

# **GENEVA FINANCE LIMITED**

## **AND ITS SUBSIDIARIES**

### **Half Year Report**

**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016**

# GENEVA FINANCE LIMITED

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## EXECUTIVE SUMMARY

Report from the Managing Director

Geneva Finance Limited reported an after tax profit of \$2.4m vs a profit of \$1.5m in 2015.

### Business Performance:

The group pre-tax profit of \$1.8m (up 72% on last year) comprised a trading entity pre-tax profit of \$2.6m less group overheads of \$0.9m. A deferred tax asset of \$0.6m was recognized during the period, resulting in the after tax profit of \$2.4m.

Geneva Financial Services (GFSL - The lending business) achieved lending growth of 12.5% compared to last year. This follows a 26% growth in Lending in the March 16 year on the back of a 61% increase in lending in the March 15 year. This sustained lending growth has seen the receivables ledger increase to \$55.3m and this in conjunction with Interest yields being maintained and asset quality being controlled has resulted in this business segment delivering a \$2.0m profit for the six months, a 73% increase on last year.

Quest Insurance Group Limited (Quest): Premiums for the ½ year increased by 70% to \$1.6m. This was largely due to the reintroduction of Mechanical Breakdown Insurance and recommencement of Comprehensive Vehicle Insurance in the second half of the previous year. The profit after tax increased to \$445k (+43%), is a result of this revenue growth in conjunction with an increase in investment income. Operating costs and claims incurred were within expectations.

Stellar Collections (Stellar): Stellar reported a profit of \$58k for the period, \$0.3m down on the prior year. The main focus for this segment has been the collection of the company owned purchased debt ledgers and the ongoing improvement of the collection management processes. The reduced profit on last year is largely due to a more conservative view been taken on the valuation of the residual ledgers referred to above. Operating and collection costs were as per budget expectations.

### Balance Sheet:

Total group assets increased to \$76m (26% increase). The company's equity to total assets ratio amounts to 28.7% vs 29.3% prior year.

### Revenues:

The higher receivables ledger in conjunction with continued lending growth delivered the 31% increase in revenue earned during the period.

### Operating Costs:

As a consequence of the increased lending (+12.5%) and insurance sales (+70%), operating costs increased by 11% to \$3.5m.

### Funding:

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

- a. The securitized funding facility was increased to \$45m during the period and was drawn to \$41m at period end, a \$10 increase from prior period.
- b. Stellar's facility remained at \$3.4m.
- c. Professional investor debt funding remained at \$4.8m. This debt funding includes loans from two directors.

**Credit Rating:**

The group's insurance company, Quest Insurance Group Limited, was issued a B financial strength rating outlook stable and an issuer credit rating of bb outlook stable from AM Best in February 2016.

**Key Events:**

During July 16, we completed a 7 for 1 share consolidation. The primary goal being to move the share price away from the "penny dreadful perception" often associated with low priced shares. This move has been successful and will over the medium term add shareholder Value.


During August 16, The group paid its maiden dividend of 1.5 cents per share. This was a milestone event which again, has added shareholder value, and is indicative of the board's desire to balance the requirements of the company to finance its expansion with need to reward our shareholders for their ongoing support.

**Strategic Direction:**

While staying focused on our core business, the group is in the process of upgrading its loan management, sales delivery and collections platforms. This has been a key focus of the last six months and will continue to be so for the next twelve months and beyond. These system initiatives will provide improved service levels to both our introducers and the customers we both serve. We see, achieving this as delivering on our goal of "making life easier" for our customers, which in turn will enhance the business performance and the returns to our shareholders.

**Summary and outlook:**

Delivering a \$2.4m profit for the six months (56% up on last year) is satisfying, but there remains much to do. With the core business now established, the key focus' is on the use of technology to improve customer service levels and support the expansion of the group's lending and insurance and collections services. In addition, as noted in previous reports, the group's conservative debt ratios, and now sustainable profitability position us well for "the right" acquisition opportunity.



David O'Connell  
Managing Director

GENEVA FINANCE GROUP LIMITED

CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	<u>Note</u>	<b>Group</b>		
		30 Sep 16 6 months Unaudited \$000's	30 Sep 15 6 months Unaudited \$000's	31 Mar 16 12 months Audited \$000's
Interest income		5,495	4,241	9,213
Interest expense		1,697	1,698	3,372
<b>Net interest income</b>		<b>3,798</b>	<b>2,543</b>	<b>5,841</b>
Net premium revenue		1,215	534	1,342
Net claims expense		(308)	(98)	(229)
Other revenue		826	981	1,675
<b>Operating revenue</b> (net of interest expense)		<b>5,531</b>	<b>3,960</b>	<b>8,629</b>
Operating expenses		(3,541)	(3,185)	(6,484)
<b>Operating profit</b>		<b>1,990</b>	<b>775</b>	<b>2,145</b>
Impaired asset (release) / charge		256	(235)	(234)
<b>Net profit before taxation</b>		<b>1,734</b>	<b>1,010</b>	<b>2,379</b>
Taxation benefit		623	497	1,150
<b>Net profit after taxation</b>		<b>2,357</b>	<b>1,507</b>	<b>3,529</b>
Basic profit per share (cents)	(7)	3.35	2.18	5.10

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	<b>Group</b>		
	30 Sep 16 6 months Unaudited \$000's	30 Sep 15 6 months Unaudited \$000's	31 Mar 16 12 months Audited \$000's
<b>Net profit after taxation</b>	<b>2,357</b>	<b>1,507</b>	<b>3,529</b>
<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	-	73	313
Cash flow hedge, net of tax	128	(218)	(173)
Income tax relating to cash flow hedge	-	-	-
	128	(145)	140
<b>Other comprehensive income / (loss), net of tax</b>	<b>128</b>	<b>(145)</b>	<b>140</b>
<b>Total comprehensive income</b>	<b>2,485</b>	<b>1,362</b>	<b>3,669</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 2016

	Note	Group		
		30 Sep 16	30 Sep 15	31 Mar 16
		6 months Unaudited \$000's	6 months Unaudited \$000's	12 months Audited \$000's
<b>Assets</b>				
Cash and cash equivalents		7,007	5,416	8,025
Financial assets at fair value through profit or loss	(8)	549	696	630
Available for sale equity securities	(8)	3,031	2,791	3,031
Prepayments and other debtors		206	239	203
Taxation receivable		11	15	15
Finance receivables	(5)	60,530	48,852	54,576
Deferred insurance contract acquisition costs		1,311	717	1,082
Deferred taxation		2,418	1,142	1,796
Intangible assets		334	65	180
Plant and equipment		156	75	90
<b>Total assets</b>		<b>75,553</b>	<b>60,008</b>	<b>69,628</b>
<b>Liabilities</b>				
Accounts payable and accruals		943	900	859
Outstanding claims liability		309	143	252
Employee entitlements		173	181	211
Unearned premium liability		2,697	1,422	2,272
Derivative financial instruments		392	565	520
Term facilities	(9)	44,505	34,378	40,408
Other Borrowings	(10)	4,850	4,848	4,850
<b>Total liabilities</b>		<b>53,869</b>	<b>42,437</b>	<b>49,372</b>
<b>Equity</b>				
Share capital	(6)	51,287	50,764	51,287
Share option reserve		-	285	-
Retained earnings		(30,007)	(33,469)	(31,307)
Cash flow hedge		(392)	(565)	(520)
Available for sale equity reserve		796	556	796
<b>Total equity</b>		<b>21,684</b>	<b>17,571</b>	<b>20,256</b>
<b>Total equity and liabilities</b>		<b>75,553</b>	<b>60,008</b>	<b>69,628</b>

For and on behalf of the board, dated 7 December 2016



Director



Director

GENEVA FINANCE LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Group					Total equity
	Share Capital	Share option reserve	Retained earnings	Cash flow hedge	Available for sale equity reserve	
<u>Note</u>	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
<b>Balance at 1 April 2015</b>	<b>50,764</b>	<b>240</b>	<b>(35,076)</b>	<b>(347)</b>	<b>483</b>	<b>16,064</b>
Net profit for the period	-	-	1,507	-	-	1,507
<b>Other comprehensive income</b>						
Increase in property revaluation reserve	-	-	-	-	-	-
Change in cash flow hedge, net of tax	-	-	-	(218)	-	(218)
Increase in available for sale equity reserve	-	-	-	-	73	73
<b>Total other comprehensive income</b>	-	-	-	<b>(218)</b>	<b>73</b>	<b>(145)</b>
<b>Total comprehensive income</b>	-	-	<b>1,507</b>	<b>(218)</b>	<b>73</b>	<b>1,362</b>
<b>Transaction with owners</b>						
Share options issued to employees forfeited	-	(100)	100	-	-	-
Share options issued to employees	-	145	-	-	-	145
<b>Total transactions with owners</b>	-	<b>45</b>	<b>100</b>	-	-	<b>145</b>
<b>Balance at 30 September 2015 (Unaudited)</b>	<b>50,764</b>	<b>285</b>	<b>(33,469)</b>	<b>(565)</b>	<b>556</b>	<b>17,571</b>
Net profit for the period	-	-	2,022	-	-	2,022
<b>Other comprehensive income</b>						
Increase in available for sale equity reserve	-	-	-	-	240	240
Change in cash flow hedge, net of tax	-	-	-	45	-	45
<b>Total other comprehensive income</b>	-	-	-	<b>45</b>	<b>240</b>	<b>285</b>
<b>Total comprehensive income</b>	-	-	<b>2,022</b>	<b>45</b>	<b>240</b>	<b>2,307</b>
<b>Transaction with owners</b>						
Share options issued to shareholders forfeited	-	(140)	140	-	-	-
Share options issued to employees exercised	145	(145)	-	-	-	-
Placement of new ordinary shares	380	-	-	-	-	380
Share issue costs	(2)	-	-	-	-	(2)
<b>Total transactions with owners</b>	<b>523</b>	<b>(285)</b>	<b>140</b>	-	-	<b>378</b>
<b>Balance at 31 March 2016 (Audited)</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>

**GENEVA FINANCE LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016**

	30 Sep 16 6 months Unaudited	30 Sep 15 6 months Unaudited	31 Mar 16 12 months Audited
	\$000's	\$000's	\$000's
<b>Cash flow from operating activities:</b>			
Cash was provided from:			
Interest received	5,111	3,947	8,525
Dividends received	108	115	170
Receipts from insurance policy sales, collections activities and other sources	2,243	1,554	3,847
Proceeds from collections made on purchased debt ledger	196	205	423
Taxation receipts	4	-	-
	<u>7,662</u>	<u>5,821</u>	<u>12,965</u>
Cash was applied to:			
Net movement in finance receivables	(5,811)	(6,608)	(11,918)
Interest paid	(1,697)	(1,698)	(3,372)
Payments to suppliers and employees	(3,965)	(3,400)	(7,022)
	<u>(11,473)</u>	<u>(11,706)</u>	<u>(22,312)</u>
Net cash inflow from operating activities	(3,811)	(5,885)	(9,347)
<b>Cash flows from investing activities:</b>			
Cash was provided from:			
Proceeds from the sale of fixed assets	-	-	12
	<u>-</u>	<u>-</u>	<u>12</u>
Cash was applied to:			
Purchase of plant and equipment	(84)	(15)	(38)
Purchase of intangible assets	(166)	-	(153)
Purchase of third-party debt ledger	-	-	(143)
	<u>(250)</u>	<u>(15)</u>	<u>(334)</u>
Net cash outflow from investing activities	(250)	(15)	(322)
<b>Cash flows from financing activities:</b>			
Cash was provided from:			
Net movement of term facilities: Westpac	4,100	4,170	10,170
Net movement of term facilities: Kiwi Bank	-	3,400	3,400
Issue of new shares	-	-	380
	<u>4,100</u>	<u>7,570</u>	<u>13,950</u>
Cash was applied to:			
Net movement of other borrowings	-	(348)	(348)
Payments relating to the issue of new shares	-	-	(2)
Dividends paid to Company shareholders	(1,057)	-	-
	<u>(1,057)</u>	<u>(348)</u>	<u>(350)</u>
Net cash outflow from financing activities	3,043	7,222	13,600
<b>Net increase / (decrease) in cash and cash equivalents held</b>	(1,018)	1,322	3,931
Add: Opening cash and cash equivalents balance	8,025	4,094	4,094
<b>Cash and cash equivalents at the end of the period</b>	<u><b>7,007</b></u>	<u><b>5,416</b></u>	<u><b>8,025</b></u>
<b>Represented by:</b>			
Cash at bank	7,007	5,416	8,025
<b>Cash and cash equivalents at the end of the period</b>	<u><b>7,007</b></u>	<u><b>5,416</b></u>	<u><b>8,025</b></u>

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



## 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 2016 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 2016 should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2016, 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 2016. The same significant judgements, estimates and assumptions included in the notes to the Group's annual financial statements for the year ended 31 March 2016 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 2016.

## 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: The operations of this segment included a holding in a property investment and raising debt to advance to Corporate segment. The holding in the property investment was transferred to the insurance segment during the prior period and the segment debt was settled at the same juncture.

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.

## 3. SEGMENT REPORTING (continued)

**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 asset (release)/expense	(58)	677	-	(421)	-	58	256

**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

**Group summary revenues and results for the year 31 March 2016 (Audited)**

\$'000	Corporate	New Business	Insurance	Old Business	Property	Eliminations	Group
External revenues	7	10,053	1,636	419	115	-	12,230
Revenue - other segments	1,439	262	188	145	34	(2,068)	-
Total	1,446	10,315	1,824	564	149	(2,068)	12,230
Segment profit/(loss)	(1,178)	2,971	475	552	112	(553)	2,379
Taxation benefit/(expense)	1,150	-	-	-	-	-	1,150
Net profit/(loss) after taxation	(28)	2,971	475	552	112	(553)	3,529
Interest income	893	9,378	237	187	34	(1,516)	9,213
Interest expense	892	3,671	-	288	37	(1,516)	3,372
Depreciation	-	28	-	-	-	-	28
Amortisation	-	40	-	-	-	-	40
Other material non-cash items:							
Impaired assets expense	(552)	1,229	-	(1,463)	-	552	(234)
Share Option Expense	145	-	-	-	-	-	145

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

## 3. SEGMENT REPORTING (continued)

**Group summary assets and liabilities as at 31 March 2016 (Audited)**

\$'000	Corporate	New Business	Insurance	Old Business	Property	Eliminations	Group
Segment assets							
Total assets	33,332	55,852	9,898	8,968	2,814	(41,236)	69,628
Additions to non current assets	127	64	-	-	-	-	191
Segment liabilities							
Total liabilities	25,019	47,664	2,767	3,632	-	(29,710)	49,372

**Group summary revenues and results for the period ended 30 September 2015 (Unaudited)**

\$'000	Corporate	New Business	Insurance	Old Business	Property	Eliminations	Group
External revenues	6	4,690	768	177	115	-	5,756
Revenue - other segments	432	584	101	64	34	(1,216)	-
Total	438	5,275	869	240	150	(1,216)	5,756
Segment profit/(loss)	(979)	1,208	312	357	112	-	1,010
Taxation benefit/(expense)	497	-	-	-	-	-	497
Net profit/(loss) after taxation	(482)	1,208	312	357	112	-	1,507
Interest income	438	4,345	124	78	34	(778)	4,241
Interest expense	437	1,848	-	154	37	(778)	1,698
Depreciation	-	14	-	-	-	-	14
Amortisation	-	24	-	-	-	-	24
Other material non-cash items:							
Impaired assets expense	-	580	-	(815)	-	-	(235)
Share option Reserve	-	-	-	-	-	-	-

**Group summary assets and liabilities as at 30 September 2015 (Unaudited)**

\$'000	Corporate	New Business	Insurance	Old Business	Property	Eliminations	Group
Segment assets							
Total assets	26,804	47,387	8,443	8,738	2,887	(34,251)	60,008
Additions to non current assets	-	15	-	-	-	-	15
Segment liabilities							
Total liabilities	13,006	41,005	1,787	3,599	-	(16,960)	42,437

**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 16 6 months Unaudited	30 Sep 15 6 months Unaudited	31 Mar 16 12 months Audited
	\$000's	\$000's	\$000's
Gross finance receivables	37,587	39,900	39,243
Gross finance receivables (The Geneva Warehouse A Trust)	49,903	38,425	45,063
Gross finance receivables (Prime Asset Trust Limited)	3,402	642	398
<b>Total gross finance receivables</b>	<b>90,892</b>	<b>78,967</b>	<b>84,704</b>
Less: Unearned Interest	62	16	18
Deferred fee revenue and expenses	634	668	662
Less: Provision for credit impairment	29,666	29,431	29,448
<b>Net finance receivables</b>	<b>60,530</b>	<b>48,852</b>	<b>54,576</b>

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 2016, finance receivables totalling approximately \$19.2m (30 September 2015: \$16m; 31 March 2016: \$34.9m) 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 \$49.9m (30 September 2015: \$38.4m; 31 March 2016: \$45.1.m) are subject to limitations on disposal.

## 6. SHARE CAPITAL

**Number of ordinary shares**

	30 Sep 16 6 months Unaudited	30 Sep 15 6 months Unaudited	31 Mar 16 12 months Audited
Opening balance	493,040,761	483,040,761	483,040,761
Placement of new shares via execution of executive share options	-	-	10,000,000
Shares cancelled as a result of share consolidation	(422,605,486)		
<b>Total issued shares</b>	<b>70,435,275</b>	<b>483,040,761</b>	<b>493,040,761</b>

**Dollar value of ordinary shares**

	30 Sep 16 6 months Unaudited	30 Sep 15 6 months Unaudited	31 Mar 16 12 months Audited
	\$000's	\$000's	\$000's
Opening balance	51,287	50,764	50,764
Placement of new shares via execution of executive share options	-	-	523
<b>Total issued shares</b>	<b>51,287</b>	<b>50,764</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.

6. SHARE CAPITAL (continued)

Placement of new shares via execution of executive share options

The March 2016 the executive team executed share options that were issued on 7 August 2015. In total 10,000 (1,429 post share consolidation) shares were issued.

This transaction is summarised as follows:

	Group \$'000
Issue of 1,000,000 ordinary shares in Geneva Finance Limited on 17 November 2015 @ 3.8 cents per share.	38
Issue of 9,000,000 ordinary shares in Geneva Finance Limited on 2 March 2016 @ 3.8 cents per share.	342
	<u>380</u>
Consideration received on 17 November 2015	(38)
Consideration received on 2 March 2016	(342)
	<u>(380)</u>
Balance recognised in profit or loss for the period.	<u>-</u>

The Company incurred share issue costs totalling \$2k, this was recorded directly in equity against share capital.

Share options	Group		
	30 Sep 16 6 months Unaudited	30 Sep 15 6 months Unaudited	31 Mar 16 12 months Audited
<b>Number of options</b>	000's	000's	000's
Opening Balance	-	49,949	49,949
Share Options Issued to Employees	-	10,000	10,000
Forfeited during the period	-	(11,000)	(49,949)
Exercised during the period	-	-	(10,000)
Expired during the period	-	-	-
<b>Number of options outstanding at the end of the period</b>	<u>-</u>	<u>48,949</u>	<u>-</u>

*Share options issued to employees*

During July 2012 12.5m share options were granted to the managing director and senior management of the Company. The exercise price of the granted options is 5 cent per share. Options had to be exercised not later than 3 years after the issue date and the options will be forfeited if the employee ceases to be employed by the Company. All of these options were forfeited during July 2015.

The weighted average fair value of the options granted during the period were determined using the Binomial Tree option pricing model was 0.83 cents per option. The significant inputs into the model were, share price of 2.2 cents at the grant date, exercise price shown above, volatility of 92.6% , an expected option life of three years , and an annual risk-free interest rate of 2.7%. The volatility measured at the standard deviation of changes in the Company's share price over the prior 12 month period. The share based payment for the period was \$104k. No such share options were issued during the periods ended 30 September 2016 (2015) and year ended March 2016.

During August 2015, 10m share options were granted to the managing director and senior management of the Company. The exercise price of the granted options is 3.8 cent per share. Options must be exercised not later than 30 March 2018 and the options will be forfeited if the employee ceases to be employed by the Company. All of these options were exercised during the year ended March 2016 period.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

The weighted average fair value of the options granted during the period were determined using the Binomial Tree option pricing model was 1.45 cents per option. The significant inputs into the model were, share price of 3.2 cents at the grant date, exercise price shown above, volatility of 78.65% , an expected option life of 2.65 years , and an annual risk-free interest rate of 2.7%. The volatility measured at the standard deviation of changes in the Company's share price over the prior 12 month period. The share based payment for the period is \$145k. No such share options were issued during the periods ended 30 September 2016 (2015: Nil) and year ended 31 March 2015.

*Share options issued as part of the Company's Non-Renounceable Rights Issue of Ordinary Shares and*

On 19 and 23 November 2012, 140k of share options were granted as part of the Company's Non-Renounceable Rights Issue of Ordinary Shares and Options (the 'rights issue'), refer also Note 32. Under the rights issue the Company issued 56.2m ordinary shares at 2.75 cents per share. For every 3 new ordinary shares issued the Company issued 2 share options which entitle the holder to subscribe for new shares. These options can only be exercised during a 30 day period, commencing 3 years from the date of issue. The exercise price of the granted options is 8 cents per share. All of these options were forfeited during November 2015.

On grant date the Company's share price was 2.5 cents per share. The value ascribed (0.375 cents per share option) to each share option is the difference between the Company's share price (2.5 cent per share) on grant date and the subscription price (2.75 cents per share) for each parcel of 3 shares and 2 options under the rights issue. No such share options were issued during the periods 30 September 2016 (2015: Nil) and year ended 31 March 2016.

## 7. EARNINGS PER SHARE

## Basic profit per share

The calculation of basis 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 16	30 Sep 15	31 Mar 16
	6 months	6 months	12 months
	Unaudited	Unaudited	Audited
Net profit attributable to ordinary shares (\$'000)	2,357	1,507	3,529
Weighted number of shares	70,435,275	69,006,702	69,161,659
Basic earnings per share (cents)	3.35	2.18	5.10
Weighted number of shares	30 Sep 16	30 Sep 15	31 Mar 16
	6 months	6 months	12 months
	Unaudited	Unaudited	Audited
Issued shares 1 April	70,435,275	69,006,702	69,006,702
Placement of new shares via execution of executive share options	-	-	154,957
	<b>70,435,275</b>	<b>69,006,702</b>	<b>69,161,659</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 only had share options in prior periods. A calculation is done to determine the number of shares that could have been acquired at fair value based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated above is compared with the number shares that would have been issued assuming the exercise of the share options.

No diluted earnings per share has been presented for as the average share price of the Company's shares over the reported periods was lower than the exercise price of the share options on issue and staff options issued were forfeited. Executive share options issued on 7 August 2015 were exercised during the current period.

**8. FAIR VALUE DISCLOSURES**

As at 30 September 2016 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 2016 the carrying value of borrowings approximates its fair value as all borrowings are subject to floating or short-term interest rates.

**Fair value of financial 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 2016 (Unaudited)</b>	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Equity securities available for sale	-	-	3,031	3,031
Purchased debt	-	-	549	549
Derivatives	(392)	-	-	(392)
	<b>(392)</b>	-	<b>3,580</b>	<b>3,188</b>

<b>30 September 2015 (Unaudited)</b>	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Equity securities available for sale	-	-	2,791	2,791
Purchased debt	-	-	696	696
Derivatives	(565)	-	-	(565)
	<b>(565)</b>	-	<b>3,487</b>	<b>2,922</b>

<b>31 March 2016 (Audited)</b>	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Equity securities available for sale	-	-	3,031	3,031
Purchased debt	-	-	630	630
Derivatives	(520)	-	-	(520)
	<b>(520)</b>	-	<b>3,661</b>	<b>3,141</b>

**Equity securities available for sale**

This is an 11% 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 2016 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 2016 values are appropriate for 30 September 2016.

**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 2016. 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 2016 values are appropriate for 30 September 2016 values. The Company acquired additional purchase debt of \$143k during the year ended 31 March 2016.

**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 16 6 months Unaudited \$000's	30 Sep 15 6 months Unaudited \$000's	31 Mar 16 12 months Audited \$000's
Term facility: Westpac	41,154	31,054	37,054
Term facility: Kiwi Bank	3,400	3,400	3,400
Capitalised transaction costs: Westpac	(38)	(48)	(26)
Capitalised transaction costs: Kiwibank	(11)	(28)	(20)
	44,505	34,378	40,408

The Westpac facility annual review was carried out during July 2016 and the facility was extended to 31 July 2018.

The Stellar Collections Limited Kiwi Bank facility annual review was carried out during July 2016 and the facility was extended to June 2018.

**10. OTHER BORROWINGS**

	<b>Group</b>		
	30 Sep 16 6 months Unaudited \$000's	30 Sep 15 6 months Unaudited \$000's	31 Mar 16 12 months Audited \$000's
Secured	4,850	4,850	4,850
Capitalised transaction costs	-	(2)	-
	4,850	4,848	4,850

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 2016 GFSL transferred \$19.2m of loans receivables to the Trust (September 2015: \$16m, March 2016: \$34.9m). As at 30 September 2016 the carrying value of these assets was \$49.9m (September 2015: \$38.4m, March 2016: \$45.1m)



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

	<b>Group</b>		
	30 Sep 16 6 months Unaudited \$000's	30 Sep 15 6 months Unaudited \$000's	31 Mar 16 12 months Audited \$000's
<i>Finance receivables</i>			
Loans receivables	273	273	349
Impairment provision	(273)	(273)	(273)
Net loans receivable	-	-	76

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 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.

**Facilities from related parties**

## Deposits from related parties

	<b>Group</b>		
	30 Sep 16 6 months Unaudited \$000's	30 Sep 15 6 months Unaudited \$000's	31 Mar 16 12 months Audited \$000's
Opening balance as at 1 April	1,800	1,800	1,800
Movement	-	-	-
	1,800	1,800	1,800

The related party deposits carries an interest rate of 9%, (30 September 2015: 9%, March 2016: 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 2015.

**14. COMMITMENTS AND CONTINGENCIES**

30 September 2016 None

30 September 2015 None

31 March 2016 None

**15. SUBSEQUENT EVENTS**

There are no subsequent events