

Geneva Finance Limited – Full Year Results

GENEVA FINANCE LIMITED RESULTS FOR ANNOUNCEMENT TO THE MARKET

Reporting period: 12 months to 31 March 2010
Previous reporting period: 12 months to 31 March 2009

Geneva Finance has confirmed the Group's results for the reporting period for the 12 months to 31 March 2010.

The results, as follows, include the percentage change for the previous reporting period of the 12 months to 31 March 2010.

Revenue from ordinary activities:
\$23,731,000 39% down

Profit/(Loss) from ordinary activities after tax attributable to security holders:
(\$4,990,000) 29% improvement

Profit/(Loss) attributable to security holders:
(\$4,990,000) 29% improvement

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 March 2010)

The after tax financial result for the year was a loss of \$5.0m vs a loss of \$7.0m in 2009. The March 2010 result is after charging the non cash write off of \$4.1m of deferred tax asset. This deferred tax asset written off remains available to be brought to profit in future periods to the extent future taxable profits are earned. On a pretax basis the Group incurred a loss of \$0.876m (compared to \$6.565m in March 2009).

Interest Bearing Repayment Plan

In March 2010, investors approved the interest bearing repayment plan with an overwhelming positive vote. As a result the Company has proactively dealt with the debt maturity profile reported in the September 2009 accounts and rescheduled its debt repayment obligations out to 31 March 2015.

Comparison to forecasts:

The Interest bearing repayment plan incorporated a set of forecasts for the year to 31 March 2015. While the profit forecast to 31 March 10 was not achieved, the major variances were accounting policy related and of a non cash nature and as evidenced by the fact that at 31 March 2010 the group had cash and facilities on hand that were \$3.531m greater than that forecast. The profit shortfall against that forecast was \$2,514k, which comprised an additional \$880k non cash additional write off of the

deferred tax asset; \$1,110k of expenses primarily comprising accelerated future forecast depreciation and provisioning for future forecast lease costs and \$523k lower cash revenue as a consequence of lower lending volumes and one off abnormal costs in February and March 2010.

Fundamental uncertainty:

In their audit report, the auditors (as in the September 2009 audit report) have raised a fundamental uncertainty as to the carrying value of both the Deferred Tax asset and the Equity Securities Available for Sale in these accounts. In regard to:

- The Deferred tax asset (Carrying Value: \$2.5m), the company and the group have concluded that it is probable that they will utilise the value of this asset based on future earnings forecasts. If these forecasts are not achieved it may be necessary to make further (non cash) write down of this asset.
- Equity Securities available for sale: This investment relates to an unlisted property investment company and is recorded at cost (Carrying Value: \$2.2m). That property company's March 2009 audited accounts include a fundamental uncertainty in respect to the going concern assumption.

Investor Repayments:

As at 31 March 2010 the company has repaid paid 55% of all debenture principal outstanding at November 2007 (The date Geneva entered moratorium) and in addition has paid all investors their full contractual interest each month. In total Geneva has repaid \$90.1m in principal and interest to investors since November 2007. We would like to take this opportunity to thank our investors for their continued support over the years.

Restructuring and Rebuilding

This process has three components:

- (i) Grow lending while maintaining asset quality: During the year under review the company has made a number of key management appointments to complement the changes in the target customer profile. It is expected that the benefits of these changes will be reflected in the coming financial year.
- (ii) Minimizing operating costs: This process of continuous improvement which has delivered a \$20.2m reduction in annual operating costs since November 2007 has been maintained, and as a result operating cost in the March 2010 year are \$5.4m lower than the March 09 year.
- (iii) Attract new equity and debt. The approval of the Interest Bearing Repayment Plan in March 2010 has set the platform for achieving this goal. That plan identified the raising further equity and debt as key assumptions for Geneva's future.

Strategic Direction

The company is committed to the consumer finance sector. The go-forward plan of the company is threefold.

- Build on and expand the distribution channels for the company's products in a manner that adds value to our customers and the company.

- Continue to develop revenue growth opportunities that are not funding-dependent.
- Pursue opportunities to attract new equity and additional debt.

Economic Outlook

While the current economic climate remains difficult, there are signs of improvement but it is our expectation that the economic recovery will be slow. In terms of the companies operations, the concern reported in September regarding the impact of this economic climate on the collectability of the old ledger remains.

Summary

Despite the difficult economic environment, Geneva has continued to make principal and interest repayments to investors and at the date of this report has repaid \$90.1m of principal and interest. This repayment program has been achieved by contracting the receivables ledger, and then reducing operating costs to offset falling income to protect shareholder wealth. While doing this the company's business processes have been restructured and rebuilt to focus on a more profitable market segment. The approval of the interest bearing repayment plan in March 2010, has provided a level of funding that is manageable and proactively deals with the debt maturity profile reported in the September 2009 accounts. The key challenge is, attracting new equity and debt. Achieving this will give the company the opportunity to capitalise on the work done to date, in the restructuring and rebuilding of the Geneva business model, and take advantage of profitable growth opportunities as the markets normalise. The board and management are committed to making every endeavour to deliver on this challenge.

GENEVA FINANCE LIMITED

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2010

	Group		Company	
	Audited 2010 \$000's	Audited 2009 \$000's	Audited 2010 \$000's	Audited 2009 \$000's
Interest income	15,441	27,335	15,534	27,325
Interest expense	7,406	12,424	7,464	12,301
Net interest income	8,035	14,911	8,070	15,024
Net premium revenue	2,797	4,660	-	-
Other revenue	5,493	6,756	1,675	2,476
Operating revenue (net of interest expense)	16,325	26,327	9,745	17,500
Net claims expense	687	960	-	-
Operating expenses	14,628	20,054	9,581	13,860
Operating profit	1,010	5,313	164	3,640
Impaired asset expense	1,886	11,878	2,604	11,878
Net loss before taxation	(876)	(6,565)	(2,440)	(8,238)
Taxation expense/(benefit)	4,114	433	3,659	417
Net loss after taxation	(4,990)	(6,998)	(6,099)	(8,655)
Loss per share				
Basic loss per share (cents)	(6.20)	(9.34)		

GENEVA FINANCE LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2010

	Group		Company	
	Audited 2010 \$000's	Audited 2009 \$000's	Audited 2010 \$000's	Audited 2009 \$000's
Net loss	(4,990)	(6,998)	(6,099)	(8,655)
Other comprehensive income:				
Cash flow hedge	407	(1,031)	407	(1,031)
Property revaluation	(413)	-	-	-
Income tax relating to cash flow hedge	(123)	309	(123)	309
Other comprehensive income, net of tax	(129)	(722)	284	(722)
Total comprehensive income	(5,119)	(7,720)	(5,815)	(9,377)

GENEVA FINANCE LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2010

	Group		Company	
	Audited 2010 \$000's	Audited 2009 \$000's	Audited 2010 \$000's	Audited 2009 \$000's
Assets				
Cash and cash equivalents	4,707	8,125	3,145	5,715
Equity securities - available for sale	2,235	2,235	-	-
Prepayments and sundry debtors	337	1,067	243	601
Taxation receivable	9	211	-	109
Finance receivables	59,191	79,708	59,191	79,708
Other loans receivable	-	-	3,739	4,684
Investments in subsidiary	-	-	2,794	2,794
Deferred acquisition costs	861	1,551	-	-
Financial assets designated at fair value through profit and loss	2,832	3,433	-	-
Deferred taxation	2,466	6,694	2,466	6,247
Intangible assets - computer software	856	1,520	810	1,490
Fixed assets	5,809	6,969	1,309	1,900
Total assets	79,303	111,513	73,697	103,248
Liabilities				
Accounts payable and accruals	1,669	1,492	1,444	1,042
Outstanding claims liability	188	246	-	-
Employee entitlements	176	283	143	221
Unearned premium liability	2,055	3,608	-	-
Derivative financial instruments	624	1,031	624	1,031
Term facility	24,000	34,627	24,000	34,627
Unsecured loans	615	915	-	-
Debentures	31,271	45,473	32,461	45,473
Subordinated notes	4,444	4,458	4,444	4,458
Total liabilities	65,042	92,133	63,116	86,852
Equity				
Share capital	37,699	37,699	37,699	37,699
Other reserves	690	1,103	-	-
Retained earnings	(23,690)	(18,700)	(26,680)	(20,581)
Cash flow hedge	(438)	(722)	(438)	(722)
Total equity	14,261	19,380	10,581	16,396
Total equity and liabilities	79,303	111,513	73,697	103,248
Total tangible assets per share (cents)	94	128		

GENEVA FINANCE LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2010

	Group (audited)				
	Share capital \$000's	Revaluation reserve \$000's	Retained earnings \$000's	Cash flow hedge \$000's	Total equity \$000's
Balance at 1 April 2008	13,283	1,103	(11,702)	-	2,684
Capital reconstruction	23,299	-	-	-	23,299
Shares issued for purchase of subsidiaries	1,294	-	-	-	1,294
Share issue costs	(127)	-	-	-	(127)
Shares cancelled	(50)	-	-	-	(50)
Net loss for the year	-	-	(6,998)	-	(6,998)
Change cash flow hedge, net of tax	-	-	-	(722)	(722)
Balance at 31 March 2009	37,699	1,103	(18,700)	(722)	19,380
Net loss for the year	-	-	(4,990)	-	(4,990)
Decrease in revaluation reserve	-	(413)	-	-	(413)
Change cash flow hedge, net of tax	-	-	-	284	284
Balance at 31 March 2010	37,699	690	(23,690)	(438)	14,261

	Company (audited)			
	Share capital \$000's	Retained earnings \$000's	Cash flow hedge \$000's	Total equity \$000's
Balance at 1 April 2008	13,283	(11,926)	-	1,357
Capital reconstruction	23,299	-	-	23,299
Shares issued for purchase of subsidiaries	1,294	-	-	1,294
Share issue costs	(127)	-	-	(127)
Shares cancelled	(50)	-	-	(50)
Net loss for the year	-	(8,655)	-	(8,655)
Change in cash flow hedge, net of tax	-	-	(722)	(722)
Balance at 31 March 2009	37,699	(20,581)	(722)	16,396
Net loss for the year	-	(6,099)	-	(6,099)
Change in cash flow hedge, net of tax	-	-	284	284
Balance at 31 March 2010	37,699	(26,680)	(438)	10,581

GENEVA FINANCE LIMITED

STATEMENT OF CONSOLIDATED CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2010

	Group		Company	
	Audited 2010 \$000's	Audited 2009 \$000's	Audited 2010 \$000's	Audited 2009 \$000's
Cash flow from operating activities:				
Cash was provided from:				
Interest received	15,246	26,277	15,339	26,267
Receipts from other sources	6,757	8,091	1,675	2,476
Proceeds from financial assets at fair value	601	894	-	-
Net movement in finance receivables	19,025	30,838	19,025	30,838
	41,629	66,100	36,039	59,581
Cash was applied to:				
Interest paid	(7,406)	(12,424)	(7,464)	(12,301)
Payments to suppliers and employees	(12,126)	(19,725)	(7,245)	(13,913)
Tax receipts/(payments)	194	639	108	426
	(19,338)	(31,510)	(14,601)	(25,788)
Net Cash inflow/(outflow) from operating activities	22,291	34,590	21,438	33,793
Cash flows from investing activities:				
Cash was provided from:				
Other Loan Receivables	-	-	227	-
Proceeds from the sale of fixed assets	102	232	58	261
	102	232	285	261
Cash was applied to:				
Other Loan Receivables	-	-	-	(1,306)
Purchase of fixed assets and intangible assets	(498)	(243)	(470)	(181)
Investment in subsidiary	-	-	-	(1,500)
	(498)	(243)	(470)	(2,987)
Net cash inflow/(outflow) from investing activities	(396)	(11)	(185)	(2,726)
Cash flows from financing activities:				
Cash was provided from:				
Proceeds from share issue	-	727	-	727
	-	727	-	727
Cash was applied to:				
Repayment of term facilities	(11,000)	(8,609)	(11,000)	(8,000)
Repayment of debentures	(13,999)	(37,688)	(12,809)	(37,688)
Repayment of unsecured loans	(300)	(2,141)	-	-
Repayment of subordinated loans and notes	(14)	(992)	(14)	(992)
Repayment of deposits and savings accounts	-	(882)	-	(882)
	(25,313)	(50,312)	(23,823)	(47,562)
Net cash (outflow)/inflow from financing activities	(25,313)	(49,585)	(23,823)	(46,835)
Net increase/(decrease) in cash held	(3,418)	(15,006)	(2,570)	(15,768)
<i>Add:</i> Opening cash balance	8,125	21,483	5,715	21,483
Cash on purchase of subsidiaries	-	1,648	-	-
Balance at end of year	4,707	8,125	3,145	5,715