

# **GENEVA FINANCE LIMITED**

**AND ITS SUBSIDIARIES**

**Half Year Report**

**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017**

# GENEVA FINANCE LIMITED

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## EXECUTIVE SUMMARY

### Report from the Managing Director

Geneva Finance Limited reported an after tax profit of \$3.2m up 34% on the \$2.4m profit reported in 2016.

#### Business Performance:

The group pre-tax profit of \$2.2m (up 27% on last year) comprised a trading entity pre-tax profit of \$3.3m less group overheads of \$1.1m. A deferred tax asset of \$0.96m was recognized during the period, resulting in the after tax profit of \$3.2m.

Geneva Financial Services (GFSL - The lending business): Lending growth continued and was 8.6% above the previous period. The receivables ledger increased to \$62.5m from \$55.3m the prior year. Contractual yields were maintained and resulted in this business segment delivering a \$2.6m profit for the six months, a 24% increase on last year.

Quest Insurance Group Limited (Quest): Premium written increased by 125% to \$3.7m. Deferral of premium income over the life of the policy, will see the bulk of the profit benefit being recognized in future periods and as a consequence Quest delivered a \$0.5m profit for the six months to September 17, a relatively modest, 6% increase on the prior period.

Stellar Collections (Stellar): Stellar reported a profit of \$0.3m for the period, \$0.2m up on the prior year. During the period Stellar disposed of a portion of its non paying receivables. This sale had a positive impact on the valuation of these ledgers contributing to the profit increase.

#### Balance Sheet:

Total group assets increased to \$89m (18% increase). The company's equity to total assets ratio amounts to 29.9% vs 28.7% prior year.

#### Revenues:

Revenue increased by 18% and with the increase coming from all three trading operations.

#### Operating Costs:

Operating costs increased by 16% to \$4.1m with the increase largely being due to the increase in direct costs (commissions etc.) associated with the increases in lending volumes and insurance sales.

#### Funding:

The group maintained its three sources of funding components during the period:

- a. The securitized funding facility of \$45m was drawn to \$44m .
- b. Stellar's facility remained unchanged at \$3.4m.
- c. Professional investor debt funding increased to \$7.9m. This debt funding includes loans from two directors.

#### Credit Rating:

The group's insurance company, Quest Insurance Group Limited credit rating remained unchanged during the period as a B financial strength rating outlook stable and an issuer credit rating of bb outlook stable, credit ratings is issued by AM Best.

**Key Events:**

The June 17 dividend of 2.0 cps was an increase of 33% up on the maiden special dividend paid in August 2016. Quest's sales growth strategy (both direct and through contracted distributors) has delivered a 125% increase on last year. The sale by Stellar of a core of old ledger(s) non paying accounts will allow this company to focus more on new business growth opportunities.

**Events Subsequent to Balance Date**

Geneva's inaugural interim dividend of 1.0 cents per share (payable on 15<sup>th</sup> December) was declared in November 17. This brings total dividends paid of 3.0 cents per share in the 12 months to 15 December 2017, and increase of 100% on the previous 12 months. On 30<sup>th</sup> November, Stellar Collections acquired MFL Limited. MFL is a technology focused debt collection operation offering a point of difference in business to business debt collection, a growth area for Stellar.

**Strategic Direction:**

The group is continuing its focus on the core Lending, Collections and Insurance operations and in particular, investment in technology to grow and enhance business performance. In this regard, we continue to invest in our online introducer platforms, in both lending and insurance and as reported above in debt collection systems.

**Summary and outlook:**

The group as a whole had a good six months with all trading segments delivering improved results as reflected in the 34% half year profit increase. The group's debt ratios remained conservative and the business is well positioned for further acquisitions.



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David O'Connell  
Managing Director

GENEVA FINANCE GROUP LIMITED

CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

	<u>Note</u>	<b>Group</b>		
		30 Sep 17	30 Sep 16	31 Mar 17
		6 months Unaudited	6 months Unaudited	12 months Audited
		\$000's	\$000's	\$000's
Interest income		6,114	5,495	11,357
Interest expense		1,777	1,697	3,456
<b>Net interest income</b>		<b>4,337</b>	<b>3,798</b>	<b>7,901</b>
Net premium revenue		1,627	1,215	2,469
Net claims expense		(475)	(308)	(540)
Other revenue		1,119	826	1,593
<b>Operating revenue</b> (net of interest expense)		<b>6,608</b>	<b>5,531</b>	<b>11,423</b>
Operating expenses		(4,124)	(3,541)	(7,257)
<b>Operating profit</b>		<b>2,484</b>	<b>1,990</b>	<b>4,166</b>
Impaired asset (expense) / release		(289)	(256)	(351)
<b>Net profit before taxation</b>		<b>2,195</b>	<b>1,734</b>	<b>3,815</b>
Taxation benefit		958	623	1,318
<b>Net profit after taxation</b>		<b>3,153</b>	<b>2,357</b>	<b>5,133</b>
Basic profit per share (cents)	(7)	4.48	3.35	7.29

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

	<b>Group</b>		
	30 Sep 17	30 Sep 16	31 Mar 17
	6 months Unaudited	6 months Unaudited	12 months Audited
	\$000's	\$000's	\$000's
<b>Net profit after taxation</b>	3,153	2,357	5,133
<b>Other comprehensive income:</b>			
<i>Items may be subsequently reclassified to profit or loss</i>			
Movement in fair value of available for sale equity securities	-	-	159
Cash flow hedge, net of tax	52	128	371
Income tax relating to cash flow hedge	-	-	-
	52	128	530
<b>Other comprehensive income / (loss), net of tax</b>	<b>52</b>	<b>128</b>	<b>530</b>
<b>Total comprehensive income</b>	<b>3,205</b>	<b>2,485</b>	<b>5,663</b>

The attached notes form part of and are to be read in conjunction with these condensed financial statements.

GENEVA FINANCE LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2017

	<u>Note</u>	<b>Group</b>		
		30 Sep 17	30 Sep 16	31 Mar 17
		6 months Unaudited \$000's	6 months Unaudited \$000's	12 months Audited \$000's
<b>Assets</b>				
Cash and cash equivalents		10,867	7,007	11,072
Financial assets at fair value through profit or loss	(8)	448	549	475
Available for sale equity securities	(8)	3,190	3,031	3,190
Prepayments and other debtors		1,249	206	250
Taxation receivable		11	11	11
Finance receivables	(5)	66,705	60,530	64,077
Deferred insurance contract acquisition costs		2,047	1,311	1,400
Deferred taxation		4,071	2,418	3,114
Intangible assets		497	334	471
Plant and equipment		130	156	117
<b>Total assets</b>		<b>89,215</b>	<b>75,553</b>	<b>84,177</b>
<b>Liabilities</b>				
Accounts payable and accruals		1,649	943	1,705
Outstanding claims liability		309	309	338
Employee entitlements		275	173	274
Unearned premium liability		4,889	2,697	2,772
Derivative financial instruments		97	392	149
Term facilities	(9)	47,388	44,505	46,127
Other Borrowings	(10)	7,950	4,850	7,950
<b>Total liabilities</b>		<b>62,557</b>	<b>53,869</b>	<b>59,315</b>
<b>Equity</b>				
Share capital	(6)	51,287	51,287	51,287
Retained earnings		(25,487)	(30,007)	(27,231)
Cash flow hedge		(97)	(392)	(149)
Available for sale equity reserve		955	796	955
<b>Total equity</b>		<b>26,658</b>	<b>21,684</b>	<b>24,862</b>
<b>Total equity and liabilities</b>		<b>89,215</b>	<b>75,553</b>	<b>84,177</b>

For and on behalf of the board, dated 13 December 2017



Director



Director

GENEVA FINANCE LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

	Note	Group					
		Share Capital	Share option reserve	Retained earnings	Cash flow hedge	Available for sale equity reserve	Total equity
		\$000's	\$000's	\$000's	\$000's	\$000's	
<b>Balance at 1 April 2016</b>		<b>51,287</b>	-	<b>(31,307)</b>	<b>(520)</b>	<b>796</b>	<b>20,256</b>
Net profit for the period		-	-	2,357	-	-	2,357
<b>Other comprehensive income</b>							
Change in cash flow hedge, net of tax		-	-	-	128	-	128
Increase in available for sale equity reserve		-	-	-	-	-	-
<b>Total other comprehensive income</b>		-	-	-	<b>128</b>	-	<b>128</b>
<b>Total comprehensive income</b>		-	-	<b>2,357</b>	<b>128</b>	-	<b>2,485</b>
<b>Transaction with owners</b>							
Dividends paid		-	-	(1,057)	-	-	(1,057)
<b>Total transactions with owners</b>		-	-	<b>(1,057)</b>	-	-	<b>(1,057)</b>
<b>Balance at 30 September 2016 (Unaudited)</b>		<b>51,287</b>	-	<b>(30,007)</b>	<b>(392)</b>	<b>796</b>	<b>21,684</b>
Net profit for the period		-	-	2,776	-	-	2,776
<b>Other comprehensive income</b>							
Increase in available for sale equity reserve		-	-	-	-	159	159
Change in cash flow hedge, net of tax		-	-	-	243	-	243
<b>Total other comprehensive income</b>		-	-	-	<b>243</b>	<b>159</b>	<b>402</b>
<b>Total comprehensive income</b>		-	-	<b>2,776</b>	<b>243</b>	<b>159</b>	<b>3,178</b>
<b>Balance at 31 March 2017 (Audited)</b>		<b>51,287</b>	-	<b>(27,231)</b>	<b>(149)</b>	<b>955</b>	<b>24,862</b>
Net profit for the period		-	-	3,153	-	-	3,153
<b>Other comprehensive income</b>							
Change in cash flow hedge, net of tax		-	-	-	52	-	52
<b>Total other comprehensive income</b>		-	-	-	<b>52</b>	-	<b>52</b>
<b>Total comprehensive income</b>		-	-	<b>3,153</b>	<b>52</b>	-	<b>3,205</b>
<b>Transaction with owners</b>							
Dividends paid		-	-	(1,409)	-	-	(1,409)
<b>Total transactions with owners</b>		-	-	<b>(1,409)</b>	-	-	<b>(1,409)</b>
<b>Balance at 30 September 2017 (Unaudited)</b>		<b>51,287</b>	-	<b>(25,487)</b>	<b>(97)</b>	<b>955</b>	<b>26,658</b>

**GENEVA FINANCE LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017**

	30 Sep 17 6 months Unaudited \$000's	30 Sep 16 6 months Unaudited \$000's	31 Mar 17 12 months Audited \$000's
<b>Cash flow from operating activities:</b>			
Cash was provided from:			
Interest received	5,502	5,111	10,220
Dividends received	117	108	163
Receipts from insurance policy sales, collections activities and other sources	4,576	2,243	4,140
Proceeds from collections made on purchased debt ledger	197	196	434
Taxation receipts	-	4	-
	<u>10,392</u>	<u>7,662</u>	<u>14,957</u>
Cash was applied to:			
Net movement in finance receivables	(2,240)	(5,811)	(8,652)
Interest paid	(1,777)	(1,697)	(3,456)
Payments to suppliers and employees	(6,280)	(3,965)	(7,120)
	<u>(10,297)</u>	<u>(11,473)</u>	<u>(19,228)</u>
Net cash inflow from operating activities	95	(3,811)	(4,271)
<b>Cash flows from investing activities:</b>			
Cash was applied to:			
Purchase of plant and equipment	(33)	(84)	(66)
Purchase of intangible assets	(108)	(166)	(359)
Purchase of third-party debt ledger	-	-	-
	<u>(141)</u>	<u>(250)</u>	<u>(425)</u>
Net cash outflow from investing activities	(141)	(250)	(425)
<b>Cash flows from financing activities:</b>			
Cash was provided from:			
Net movement of term facilities: Westpac	1,250	4,100	5,700
Net movement of other borrowings	-	-	3,100
	<u>1,250</u>	<u>4,100</u>	<u>8,800</u>
Cash was applied to:			
Dividends paid to Company shareholders	(1,409)	(1,057)	(1,057)
	<u>(1,409)</u>	<u>(1,057)</u>	<u>(1,057)</u>
Net cash outflow from financing activities	(159)	3,043	7,743
<b>Net increase / (decrease) in cash and cash equivalents held</b>	(205)	(1,018)	3,047
Add: Opening cash and cash equivalents balance	11,072	8,025	8,025
<b>Cash and cash equivalents at the end of the period</b>	<u><b>10,867</b></u>	<u><b>7,007</b></u>	<u><b>11,072</b></u>
<b>Represented by:</b>			
Cash at bank	10,867	7,007	11,072
<b>Cash and cash equivalents at the end of the period</b>	<u><b>10,867</b></u>	<u><b>7,007</b></u>	<u><b>11,072</b></u>

The attached notes form part of and are to be read in conjunction with these condensed financial statements.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

**1. BASIS OF PREPARATION AND ACCOUNTING POLICIES**

The unaudited condensed interim financial statements of Geneva Finance Limited (the Company) and its subsidiaries (the Group) for the six months ended 30 September 2017 have been prepared in accordance with NZ IAS 34: *Interim Financial Reporting*.

The Company's name was changed from GFNZ Group Limited to Geneva Finance Limited on 27 June 2016.

The Company is incorporated and domiciled in New Zealand. The Company is registered under the Companies Act 1993, listed on the New Zealand Alternative Stock Exchange (NZAX) and is an FMC reporting entity in terms of the Financial Markets Conduct Act 2013

The group is a for-profit entity.

The unaudited consolidated interim financial statements of the Group for the six months ended 30 September 2017 should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2017, which were prepared in accordance with New Zealand equivalents to International Financial Reporting Standards.

The accounting policies applied in these unaudited consolidated interim financial statements are consistent with those used in the Group's annual financial statements for the year ended 31 March 2017. The same significant judgements, estimates and assumptions included in the notes to the Group's annual financial statements for the year ended 31 March 2017 have been used in these unaudited consolidated interim financial statements.

**2. STANDARDS AND INTERPRETATIONS**

No new standards and interpretations adopted for the for the six months ended 30 September 2017.

**3. SEGMENT REPORTING**

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: This segment did not trade during the reporting periods.

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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

## 3. SEGMENT REPORTING (continued)

**Group summary revenues and results for the period ended 30 September 2017 (Unaudited)**

\$'000	Corporate	New Business	Insurance	Old Business	Property	Eliminations	Group
External revenues	1	6,624	1,781	454	-	-	8,860
Revenue - other segments	781	231	149	114	-	(1,275)	-
Total	782	6,856	1,930	567	-	(1,275)	8,860
Segment profit/(loss)	(878)	2,600	472	258	-	(257)	2,195
Taxation benefit/(expense)	958	-	-	-	-	-	958
Net profit/(loss) after taxation	80	2,600	472	258	-	(257)	3,153
Interest income	525	6,281	186	140	-	(1,018)	6,114
Interest expense	715	1,955	-	125	-	(1,018)	1,777
Depreciation	-	15	5	-	-	-	20
Amortisation	-	80	1	-	-	-	81
Other material non-cash items:							
Impaired asset (release)/expense	(257)	773	-	(484)	-	257	289

**Group summary assets and liabilities as at 30 September 2017 (Unaudited)**

\$'000	Corporate	New Business	Insurance	Old Business	Property	Eliminations	Group
Segment assets							
Total assets	36,327	73,218	14,415	10,035	2,814	(47,594)	89,215
Additions to non current assets	(96)	157	78	2	-	-	141
Segment liabilities							
Total liabilities	30,660	57,546	5,716	4,211	-	(35,576)	62,557

**Group summary revenues and results for the year 31 March 2017 (Audited)**

\$'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 benefit/(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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

## 3. SEGMENT REPORTING (continued)

**Group summary assets and liabilities as at 31 March 2017 (Audited)**

\$'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 period ended 30 September 2016 (Unaudited)**

\$'000	Corporate	New Business	Insurance	Old Business	Property	Eliminations	Group
External revenues	2	5,911	1,344	279	-	-	7,536
Revenue - other segments	542	189	113	98	-	(942)	-
Total	544	6,101	1,457	376	1	(942)	7,536
Segment profit/(loss)	(802)	2,092	445	57	-	(58)	1,734
Taxation benefit/(expense)	623	-	-	-	-	-	623
Net profit/(loss) after taxation	(179)	2,092	445	57	-	(58)	2,357
Interest income	485	5,635	135	124	-	(884)	5,495
Interest expense	520	1,931	-	130	-	(884)	1,697
Depreciation	-	20	-	-	-	-	20
Amortisation	-	12	-	-	-	-	12
Other material non-cash items:							
Impaired assets expense	(58)	677	-	(421)	-	58	256
Share option Reserve	-	-	-	-	-	-	-

**Group summary assets and liabilities as at 30 September 2016 (Unaudited)**

\$'000	Corporate	New Business	Insurance	Old Business	Property	Eliminations	Group
Segment assets							
Total assets	34,024	64,785	10,826	8,981	2,814	(45,878)	75,553
Additions to non current assets	166	84	-	-	-	-	250
Segment liabilities							
Total liabilities	26,947	54,376	3,250	3,589	-	(34,293)	53,869

**By geographical segment**

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

## 4. SIGNIFICANT EVENTS AND TRANSACTIONS

There were no significant events and transactions during the period.

## 5. FINANCE RECEIVABLES

	30 Sep 17 6 months Unaudited	30 Sep 16 6 months Unaudited	31 Mar 17 12 months Audited
	\$000's	\$000's	\$000's
Gross finance receivables	36,077	37,587	39,892
Gross finance receivables (The Geneva Warehouse A Trust)	53,483	49,903	51,891
Gross finance receivables (Prime Asset Trust Limited)	3,310	3,402	2,862
Total gross finance receivables	92,870	90,892	94,645
Less: Unearned Interest	90	62	94
Deferred fee revenue and expenses	520	634	585
Less: Provision for credit impairment	25,555	29,666	29,889
Net finance receivables	66,705	60,530	64,077

The Company's securitisation facility was established on 1 August 2013. refer to note 11 for further information.

While the sale of the finance receivables to the Geneva Warehouse A Trust (the Trust) constitute a legally enforceable sale and purchase transaction, it does not meet the criteria for the derecognition of financial assets under NZ IAS 39 and thus at the time of the sale does not meet the Company's accounting policy for derecognition of a financial asset. NZ IAS 39 establishes specific guidance for the derecognition of financial assets, such that a financial asset can only de-recognised when substantially all of the risks and rewards of ownership is measured by the change in the variability of the cash flow arising from the financial assets before and after the transfer.

During the period ended 30 September 2017, finance receivables totalling approximately \$19.0m (30 September 2016: \$19.2m; 31 March 2017: \$36.8m) were sold to the Trust. As there has been no change in the management of the receivables and because there were no significant change in the cash flows before and after the sale, the sold receivables did not meet the derecognition criteria. Furthermore, as the sales constitute legally enforceable transfer of equitable interest in the transferred receivables, the carrying values of these receivables at reporting date of \$53.5m (30 September 2016: \$49.9m; 31 March 2017: \$51.9m) are subject to limitations on disposal.

## 6. SHARE CAPITAL

## Number of ordinary shares

	30 Sep 17 6 months Unaudited	30 Sep 16 6 months Unaudited	31 Mar 17 12 months Audited
Opening balance	70,435,275	493,040,761	70,435,275
Placement of new shares via execution of executive share options	-	-	-
Shares cancelled as a result of share consolidation	-	(422,605,486)	-
<b>Total issued shares</b>	<b>70,435,275</b>	<b>70,435,275</b>	<b>70,435,275</b>

## Dollar value of ordinary shares

	30 Sep 17 6 months Unaudited	30 Sep 16 6 months Unaudited	31 Mar 17 12 months Audited
	\$000's	\$000's	\$000's
Opening balance	51,287	51,287	51,287
Placement of new shares via execution of executive share options	-	-	-
<b>Total issued shares</b>	<b>51,287</b>	<b>51,287</b>	<b>51,287</b>

On 7 July 2016, every 7 shares held in the Company was consolidated into 1 share, with all fractional entitlements rounded up.

**7. EARNINGS PER SHARE**

## Basic profit per share

The calculation of basic profit per share was based on the profit attributable to ordinary shareholders and a weighted number of ordinary shares outstanding, adjusted for the share consolidation (refer note 6) as if the share consolidation had occurred on 1 April 2015, as follows.

	<b>Group</b>		
	30 Sep 17 6 months Unaudited	30 Sep 16 6 months Unaudited	31 Mar 17 12 months Audited
Net profit attributable to ordinary shares (\$'000)	3,153	2,357	5,133
Weighted number of shares	70,435,275	70,435,275	70,435,275
Basic earnings per share (cents)	4.48	3.35	7.29
Weighted number of shares	30 Sep 17 6 months Unaudited	30 Sep 16 6 months Unaudited	31 Mar 17 12 months Audited
Issued shares 1 April	70,435,275	70,435,275	70,435,275
Placement of new shares via execution of executive share options	-	-	-
	<b>70,435,275</b>	<b>70,435,275</b>	<b>70,435,275</b>

## Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company had no options outstanding during the reporting periods.

**8. FAIR VALUE DISCLOSURES**

As at 30 September 2017 the carrying value of cash and cash equivalents, other than receivables or payables approximated their fair values due to the short-term nature of the financial assets or liabilities. As at 30 September 2017 the carrying value of borrowings approximates its fair value as all borrowings are subject to floating or short-term interest rates.

**Fair value of financials assets and liabilities carried at fair value are determined as follows:**

Level 1 the fair value is calculated using quoted prices in active markets.

Level 2 the fair value is estimated using inputs other than quoted prices in level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 the fair value is estimated using inputs for the asset or liability that are not based on observable data.

<b>30 September 2017 (Unaudited)</b>	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Equity securities available for sale	-	-	3,190	3,190
Purchased debt	-	-	448	448
Derivatives	(97)	-	-	(97)
	<b>(97)</b>	<b>-</b>	<b>3,638</b>	<b>3,541</b>
<b>30 September 2016 (Unaudited)</b>	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Equity securities available for sale	-	-	3,031	3,031
Purchased debt	-	-	549	549
Derivatives	(392)	-	-	(392)
	<b>(392)</b>	<b>-</b>	<b>3,580</b>	<b>3,188</b>
<b>31 March 2017 (Audited)</b>	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Equity securities available for sale	-	-	3,190	3,190
Purchased debt	-	-	475	475
Derivatives	(149)	-	-	(149)
	<b>(149)</b>	<b>-</b>	<b>3,665</b>	<b>3,516</b>

**8. FAIR VALUE DISCLOSURES (continued)****Equity securities available for sale**

This is a 10.47% investment in a unlisted medical property company and is held as an available for sale financial asset measured at fair value. The Directors have disclosed their intention to sell this investment. This equity security is not quoted in an active market. The fair value of this equity security is based on the Group's share of the entity's net assets at 31 March 2017 as reported in the entity's financial statements. The entity is a property investment company that is solely in the business of holding and leasing investment property under operating leases and is involved in the development of investment property. The majority of the entity's assets and liabilities are reported in their financial statements at either their fair value or their carrying value which approximates their fair value. Directors are satisfied that the 31 March 2017 values are appropriate for 30 September 2017.

**Purchased debt**

Purchased debt is typically past due and non-performing debt acquired by Stellar Collections Limited at a discount to face value. These debt instruments are not quoted in an active market. The fair value on the purchased debt is based on the valuation using discounted cash flow models as performed by external valuers, Northington Partners at 31 March 2017. Key assumptions and inputs in the valuation include, a discount rate of 27.5%, projected cash flows for four years based on historical collection rates of similar portfolios and collections costs. The purchased debt was designated at fair value through the profit and loss upon initial recognition. Directors are satisfied that the assumptions used for the 31 March 2017 values are appropriate for 30 September 2017 values.

**Derivative financial instruments and hedge accounting**

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair market value at each reporting period. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

**9. TERM FACILITIES**

	<b>Group</b>		
	30 Sep 17	30 Sep 16	31 Mar 17
	6 months	6 months	12 months
	Unaudited	Unaudited	Audited
	\$000's	\$000's	\$000's
Term facility: Westpac	44,004	41,154	42,754
Term facility: Kiwi Bank	3,400	3,400	3,400
Capitalised transaction costs: Westpac	(12)	(38)	(24)
Capitalised transaction costs: Kiwibank	(4)	(11)	(3)
	47,388	44,505	46,127

The Westpac facility annual review was completed during November 2016 and the facility was extended to 31 July 2019. The Stellar Collections Limited Kiwi Bank facility annual review was carried out during July 2017 and the facility was extended to June 2019.

**10. OTHER BORROWINGS**

	<b>Group</b>		
	30 Sep 17	30 Sep 16	31 Mar 17
	6 months	6 months	12 months
	Unaudited	Unaudited	Audited
	\$000's	\$000's	\$000's
Secured	7,950	4,850	7,950
Capitalised transaction costs	-	-	-
	7,950	4,850	7,950

Include borrowings from Directors, David Smale: \$0.4m and Robin King: \$1.35m

**11. SECURITISATION**

Geneva Financial Services Limited (GFSL) a wholly owned subsidiary of the Company has a wholesale funding arrangement with Westpac New Zealand Limited (Westpac) under which it securitised loan receivables through The Geneva Warehouse A Trust (the Trust). Under the facility, Westpac provided funding to the Trust secured by loan receivables transferred to the Trust from GFSL. The facility annual review was completed during July 2016 and was extended to 31 July 2018. The current facility is \$45,000,000. The Trust is a special purpose entity set up solely for the purpose of receiving loans from GFSL with Westpac funding up to 83% of the purchase and the remainder being funded by a subordinated loan from the Company. The NZ Guardian Trust Limited, via NZGT (GF) Trustee Limited, has been appointed as Trustee for the Trust with GFSL as the sole beneficiary. Under NZ IAS 39, Financial Instruments: Recognition and Measurement and NZ IFRS 10: Consolidated Financial Statements, the Company controls the financing and operating activities of the Trust. As a result the Trust is required to be consolidated into the Group financial statements.

GFSL continues to administer the loans and collect loan instalments as they fall due. As GFSL retains all of the risks and rewards relating to the transferred loan receivables, the loan receivables do not qualify for derecognition under NZ IAS 39 and they continue to appear in the consolidated balance sheet of the Group.

During the six months ended 30 September 2017 GFSL transferred \$19.0m of loans receivables to the Trust (September 2016: \$19.2m, March 2017: \$36.8m). As at 30 September 2017 the carrying value of these assets was \$53.5m (September 2016: \$49.9m, March 2017: \$51.9m)

**12. RELATED PARTIES****Loans and advances to related parties**

	<b>Group</b>		
	30 Sep 17 6 months Unaudited	30 Sep 16 6 months Unaudited	31 Mar 17 12 months Audited
	\$000's	\$000's	\$000's
<i>Finance receivables</i>			
Loans receivables	373	273	273
Impairment provision	(273)	(273)	(273)
Net loans receivable	<u>100</u>	<u>-</u>	<u>-</u>

The loans carried an interest rate of 8% up to the 30 September 2007, from 1 October 2007 these loans are interest free. The loans were granted for a period of three to five years. The loans were advanced to purchase shares in Financial Investment Holdings Limited. The loans were fully provided for at 30 September 2016, 31 March 2016 and 30 September 2015.

During March 2016 a \$76,000 loan was issued to the Chief Financial Officer. The loan was issued for the execution of share options issued to senior executive on 7 August 2015. The loan carry's an interest rate of 7.1% and has a 24 month term with an early settlement option. This loan was settled on 19 August 2016.

On 21 July 2017 a \$100,000 loan was issued to the Collections Manager. The loan was issued for the purchase of Geneva Finance Ltd ordinary shares. The loan carry's an interest rate of 7.1% and has a 36 month term with an early settlement option.

**Facilities from related parties****Deposits from related parties**

	<b>Group</b>		
	30 Sep 17 6 months Unaudited	30 Sep 16 6 months Unaudited	31 Mar 17 12 months Audited
	\$000's	\$000's	\$000's
Opening balance as at 1 April	2,400	1,800	2,400
Movement	-	-	-
	<u>2,400</u>	<u>1,800</u>	<u>2,400</u>

The related party deposits carries an interest rate of 9%, (30 September 2016: 9%, March 2017: 9%)

**Other**

There were no other related party transactions

**13. RECLASSIFICATION AND PRESENTATION OF COMPARATIVE INFORMATION**

Share Consolidation

On 20 June 2016, Geneva Finance Limited announced that every 7 shares held in the Company on 6 July 2016 would be consolidated into 1 share, with all fractional entitlements rounded to up.

Earnings per share (note 7) has been calculated as if the share consolidation occurred on 1 April 2016.

**14. COMMITMENTS AND CONTINGENCIES**

30 September 2017 None

30 September 2016 None

31 March 2017 None

**15. SUBSEQUENT EVENTS**

The group acquired MFL Services Limited effective 30 November 2017.

On 14 November 2017 the board approved an interim Dividend payable on 15 December 2017.

An annual review of the Westpac facility was completed in November 2017. The facility was extended from July 2018 to July 2019 and the value increased to \$50,000,000.



**Corporate directory**

*Directors*

David W Smale (*Chairman*)  
Appointed 12 November 2008

Ronald R King (*Non-executive director*)  
Appointed 13 June 2008

Alan L M Hutchison (*Non-executive director*)  
Appointed 20 November 2013

David G O'Connell (*Executive director*)  
Appointed 19 June 2007

*Registered office and address for service*

6B Pacific Rise, Mt Wellington  
PO Box 14923, Panmure, Auckland  
Telephone: 0800 800 133  
Facsimile: (09) 573 5597  
Email: [investments@genevafinance.co.nz](mailto:investments@genevafinance.co.nz)  
Web: [www.genevafinance.co.nz](http://www.genevafinance.co.nz)

*Auditor*

Staples Rodway

*Bankers*

ANZ National Bank Limited  
Westpac New Zealand Limited  
Kiwibank Limited

*Solicitor*

Dermot Ross

**Shareholder information**

*Company publications*

The Company informs investors of the Company's business and operations by issuing an Annual Report, an Interim Report and regular NZX announcements

*Financial calendar*

Half year results announced	December
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Half year report	January
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End of financial year	31 March
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Annual results announced	June
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Annual report	June
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Annual dividend payment	June
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*Enquiries*

Shareholders with enquiries about transactions, change of address or dividend payments should contact Link Market Services on +64 9 375 5998. Other questions should be directed to the Company at the registered address.

*Share registrar*

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