Geneva Finance Limited – Full Year Results

GENEVA FINANCE LIMITED
RESULTS FOR ANNOUNCEMENT TO THE MARKET

Reporting period: 12 months to 31 March 2011
Previous reporting period: 12 months to 31 March 2010

Geneva Finance has confirmed the Group's results for the reporting period for the 12 months to 31 March 2011.

The results, as follows, include the percentage change for the previous reporting period of the 12 months to 31 March 2011.

Revenue from ordinary activities:
$15,509,000 35% down

Profit/(Loss) from ordinary activities after tax attributable to security holders:
($8,649,000) 73% down

Profit/(Loss) attributable to security holders:
($8,649,000) 73% down

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:

Audited Financial Result (12 months to 31 March 2011)
The after tax financial result for the year was a loss of $8.6m vs a loss of $5.0m in 2010.

Variance from Unaudited results released on 14th June 2011
The primary variance between the unaudited results as released on the 14th June and the audited result per this release is, as per the NZX notice of the 30th June , the directors have decided to write off the deferred tax asset as below.

Write-off of Deferred Tax Asset:

In the announcement of the 14th June the Company disclosed the auditors' emphasis of matter on the deferred tax asset on the Company's statement of financial position.

The directors have since resolved to take a more conservative approach in reporting the Group's financial position and write off the deferred tax asset. As a consequence:

- The deferred tax asset will be written off the statement of financial position and expensed through the income statement, as "taxation expense" and the loss after tax will increase by approximately $2.4m.
- This is a "Non Cash" transaction and no tax is payable as a result of this transaction.
- This deferred tax asset will be disclosed as an unrecognized asset of the Company under NOTE 22 "Taxation" in the accounts.
- There is no change in the legal status of these tax losses and they remain available to the Company for off-set against future income.
- The deferred tax asset is already excluded from the Company's regulatory and funding covenants; consequently this transaction will have no affect on the Company's present or future ability to meet those covenants.
- The auditors "emphasis of matter" comment in regard to the deferred tax asset, in their audit report on the results for the year ending 31 March 2011 will be removed.

Performance by Business Sector:
On the 31st March 2011, Geneva's shareholders approved the restructuring of the group into four trading divisions. While this structure was not in place for the March 11 year, the March 11 result re-allocated to reflect this restructuring is as follows:

	After Tax profit $M
• New Business Model	0.6
• Insurance Operations	0.2
• Property Business	0.4
• Old Business Model	(7.4)
• Deferred Tax write off	(2.4)
	(8.6)

The New business model moved into profit in the March 11 year and is the primary focus of the board and management in terms of expanding future profitability. It operates in a market segment where there has been a significant reduction in competitors and there are high barriers to entry. The insurance operation continues to deliver profits and both of these operations are well positioned to expand as the economy normalises. The group's only directly owned property is the head office at Mt Wellington, the upper floor of which is tenanted by group companies. This operation's profitability is determined by the rental received from its tenancies. The losses for the year are directly attributed to the performance of the old business model ledger(s). The March 11 result includes an additional provisioning of $3.9m on the old receivables ledgers. While exiting these ledgers is proving costly, unlike the new business model, where there is an opportunity to expand profitability, the old business model ledgers have a finite, reducing cost of exit.

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 rescheduled its debt repayment obligations out to 31 March 2015. Since March 10 the group has met all interest and principal repayments per this plan, except that on 30th June 10, the scheduled September principal repayment was repaid 3 months ahead of the plan, and on the 4th February 2011, the scheduled March repayment was repaid just under two months ahead of the plan.

Comparison to forecasts:

The Interest bearing repayment plan incorporated a set of prospective financial statements for the years to 31 March 2015. The prospective profit for the year ended 31 March 2011 was not achieved. The profit shortfall against the prospective financial statements was $7.6m, which comprised an additional $3.9m impaired asset expense relating to the collectability of the old ledger(s), the write off of the deferred tax asset of $2.4m and a shortfall in projected income from new lending and third party debt collection activities totalling $3.2m offset by $1.9m of operating cost savings.

Investor Repayments:

As at 31 March 2011 the company has repaid paid 60% 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 $112.3m 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: The new business model asset has now had three years of seasoning and the yields and loss rates are performing within expectations. A core focus on the coming year is to maintain this progress and continue to expand the new business receivables while maintaining asset quality.

(ii) Minimizing operating costs: This process of continuous improvement which has delivered a $24.9m reduction in annual operating costs since November 2007 has been maintained, and as a result operating costs in the March 2011 year are $4.7m lower than the March 10 year.

(iii) Attract new equity and debt. On the 31st March 2011, subordinated note holders approved the conversion of $4.4m of subordinated notes to equity. This transaction has enhanced the equity position of the group. However the expansion of group profitability remains dependant on being able to attract and maintain further sustainable term debt.

Covenant Compliance

As per the NZX announcement of 30th June; As a result of receiving the appropriate waiver from its bankers in respect of the banking covenant breach disclosed to the NZX on the 14th June, the group complies with all its banking covenants.

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

The current economic climate remains difficult, it is our expectation that the economic recovery will be steady but slow. In terms of the companies operations, the concern reported in prior periods regarding the impact of this economic climate on the collectability of the old ledger remains.

New subsidiary company

Geneva Finance NZ Limited was incorporated on 8 October 2010 with Geneva Finance Limited as the sole share holder.

Subsequent events

Geneva Finance Limited was renamed to GFNZ Group Limited on 7 April 2011.

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 $112.3m of principal and interest. This repayment program has been achieved through the ongoing program of contracting the receivables ledger, and then reducing operating costs to offset falling income to protect shareholder wealth. In addition 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, and the successful subordinated note conversion to equity in March 11 has provided a level of equity and funding that is manageable, however to successfully expand the group the company will require to further debt funding over the coming year. The board and management are committed to making every endeavour to achieve this.

GENEVA FINANCE LIMITED

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2011

	Note	Group		Company	
		Audited	Audited	Audited	Audited
		2011	2010	2011	2010
		$000's	$000's	$000's	$000's
Interest income	(6)	9,824	15,441	9,954	15,534
Interest expense	(7)	5,996	7,406	6,197	7,464
Net interest income		3,828	8,035	3,757	8,070
Net premium revenue	(8)	1,986	2,797	-	-
Other revenue	(9)	3,699	5,493	1,009	1,675
Operating revenue (net of interest expense)		9,513	16,325	4,766	9,745
Net claims expense	(10)	597	687	-	-
Operating expenses	(11)	9,970	14,628	6,240	9,581
Operating profit		(1,054)	1,010	(1,474)	164
Impaired asset expense	(12)	5,129	1,886	5,218	2,604
Net loss before taxation		(6,183)	(876)	(6,692)	(2,440)
Taxation expense	(13)	2,466	4,114	2,466	3,659
Net loss after taxation		(8,649)	(4,990)	(9,158)	(6,099)
Loss per share					
Basic loss per share (cents)	(31)	(10.71)	(6.20)		

GENEVA FINANCE LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2011

	Group		Company	
	Audited	Audited	Audited	Audited
	2011	2010	2011	2010
	$000's	$000's	$000's	$000's
Net loss	(8,649)	(4,990)	(9,158)	(6,099)
Other comprehensive income:				
Cash flow hedge	566	407	566	407
Movement in fair value of available for sale equity securities	238	-	-	-
Movement in revaluation reserve	(129)	(413)	-	-
Income tax relating to cash flow hedge	-	(123)	-	(123)
Other comprehensive income, net of tax	675	(129)	566	284
Total comprehensive income	(7,974)	(5,119)	(8,592)	(5,815)

GENEVA FINANCE LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2011

	Note	Group		Company	
		Audited 2011 $000's	Audited 2010 $000's	Audited 2011 $000's	Audited 2010 $000's
Assets					
Cash and cash equivalents		2,313	4,707	958	3,145
Available for sale equity securities	(14)	2,473	2,235	-	-
Prepayments and sundry debtors		370	337	295	243
Taxation receivable		9	9	-	-
Finance receivables	(15)	48,938	59,191	48,938	59,191
Other loans receivable	(18)	-	-	3,377	3,739
Investments in subsidiaries	(19)	-	-	2,794	2,794
Deferred insurance contract acquisition costs	(20)	724	861	-	-
Financial assets designated at fair value through profit or loss	(21)	2,421	2,832	-	-
Deferred taxation	(22)	-	2,466	-	2,466
Intangible assets - computer software	(23)	689	856	653	810
Fixed assets	(24)	5,125	5,809	887	1,309
Total assets		63,062	79,303	57,902	73,697
Liabilities					
Accounts payable and accruals		1,144	1,669	1,013	1,444
Outstanding claims liability	(25)	231	188	-	-
Employee entitlements		163	176	133	143
Unearned premium liability	(26)	1,860	2,055	-	-
Derivative financial instruments	(27)	58	624	58	624
Term facility	(28)	23,200	24,000	23,200	24,000
Unsecured loans	(29)	-	615	-	-
Debentures	(29)	25,821	31,271	27,211	32,461
Subordinated notes	(29)	-	4,444	-	4,444
Total liabilities		52,477	65,042	51,615	63,116
Equity					
Share capital	(30)	41,997	37,699	41,997	37,699
Property revaluation reserve	(30)	561	690	-	-
Retained earnings		(32,339)	(23,690)	(35,838)	(26,680)
Cash flow hedge	(30)	128	(438)	128	(438)
Available for sale equity reserve	(30)	238	-	-	-
Total equity		10,585	14,261	6,287	10,581
Total equity and liabilities		63,062	79,303	57,902	73,697

GENEVA FINANCE LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2011

		Group (Audited)					
		Share Capital	Property revaluation reserve	Retained earnings	Cash flow hedge	Available for sale equity reserve	Total equity
		$000's	$000's	$000's	$000's	$000's	$000's
Balance at 1 April 2009		**37,699**	**1,103**	**(18,700)**	**(722)**	**-**	**19,380**
Net loss for the year		-	-	(4,990)	-	-	(4,990)
Other comprehensive income							
Decrease in property revaluation reserve	(24)	-	(413)	-	-	-	(413)
Change in cash flow hedge, net of tax	(27)	-	-	-	284	-	284
Total other comprehensive income		-	(413)	-	284	-	(129)
Total comprehensive income		**-**	**(413)**	**(4,990)**	**284**	**-**	**(5,119)**
Balance at 1 April 2010		**37,699**	**690**	**(23,690)**	**(438)**	**-**	**14,261**
Net loss for the year		-	-	(8,649)	-	-	(8,649)
Other comprehensive income							
Decrease in property revaluation reserve	(24)	-	(129)	-	-	-	(129)
Increase in available for sale equity reserve	(14)	-	-	-	-	238	238
Change in cash flow hedge, net of tax	(27)	-	-	-	566	-	566
Total other comprehensive income		**-**	**(129)**	**-**	**566**	**238**	**675**
Total comprehensive income		**-**	**(129)**	**(8,649)**	**566**	**238**	**(7,974)**
Transaction with owners							
Conversion of subordinated notes into shares	(30)	4,438	-	-	-	-	4,438
Share issue costs relating to the conversion of subordinated notes into shares	(30)	(140)	-	-	-	-	(140)
Total transactions with owners		**4,298**	**-**	**-**	**-**	**-**	**4,298**
Balance at 31 March 2011		**41,997**	**561**	**(32,339)**	**128**	**238**	**10,585**

		Company (Audited)					
		Share Capital	Property revaluation reserve	Retained earnings	Cash flow hedge	Available for sale equity reserve	Total equity
		$000's	$000's	$000's	$000's	$000's	$000's
Balance at 1 April 2009		**37,699**	**-**	**(20,581)**	**(722)**	**-**	**16,396**
Net loss for the year		-	-	(6,099)	-	-	(6,099)
Other comprehensive income							
Change in cash flow hedge, net of tax	(27)	-	-	-	284	-	284
Total other comprehensive income		**-**	**-**	**-**	**284**	**-**	**284**
Total comprehensive income		**-**	**-**	**(6,099)**	**284**	**-**	**(5,815)**
Balance at 1 April 2010		**37,699**	**-**	**(26,680)**	**(438)**	**-**	**10,581**
Net loss for the year		-	-	(9,158)	-	-	(9,158)
Other comprehensive income							
Change in cash flow hedge, net of tax	(27)	-	-	-	566	-	566
Total other comprehensive income		**-**	**-**	**-**	**566**	**-**	**566**
Total comprehensive income		-	-	(9,158)	566	-	(8,592)
Transaction with owners							
Conversion of subordinated notes into shares	(30)	4,438	-	-	-	-	4,438
Share issue costs relating to the conversion of subordinated notes into shares	(30)	(140)	-	-	-	-	(140)
Total transactions with owners		**4,298**	**-**	**-**	**-**	**-**	**4,298**
Balance at 31 March 2011		**41,997**	**-**	**(35,838)**	**128**	**-**	**6,287**

GENEVA FINANCE LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2011

	Note	Group		Company	
		Audited 2011 $000's	Audited 2010 $000's	Audited 2011 $000's	Audited 2010 $000's
Cash flow from operating activities:					
Cash was provided from:					
Interest received		9,821	15,246	9,951	15,339
Receipts from other sources		5,490	6,757	1,009	1,675
Proceeds from collections made on purchase debt ledger		411	601	-	-
Net movement in finance receivables		5,149	19,025	5,149	19,025
Taxation receipts		-	194	-	108
		20,871	41,823	16,109	36,147
Cash was applied to:					
Interest paid		(5,996)	(7,406)	(6,197)	(7,464)
Payments to suppliers and employees		(9,963)	(12,126)	(5,837)	(7,245)
		(15,959)	(19,532)	(12,034)	(14,709)
Net cash inflow from operating activities	(33)	4,912	22,291	4,075	21,438
Cash flows from investing activities:					
Cash was provided from:					
Other loan receivables		-	-	273	227
Proceeds from the sale of fixed assets		63	103	11	61
		63	103	284	288
Cash was applied to:					
Purchase of fixed assets and intangible assets		(181)	(499)	(173)	(473)
		(181)	(499)	(173)	(473)
Net cash inflow/(outflow) from investing activities		(118)	(396)	111	(185)
Cash flows from financing activities:					
Cash was applied to:					
Repayment of term facilities		(800)	(11,000)	(800)	(11,000)
Repayment of debentures		(5,627)	(13,999)	(5,427)	(12,809)
Repayment of unsecured loans		(615)	(300)	-	-
Repayment of subordinated notes and loans		-	(14)	-	(14)
Payments relating to the conversion of subordinated notes to shares		(146)	-	(146)	-
		(7,188)	(25,313)	(6,373)	(23,823)
Net cash outflow from financing activities		(7,188)	(25,313)	(6,373)	(23,823)
Net decrease in cash and cash equivalents held		(2,394)	(3,418)	(2,187)	(2,570)
Add: Opening cash and cash equivalents balance		4,707	8,125	3,145	5,715
Cash and cash equivalents at the end of the year		**2,313**	**4,707**	**958**	**3,145**
Represented by:					
Cash at bank		2,313	4,707	958	3,145
Cash and cash equivalents at the end of the year		**2,313**	**4,707**	**958**	**3,145**

35. Segment analysis

a) By operating segment

The Group is divided into three main operating segments:

- Consumer finance: incorporating the issue of debt securities and the lending of money to individuals, companies and other entities.
- Insurance: issuing of temporary life insurance contracts covering death, disablement and redundancy risks and short term motor vehicle contracts covering comprehensive, third party and mechanical breakdown risk.

- Debt collection.
- Other: Property company

Each segment is operated as a discrete business and transactions between business segments are on normal commercial terms and conditions. The eliminations arise from transactions between the segments and are predominantly interest, debt collection charges

Group summary revenues and results for the year ended 31 March 2011

$'000	Consumer finance	Insurance	Debt Collection	Other	Eliminations	Group
External revenues	10,758	2,079	2,537	135		15,509
Revenue - other segments	205	213	-	284	(702)	-
Total	10,963	2,292	2,537	419	(702)	15,509
Segment results	(6,692)	226	355	(161)	89	(6,183)
Taxation expense	2,466	-	-	-	-	2,466
Net loss after taxation	(9,158)	226	355	(161)	89	(8,649)
Interest income	9,954	283	5	-	(418)	9,824
Interest expense	6,197	-	217	-	(418)	5,996
Depreciation	480	-	85	-	-	565
Amortisation	262	-	15	-	-	277
Other material non-cash items:						
Impaired assets expense	5,218	-	-	-	(89)	5,129

Group summary assets and liabilities as at 31 March 2011

$'000	Consumer finance	Insurance	Debt Collection	Other	Eliminations	Group
Segment assets						
Total assets	57,902	3,890	1,545	4,405	(4,680)	63,062
Additions to non current assets	173	-	8	-	-	181
Segment liabilities						
Total liabilities	51,615	2,086	1,753	2,578	(5,555)	52,477

Group summary cash flow for the year ended 31 March 2011

$'000	Consumer finance	Insurance	Debt Collection	Other	Eliminations	Group
Net cash inflow/(outflow) from operating activities	4,075	131	(129)	426	409	4,912
Net cash inflow/(outflow) from investing activities	111	77	459	-	(765)	(118)
Net cash (outflow)/inflow from financing activities	(6,373)	(200)	(545)	(426)	356	(7,188)
Net increase/(decrease) in cash held	(2,187)	8	(215)	-	-	(2,394)

35. Segment analysis (continued)

a) By operating segment (continued)

Group summary revenues and results for the year ended 31 March 2010

$'000	Consumer finance	Insurance	Debt Collection	Other	Eliminations	Group
External revenues	17,029	2,902	3,622	178	-	23,731
Revenue - other segments	180	193	-	255	(628)	-
Total	17,209	3,095	3,622	433	(628)	23,731
Segment results	(2,440)	690	(144)	300	718	(876)
Taxation expense	3,659	8	447	-	-	4,114
Net loss after taxation	(6,099)	682	(591)	300	718	(4,990)
Interest income	15,534	274	5	-	(372)	15,441
Interest expense	7,464	-	314	-	(372)	7,406
Depreciation	645	-	104	-	-	749
Amortisation	568	-	10	-	-	578
Other material non-cash items:						
Impaired assets expense	1,886	-	-	-	-	1,886

Group summary assets and liabilities as at 31 March 2010

$'000	Consumer finance	Insurance	Debt Collection	Other	Eliminations	Group
Segment assets						
Total assets	73,697	6,676	2,278	4,510	(7,858)	79,303
Additions to non current assets	473	-	26	-	-	499
Segment liabilities						
Total liabilities	63,116	2,316	2,396	2,911	(5,697)	65,042

Group summary cash flow for the year ended 31 March 2010

$'000	Consumer finance	Insurance	Debt Collection	Other	Eliminations	Group
Net cash inflow/(outflow) from operating activities	21,438	(204)	668	376	13	22,291
Net cash inflow/(outflow) from investing activities	(185)	(590)	(422)	-	801	(396)
Net cash (outflow)/inflow from financing activities	(23,823)	-	(300)	(376)	(814)	(25,313)
Net increase/(decrease) in cash held	(2,570)	(794)	(54)	-	-	(3,418)

b) By geographical segment

The Group operated predominantly in New Zealand. The insurance segment has an insignificant exposure to Australia.

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CONSOLIDATED FINANCIAL STATEMENTS

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FOR THE YEAR ENDED 31 MARCH 2011