

## *Geneva Finance posts pretax profit lift up 67% to \$6.9m for the March 21 year*

31<sup>st</sup> May 2021

### *Trading Performance*

#### COMMENTARY

The group pre-tax profit of \$6.9m is up \$2.7m (67%) on last year, as a result of improved contributions from all business segments; most notably, Quest Insurance up \$1.5m, Invoice factoring up \$0.7m and Geneva Financial Services up \$0.6m.

Geneva Financial Services (the lending business) pretax profit result of \$4.8m was up on last year by 14%. The increased focus on growing the tier-1 lending business delivered a 21% increase in lending volumes for the year. This has had a positive effect on the growth in the receivables ledger, up \$6.6m (10%) and the lower impaired asset expense. Asset quality has continued to improve both as a result of the above and operational changes made in the March 20 year.

Quest Insurance Group Limited (Quest) reported profit of \$3.2m, 89% up on prior period. The trading result (excluding a one-off \$0.6m increase in distribution income from an investment), was a credible \$0.9m (67%) increase over last year. During the year, premiums written continued to grow and total \$21.5m (up 53.2%) on what was a record year last year. The Quest direct channel delivered the biggest increase (107%), and it is pleasing to see an increasing proportion of premium sales being derived by group owned distribution channels. Looking at the balance sheet, the proceeds from the investment referred to above generated \$3.7m in cash, which further strengthened and improved the liquidity position of the company. A good result for this operation, which is well positioned to further improve on what has been a very good year.

Federal Pacific Tonga (60% owned by the group) reported a pre-tax profit of NZD \$1.4m, level with the previous year. The group's share amounted to \$0.8m pre-tax profit (\$0.6m after tax). The Tonga business is managed in Tonga and is performing within expectations, and it is pleasing to see this operation returning dividends to the group, NZ\$0.4m in the current year.

Stellar Collections (Stellar) has had a positive year with a consolidated profit of \$0.3m, up \$0.2m on previous year. Both the consumer collections business and the business to business debt litigation company benefited from the structural changes referred to in last year's report. Our expectation is that this operation will now continue to improve and deliver increased returns to the group.

Geneva Capital (invoice factoring), reported a modest profit of \$0.1m but more importantly, moved into profit following two consecutive years of \$0.6m losses. This operation directly benefited from the changes made in the March 20 year and is now well positioned to deliver sustainable profit growth.

The after tax unaudited financial result for the period was a profit of \$6.7m up \$2.6m (63%). The after tax profit attributable to Geneva shareholders was \$6.3m up \$2.6m (69%).

**COVID-19**

COVID severely impacted the Company's ability to write new business during April 20 resulting in the new business during the lockdown period being down by more than 70% on the previous year. However as evidenced by the published result, the recovery was better than expected. Nevertheless, these are uncertain times and there remains a level of uncertainty on the full impact of COVID and potential future outbreaks. Accordingly, the board has been appropriately conservative in ensuring our balance sheet receivables are correctly provisioned and at this juncture has chosen to not reduce the additional COVID-provisioning taken up in the March 20 year.

<b>Balance Sheet</b>	Total group assets increased to \$143m (14% increase). The company's equity to total assets ratio is 24.3% vs 25.0% prior year.
<b>Revenues</b>	Revenue totaled \$34.8m an increase of \$3.8m (12%).
<b>Operating Costs</b>	Operating costs increased by 4.6% to \$16.6m. This is largely a result of higher lending acquisition costs incurred and costs associated with the increased premiums sales.
<b>Funding</b>	Group funding: <ul style="list-style-type: none"><li>a. The lending and invoice financing businesses are funded via a securitisation facility of \$70m, currently drawn to \$63.6m.</li><li>b. Stellar's banking facility remained unchanged at \$3.4m; the facility's term will mature on 30 June 2022. Management is in discussions with the funder to extend the maturity date.</li><li>c. Professional investor debt funding of \$13.9m. This debt funding includes loans from directors.</li></ul>
<b>Credit Rating</b>	The group's insurance company, Quest Insurance Group Limited credit rating issued by AM Best was affirmed at current ratings being a Financial Strength Rating of B outlook stable and an issuer credit rating of bb+ outlook stable.
<b>Highlights / Key Events</b>	Group pre-tax profit up \$2.7m. +67%. After tax profit attributable to Group was \$6.3m up \$2.6m (69%). Geneva earnings per share increases to 8.61cps (up 69%). Quest premium sales up 53% to \$21.52m. GFSL lending volumes up 21% to \$60.0m. The turnaround into profit of the invoice factoring and debt litigation operations. Received a cash distribution from Quest's investment in AMPL of \$3.7m. Total group assets increased by 14% to \$142.8m. Group equity increased by 9.2% to \$34.2m.

*Events  
Subsequent to  
Balance Date*

The full impact of COVID is still unknown however the board considers that Geneva is in the right shape to be able to deal with the challenges the company may face.

On 10<sup>th</sup> May 21 the board announced an increase in the final dividend for March 21, lifting that dividend to 2.50 cps. This gives a total dividend relating to the March 21 year of 3.75 cps.

*Strategic  
Direction*

The Group remains focused on the core trading operations and continues to invest in its IT systems to improve its origination processes.

*Summary and  
Outlook*

It has been a challenging and rewarding year. Despite COVID's impact, the structural changes made in the March 20 year have impacted the business positively and have delivered profit improvements. As a consequence the group has returned to delivering profit growth. The company has a strong balance sheet, the receivables ledgers are well provisioned and the board is looking forward to taking advantage of the opportunities the coming market will offer.

END

**For further information, please contact:**

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GENEVA FINANCE LIMITED

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2021

	Group	
	Un Audited 2021 \$000's	Audited 2020 \$000's
Interest income	15,279	15,052
Interest expense	(3,975)	(4,383)
<b>Net interest income</b>	<u>11,304</u>	<u>10,669</u>
Net premium revenue	14,708	11,258
Net claims expense	(6,590)	(4,861)
<b>Net premium revenue</b>	<u>8,118</u>	<u>6,397</u>
Other revenue	4,856	4,750
<b>Operating revenue</b> (net of interest expense and claim expense)	<u>24,278</u>	<u>21,816</u>
Operating expenses	(16,595)	(15,860)
<b>Operating profit</b>	<u>7,683</u>	<u>5,956</u>
Impaired asset expense	(825)	(1,854)
<b>Net profit before taxation</b>	<u>6,858</u>	<u>4,102</u>
Taxation (expense) / benefit	(146)	13
<b>Net profit after taxation</b>	<u>6,712</u>	<u>4,115</u>
Profit attributable to:		
Owners of the parent	6,277	3,705
Non-controlling interest	435	410
	<u>6,712</u>	<u>4,115</u>
<b>Profit per share</b>		
Basic profit per share (cents)	8.61	5.08

GENEVA FINANCE LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2021

	Group	
	Un Audited 2021 \$000's	Audited 2020 \$000's
<b>Net profit after taxation</b>	<u>6,712</u>	<u>4,115</u>
<b>Other comprehensive income:</b>		
<b>Items that may be subsequently reclassified to profit or loss</b>		
Movement in financial assets at fair value through other comprehensive income	(914)	65
Exchange differences on translation of foreign operations - Owners of the Parent	(530)	397
Cash flow hedge, net of tax	303	(266)
<b>Other comprehensive income, net of tax</b>	<u>(1,141)</u>	<u>196</u>
<b>Total comprehensive income</b>	<u>5,571</u>	<u>4,311</u>
Total comprehensive income attributable to:		
Owners of the parent	5,136	3,901
Non-controlling interest	435	410
	<u>5,571</u>	<u>4,311</u>

**GENEVA FINANCE LIMITED****CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT 31 MARCH 2021**

	<b>Group</b>	
	<b>Un Audited</b>	<b>Audited</b>
	2021	2020
	\$'000's	\$'000's
<b>Assets</b>		
Cash and cash equivalents	27,802	20,625
Trade and other receivables, and prepayments	9,139	5,884
Taxation receivable	8	12
Finance receivables	92,152	82,868
Deferred insurance contract acquisition costs	5,226	4,102
Deferred taxation	4,910	4,712
Financial assets at fair value through comprehensive income	203	3,684
Plant and equipment	857	1,217
Intangible assets	2,202	2,371
<b>Total assets</b>	<b>142,499</b>	<b>125,475</b>
<b>Liabilities</b>		
Accounts payable and accruals	5,297	4,351
Outstanding claims liability	1,657	962
Employee entitlements	563	435
Unearned premium liability	19,008	12,706
Derivative financial instruments	248	551
Bank facilities	66,985	60,598
Other borrowings	13,942	13,684
Leased liabilities	581	839
<b>Total liabilities</b>	<b>108,281</b>	<b>94,126</b>
<b>Equity</b>		
Share capital	52,779	52,779
Shares held by Geneva	(342)	-
Reserves	(2,317)	(1,176)
Retained earnings	(17,454)	(21,725)
Non-controlling interest	1,552	1,471
<b>Total equity</b>	<b>34,218</b>	<b>31,349</b>
<b>Total equity and liabilities</b>	<b>142,499</b>	<b>125,475</b>
<b>Net tangible assets per share</b>	<b>0.37</b>	<b>0.33</b>

GENEVA FINANCE LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2021

	Equity attributable to the equity holders of the parent					Non Controlling Interest	Total equity
	Share Capital	Shares held by Geneva	Reserves	Retained earnings	Attributable to owners of the parent		
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
<b>Balance at 31 March 2019</b>	<b>52,779</b>	-	<b>(1,372)</b>	<b>(22,877)</b>	<b>28,530</b>	<b>1,061</b>	<b>29,591</b>
Net profit for the period	-	-	-	3,705	<b>3,705</b>	410	<b>4,115</b>
<b>Other comprehensive income</b>							
Increase in financial assets at FVTOCI	-	-	65	-	<b>65</b>	-	<b>65</b>
Exchange differences on translation of foreign operations	-	-	397	-	<b>397</b>	-	<b>397</b>
Change in cash flow hedge reserve, net of tax	-	-	(266)	-	<b>(266)</b>	-	<b>(266)</b>
<b>Total other comprehensive income</b>	-	-	<b>196</b>	-	<b>196</b>	-	<b>196</b>
<b>Total comprehensive income</b>	-	-	<b>196</b>	<b>3,705</b>	<b>3,900</b>	<b>410</b>	<b>4,310</b>
<b>Transaction with owners</b>							
Dividends paid	-	-	-	(2,553)	<b>(2,553)</b>	-	<b>(2,553)</b>
<b>Total transactions with owners</b>	-	-	-	<b>(2,553)</b>	<b>(2,553)</b>	-	<b>(2,553)</b>
<b>Balance at 31 March 2020</b>	<b>52,779</b>	-	<b>(1,176)</b>	<b>(21,725)</b>	<b>29,878</b>	<b>1,471</b>	<b>31,349</b>
Net profit for the period	-	-	-	6,277	<b>6,277</b>	435	<b>6,712</b>
<b>Other comprehensive income</b>							
Decrease in financial assets at FVTOCI	-	-	(914)	-	<b>(914)</b>	-	<b>(914)</b>
Exchange differences on translation of foreign operations	-	-	(530)	-	<b>(530)</b>	-	<b>(530)</b>
Change in cash flow hedge reserve, net of tax	-	-	303	-	<b>303</b>	-	<b>303</b>
<b>Total other comprehensive income</b>	-	-	<b>(1,141)</b>	-	<b>(1,141)</b>	-	<b>(1,141)</b>
<b>Total comprehensive income</b>	-	-	<b>(1,141)</b>	<b>6,277</b>	<b>5,136</b>	<b>435</b>	<b>5,571</b>
<b>Transaction with owners</b>							
Shares repurchased	-	(342)	-	-	<b>(342)</b>	-	<b>(342)</b>
Dividend paid	-	-	-	(2,006)	<b>(2,006)</b>	(354)	<b>(2,360)</b>
<b>Total transactions with owners</b>	-	<b>(342)</b>	-	<b>(2,006)</b>	<b>(2,348)</b>	<b>(354)</b>	<b>(2,702)</b>
<b>Balance at 31 March 2021</b>	<b>52,779</b>	<b>(342)</b>	<b>(2,317)</b>	<b>(17,454)</b>	<b>32,666</b>	<b>1,552</b>	<b>34,218</b>

**GENEVA FINANCE LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED 31 MARCH 2021**

	<b>Group</b>	
	<b>Un Audited</b>	<b>Audited</b>
	2021	2020
	\$000's	\$000's
<b>Cash flow from operating activities:</b>		
Cash was provided from:		
Interest received	11,362	11,474
Dividends Received	667	340
Receipts from insurance policy sales, collections activities and other	25,873	18,406
Covid-19 wages subsidy	351	-
	<b>38,253</b>	<b>30,220</b>
Cash was applied to:		
Net movement in finance receivables	(4,675)	3,264
Interest paid	(3,975)	(4,383)
Payments to suppliers and employees	(28,725)	(22,721)
	<b>(37,375)</b>	<b>(23,840)</b>
<b>Net cash outflow from operating activities</b>	<b>878</b>	<b>6,380</b>
<b>Cash flows from investing activities:</b>		
Cash was provided from:		
AMPL Investment distributions	2,834	-
Sale of plant and equipment	7	-
	<b>2,841</b>	<b>-</b>
Cash was applied to:		
Purchase of plant and equipment	-	(243)
Purchase of intangible assets	(209)	(380)
Purchase of third-party debt ledger	-	(1,850)
	<b>(209)</b>	<b>(2,473)</b>
<b>Net cash outflow from investing activities</b>	<b>2,632</b>	<b>(2,473)</b>
<b>Cash flows from financing activities:</b>		
Cash was provided from:		
Net movement of term facilities: Westpac	6,387	907
Net movement of other borrowings	258	366
	<b>6,645</b>	<b>1,273</b>
Cash was applied to:		
Net movement of other borrowings	(342)	-
Principle elements of lease payments	(276)	(255)
Dividends paid to company shareholders	(2,006)	(2,553)
Dividends paid to NCI	(354)	-
	<b>(2,978)</b>	<b>(2,808)</b>
<b>Net cash inflow from financing activities</b>	<b>3,667</b>	<b>(1,535)</b>
<b>Net increase in cash and cash equivalents held</b>	<b>7,177</b>	<b>2,372</b>
<i>Add: Opening cash and cash equivalents balance at the beginning of the year</i>	20,625	18,253
<b>Cash and cash equivalents at the end of the year</b>	<b>27,802</b>	<b>20,625</b>
<b>Represented by:</b>		
Cash at bank	27,802	20,625
<b>Cash and cash equivalents at the end of the year</b>	<b>27,802</b>	<b>20,625</b>

## 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.
- Invoice Factoring: This segments was purchased on 1 April 2018. The operations of this segments include providing debtor finance to companies and collection and management of trade receivables factored.
- Overseas: This segment was acquired on 1 April 2018. The operation of this segments include lending, collection and management of money to individuals, companies and other entities originally originated in Tonga.

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 2021**

\$'000	Corporate	New Business	Insurance	Old Business	Invoice Factoring	Overseas	Eliminations	Group
External revenues	23	13,910	15,785	1,408	1,813	1,904	-	34,843
Revenue - other segments	2,528	1,306	29	158	-	-	(4,021)	-
<b>Total</b>	<b>2,551</b>	<b>15,216</b>	<b>15,814</b>	<b>1,566</b>	<b>1,813</b>	<b>1,904</b>	<b>(4,021)</b>	<b>34,843</b>
Segment profit/(loss)	(2,362)	4,777	3,208	339	101	1,432	(637)	6,858
Taxation expense	790	-	(591)	-	-	(345)	-	(146)
Non controlling interest profit	-	-	-	-	-	(435)	-	(435)
<b>Net profit/(loss) after taxation</b>	<b>(1,572)</b>	<b>4,777</b>	<b>2,617</b>	<b>339</b>	<b>101</b>	<b>652</b>	<b>(637)</b>	<b>6,277</b>
Interest income	1,892	13,514	173	242	1,280	1,562	(3,384)	15,279
Interest expense	2,713	3,652	-	173	820	1	(3,384)	3,975
Depreciation	287	28	22	10	6	18	-	371
Amortisation	-	180	70	101	27	-	-	378
Other material non-cash items:	-	-	-	-	-	-	-	-
Impaired assets expense	(637)	1,380	-	(709)	59	95	637	825

### **Group summary assets and liabilities as at 31 March 2021**

\$'000	Corporate	New Business	Insurance	Old Business	Invoice Factoring	Overseas	Eliminations	Group
Segment assets								
Total assets	34,970	91,932	30,632	9,380	14,300	4,434	(43,149)	142,499
Additions to non current assets	(7)	191	16	7	-	2	-	209
Segment liabilities								
Total liabilities	12,724	71,203	22,343	3,777	12,423	559	(14,748)	108,281



**Segment analysis (continued)****a) By operating segment (continued)****Group summary revenues and results for the year 31 March 2020**

\$'000	Corporate	New Business	Insurance	Old Business	Invoice Factoring	Overseas	Eliminations	Group
External revenues	(184)	13,981	11,765	2,007	1,674	1,817	-	31,060
Revenue - other segments	1,103	1,038	70	167	-	-	(2,378)	-
Total	919	15,019	11,835	2,174	1,674		(2,378)	31,060
Segment profit/(loss)	(3,733)	4,201	1,700	109	(609)	1,413	1,021	4,102
Taxation expense	401	-	-	-	-	(388)	-	13
Non controlling interest profit	-	-	-	-	-	(410)	-	(410)
Net profit/(loss) after taxation	(3,332)	4,201	1,700	109	(609)	615	1,021	3,705
Interest income	2,125	13,182	237	309	1,179	1,419	(3,399)	15,052
Interest expense	2,505	3,954	-	231	1,079	13	(3,399)	4,383
Depreciation	277	37	17	1	5	21	-	358
Amortisation	-	215	47	96	25	-	-	383
Other material non-cash items:	-	-	-	-	-	-	-	-
Impaired assets expense	1,021	2,497	-	(669)	21	5	(1,021)	1,854

**Group summary assets and liabilities as at 31 March 2020**

\$'000	Corporate	New Business	Insurance	Old Business	Invoice Factoring	Overseas	Eliminations	Group
Segment assets								
Total assets	30,988	89,681	27,235	9,060	7,309	4,606	(43,404)	125,475
Additions to non current assets	(95)	384	38	181	23	70	22	623
Segment liabilities	-	-	-	-	-	-	-	-
Total liabilities	16,895	68,035	14,650	3,795	8,533	534	(18,316)	94,126

**b) By geographical segment**

The Group operated predominantly in New Zealand. Revenues are derived from New Zealand with the exception of Federal Pacific Finance Ltd (Tonga) which operates in Tonga.