \$1.4m down \$0.1m (-8%) on last year reflects the accounting treatment where the higher premiums written referred to above are taken to profit over the life on the policy, not the month of origination. Other income of \$1.7m down \$0.3m (-14%) on last year is primarily a consequence of a lower dividend from the Groups investment in a property operation.

**Operating Costs:**

Group's total operating costs increased by 11% as a direct result of the growth in the lending activity, e.g. Commissions paid to introducers of the Group's lending and insurance products, during the year.

**Balance Sheet:**

The net receivables ledger increased to \$55.6m (+30%) as a result of the increased lending. Term debt increased to \$40.4m and includes an additional \$3.4m facility secured from a major trading bank. The Group's equity to assets ratio which decreased to 29.1% from 31.6% in the prior year still remains conservative and positions the Group for further growth.

**Executive share scheme:**

During March 2016 all of the executive team exercised their share options issued in August 2015. A total of 10,000,000 new shares were issued.

**Funding:**

The securitization facility's annual review was completed in June 2015 and the facility was extended through to July 2017.

Other Borrowings comprise funding sourced from eligible professional investors and a 2 year evergreen banking term loan of \$3.4m from a major trading bank.

**Strategic Direction:**

GFNZ Group, Mr O'Connell says: "The Group remains committed to its core lending, insurance and debt collection activities, with the primary focus on the motor vehicle and consumer space. The profit improvement and conservative balance sheet ensures the Group is ideally placed for further growth opportunities, both organically or by way of acquisitions."

**GFNZ GROUP LIMITED**

**CONSOLIDATED INCOME STATEMENT**

**FOR THE YEAR ENDED 31 MARCH 2016**

	<b>Group</b>	
	<b>Un Audited</b>	<b>Audited</b>
	<b>2016</b>	<b>2015</b>
	<b>\$000's</b>	<b>\$000's</b>
Interest income	9,213	6,504
Interest expense	3,372	3,075
<b>Net interest income</b>	<b>5,841</b>	<b>3,429</b>
Net premium revenue	1,342	1,457
Other revenue	1,675	1,956
<b>Operating revenue</b> (net of interest expense)	<b>8,858</b>	<b>6,842</b>
Net claims expense	229	311
Operating expenses	6,484	5,838
<b>Operating profit</b>	<b>2,145</b>	<b>693</b>
Impaired asset release	(234)	(855)
<b>Net profit before taxation</b>	<b>2,379</b>	<b>1,548</b>
Taxation expense	(1,150)	(646)
<b>Net profit after taxation</b>	<b>3,529</b>	<b>2,194</b>
<b>Profit per share</b>		
Basic profit per share (cents)	0.73	0.48

**GFNZ GROUP LIMITED**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED 31 MARCH 2016**

	<b>Group</b>	
	<b>Un Audited</b>	<b>Audited</b>
	<b>2016</b>	<b>2015</b>
	<b>\$000's</b>	<b>\$000's</b>
<b>Net profit after taxation</b>	<b>3,529</b>	<b>2,194</b>
<b>Items that may be subsequently reclassified to profit or loss</b>		
Movement in fair value of available for sale equity securities	313	(3)
Cash flow hedge, net of tax	(173)	(392)
	140	(395)
<b>Other comprehensive income, net of tax</b>	<b>140</b>	<b>(395)</b>
<b>Total comprehensive income</b>	<b>3,669</b>	<b>1,799</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2016

	<b>Group</b>	
	<b>Un Audited</b>	<b>Audited</b>
	<b>2016</b>	<b>2015</b>
	<b>\$000's</b>	<b>\$000's</b>
<b>Assets</b>		
Cash and cash equivalents	8,025	4,094
Financial assets at fair value through profit or loss	630	627
Available for sale equity securities	3,031	2,718
Prepayments and other debtors	203	163
Taxation receivable	15	15
Finance receivables	54,576	41,833
Deferred insurance contract acquisition costs	1,082	534
Deferred taxation	1,796	646
Intangible assets	180	77
Plant and equipment	90	85
<b>Total assets</b>	<b>69,628</b>	<b>50,792</b>
<b>Liabilities</b>		
Accounts payable and accruals	831	918
Outstanding claims liability	252	196
Employee entitlements	239	181
Unearned premium liability	2,272	1,004
Derivative financial instruments	520	347
Term facilities	40,408	26,884
Other borrowings	4,850	5,198
<b>Total liabilities</b>	<b>49,372</b>	<b>34,728</b>
<b>Equity</b>		
Share capital	51,287	50,764
Share option reserve	-	240
Retained earnings	(31,307)	(35,076)
Cash flow hedge reserve	(520)	(347)
Available for sale equity reserve	796	483
<b>Total equity</b>	<b>20,256</b>	<b>16,064</b>
<b>Total equity and liabilities</b>	<b>69,628</b>	<b>50,792</b>
<b>Net tangible assets per share</b>	<b>0.04</b>	<b>0.03</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 MARCH 2016**

	Group Un Audited					
	Share Capital	Share option reserve	Retained earnings	Cash flow hedge reserve	Available for sale equity reserve	Total equity
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
<b>Balance at 1 April 2014</b>	<b>44,885</b>	<b>244</b>	<b>(37,274)</b>	<b>45</b>	<b>486</b>	<b>8,386</b>
Net profit for the period	-	-	2,194	-	-	2,194
<b>Other comprehensive income</b>						
Increase in available for sale equity reserve	-	-	-	-	(3)	(3)
Change in cash flow hedge reserve, net of tax	-	-	-	(392)	-	(392)
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(392)</b>	<b>(3)</b>	<b>(395)</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>2,194</b>	<b>(392)</b>	<b>(3)</b>	<b>1,799</b>
<b>Transaction with owners</b>						
Share options issued to employees forfeited	-	(4)	4	-	-	-
Placement of new ordinary shares	6,065	-	-	-	-	6,065
Share issue costs	(186)	-	-	-	-	(186)
<b>Total transactions with owners</b>	<b>5,879</b>	<b>(4)</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>5,879</b>
<b>Balance at 31 March 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	-	-	3,529	-	-	3,529
<b>Other comprehensive income</b>						
Increase in available for sale equity reserve	-	-	-	-	313	313
Change in cash flow hedge reserve, net of tax	-	-	-	(173)	-	(173)
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(173)</b>	<b>313</b>	<b>140</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>3,529</b>	<b>(173)</b>	<b>313</b>	<b>3,669</b>
<b>Transaction with owners</b>						
Share options issued to employees forfeited	-	(100)	100	-	-	-
Share options issued to employees	-	145	-	-	-	145
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>(240)</b>	<b>240</b>	<b>-</b>	<b>-</b>	<b>523</b>
<b>Balance at 31 March 2016</b>	<b>51,287</b>	<b>-</b>	<b>(31,307)</b>	<b>(520)</b>	<b>796</b>	<b>20,256</b>

**GFNZ GROUP LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2016**

	<b>Group</b>	
	<b>Un Audited</b>	<b>Audited</b>
	<b>2016</b>	<b>2015</b>
	<b>\$000's</b>	<b>\$000's</b>
<b>Cash flow from operating activities:</b>		
Cash was provided from:		
Interest received	8,525	6,030
Receipts from insurance policy sales, collections activities and other	4,017	2,897
Proceeds from collections made on purchased debt ledger	280	429
	<b>12,822</b>	<b>9,356</b>
Cash was applied to:		
Net movement in finance receivables	(11,918)	(8,499)
Interest paid	(3,372)	(3,075)
Payments to suppliers and employees	(7,022)	(5,831)
	<b>(22,312)</b>	<b>(17,405)</b>
<b>Net cash outflow from operating activities</b>	<b>(9,490)</b>	<b>(8,049)</b>
<b>Cash flows from investing activities:</b>		
Cash was provided from:		
Proceeds from the sale of plant and equipment	12	18
	<b>12</b>	<b>18</b>
Cash was applied to:		
Purchase of plant and equipment	(38)	(30)
Purchase of intangible assets	(153)	(10)
	<b>(191)</b>	<b>(40)</b>
<b>Net cash outflow from investing activities</b>	<b>(179)</b>	<b>(22)</b>
<b>Cash flows from financing activities:</b>		
Cash was provided from:		
Net movement of term facilities: Westpac	10,170	8,428
Net movement of term facilities: Kiwi Bank	3,400	-
Net movement of other borrowings	-	200
Issue of new shares	380	980
	<b>13,950</b>	<b>9,608</b>
Cash was applied to:		
Net movement of other borrowings	(348)	-
Payments relating to the issue of new shares	(2)	(186)
	<b>(350)</b>	<b>(186)</b>
<b>Net cash inflow from financing activities</b>	<b>13,600</b>	<b>9,422</b>
<b>Net increase in cash and cash equivalents held</b>	<b>3,931</b>	<b>1,351</b>
<i>Add: Opening cash and cash equivalents balance at the beginning of the year</i>	<i>4,094</i>	<i>2,743</i>
<b>Cash and cash equivalents at the end of the year</b>	<b>8,025</b>	<b>4,094</b>
<b>Represented by:</b>		
Cash at bank	8,025	4,094
<b>Cash and cash equivalents at the end of the year</b>	<b>8,025</b>	<b>4,094</b>

## Segment analysis

### a) By operating segment

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 include the holding of a property investment and raising debt to advance to Corporate segment.

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 year 31 March 2016

\$'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)	2,970	475	552	112	(552)	2,379
Taxation expense	1,150	-	-	-	-	-	1,150
Net profit/(loss) after taxation	(28)	2,970	475	552	112	(552)	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

\$'000	Corporate	New Business	Insurance	Old Business	Property	Eliminations	Group
Segment assets							
Total assets	31,906	55,852	9,898	8,968	2,814	(39,810)	69,628
Additions to non current assets	143	48	-	-	-	-	191
Segment liabilities							
Total liabilities	24,145	47,664	2,767	3,632	-	(28,836)	49,372

**Group summary revenues and results for the year 31 March 2015**

\$'000	Corporate	New Business	Insurance	Old Business	Property	Eliminations	Group
External revenues	-	7,068	1,985	584	280	-	9,917
Revenue - other segments	177	483	-	108	164	(932)	-
Total	177	7,551	1,985	692	444	(932)	9,917
Segment profit/(loss)	(716)	1,454	532	621	280	(623)	1,548
Taxation expense	646	-	-	-	-	-	646
Net profit/(loss) after taxation	(70)	1,454	532	621	280	(623)	2,194
Interest income	177	6,418	241	47	164	(543)	6,504
Interest expense	70	3,178	-	393	164	(730)	3,075
Depreciation	-	33	-	-	-	-	33
Amortisation	-	82	-	6	-	-	88
Other material non-cash items:							
Impaired assets expense	(623)	619	-	(1,474)	-	623	(855)
Share option expense	-	-	-	-	-	-	-

**Group summary assets and liabilities as at 31 March 2015**

\$'000	Corporate	New Business	Insurance	Old Business	Property	Eliminations	Group
Segment assets							
Total assets	16,246	38,005	7,890	6,670	4,377	(22,396)	50,792
Additions to non current assets	-	40	-	-	-	-	40
Segment liabilities							
Total liabilities	2,181	32,613	1,546	1,888	1,602	(5,102)	34,728

**b) By geographical segment**

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