

GENEVA FINANCE LIMITED – Full Results

GENEVA FINANCE LIMITED RESULTS FOR ANNOUNCEMENT TO THE MARKET

Reporting period: 12 months to 31 March 2017.

Previous reporting period: 12 months to 31 March 2016.

Geneva Finance has confirmed the Group's results for the reporting period for the 12 months to 31 March 2017.

The results, as follows, include the percentage change for the previous reporting period of the 12 months to 31 March 2016.

Revenue from ordinary activities:

\$15,419,000 26% increase

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

\$5,133,000 45% increase

Profit/(Loss) attributable to security holders:

\$5,133,000 45% increase

Interim/final dividend: \$1,409,000

Amount per security: \$0.02

Imputed amount per security: \$0.00

Record date: 23 June 2017

Dividend payment date: 30 June 2017

Comments:

Financial Result (12 months to 31st March 2017)

The after tax unaudited* financial result for the year was a profit of \$5.1m vs a \$3.5m in 2016.

* Audit is currently in progress

GENEVA FINANCE Managing Director, David O'Connell says:

“It is pleasing to back up the March 2016, +61% growth in after tax profit with this year's result. The company will also distribute a 2.0 cents per share dividend, payable on 30 June 2017, which is up 33% on the group's maiden, special dividend paid out in August 2016”

Business Performance:

The Group reported an after tax profit for the year of \$5.1m (2016: \$3.5m). Each of the Group's trading entities delivered profit for the year.

Geneva Financial Services (GFSL - New Business Lending) Mar 17 pretax profit \$4.5m (Mar 16 \$3.0m)

The main driver of the profit increase was the growth in the receivables ledger, up 21% on last year. This, driven by increased lending volumes, and in conjunction with the maintenance of contractual yields, control of asset quality and operating costs gave this trading entity a good result for the year.

Quest Insurance Group (Quest - Insurance): Mar 17 pretax profit \$0.9m (Mar 16 \$0.5m)

Following an 87% increase in gross written premium (GWP) in March 16, Quest again grew GWP by 14%, to \$3.0m in the March 17 year. The combined profit impact of these two years of growth is reflected in the March 17 profit, up 97% to \$0.9m. This cumulative impact on profit is a

consequence of premium income being recognized over the life of the policy, which often flows into the following reporting period. On 31 March 17, Quest finalized an underwriting agreement commencing 1 April 2017 with Janssen's Insurance. This partnership is expected to more than double Quest's GWP in the coming year.

Stellar Collections (Stellar - Old Business Ledgers): Mar 17 pretax profit \$0.2m (Mar 16 \$0.6m)

Stellar's profit reduced by 58% to \$0.2m. The reduction is due to the reducing old ledger asset base. This trading entity continues to pursue opportunities to grow its operations, so as to replace the reducing revenue from the old ledger asset base, in the coming year.

Pacific Rise (Property) Mar 17 pretax profit \$0.0m (Mar 16 \$0.1m)

This operation did not trade during the period.

Parent Company (Geneva Finance, Corporate) Mar 17 pretax loss \$1.8m (Mar 16 \$1.7m loss)

The Group has approximately \$7.0m (tax effected) of tax losses available and has recognized additional \$1.3m 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 \$11.4m up \$2.1m (+23%) on last year as a result of the growth in the receivables ledger referred to above. Net insurance premium income of \$2.5m up \$1.1m (+84%) reflects the continued expansion of this entity following Quest's exit from the small insurer regime in the previous year. Other income amounted to \$1.6m (-5%).

Operating Costs:

Group total operating costs increased by 12%. The main driver of this increase being the interest and insurance commissions paid to introducers as a consequence of the growth in both GFSL and Quest's respective sales.

Balance Sheet:

The net receivables ledger increased to \$64.0m (+17%) as a result of the increased lending. Term debt increased to \$46.1m and other borrowings increased to \$8m. The Group's equity to total assets ratio remains conservative, having increased slightly to 29.5% from 29.1% in the prior year.

Funding:

The securitization facility's annual review was completed in August 2016 and the facility was extended through to July 2018.

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:

The group remains committed to building on the progress made to date in its core operations. The conservative balance sheet ensures Geneva is well position for expansion, whether through organic growth or by acquisition. On 31 March 17, the Group completed an underwrite transaction that will more than double the insurance gross written premium in the coming year. Other opportunities exist and the board and management will continue to explore these.

GENEVA FINANCE LIMITED

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2017

	Group	
	Un Audited 2017 \$000's	Audited 2016 \$000's
Interest income	11,357	9,213
Interest expense	3,456	3,372
Net interest income	7,901	5,841
Net premium revenue	2,469	1,342
Other revenue	1,593	1,675
Operating revenue (net of interest expense)	11,963	8,858
Net claims expense	(540)	(229)
Operating expenses	(7,257)	(6,484)
Operating profit	4,166	2,145
Impaired asset release	(351)	234
Net profit before taxation	3,815	2,379
Taxation expense	(1,318)	(1,150)
Net profit after taxation	5,133	3,529
Profit per share		
Basic profit per share (cents)	7.29	5.10

GENEVA FINANCE LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2017

	Group	
	Un Audited 2017 \$000's	Audited 2016 \$000's
Net profit after taxation	5,133	3,529
Items that may be subsequently reclassified to profit or loss		
Movement in fair value of available for sale equity securities	159	313
Cash flow hedge, net of tax	371	(173)
	530	140
Other comprehensive income, net of tax	530	140
Total comprehensive income	5,663	3,669

GENEVA FINANCE LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2017

	Group	
	Un Audited	Audited
	2017	2016
	\$000's	\$000's
Assets		
Cash and cash equivalents	11,072	8,025
Financial assets at fair value through profit or loss	475	630
Available for sale equity securities	3,190	3,031
Prepayments and other debtors	250	203
Taxation receivable	11	15
Finance receivables	64,077	54,576
Deferred insurance contract acquisition costs	1,400	1,082
Deferred taxation	3,113	1,796
Intangible assets	471	180
Plant and equipment	117	90
Total assets	84,176	69,628
Liabilities		
Accounts payable and accruals	1,755	859
Outstanding claims liability	338	252
Employee entitlements	223	211
Unearned premium liability	2,772	2,272
Derivative financial instruments	149	520
Term facilities	46,127	40,408
Other borrowings	7,950	4,850
Total liabilities	59,314	49,372
Equity		
Share capital	51,287	51,287
Retained earnings	(27,231)	(31,307)
Cash flow hedge reserve	(149)	(520)
Available for sale equity reserve	955	796
Total equity	24,862	20,256
Total equity and liabilities	84,176	69,628
Net tangible assets per share	0.30	0.26

GENEVA FINANCE LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2017

	Group Un Audited					Total equity \$000's
	Share Capital \$000's	Share option reserve \$000's	Retained earnings \$000's	Cash flow hedge reserve \$000's	Available for sale equity reserve \$000's	
Balance at 1 April 2015	50,764	240	(35,076)	(347)	483	16,064
Net profit for the period	-	-	3,529	-	-	3,529
Other comprehensive income						
Increase in available for sale equity reserve	-	-	-	-	313	313
Change in cash flow hedge reserve, net of tax	-	-	-	(173)	-	(173)
Total other comprehensive income	-	-	-	(173)	313	140
Total comprehensive income	-	-	3,529	(173)	313	3,669
Transaction with owners						
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)
Total transactions with owners	523	(240)	240	-	-	523
Balance at 31 March 2016	51,287	-	(31,307)	(520)	796	20,256
Net profit for the period	-	-	5,133	-	-	5,133
Other comprehensive income						
Change in cash flow hedge reserve, net of tax	-	-	-	371	-	371
Total other comprehensive income	-	-	-	371	159	530
Total comprehensive income	-	-	5,133	371	159	5,663
Transaction with owners						
Dividend relating to 2016 paid	-	-	(1,057)	-	-	(1,057)
Total transactions with owners	-	-	(1,057)	-	-	(1,057)
Balance at 31 March 2017	51,287	-	(27,231)	(149)	955	24,862

GENEVA FINANCE LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2017

	Group	
	Un Audited	Audited
	2017	2016
	\$000's	\$000's
Cash flow from operating activities:		
Cash was provided from:		
Interest received	10,220	8,525
Dividends Received	163	170
Receipts from insurance policy sales, collections activities and other	4,140	3,847
Proceeds from collections made on purchased debt ledger	434	423
	14,957	12,965
Cash was applied to:		
Net movement in finance receivables	(8,652)	(11,918)
Interest paid	(3,456)	(3,372)
Payments to suppliers and employees	(7,120)	(7,022)
	(19,228)	(22,312)
Net cash outflow from operating activities	(4,271)	(9,347)
Cash flows from investing activities:		
Cash was provided from:		
Proceeds from the sale of plant and equipment	-	12
	-	12
Cash was applied to:		
Purchase of plant and equipment	(66)	(38)
Purchase of intangible assets	(359)	(153)
Purchase of third-party debt ledger		(143)
	(425)	(334)
Net cash outflow from investing activities	(425)	(322)
Cash flows from financing activities:		
Cash was provided from:		
Net movement of term facilities: Westpac	5,700	10,170
Net movement of term facilities: Kiwi Bank	-	3,400
Net movement of other borrowings	3,100	-
Issue of new shares	-	380
	8,800	13,950
Cash was applied to:		
Net movement of other borrowings	(1,057)	(348)
Payments relating to the issue of new shares	-	(2)
	(1,057)	(350)
Net cash inflow from financing activities	7,743	13,600
Net increase in cash and cash equivalents held	3,047	3,931
<i>Add: Opening cash and cash equivalents balance at the beginning of the year</i>	<i>8,025</i>	<i>4,094</i>
Cash and cash equivalents at the end of the year	11,072	8,025
Represented by:		
Cash at bank	11,072	8,025
Cash and cash equivalents at the end of the year	11,072	8,025

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 and have 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 the holding of a property investment and raising debt to advance to Corporate segment. During the prior period the property investment property was transferred to the Insurance 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 2017

\$'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 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	-	-	-	41
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

\$'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 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)	2,971	475	552	112	(553)	2,379
Taxation 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

\$'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

b) By geographical segment

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