

GENEVA FINANCE LIMITED – Full Results

GENEVA FINANCE LIMITED RESULTS FOR ANNOUNCEMENT TO THE MARKET

Reporting period: 12 months to 31 March 2018.

Previous reporting period: 12 months to 31 March 2017.

Geneva Finance has confirmed the Group's results for the reporting period for the 12 months to 31 March 2018.

The results, as follows, includes the percentage change for the previous reporting period of the 12 months to 31 March 2017.

Revenue from ordinary activities:

\$18,992,000 23% increase

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

\$6,123,000 19% increase

Profit/(Loss) attributable to security holders:

\$6,123,000 19% increase

Interim/final dividend: \$1,585,000

Amount per security: \$0.0225

Imputed amount per security: \$0.00

Record date: 29 June 2018

Dividend payment date: 6 July 2018

Comments:

Financial Result (12 months to 31st March 2018)

The after tax unaudited* financial result for the year was a profit of \$6.1m vs a \$5.1m in 2017.

* Audit is currently in progress

GENEVA FINANCE Managing Director, David O'Connell says: "From a profitability perspective, it has been a satisfactory year with revenues up 23% and profit up 19%. In addition, a combination of operational changes and acquisitions has positioned each of the business segments to build on this platform. As a result the Directors are pleased to announce a 12.5% increase in the June 18 dividend to 2.25 cps."

Business Sector Performance:

Geneva Financial Services- Lending: Mar 18 pretax profit \$5.5m (Mar 17 \$4.5m) up 22%

A good result with the increase in profit being due the receivables ledger increase of 7.4% and operating costs being contained. We have again, moved our lending mix towards the tier one, customer profile, and are focusing on technology solutions to improve efficiencies and further mitigate the risk of operating in the lower tier profiles. Asset quality remains good and contractual yields, though lower than prior year, were maintained at budgeted levels.

Quest Insurance Group- Insurance: Mar 18 pretax profit \$0.9m (Mar 17 \$0.9m)

The Janssen's distribution arrangement (announced 1 Apr 17) and growth through the Quest direct channel delivered a 270% growth in gross written premium to \$8.3m. However, the benefits of this increase are not reflected in the profit result achieved by Quest, with the Mar 18 profit of \$0.9m being the same as the prior year. The main reason being: premium revenue is deferred over the life of the insurance policy with the deferred amount held in the "unearned premium" account in the balance sheet, which now stand at \$7.1m an increase of \$4.3m over the March 2017 balance.

We expect this “effect” to normalize during the coming year when the benefits of the March 18 increased premium sales begin to flow into the revenue statement.

Stellar Collections: Mar 18 pretax profit \$0.6m (Mar 17 \$0.2m) up 200%.

The profit increase was achieved by maintaining cash collections on the aged, on balance sheet receivables, supplemented by profits from the MFL business that was acquired on 1 December 2017. MFL is an IT based, business to business debt collection operation, that expands SCL’s debt collection offering and complements the existing personal loan debt collection services.

Geneva Capital - Invoice Factoring: Mar 18 pretax loss \$0.0m (Mar 17 \$0.0m)

Pacific Rise Limited’s name was changed to, Geneva Capital Limited on 8 March 2018. GCL incurred a small loss as costs incurred in March in preparation for acquisition of the invoice finance operation were expensed. GCL commenced trading in April 2018. This acquisition adds another finance product that complement the group’s existing financial services offer.

Parent Company (Geneva Finance, Corporate) Mar 18 pretax loss \$2.4m (Mar 17 \$1.8m loss)

The Group has approximately \$5.7m (tax effected) of tax losses available and has recognized additional \$1.6m 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 \$12.2m up \$0.9m (+8%) on last year. Net insurance premium income of \$4.1m up \$1.6m (+67%) reflects the addition of the two new insurance introducer channels. Other income amounted to \$2.6m, up \$1m and includes revenue from the new MFL business segment (+65%).

Operating Costs:

Group total operating costs increased by 26%. The main driver of this increase being the additional interest and insurance commissions paid to introducers.

Balance Sheet:

The net receivables ledger increased to \$68.2m (+6%). Term debt increased to \$51.9m and other borrowings remained at \$8m. The Group’s equity to total assets ratio of 29.4% is a slight decrease on prior the prior year’s 29.5%.

Funding:

The securitization facility’s annual review was completed in August 2017 and the facility was extended through to July 2019. 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.

Summary:

During the year we have seen good growth in our core Lending, Insurance and debt collection operations and in addition have made two small acquisitions (one was finalized in April 18), both complement existing operations and include “IT” solutions to streamline and bring increased efficiency to lending and debt collection processes. Overall a good result which we are well positioned to build on.

Strategic Direction:

The group remains committed to the core Finance, Insurance and Debt collection operations and considers acquisition of complementary businesses and investment in ‘smart It solutions’ as the key factors going forward. We have a strong balance sheet and are actively looking at other opportunities to pursue.

GENEVA FINANCE LIMITED

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2018

	Group	
	Un Audited	Audited
	2018 \$000's	2017 \$000's
Interest income	12,242	11,357
Interest expense	3,584	3,456
Net interest income	8,658	7,901
Net premium revenue	4,126	2,469
Other revenue	2,624	1,593
Operating revenue (net of interest expense)	15,408	11,963
Net claims expense	(1,399)	(540)
Operating expenses	(9,122)	(7,257)
Operating profit	4,887	4,166
Impaired asset release	(363)	(351)
Net profit before taxation	4,524	3,815
Taxation expense	1,599	1,318
Net profit after taxation	6,123	5,133
Profit per share		
Basic profit per share (cents)	8.69	7.29

GENEVA FINANCE LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2018

	Group	
	Un Audited	Audited
	2018 \$000's	2017 \$000's
Net profit after taxation	6,123	5,133
Items that may be subsequently reclassified to profit or loss		
Movement in fair value of available for sale equity securities	200	159
Cash flow hedge, net of tax	96	371
	296	530
Other comprehensive income, net of tax	296	530
Total comprehensive income	6,419	5,663

GENEVA FINANCE LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2018

	Group	
	Un Audited	Audited
	2018	2017
	\$000's	\$000's
Assets		
Cash and cash equivalents	14,473	11,072
Financial assets at fair value through profit or loss	423	475
Available for sale equity securities	3,390	3,190
Prepayments and other debtors	3,649	250
Taxation receivable	11	11
Finance receivables	68,157	64,077
Deferred insurance contract acquisition costs	2,733	1,400
Deferred taxation	4,564	3,114
Intangible assets	1,791	471
Plant and equipment	128	117
Total assets	99,319	84,177
Liabilities		
Accounts payable and accruals	2,209	1,705
Outstanding claims liability	570	338
Employee entitlements	313	274
Unearned premium liability	7,085	2,772
Derivative financial instruments	53	149
Term facilities	51,971	46,127
Other borrowings	7,950	7,950
Total liabilities	70,151	59,315
Equity		
Share capital	51,287	51,287
Retained earnings	(23,221)	(27,231)
Cash flow hedge reserve	(53)	(149)
Available for sale equity reserve	1,155	955
Total equity	29,168	24,862
Total equity and liabilities	99,319	84,177
Net tangible assets per share	0.32	0.30

GENEVA FINANCE LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018

	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 2016	51,287	-	(31,307)	(520)	796	20,256
Net profit for the period	-	-	5,133	-	-	5,133
Other comprehensive income						
Increase in available for sale equity reserve	-	-	-	-	159	159
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
Net profit for the period	-	-	6,123	-	-	6,123
Other comprehensive income						
Change in cash flow hedge reserve, net of tax	-	-	-	96	-	96
Total other comprehensive income	-	-	-	96	200	296
Total comprehensive income	-	-	6,123	96	200	6,419
Transaction with owners						
Dividend relating to 2017 paid	-	-	(2,113)	-	-	(2,113)
Total transactions with owners	-	-	(2,113)	-	-	(2,113)
Balance at 31 March 2018	51,287	-	(23,221)	(53)	1,155	29,168

GENEVA FINANCE LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2018

	Group	
	Un Audited 2018 \$000's	Audited 2017 \$000's
Cash flow from operating activities:		
Cash was provided from:		
Interest received	10,968	10,220
Dividends Received	231	163
Receipts from insurance policy sales, collections activities and other	10,547	4,140
Proceeds from collections made on purchased debt ledger	387	434
	22,133	14,957
Cash was applied to:		
Net movement in finance receivables	(2,976)	(8,652)
Interest paid	(3,584)	(3,456)
Payments to suppliers and employees	(14,467)	(7,120)
	(21,027)	(19,228)
Net cash outflow from operating activities	1,106	(4,271)
Cash flows from investing activities:		
Cash was applied to:		
Purchase of plant and equipment	(53)	(66)
Purchase of intangible assets	(245)	(359)
Purchase of Investments	(1,140)	-
	(1,438)	(425)
Net cash outflow from investing activities	(1,438)	(425)
Cash flows from financing activities:		
Cash was provided from:		
Net movement of term facilities: Westpac	5,846	5,700
Net movement of other borrowings	-	3,100
	5,846	8,800
Cash was applied to:		
Dividends paid to company shareholders	(2,113)	(1,057)
	(2,113)	(1,057)
Net cash inflow from financing activities	3,733	7,743
Net increase in cash and cash equivalents held	3,401	3,047
<i>Add: Opening cash and cash equivalents balance at the beginning of the year</i>	<u>11,072</u>	<u>8,025</u>
Cash and cash equivalents at the end of the year	<u>14,473</u>	<u>11,072</u>
Represented by:		
Cash at bank	14,473	11,072
Cash and cash equivalents at the end of the year	<u>14,473</u>	<u>11,072</u>

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: During the period the property investment segment was renamed and will be used as a the Groups new invoice finance segment. This segment will become the Invoice Financing Segment post balance date.

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 2018

\$'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 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

\$'000	Corporate	New Business	Insurance	Old Business	Property	Eliminations	Group
Segment assets							
Total assets	40,364	81,900	17,621	10,505	-	(51,071)	99,319
Additions to non current assets	28	167	85	18	-	-	298
Segment liabilities							
Total liabilities	33,017	63,291	8,339	4,320	-	(38,816)	70,151

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

b) By geographical segment

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

Acquisitions of business operations in the year ending 31 March 2018

Acquisition of MFL Services's business operation

On 1 December 2017, the Group acquired MFL Services business operation, a debt collection agency, as part of a business combination. MFL was acquired by Stellar Collections Limited.

	01/12/2017
	\$'000
Fair Value of consideration transferred	
Cash	<u>1,150</u>
Identified assets acquired and liabilities assumed	
Property plant and equipment	10
Intangible assets - customer relationships	530
Deferred tax	<u>(148)</u>
Identifiable net assets	<u>392</u>
Goodwill on acquisition	758
Consideration transferred settled in cash	<u>1,150</u>
Net cash outflow on acquisition	<u>1,150</u>

Identified assets acquired and liabilities assumed

The fair value of the customer relationships has been determined using the multi-period excess earnings method.

Goodwill

The consideration transferred was \$1.150m. The goodwill of \$0.758m is related to the excess consideration over the fair value of net assets at the acquisition date.

Contribution to Group results

In the four months to 31 March 2018 the business contributed revenue of \$0.39m and profit of \$0.12m to the Group's consolidated results.