

**GENEVA FINANCE LIMITED**

**PROSPECTUS**

for an issue of  
**SECURED DEBENTURE STOCK**  
and  
**SUBORDINATED NOTES**

**18 June 2010**

## MANAGING DIRECTOR'S STATEMENT

First of all thank you for taking the time to review this Prospectus for Geneva Finance. As the Managing Director of Geneva Finance it is a privilege for me to be addressing you in this document.

### Important Notice:

As you are possibly aware, on 29 March 2010 the investors in Geneva Finance met to vote on an "Interest Bearing Repayment Plan" (the Plan). The major objective of the Plan being to proactively deal with a \$35m April 2011 debt maturity (as reported in the September 2009 accounts) and reschedule this repayment obligation out to 31 March 2015. At that meeting investors overwhelmingly voted in favour of the Plan, a result of which being Stockholders and Noteholder investment maturity dates were extended for an average period of 18 months to 24 months, with interest still being paid on their investment each month at the appropriate contractual interest rate. This report includes a commentary on the March 2010 results and the resultant variance between that result and the forecast March 2010 result in the Plan.

### Financial Result (12 months to 31 March 2010)

The after tax financial result for the year was a loss of \$5.0m vs a loss of \$7.0m in 2009. The March 2010 result is after charging the non cash write off of \$4.1m of deferred tax asset- see page 25 for more detail. This deferred tax asset written off remains available to be brought to profit in future periods to the extent future taxable profits are earned. On a pretax basis the Group incurred a loss of \$0.876m (compared to a \$6.565m loss in March 2009).

### March 2010 Comparison to the Plan forecasts:

The Plan incorporated a set of forecasts for the year to 31 March 2015. While the loss of \$2,476k forecast to 31 March 2010 was exceeded, the major variances were accounting policy related and of a non cash nature, as evidenced by the fact that at 31 March 2010 the Group had cash and facilities on hand that were \$3.531m greater than that forecast. The profit shortfall against that forecast was \$2,514k, which comprised an additional \$880k non cash additional write off of the deferred tax asset; \$1,110k of expenses primarily comprising accelerated future forecast depreciation and provisioning for future forecast lease costs and \$523k lower cash revenue as a consequence of lower lending volumes and one off abnormal costs in February and March 2010.

### Investor Repayments:

As at 31 March 2010 the Company has repaid paid 55% of all Debenture Stock principal outstanding at November 2007 (the date Geneva entered moratorium) and in addition has paid all investors their full contractual interest each month.

On the 11 June 2010 we announced the early repayment (29 June 2010) of the principal instalment due to investors on 30 September 2010. This will bring the total principal repaid to investors to 57.5% of all debenture principal outstanding at November 2007. In addition to this Geneva has continued to pay all investors their full contractual interest each month. By 30 June 2010 (i.e. including the early repayment above) Geneva will have repaid \$96.7m in principal and interest to investors since November 2007. We would like to take this opportunity to thank our investors for their continued support over the years.

### Restructuring and Rebuilding

This process has three components:

- (i) Grow lending while maintaining asset quality: During the year under review the Company has made a number of key management appointments to complement the changes in the target customer profile. It is expected that the benefits of these changes will be reflected in the coming financial year.
- (ii) Minimizing operating costs: This process of continuous improvement which has delivered a \$20.2m reduction in annual operating costs since November 2007 has been maintained, and as a result operating costs in the March 2010 year are \$5.4m lower than the March 2009 year.

- (iii) Attract new equity and debt. The approval of the Plan in March 2010 has set the platform for achieving this goal. The Plan identified the raising of further equity and debt as key assumptions for Geneva's future.

### **Strategic Direction**

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

- Build on and expand the distribution channels for the Company's products in a manner that adds value to our customers and the Company.
- Continue to develop revenue growth opportunities that are not funding-dependent.
- Pursue opportunities to attract new equity and additional debt.

### **Economic Outlook**

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

### **Summary**

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

Finally I wish to thank you again for taking the time to review this Prospectus.

Yours sincerely

David O'Connell  
Managing Director.

## INTRODUCTION

This Prospectus is dated 18 June 2010 and offers for subscription up to a maximum amount of \$150,000,000 first ranking debenture stock (**Debenture Stock**) and up to a maximum amount of \$30,000,000 Subordinated Notes (**Subordinated Notes**), in each case issued by Geneva Finance Limited (the **Company**). The proceeds of the issue will provide funds for the development of the Company's business. The issue will remain open until subscribed in full unless closed sooner by the Directors.

Also offered in this Prospectus is the opportunity for Moratorium Stockholders to defer principal payments of their Moratorium Stock due under the Plan.

A copy of this Prospectus, duly signed, together with copies of the documents required by section 41 of the Securities Act 1978 (being the material contracts referred to on page 12 and not previously delivered, the auditor's report on page 33 and authorities to sign this Prospectus on behalf of certain directors), has been delivered for registration to the Registrar of Companies at Auckland.

This Prospectus has been prepared in accordance with Schedule 2 to the Securities Regulations 2009 and follows the numbering in that Schedule.

### 1. MAIN TERMS OF OFFER

The issuer is Geneva Finance Limited whose registered office is at 6B Pacific Rise, Mt Wellington, Auckland.

#### **Debenture Stock**

The Debenture Stock offered under this Prospectus are debt securities in the Company constituted under a Debenture Trust Deed dated 17 December 2002 as amended and restated on 16 April 2010 between the Company, Pacific Rise Limited (**Pacific Rise**), Quest Insurance Group Limited (**Quest**), Stellar Collections Limited (**Stellar**), Stellar Collections No 2 Limited and Covenant Trustee Company Limited (the **Trustee**). The Trustee acts on behalf of all holders of Debenture Stock (**Stockholders**). Details of the Debenture Trust Deed are set out in clause 13 below.

The maximum amount of Debenture Stock available for subscription is \$150,000,000.

Applications for Debenture Stock must be for a minimum of \$5,000 in face value of Debenture Stock and thereafter in multiples of \$1,000 or such other minimum and multiples as the Company from time to time agrees. The Company has an absolute discretion whether or not to accept any application without giving any reason. If the Company refuses an application, the application moneys will be returned to the applicant without interest.

Interest rates and terms of investment are set out in the rate chart distributed with the Company's current Investment Statement or as otherwise agreed with any Stockholder.

If, on the maturity date of any Debenture Stock, payment or reinvestment instructions are not received by the Company, the Stockholder will be deemed to have authorised the Company to hold that investment 'at call' at the Company's 'at call' rate for Debenture Stock.

'At call' investments are repayable within 24 hours of investors giving notice to the Company. However, the Company reserves the right to repay 'at call' investments at any time.

The Company has a discretion to repay the investment early if:

- (a) a Stockholder dies; or
- (b) there are exceptional or unforeseen circumstances that cause the Stockholder to seek repayment.

In the case of early repayment, the Company has the right to adjust the interest rate to a rate applicable to the period during which the Debenture Stock was actually outstanding.

### **Subordinated Notes**

The Subordinated Notes offered under this Prospectus are debt securities in the Company, constituted under an Unsecured Deposits and Subordinated Notes Trust Deed dated 28 September 2005 as amended and restated on 16 April 2010 (the **Unsecured Trust Deed**) between the Company, Pacific Rise, Quest, Stellar, Stellar Collections No 2 Limited and the Trustee. The Trustee acts on behalf of all holders of Subordinated Notes (**Noteholders**). Details of the Unsecured Trust Deed are set out in clause 13 below.

The maximum amount of Subordinated Notes available for subscription is \$30,000,000.

Applications for Subordinated Notes must be for a minimum of \$5,000 in face value of Subordinated Notes and thereafter in multiples of \$1,000 or such other minimum and multiples as the Company from time to time agrees. The Company has an absolute discretion whether or not to accept any application without giving any reason. If the Company refuses an application, the application moneys will be returned to the applicant without interest.

Interest rates and terms are set out in the rate chart distributed with the Company's current Investment Statement or as otherwise agreed with any Noteholder.

If on the maturity date of any Subordinated Notes, payment or reinvestment instructions are not received by the Company, the Noteholder will be deemed to have authorised the Company to hold that investment "at call" at the Company's "at call" rate for Subordinated Notes.

"At call" investments are repayable within 24 hours of investors giving notice to the Company. However, the Company reserves the right to repay "at call" investments at any time.

The Company has a discretion to repay a Subordinated Note early if:

- (a) a Noteholder dies; or
- (b) there are exceptional or unforeseen circumstances that cause the Noteholder to seek repayment.

In the case of early repayment, the Company has the right to adjust the interest rate to a rate applicable to the period during which the Subordinated Note was actually outstanding.

### **Moratorium Stock**

Under the Plan repayment instalments of Moratorium Stock are due every 6 months.. From time to time Geneva intends to offer Moratorium Stockholders the opportunity to roll up one or more of their instalments next falling due into a single instalment to be paid on a later 6 monthly instalment date. Interest at the relevant Moratorium Stockholder's applicable interest rate would continue to be paid monthly on any deferred instalments. Any offer to roll up instalments would effectively be a new investment in Debenture Stock equal to the amount of the rolled up instalment from the date on which the rolled up instalment was due under the Plan to the extended maturity date. The details of any offer to roll up instalments of Moratorium Stock will be made by the Company in writing to the Moratorium Stockholders from time to time. This arrangement will not allow for any instalment to be paid at an earlier date than is provided in the Plan.

## **2. NAME AND ADDRESS OF OFFEROR**

Not applicable.

## **3. DETAILS OF INCORPORATION OF THE COMPANY**

Geneva Finance Limited was incorporated and registered at Auckland on 19 August 2002 (Company No: 1230526) under the provisions of the Companies Act 1993. The public file in respect of the Company can be viewed on the Companies Office website at [www.companies.govt.nz](http://www.companies.govt.nz). Where relevant documents are not available on the website, a request for the documents can be made by telephoning the Companies Office Business Service Centre on 0508 266 726.

#### 4. GUARANTORS

Pacific Rise, Quest, Stellar and Stellar Collections No 2 Limited are all charging subsidiaries under the Debenture Trust Deed and guaranteeing subsidiaries under the Unsecured Trust Deed. There are no other guarantors of the Debenture Stock and Subordinated Notes.

#### 5. NAMES, ADDRESSES, AND OTHER INFORMATION

The names of the Directors of the Company and their addresses and qualifications are set out in the Directory. David Gerard O'Connell is the managing director of the Company.

No director has been adjudged bankrupt during the 5 years preceding the date of this Prospectus.

The names of the Company's auditors, securities registrar and solicitor are named in the Directory.

The trustee for Stockholders and Noteholders is Covenant Trustee Company Limited of Level 34, Vero Centre, 48 Shortland Street, Auckland.

#### 6. RESTRICTIONS ON DIRECTORS' POWERS

The principal modifications, exceptions or limitations on the powers of the Board imposed by the Constitution are that the Board may not:

- (a) issue or acquire any equity securities except in accordance with the provisions of the Constitution and the NZAX Listing Rules;
- (b) give financial assistance for the purpose of, or in connection with, the acquisition of equity securities issued or to be issued, except in limited circumstances and in accordance with the provisions of the Constitution and the NZAX Listing Rules;
- (c) cause the Company to issue, acquire or redeem securities in relation to a person or group of associated persons entitled before the issue, acquisition or redemption to exercise or direct the exercise of not less than 1% of the total votes attaching to the Company's securities, where there is a significant likelihood that it will result in that person or group of persons materially increasing their ability to exercise or direct the exercise of effective control of the Company, without the prior approval of an ordinary resolution of Shareholders;
- (d) cause the Company to enter into any transaction or series of linked or related transactions to acquire, sell, lease, exchange or otherwise dispose of (otherwise than by way of charge) assets of the Company which would change the essential nature of the business of the Company in respect of which the gross value is in excess of 50% of the average market capitalisation of the Company, without the prior approval of an ordinary resolution of Shareholders; and
- (e) enter into material transactions with related parties or material transactions to which a related party is, or is likely to become, a direct or indirect party, without the prior approval of an ordinary resolution of Shareholders.

In addition, individual Directors may not vote on any matter in which he or she is interested unless permitted by the Companies Act and where he or she has complied with the relevant provisions and signed a certificate in respect of the matter.

The Companies Act contains a number of other provisions that could have the effect, in certain circumstances, of imposing modifications, exceptions or limitations on the powers of the Board. For example, Directors cannot allow the Company to enter into any major transaction (as that term is defined in the Companies Act) without the prior approval of a special resolution of Shareholders. These provisions apply to any company registered under the Companies Act.

## 7. DESCRIPTION OF ACTIVITIES OF THE GROUP

Geneva Finance provides finance and financial services to the consumer credit and small to medium business markets. Geneva Finance commenced business on 7 October 2002.

Prior to November 2007, Geneva Finance had a national network of 23 retail branches and carried on its business through these branches and its head office at Mt Wellington. These branches were progressively closed in late 2007 and 2008 and Geneva Finance's loans are now originated through three distribution channels (Direct, Retail and Dealer), processed by the central sales desk then administered through its national operations centre located at its Mt Wellington head office.

The Company borrows money, including by the issue of Debenture Stock and Subordinated Notes and under the BOS Facility and lends that money to individuals, companies and other entities by providing hire purchase finance, and personal loans secured by registered security interests over personal assets such as motor vehicles, household goods (e.g. furniture and appliances), and mortgages of residential property.

	<b>31 March 2010</b>
	<b>Audited</b>
	<b>\$ millions</b>
Gross finance receivables	85.8
Less: Deferred fee revenue and expenses	0.7
Provision for credit impairment	25.9
Net finance receivables	<u>59.2</u>
Number of loans	13,310
Average loan size (\$)	6,446

The large number and relatively small size of each loan represents a wide spread of risk.

Since 2008, the Company has tightened its lending criteria, resulting in a client profile that has higher affordability, proven credit performance and greater stability of residence and employment. A proportion of loans are made to individuals whose personal lending and finance needs are not adequately catered for by trading banks or because of the specific nature of the borrowing requirement, e.g. secured fixed-term personal asset financing such as vehicle or retail hire purchase finance

Initial loans are approved for an amount within the customer's approved credit limit. These loans have a fixed instalment repayment program and when the loan has been significantly paid off then subject to satisfying lending approval and verification processes, the customer may be entitled to a further advance within their approved credit limit. Rather than take out a second loan the Company combines the balance of the existing loan and any further advance into a new loan. This is known as refinancing and is very common practice in the consumer finance industry. It is the preferred option from both the customer and Company's viewpoint as having one loan simplifies the payment process, security structure and the ongoing loan management process.

Geneva Finance has comprehensive credit and risk management policies which are used to manage its exposure to any credit risk. It works very closely with its borrowers, both in its lending and credit control processes, and has strong credit management capabilities to manage its receivables ledger. If a loan goes into arrears for any reason a key collection strategy is to always seek cash flow and to work closely with that customer to achieve that. If ultimately cash flow cannot be secured, then the collection activity will be escalated until all avenues of negotiation and payment arrangement have been exhausted and the only option is to recover the loan security and/or pursue collection through a legal process.

Geneva Finance regularly reviews and assesses the adequacy of its doubtful debt provisions and will fully provide against those loan balances where the Company has exhausted all available collection activities and loan cash flow has stopped for some time.

The Company ensures that the price paid by a customer for goods financed under a hire purchase agreement or a secured personal loan (for example a motor vehicle or household appliance) is a fair reflection of its retail value through independent valuation verification processes, and that the goods are insured for that value. In addition to the purchase price paid for the

goods, loan establishment fees and any insurances provided by the Company will be added to the balance payable. As a result, at the time the loan is made, the total amount of the loan may exceed the market value of the goods.

The principal subsidiaries of the Company are Pacific Rise, Quest and Stellar. Pacific Rise's only asset is the land and building at 6B Pacific Rise, Mt Wellington, which is the Company's Operations Centre. Quest provides insurance products to the Company's borrowers and other unrelated parties and Stellar and its subsidiary, Stellar Collections No 2 Limited, provide debt collection services to the Company and other unrelated parties.

The Group's principal fixed assets are its head office premises, which is owned by Pacific Rise, and motor vehicles, office equipment and computers, which are both owned and leased, and which are used by the Group for the purpose of its business.

On 28 April 2008, the investors in Geneva Finance voted overwhelmingly in favour of a Capital Reconstruction Plan, the key elements being an increase of share capital by \$22.7m through debt conversion by Debentureholders and Noteholders and additional cash subscriptions, the restructuring of Geneva Finance's long term debt so that it correctly matched the maturity profile of the receivables portfolio and the securing to 30 April 2011 of a \$35m committed facility from the Geneva Finance's term facility provider, BOS International (Australia) Limited.

On the 29 March 2010, the investors in Geneva Finance voted overwhelmingly in favour of an Interest Bearing Repayment Plan. The key elements being:

- the period for full repayment of outstanding principal of the Moratorium Stock was extended by 30 months beyond the Capital Reconstruction final repayment date of 30 September 2012 to 31 March 2015;
- the period for repayment of Security Stock held by BOS (to have been repaid no later than 30 April 2011) was extended to 31 March 2015 and, commencing on 31 March 2010, the BOS Facility Limit will reduce on the same dates and at the same percentage amounts as Moratorium Stock is repaid under the Plan; and
- the period for full repayment of outstanding Notes was be deferred by 30 months from 31 October 2012 in the Capital Reconstruction Plan to 30 April 2015.



## 8. SUMMARY OF FINANCIAL STATEMENTS FOR THE GROUP

The following information has been extracted from the audited financial statements of the Group for the past five years.

The financial statements for the Company and Group for the year ended 31 March 2010 can be viewed on the Companies Office website ([companies.govt.nz](http://companies.govt.nz)), under the Company information on the NZX website ([www.nzx.com](http://www.nzx.com)), the Companies website ([www.genevafinance.co.nz](http://www.genevafinance.co.nz)) or a copy can be requested by calling the Company directly on 0800 800 133.

NZ IFRS means the New Zealand equivalent of the International Financial Reporting Standards. Prior NZ GAAP are the accounting rules that applied prior to the adoption of NZ IFRS.

### Statement of comprehensive income

	NZIFRS Audited	NZIFRS Audited	NZIFRS Audited	NZIFRS Audited	NZ GAAP Audited	NZ GAAP Audited
\$'000	31/03/2010	31/03/2009	31/03/2008	31/03/2007	31/03/2007	31/03/2006
Gross revenue	23,731	38,751	45,127	48,228	48,846	37,214
Finance costs	(7,406)	(12,424)	(16,722)	(14,673)	(14,673)	(9,062)
Net profit/(loss) before taxation	(876)	(6,565)	(11,161)	5,173	6,038	5,690
Income tax benefit (expense)	(4,114)	(433)	3,284	(1,735)	(2,020)	(1,901)
<b>Net profit/loss after taxation</b>	<b>(4,990)</b>	<b>(6,998)</b>	<b>(7,877)</b>	<b>3,438</b>	<b>4,018</b>	<b>3,789</b>
<b>Other comprehensive income</b>						
Cash flow hedge	407	(1,031)	-	-	-	-
Movement in revaluation reserve	(413)	-	695	-	-	-
Income tax relating to cash flow hedge	(123)	309	135	-	-	-
<b>Other comprehensive income, net of tax</b>	<b>(129)</b>	<b>(722)</b>	<b>830</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income</b>	<b>(5,119)</b>	<b>(7,720)</b>	<b>(7,047)</b>	<b>3,438</b>	<b>4,018</b>	<b>3,789</b>

### Statement of changes in equity

	NZIFRS Audited	NZIFRS Audited	NZIFRS Audited	NZIFRS Audited	NZ GAAP Audited	NZ GAAP Audited
\$'000	31/03/2010	31/03/2009	31/03/2008	31/03/2007	31/03/2007	31/03/2006
Total comprehensive income	(5,119)	(7,720)	(7,047)	3,438	4,018	3,789
Transactions with owner in their capacity as owners:						
Contributions by owners	14,261	19,380	3,254	11,931	18,563	10,558
Distribution to owners	-	-	(570)	(2,200)	(2,200)	(1,013)
<b>Total equity</b>	<b>14,261</b>	<b>19,380</b>	<b>2,684</b>	<b>9,731</b>	<b>16,363</b>	<b>9,545</b>
Represented by:						
Share capital	37,699	37,699	13,283	12,713	12,713	7,713
Revaluation reserve	690	1,103	1,103	273	408	408
Retained earnings	(23,690)	(18,700)	(11,702)	(3,255)	3,242	1,424
Cash flow hedge	(438)	(722)	-	-	-	-
	<b>14,261</b>	<b>19,380</b>	<b>2,684</b>	<b>9,731</b>	<b>16,363</b>	<b>9,545</b>

## Statement of cash flows

	NZIFRS Audited	NZIFRS Audited	NZIFRS Audited	NZIFRS Audited	NZ GAAP Audited	NZ GAAP Audited
\$'000	31/03/2010	31/03/2009	31/03/2008	31/03/2007	31/03/2007	31/03/2006
Net cash flow from operating activities	22,291	34,590	12,504	(32,886)	12,720	7,863
Net cash flow from investing activities	(396)	(11)	(2,585)	(2,220)	(47,826)	(62,871)
Net cash flow from financing activities	(25,313)	(49,585)	4,337	24,134	24,134	72,912
Net (decrease)/increase in cash held	(3,418)	(15,006)	14,256	(10,972)	(10,972)	17,904

## Statement of financial position

	NZIFRS Audited	NZIFRS Audited	NZIFRS Audited	NZIFRS Audited	NZ GAAP Audited	NZ GAAP Audited
\$'000	31/03/2010	31/03/2009	31/03/2008	31/03/2007	31/03/2007	31/03/2006
<b>Assets</b>						
Cash and cash equivalents	4,707	8,125	21,483	7,227	7,227	18,199
Equity securities - available for sale	2,235	2,235	-	-	-	-
Prepayments and sundry debtors	337	1,067	583	473	473	362
Taxation receivable	9	211	163	-	-	380
Finance receivables	59,191	79,708	121,366	141,724	151,421	110,033
Deferred acquisition costs	861	1,551	-	-	-	-
Financial assets designated at fair value through profit and loss	2,832	3,433	-	-	-	-
Deferred taxation	2,466	6,694	6,430	3,214	149	1,321
Intangible assets - computer software	856	1,520	1,933	1,071	-	-
Fixed assets	5,809	6,969	8,096	10,812	11,883	11,389
<b>Total assets</b>	<b>79,303</b>	<b>111,513</b>	<b>160,054</b>	<b>164,521</b>	<b>171,153</b>	<b>141,684</b>
<b>Liabilities</b>						
Accounts payable and accruals	1,669	1,492	1,976	2,168	2,168	2,171
Taxation payable	-	-	-	1,393	1,393	-
Outstanding claims liability	188	246	-	-	-	-
Employee entitlements	176	283	271	442	442	333
Unearned premium liability	2,055	3,608	-	-	-	-
Derivative financial instruments	624	1,031	-	-	-	-
Deposit and savings accounts	-	-	882	4,022	4,022	3,738
Term facility	24,000	34,627	42,826	17,314	17,314	2
Unsecured loans	615	915	-	-	-	-
Debentures	31,271	45,473	98,960	112,689	112,689	113,263
Subordinated notes	4,444	4,458	12,455	16,762	16,762	9,832
Shareholders' Subordinated Loan	-	-	-	-	-	2,800
<b>Total liabilities</b>	<b>65,042</b>	<b>92,133</b>	<b>157,370</b>	<b>154,790</b>	<b>154,790</b>	<b>132,139</b>
<b>Equity</b>	<b>14,261</b>	<b>19,380</b>	<b>2,684</b>	<b>9,731</b>	<b>16,363</b>	<b>9,545</b>
<b>Total equity and liabilities</b>	<b>79,303</b>	<b>111,513</b>	<b>160,054</b>	<b>164,521</b>	<b>171,153</b>	<b>141,684</b>

Note:

These summary financial statements have been extracted from the relevant audited financial statements. The summary financial statements are in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000) unless otherwise stated. The summary financial statements have been prepared in accordance with FRS 43 subject to the Securities Regulations 2009.

The summary financial statements have been authorised for issue in accordance with a resolution of the Directors of 18 June 2010. The Directors (at the relevant times) have previously authorised the issue for the financial statements as follows:

Year ended	Date authorised by Directors
2010	21 May 2010
2009	29 May 2009
2008	13 June 2008
2007	8 June 2007
2006	5 September 2006

The full financial statements from which these summary financial statements were extracted have been prepared in accordance with NZ GAAP and comply with New Zealand equivalents to International Reporting Standards, and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities for the years ended 31 March 2010, 2009, 2008 and 2007. Periods prior to 31 March 2007 were prepared under the applicable NZ GAAP at the time.

The summary financial statements cannot be expected to provide as complete an understanding as provided in the full financial statements. In forming their unqualified opinion on the 31 March 2010 financial statements, the auditors have noted fundamental uncertainties. Details of the circumstances relating to these fundamental uncertainties are described on page 25.

#### Comparisons to prospective financial information

Prospective Group financial statements for the year ended 31 March 2010 were included in the Capital Reconstruction Offer Document published in March 2010. The differences between the prospective information and the actual results achieved are set out below.

	Unaudited		
	Actual	Prospective information	Variance
	\$000	\$000	\$000
Group income statement year ended 31 March 2010			
Interest income	15,441	15,680	(239)
Interest expense	7,406	7,434	(28)
Net interest income	8,035	8,246	(211)
Other revenue	8,290	8,602	(312)
Operating revenue	16,325	16,848	(523)
Operating expenses	15,315	14,494	821
Operating profit	1,010	2,354	(1,344)
Impaired assets expense	1,886	1,597	289
Net (loss)/profit before taxation	(876)	757	(1,633)
Taxation	4,114	3,233	881
Net (loss)/profit	(4,990)	(2,476)	(2,514)

Group summary balance sheet at 31 March 2010	Unaudited		
	Actual	Prospective information	Variance
Assets	\$000	\$000	\$000
Cash and cash equivalents	4,707	802	3,905
Finance receivables	59,191	63,213	(4,022)
Other	15,405	17,456	(2,051)
	<u>79,303</u>	<u>81,471</u>	<u>(2,168)</u>
Liabilities			
Term funding	24,000	23,150	850
Debentures	31,271	31,747	(476)
Subordinated debt	4,444	4,444	-
Other	5,327	5,478	(151)
	<u>65,042</u>	<u>64,819</u>	<u>223</u>
Net equity	14,261	16,652	(2,391)
Total equity and liabilities	<u>79,303</u>	<u>81,471</u>	<u>(2,168)</u>
Group summary cash flow for the year ended 31 March 2010			
Net cash inflow/(outflow) from operating activities	22,291	18,879	3,412
Net cash inflow/(outflow) from investing activities	(396)	(312)	(84)
Net cash (outflow)/inflow from financing activities	<u>(25,313)</u>	<u>(25,890)</u>	<u>577</u>
Net decrease in cash held	<u>(3,418)</u>	<u>(7,323)</u>	<u>3,905</u>

The Interest bearing repayment plan incorporated a set of prospective financial statements for the years to 31 March 2015. While the prospective profit to 31 March 2010 was not achieved, the major variances were accounting policy related and of a non cash nature and as evidenced by the fact that at 31 March 2010 the group had cash and facilities on hand that were \$3,531k greater than that included in the prospective financial statements. The profit shortfall against the prospective financial statements was \$2,514k, which comprised an additional \$880k non cash write off of the deferred tax asset; \$1,110k of expenses primarily comprising accelerated future projected depreciation and provisioning for future projected lease costs and \$523k lower cash revenue as a consequence of lower lending volumes and one off costs in February and March 2010.

#### Prior period adjustments

The full financial statements for the year ended 31 March 2010 included the following prior year adjustment: As part of our ongoing review of our financial reporting process we identified that some changes were required to our definition of restructured assets to more correctly align it with NZ IFRS. Any restructured assets which is impaired or where the yield on the asset is less than cost of funds is now included in impaired assets rather than restructured assets. This change only effected disclosure and resulted in \$8,786,000 of restructured loans as at 1 April 2008 and \$3,475,000 of restructured loans at 31 March 2009 being reclassified as impaired assets.

#### Subsequent events

The full financial statements for the year ended 31 March 2010 included the following subsequent event: Since 31 March 2010 the Government has announced that the Company tax rate will reduce from 30% to 28% effective for years beginning on or after 1 April 2011. The financial effect of the change in tax rate have not been brought to account in the financial statements for the year ended 31 March 2010. Had the financial effect of the change in tax rate been recognised as at 31 March 2010, there would have been a reduction in the balances of deferred tax assets by \$163,000 and an increase in income tax expense by \$163,000. The Group has not recognised deferred tax on its land and buildings as any liabilities arising will be offset by the unrecognised deferred tax assets.

## 9. ACQUISITION OF BUSINESS OR SUBSIDIARY

Not applicable

## 10. MATERIAL CONTRACTS

The material contracts entered into by the Group (other than in the ordinary course of business) during the 2 years preceding the date of registration of this Prospectus are the:

- Supplemental Trust Deed dated 20 January 2009 between Quest Insurance Group Limited and Covenant Trustee Company Limited whereby Quest became a charging subsidiary under the Debenture Trust Deed.
- Supplemental Trust Deed dated 20 January 2009 between Quest Insurance Group Limited and Covenant Trustee Company Limited whereby Quest became a guaranteeing subsidiary under the Unsecured Trust Deed.
- Supplemental Trust Deed dated 20 January 2009 between Stellar and Covenant Trustee Company Limited whereby Stellar became a charging subsidiary under the Debenture Trust Deed.
- Supplemental Trust Deed dated 20 January 2009 between Stellar and Covenant Trustee Company Limited whereby Stellar became a guaranteeing subsidiary under the Unsecured Trust Deed.
- Debenture Trust Deed dated 17 December 2002 as amended and restated on 4 March 2009 whereby the Debenture Trust Deed was further amended and restated to include all previous amendments.
- Unsecured Deposits and Subordinated Notes Trust Deed dated 28 September 2005 as amended and restated on 4 March 2009 whereby the Unsecured Deposits and Subordinated Notes Trust Deed was further amended and restated to include all previous amendments.
- Deed of Amendment of Trust Deed dated 25 August 2009 between the Company and Covenant Trustee Company Limited whereby the Unsecured Trust Deed was amended.
- Supplemental Trust Deed dated 25 August 2009 between Stellar Collections No 2 Limited and Covenant Trustee Company Limited whereby Stellar Collections No 2 Limited became a charging subsidiary under the Debenture Trust Deed.
- Supplemental Trust Deed dated 25 August 2009 between Stellar Collections No 2 Limited and Covenant Trustee Company Limited whereby Stellar Collections No 2 Limited became a guaranteeing subsidiary under the Unsecured Trust Deed.
- Debenture Trust Deed dated 17 December 2002 as amended and restated on 16 April 2010 whereby the Debenture Trust Deed was further amended and restated to include all previous amendments.
- Unsecured Deposits and Subordinated Notes Trust Deed dated 28 September 2005 as amended and restated on 16 April 2010 whereby the Unsecured Deposits and Subordinated Notes Trust Deed was further amended and restated to include all previous amendments.

## 11. PENDING PROCEEDINGS

There are no proceedings or arbitrations that are pending at the date of registration of this Prospectus which may have a material adverse effect on the Group.

## 12. ISSUE EXPENSES

The estimated amount of the expenses of this issue is \$10,000. This includes accounting, auditing, legal and printing expenses, all of which are payable by the Company.

Brokerage is not payable by investors but the Company does pay brokerage to brokers of up to 2%.

### **13. RANKING OF SECURITIES**

#### **Stock**

The Stock ranks equally with all Stock issued by the Company from time to time as far as security over the assets and undertaking of the Company is concerned.

Other than Prior Security Interests totalling no more than 5% of Total Tangible Assets, the Company is prohibited from giving any security interests ranking ahead of, or equally with, the first ranking security interests given to the Trustee for the benefit of Stockholders under the Debenture Trust Deed.

As at 31 March 2010 there were no security interests which ranked ahead of or equally with the Debenture Stock. As at 31 March 2010, Debenture Stock totalling \$61,754,000 was outstanding. This Debenture Stock includes the Security Stock issued to BOS which had a principal amount of \$30,000,000 at that date (drawn at 31 March 2010 to \$24,000,000).

#### *Notes*

The Notes rank equally amongst themselves but behind all Debenture Stock and all other secured, unsecured and unsubordinated liabilities of the Group from time to time.

As at 31 March 2010, there were Notes totalling \$4,444,000.

As at 31 March 2010, the following liabilities were outstanding which rank ahead of the Notes:

- Debenture Stock - \$31,754,000
- BOS Security Stock - \$30,000,000 (drawn at 31 March 2010 to \$24,000,000).
- Unsecured liabilities - \$5,327,000

As at 31 March 2010, there were no liabilities outstanding which ranked equally with the Notes.

### **14. PROVISIONS OF TRUST DEEDS AND OTHER RESTRICTIONS ON CHARGING GROUP**

#### **DEBENTURE TRUST DEED**

Geneva Finance Limited has entered into the Debenture Trust Deed dated 17 December 2002 as amended and restated on 16 April 2010 with Covenant Trustee Company Limited for the benefit of all Stockholders. With effect from 17 July 2006, Pacific Rise became a charging subsidiary under the Debenture Trust Deed. With effect from 20 January 2009, Quest and Stellar became charging subsidiaries under the Debenture Trust Deed and with effect from 25 August 2009, Stellar Collections No 2 Limited became a charging subsidiary under the Debenture Trust Deed.

#### **Charging Group**

Covenants and security interests included in the Debenture Trust Deed are given by the Company, Pacific Rise, Quest and Stellar, Stellar Collections No 2 Limited and any future subsidiary of the Company which becomes a party to the Debenture Trust Deed. The Company, Pacific Rise, Quest, Stellar, Stellar Collections No 2 Limited and any such future subsidiaries are together called the "Charging Group".

#### **Security**

Under the Debenture Trust Deed, the Charging Group have given security interests over all their assets and undertaking. The security interests are given to the Trustee for the benefit of the Stockholders.

#### **Financial Restrictions**

The Debenture Trust Deed imposes certain limitations on borrowing by the Charging Group.

The Charging Group covenants that Total Liabilities of the Charging Group will not exceed the aggregate of 60% of the Market Valuation of any land owned and occupied by the Charging Group and 87.5 % of the other Total Tangible Assets of the Charging Group (excluding land owned and occupied by the Charging Group).

### **Business Restrictions**

The Charging Group has undertaken:

- not to own any real property, shares, other equity securities, units or other forms of ownership interest in any company, unit trust, or other person except real property or shares held as security for loans made by the Charging Group (or as a result of enforcement of that security) or real property occupied by any member of the Charging Group provided that the Market Valuation of any real property occupied by the Charging Group does not exceed 5% of Total Tangible Assets provided further that the Company may own and occupy the office premises at 6B Pacific Rise, Mt Wellington for the purpose of carrying out its business;
- not to enter into any transactions with related persons (Related Party Transactions) except in the ordinary course of business and then only up to a maximum of 2% of Total Tangible Assets;
- not to allow the amount owing to the Charging Group under finance receivables by any one debtor or related group of debtors to exceed 10% of Total Tangible Assets;
- not to allow Prior Security Interests to exceed 5% of Total Tangible Assets;
- not to carry on any business other than that of providing financial accommodation and financial services and any other business or activities which are incidental to or complimentary with the business of providing financial accommodation and financial services including debt factoring, credit recovery and asset repossession;
- not to issue Debenture Stock or borrow any money on the security of existing Debenture Stock if the Company is, or would as a result of such action be, in default of the terms of the Debenture Trust Deed;
- not to sell the whole, or any part more than 25% of Total Tangible Assets, of its business or undertaking; and
- not to make any distribution other than by way of dividend out of profits and in any event not to make any distributions of any kind at any time after an Event of Default has occurred and is continuing.

Capitalised terms used above are all defined in the Debenture Trust Deed. Summarised definitions of the key terms are set out in the glossary at the end of this Prospectus.

### **Charging Subsidiaries**

The Debenture Trust Deed requires the Company to join any future subsidiary of the Company to the Debenture Trust Deed as a Charging Subsidiary. This subsidiary would then become a member of the Charging Group.

### **Duties of the Trustee**

The Trustee's duties are to hold the security interests created under the Debenture Trust Deed on behalf of all Stockholders, to receive and consider regular financial reports furnished by the Company and its Auditors as specified in the Debenture Trust Deed, the Securities Regulations 2009 (in particular Schedule 15) and Schedule 3 to the Securities (Moratorium) Regulations 2009, and, if necessary, to enforce the Debenture Trust Deed on behalf of all Stockholders.

The Trustee is also bound to carry out the duties prescribed in Schedule 15 of the Securities Regulations 2009. In particular, the Trustee is required to exercise reasonable diligence to ascertain whether or not any breach of the terms of the Debenture Trust Deed, or the terms of offer of the Stock, has occurred and, except where it is satisfied that a breach will not materially prejudice the security of the Stock or the interests of the Stockholders, the Trustee must do whatever it is empowered to do to cause any breach to be remedied. The Trustee must also exercise reasonable diligence to ascertain whether or not the assets of the Company that are, or may be, available, are sufficient, or likely to be sufficient, to discharge the amounts of the Stock as they become due.

### **Enforcement**

The Debenture Trust Deed provides for various events of default which include:

- Non payment of any Stock or other moneys owing under the Debenture Trust Deed on the due date;
- Breach of any of the financial ratios or negative covenants imposed on the Charging Group under the Debenture Trust Deed;
- Breach in a material respect of any of the other obligations of the Charging Group under the Debenture Trust Deed which, in the case of a breach that is capable of remedy, is not remedied within 14 days after the relevant member of the Charging Group became aware of it;

- Insolvency, creditor enforcement action, receivership, dissolution, amalgamation (except within the Charging Group), statutory management or cessation of business of a member of the Charging Group;
- Enforcement of a Prior Security Interest;
- Non payment by a Charging Group Member of any indebtedness of or in excess of NZ\$10,000;
- Change in control of the Company without the prior consent of the Trustee, which may not be unreasonably withheld.

If an event of default occurs the security created by the Debenture Trust Deed will become enforceable and the Trustee may, and will (subject to first being indemnified to its satisfaction) upon the request in writing of any Major Security Stockholder or if so directed by an Extraordinary Resolution of Stockholders, take various actions including declaring all outstanding Stock to be immediately repayable, taking possession of the Charging Group's assets and appointing a receiver of the Charging Group's assets. Before taking these actions the Trustee must give 14 days' notice to the Company, unless the Trustee is of the opinion that delay would imperil the interests of Stockholders or not be capable of remedy within 14 days.

Proceeds received by the Trustee after taking enforcement action will (subject to payment of debts or liabilities that have priority to the Stock) be held and applied first in payment of the costs of the Trustee and secondly towards payment of the Stockholders in proportion to the amounts owing to them. Payment will be applied first on account of interest and secondly on account of Principal or, if the Trustee considers it expedient in the interests of the Stockholders or the Stockholders by Extraordinary Resolution so direct, principal may be paid first.

Unless the Trustee is requested to take any particular action by any Major Security Stockholder or directed to take any particular action by an Extraordinary Resolution of Stockholders, the Trustee can exercise its discretion whether or not to take any action available to it.

### **Meetings of the Stockholders**

Meetings of Stockholders can be called by the Company, the Trustee, or by Stockholders holding not less than 10% of the aggregate principal amount of the Stock. Fourteen days' notice of each meeting must be given to the Stockholders.

A quorum for passing an Extraordinary Resolution is Stockholders present in person or representative, holding more than 50% of the aggregate principal amount of the Stock. A quorum for the transaction of any business other than passing any Extraordinary Resolution is Stockholders present in person or by representative, holding at least 10% of the aggregate principal amount of the Stock.

If a quorum is not present at any meeting then it will be dissolved if it has been convened upon the request of Stockholders. In any other case, the meeting must be adjourned, and the Stockholders present in person or by proxy at the adjourned meeting will constitute a quorum.

The Stockholders have various powers exercisable by Extraordinary Resolution, including the power to amend the Debenture Trust Deed.

An Extraordinary Resolution is a resolution passed by 75% of the votes cast at the meeting. Each Stockholder present in person or by proxy at a meeting has one vote or, if a poll is demanded, one vote for every dollar principal amount of Stock held. Extraordinary Resolutions bind all Stockholders whether or not they are present at the meeting or vote for or against the Extraordinary Resolution.

A person appointed by the Trustee will be Chairperson of the meeting and any director, officer or solicitor of, or person authorised by, the Company or the Trustee may attend any meeting and has the right to speak at the meeting.

### **Regular Reports**

To ensure that the Trustee is adequately informed, the following information must be provided to the Trustee:

- Audited annual and semi-annual financial statements, within 3 months of the end of each financial year and financial half-year.
- An annual and semi-annual report from the Auditors to the Trustee.
- Quarterly reports and certificates from the Directors on various matters concerning the Charging Group.
- Monthly management accounts and monthly liquidity reports, asset quality reports and Directors' certificates.



- Other reports, if the Trustee considers that there are special circumstances warranting them.

These requirements are more specifically detailed in the Debenture Trust Deed and the Securities Regulations 2009.

### **Moratorium Regulations**

Because the Company has adopted a moratorium proposal under the Plan, the Company must comply with the Securities (Moratorium) Regulations 2009 (the **Moratorium Regulations**). Under the Moratorium Regulations, Geneva Finance must report every 6 months to the Stockholders on various matters including the conduct of the Plan and the payments made under the Plan during the 6 month period. These matters are set out in regulation 11 of the Moratorium Regulations. Additional Geneva Finance must report every 3 months to the Stockholders on a more limited basis. Details of the matters to be reported quarterly are set out in regulation 12 of the Moratorium Regulations. The clauses set out in Schedule 3 to the Moratorium Regulations are deemed to be included in the Debenture Trust Deed. Briefly, these clauses provide that Stockholders can request the Trustee to convene a meeting of Stockholders for the purpose of considering any aspect of the Plan or any new moratorium proposal, that at least 21 days notice must be given in respect of any such meeting and that any resolutions which could be passed at a meeting can be passed by the requisite majority of Stockholders signing a written resolution.

This summary does not purport to be a full representation of the legal effect of the Debenture Trust Deed, nor is it a full description of all its terms. Proper advice should be sought by investors, and if desired, a copy of the Debenture Trust Deed and the Moratorium Regulations 2009 should be obtained.

### **Releases**

At any time before the Date of Enforcement, the Trustee may (without the approval of Stockholders) release any part of the Secured Property so long as full market or otherwise reasonable value is being received or that the circumstances otherwise justify the release.

### **Temporary Suspension**

A Majority of Stockholders may agree in writing with the Company and the Trustee temporarily to vary or suspend compliance with any of the provisions of the Debenture Trust Deed.

### **Alterations**

The Company may alter any of the terms or conditions attached to any Stock by prior arrangement with the Stockholder or group of Stockholders concerned but the alteration may not be inconsistent with any provisions of the Debenture Trust Deed or prejudice the position of other Stockholders.

The Debenture Trust Deed provides for alteration of its terms by the Trustee and the Company either upon direction of an Extraordinary Resolution of Stockholders or by agreement by the Trustee in limited circumstances such as to correct any formal or technical errors, to comply with statutory requirements, or if the Trustee is of the opinion that the alteration will not be prejudicial to the general interests of Stockholders.

### **UNSECURED TRUST DEED**

Geneva Finance Limited has entered into the Unsecured Deposits and Notes Trust Deed dated 28 September 2005 as amended and restated 16 April 2010 with Covenant Trustee Company Limited for the benefit of all Noteholders and Depositors. With effect from 17 July 2006, Pacific Rise became a guaranteeing subsidiary under the Unsecured Trust Deed. With effect from 20 January 2009, Quest and Stellar became guaranteeing subsidiaries under the Unsecured Trust Deed and with effect 25 August 2009, Stellar Collections No 2 Limited became a guaranteeing subsidiary under the Unsecured Trust Deed.

### **Notes and Deposits**

The Unsecured Trust Deed permits the Company to issue both Deposits as well as Notes. The Deposits and the rights of Depositors rank ahead of the Notes and the rights of Noteholders (see "Subordination" below). Accordingly where there is any conflict of interest between the rights of the Depositors and the rights of the Noteholders under the Unsecured Trust Deed, the rights of the Depositors shall prevail and the Trustee is entitled to exercise its rights and powers under the Unsecured Trust Deed accordingly. The Noteholders waive any claim against the Trustee as a result of any such conflict.

There are no Deposits on issue and the Company does not intend to accept new Deposits in the future.

### **Guaranteeing Group**

Covenants included in the Unsecured Trust Deed are given by the Company, Pacific Rise, Quest Stellar, Stellar Collections No 2 Limited and any future subsidiary of the Company which becomes a party to the Unsecured Trust Deed. The Company, Pacific Rise, Quest, Stellar, Stellar Collections No 2 Limited and any such future subsidiaries are together called the "Guaranteeing Group". The Guaranteeing Group is the same as "the Charging Group" under the Debenture Trust Deed.

### **Financial Restrictions**

The Unsecured Trust Deed imposes certain limitations on borrowing by the Guaranteeing Group.

The Guaranteeing Group covenants that:

- the amounts paid up on its share capital (excluding any redeemable shares) will not be less than 7% of Total Tangible Assets; and
- Total Liabilities of the Guaranteeing Group will not exceed the aggregate of 60% of the Market Valuation of any land owned and occupied by the Guaranteeing Group and 87.5% of Total Tangible Assets of the Guaranteeing Group (excluding land owned and occupied by the Guaranteeing Group).

### **Business Restrictions**

The Guaranteeing Group has undertaken:

- not to own any real property, shares, other equity securities, units or other forms of ownership interest in any company, unit trust, or other person except real property or shares held as security for loans made by the Charging Group (or as a result of enforcement of that security) or real property occupied by any member of the Charging Group provided that the Market Valuation of any real property occupied by the Charging Group does not exceed 5% of Total Tangible Assets provided further that the Company may own and occupy the office premises at 6B Pacific Rise, Mt Wellington for the purpose of carrying out its business;
- not to enter into any transactions with related persons (Related Party Transactions) except in the ordinary course of business and then only up to a maximum of 2% of Total Tangible Assets;
- not to allow the amount owing to the Guaranteeing Group under finance receivables by any one debtor or related group of debtors to exceed 10% of Total Tangible Assets;
- not to carry on any business other than that of providing financial accommodation and financial services and any other business or activities which are incidental to or complimentary with the business of providing financial accommodation and financial services including debt factoring, credit recovery and asset repossession;
- not to accept Deposits or Notes if the Company is, or would as a result of such action be, in default of the terms of the Unsecured Trust Deed;
- not to sell the whole, or any part more than 25% of Total Tangible Assets, of its business or undertaking; and
- not to make any distribution other than by way of dividend out of profits and in any event not to make any distributions of any kind at any time after an Event of Default has occurred and is continuing.

### **Subordination**

The Notes rank behind all Senior Creditors of the Company. Senior Creditors are defined as the Stockholders, Depositors and creditors in respect of all other liabilities of the Guaranteeing Group (except for the Notes and liabilities in respect of which the creditors have agreed to rank equally with or behind the Noteholders).

On liquidation of the Company, no payments can be made on the Notes until all the Senior Creditors have all been paid in full. Prior to liquidation, the Notes and interest on them can be paid in accordance with their terms.

### **Guaranteeing Subsidiaries**

The Unsecured Trust Deed requires the Company to join any future subsidiary of the Company to the Unsecured Trust Deed as a Guaranteeing Subsidiary. This subsidiary would then become a member of the Guaranteeing Group.

### **Duties of the Trustee**

The Trustee's duties are to hold the rights created under the Unsecured Trust Deed on behalf of all Depositors and Noteholders, to receive and consider regular financial reports furnished by the Company and its Auditors as specified in the Unsecured Trust Deed and the Securities Regulations 2009 (in particular Schedule 15), and, if necessary, to enforce the Unsecured Trust Deed on behalf of all Depositors and Noteholders.

The Trustee is also bound to carry out the duties prescribed in Schedule 15 of the Securities Regulations 2009. In particular, the Trustee is required to exercise reasonable diligence to ascertain whether or not any breach of the terms of the Unsecured Trust Deed, or the terms of offer of the Deposits or Notes, has occurred and, except where it is satisfied that a breach will not materially prejudice the interests of the Depositors or Noteholders, the Trustee must do whatever it is empowered to do to cause any breach to be remedied. The Trustee must also exercise reasonable diligence to ascertain whether or not the assets of the Company that are, or may be, available, are sufficient, or likely to be sufficient, to discharge the amounts of the Deposits and Notes as they become due.

### **Enforcement**

The Unsecured Trust Deed provides for various events of default which include:

- Non payment of any Deposits or Notes or other moneys owing under the Unsecured Trust Deed on the due date;
- Breach of any of the financial ratios or negative covenants imposed on the Guaranteeing Group under the Unsecured Trust Deed;
- Breach in a material respect of any of the other obligations of the Guaranteeing Group under the Unsecured Trust Deed which, in the case of a breach that is capable of remedy, is not remedied within 14 days after the relevant member of the Guaranteeing Group became aware of it;
- Where the Unsecured Trust Deed ceases to have effect or becomes void or unenforceable in whole or in a material part or a Guaranteeing Group Member evidences an intention to repudiate the Unsecured Trust Deed;
- Insolvency, creditor enforcement action, receivership, dissolution, amalgamation (except within the Guaranteeing Group), statutory management or cessation of business of a member of the Guaranteeing Group;
- Non payment by a Guaranteeing Group Member of any indebtedness of or in excess of NZ\$10,000;
- Change in control of the Company without the prior consent of the Trustee, which may not be unreasonably withheld.

If an event of default occurs the Unsecured Trust Deed will become enforceable and the Trustee may, and will (subject to first being indemnified to its satisfaction) if so directed by an Extraordinary Resolution of Depositors, take various actions including declaring all outstanding Deposits and Notes to be immediately repayable and enforcing payment of the Deposits and Notes.

Proceeds received by the Trustee after taking enforcement action will (subject to payment of debts or liabilities that have priority to the Deposits and Notes) be held and applied first in payment of the costs of the Trustee, secondly towards payment of the Depositors and thirdly in payment to the Noteholders in proportion to the amounts owing to them provided that all Senior Creditors have first been paid. Payment will be applied first on account of interest and secondly on account of Principal or, if the Trustee considers it expedient in the interests of Depositors or the Noteholders or the Depositors or Noteholders by Extraordinary Resolution so direct, principal may be paid first.

Unless the Trustee is requested to take any particular action by an Extraordinary Resolution of Depositors, the Trustee can exercise its discretion whether or not to take any action available to it. No Depositor or Noteholder is entitled to initiate proceedings against any Guaranteeing Group Member unless the Trustee fails to enforce any rights and remedies against that Guaranteeing Group Member when required to do so under the Unsecured Trust Deed.

### **Meetings of Noteholders**

Meetings of Noteholders can be called by the Company, the Trustee, or by Noteholders holding not less than 10% of the aggregate principal amount of the Notes (as the case may be). Fourteen days' notice of each meeting must be given to the Noteholders.

A quorum for passing an Extraordinary Resolution of Noteholders is Noteholders present in person or representative, holding more than 50% of the aggregate principal amount of the Notes. A quorum for the transaction of any business other than passing any Extraordinary Resolution is Noteholders present in person or by representative, holding at least 10% of the aggregate principal amount of the Notes.

If a quorum is not present at any meeting then it will be dissolved if it has been convened upon the request of Noteholders. In any other case, the meeting must be adjourned, and the Noteholders present in person or by proxy at the adjourned meeting will constitute a quorum.

The Depositors and Noteholders have various powers exercisable by Extraordinary Resolution, including the power to amend the Unsecured Trust Deed. Amendments must be approved by an Extraordinary Resolution of both the Depositors and Noteholders.

An Extraordinary Resolution is a resolution passed by 75% of the votes cast at the meeting. Each Depositor or Noteholder present in person or by proxy at the meeting has one vote or, if a poll is demanded, one vote for every dollar principal amount of Deposits or Notes held. Extraordinary Resolutions of Depositors bind all Depositors and Extraordinary Resolutions of Noteholders bind all Noteholders, in each case whether or not they are present at the meeting or vote for or against the Extraordinary Resolution.

A person appointed by the Trustee will be Chairperson of the meeting and any director, officer or solicitor of, or person authorised by, the Company or the Trustee may attend any meeting and has the right to speak at the meeting.

### **Regular Reports**

To ensure that the Trustee is adequately informed, the following information must be provided to the Trustee:

- Audited annual and semi-annual financial statements, within 3 months of the end of each financial year and financial half-year.
- An annual and semi-annual report from the Auditors to the Trustee.
- Quarterly reports and certificates from the Directors on various matters concerning the Guaranteeing Group.
- Monthly management accounts and monthly liquidity reports, asset quality reports and Directors' certificates.
- Other reports, if the Trustee considers that there are special circumstances warranting them.

These requirements are more specifically detailed in the Unsecured Trust Deed and the Securities Regulations 2009.

### **Releases**

At any time before the Date of Enforcement, the Trustee may (without the approval of Noteholders) release any Guaranteeing Subsidiary from its guarantee and other obligations under the Unsecured Trust Deed when that Guaranteeing Subsidiary ceases to be a subsidiary of the Company so long as full market or otherwise reasonable value is being received or that the circumstances otherwise justify the release.

### **Temporary Suspension**

A majority of Depositors may agree in writing with the Company and the Trustee temporarily to vary or suspend compliance with any of the provisions of the Unsecured Trust Deed.

### **Alterations**

The Company may alter any of the terms or conditions attached to any Deposits by prior arrangement with the Depositor or group of Depositors concerned but the alteration may not be inconsistent with any provisions of the Unsecured Trust Deed or prejudice the position of other Depositors.

The Company may alter any of the terms or conditions attached to any Notes by prior arrangement with the Noteholder or group of Noteholders concerned but the alteration may not be inconsistent with any provisions of the Unsecured Trust Deed or prejudice the position of other Noteholders.

The Unsecured Trust Deed provides for alteration of its terms by the Trustee and the Company either upon direction of an Extraordinary Resolution of both Depositors and Noteholders (as stated above) or by agreement by the Trustee in limited circumstances such as to correct any formal or technical errors, to comply with statutory requirements, or if the Trustee is of the opinion that the alteration will not be prejudicial to the general interests of Depositors and Noteholders.

### **Moratorium Regulations**

As discussed above under the description of the Debenture Trust Deed, the Company must comply with the Securities (Moratorium) Regulations 2009 (the **Moratorium Regulations**). Under the Moratorium Regulations, Geneva Finance must report every 6 months to the Noteholders on various matters including the conduct of the Plan and the payments made under the Plan during the 6 month period. These matters are set out in regulation 11 of the Moratorium Regulations. Additional Geneva Finance must report every 3 months to the Noteholders on a more limited basis. Details of the matters to be reported quarterly are set out in regulation 12 of the Moratorium Regulations. The clauses set out in Schedule 3 to the Moratorium Regulations are deemed to be included in the Unsecured Trust Deed. Briefly, these clauses provide that Noteholders can request the Trustee to convene a meeting of Noteholders for the purpose of considering any aspect of the Plan or any new moratorium proposal, that at least 21 days notice must be given in respect of any such meeting and that any resolutions which could be passed at a meeting can be passed by the requisite majority of Noteholders signing a written resolution.

This summary does not purport to be a full representation of the legal effect of the Unsecured Trust Deed, nor is it a full description of all its terms. Proper advice should be sought by investors, and if desired, a copy of the Unsecured Trust Deed and the Moratorium Regulations should be obtained.

The Trustee's letter is set out on page 32.

### **Other borrowing restrictions**

The Group has agreed with BOS that it will not grant any charges that secure monies ranking in priority to the monies owed to Stockholders under the Debenture Trust Deed.

There are no other restrictions on the ability of the Company to borrow other than the restrictions imposed by the Trust Deeds.

## **15. OTHER TERMS OF OFFER AND SECURITY**

There are no terms of the offer contained in this Prospectus or of the Debenture Stock and Subordinated Notes to be issued pursuant to this Prospectus other than those implied by law or set out in a document that is registered with a public official and available for public inspection, and is referred to in this Prospectus.

## **16 and 17. FINANCIAL STATEMENTS**

Audited financial statements for the Charging Group as at, and for the year ended 31 March 2010 have been registered under the Financial Reporting Act 1993 on 25 June 2010.

## **18. INTERIM FINANCIAL STATEMENTS**

Not applicable.

## **19. PLACES OF INSPECTION OF DOCUMENTS**

The constitution of Geneva Finance Limited, the audited financial statements for the Charging Group as at, and for the year ended 31 March 2010, the Debenture Trust Deed and the Unsecured Trust Deed and the material contracts referred to on page 12, or copies, may be inspected without fee during normal business hours at Geneva Finance Limited, 6B Pacific Rise, Mt Wellington, Auckland.

They can also be viewed on the Companies Office website at [www.companies.govt.nz](http://www.companies.govt.nz). Where relevant documents are not available on the website, the documents can be obtained for a fee by telephoning the Ministry of Economic Development Business Service Centre on 0508 266 726.

## 20. OTHER MATERIAL MATTERS

### Independent Credit Rating

Geneva's creditworthiness has been reviewed by Standard & Poor's. Standard & Poor's is a ratings agency approved by the Reserve Bank of New Zealand under section 157J of the Reserve Bank of New Zealand Act 1989.

On 30 March 2010 Standard & Poor's raised its long-term rating on Geneva Finance to 'CCC' from 'SD'. At the same time, the insurer financial strength rating on Geneva's captive insurer, Quest Insurance Group Limited (**Quest**), was raised to 'CCC' from 'CC'. The outlook on both ratings is negative.

Standard & Poor's stated that the upgrade followed Geneva's success in securing debenture investors' approval and banker support for the Interest Bearing Repayment Plan. The 'CCC' rating reflects their view that Geneva has a marginal liquidity position which is expected to help it meet its immediate principal and interest repayments in full and on time under its new arrangement. However, it considers there is significant uncertainty about Geneva's future liquidity position as Geneva's liquidity still depends on favourable business, financial and economic conditions. Moreover, it believes Geneva needs to remain prudent in its management of operating cash flows and while management has carefully overseen operations, cash flows and banker relationships since initially being placed in moratorium, and has compared favourably with other finance company peers that were placed in moratorium, a return to profitability is yet to be proven.

Standard & Poor's also advised that the negative outlook reflects their view that Geneva's liquidity still depends on yet-to-transpire favourable business, financial and economic conditions. The rating may be lowered if there is a substantial weakening in Geneva's asset quality such that it materially diminishes its ability to meet its liquidity needs and maintain its compliance with borrowing facility covenants. The rating is also likely to be lowered if Geneva's liquidity management plans, which are delicately balanced, do not track as expected within the next 12 months. Critical to these plans is Geneva's ability to: generate good operating earnings; raise new debenture funding; and raise funding from asset sales.

The rating could be raised if there were material and substantial improvement in Geneva's liquidity position. Equally pivotal to attaining a higher rating is the continued careful management of its relationships with its bankers.

Geneva's rating is a local currency (New Zealand dollar), long-term, issuer rating. This type of rating expresses an opinion about the overall financial capacity of an issuer to meet its New Zealand dollar financial obligations (in contrast to an issue rating, which relates only to specific financial obligations).

Standard & Poor's ratings range from "AAA" (the highest) to "SD" and "D" (the lowest).

The ratings referred to in this summary are ratings at the bottom of this range.

Under Standard & Poor's ratings criteria the ratings referred to in this summary are described as follows:

- (a) 'CCC': An obligor rated 'CCC' is currently vulnerable and is dependent upon favourable business, financial, and economic conditions to meet its financial commitments.
- (b) 'CC': An obligor rated 'CC' is currently highly vulnerable.
- (c) 'R': An obligor rated 'R' is under regulatory supervision owing to its financial condition. During the pendency of the regulatory supervision, the regulators may have the power to favour one class of obligations over others or pay some obligations and not others.
- (d) 'SD' and 'D': An obligor rated 'SD' (selective default) or 'D' has failed to pay one or more of its financial obligations (rated or unrated) when it came due. A 'D' rating is assigned when Standard & Poor's believes that the default will be a general default and that the obligor will fail to pay all or substantially all of its obligations as they come due. An 'SD' rating is assigned when Standard & Poor's believes that the obligor has selectively defaulted on a specific issue or class of obligations but it will continue to meet its payment obligations on other issues or classes of obligations in a timely manner. A selective default includes the completion of a distressed exchange offer, whereby one or more financial obligations is either repurchased for an amount of cash or replaced by other instruments having a total value that is less than par.

A further explanation of Standard & Poor's ratings can be found on their website, [www.standardandpoors.com](http://www.standardandpoors.com).

Credit ratings are statements of opinion issued by an approved rating agency – they are not statements of fact, an endorsement of Geneva, or a recommendation to buy, hold, or sell securities.

### **Stockholders' interests paramount**

The rights of the Stockholders and the Trustee acting on their behalf rank ahead of the rights of the Noteholders and the Trustee acting on their behalf. Accordingly where there is any conflict of interest between the rights of the Trustee and the Stockholders under the Debenture Trust Deed and the rights of the Trustee and the Noteholders under the Unsecured Trust Deed, the rights of the Trustee and the Stockholders under the Debenture Trust Deed shall prevail and the Trustee is entitled to exercise its rights and powers under the Debenture Trust Deed and the Unsecured Trust Deed accordingly. The Noteholders waive any claim against the Trustee as a result of any such conflict.

### **Listing**

Listing of the Debenture Stock and Notes is not being sought.

### **Investment Risks**

The risks faced by Stockholders and Noteholders include general risks arising from an investment in securities issued by finance companies and risks specific to Geneva Finance.

Every investor in company securities is exposed to the risk that the issuer of the securities becomes insolvent and is unable to repay its securities and accrued interest in full.

There are a number of risks to which Geneva Finance is exposed which could affect its financial performance and consequently affect its ability to pay interest on, and repay the principal of, the Debenture Stock and Notes and, in a worst case, lead to its insolvency. These risks are listed below.

#### *Risks specific to BOS*

The amended BOS Facility includes a number of financial covenants which have been included in the BOS Facility since inception in 2006, but amended to ensure that Geneva can comply with the covenants over the extended term of the BOS Facility so long as Geneva performs substantially in its financial forecasts. The Board of Geneva Finance considers the amended terms of the BOS Facility to be commercially acceptable.

Investors should appreciate that, as is normal with bank facilities of this type, the covenants in the BOS Facility are additional to those set out in the Trust Deeds. Therefore, BOS may be able to call for early repayment of its loan and, as a Majority Security Stockholder, require the Trustee to enforce the Debenture Trust Deed if Geneva Finance is in breach of the BOS Facility even where Geneva Finance would not otherwise be in default under the Debenture Trust Deed. However, in the event of enforcement, other Stockholders would share equally with BOS in proportion to the amounts owing to them.

#### *General Business Risks*

Security of power supply, the retention of competent management and staff, destruction of business premises due to fire or other causes, loss of computer data and the introduction of new legislation or amendment to existing legislation are some of the general risks which could affect Geneva Finance's business. The Board maintains an active policy of identifying and monitoring general business risks and where a specific risk has been identified it will develop and implement a risk management plan to mitigate the risk, including appropriate insurance.

#### *Credit Risk*

Geneva Finance relies on its borrowers to repay their loans and make interest payments on due date. Most loans Geneva Finance makes are for amounts ranging from \$2,000 to \$50,000. Loans consist of secured business loans and secured and unsecured personal loans. The security on business loans is generally a first charge over the assets being purchased, typically equipment. The security on personal loans is generally a first charge over the assets being purchased, typically motor vehicles or chattels. Sometimes the loan is guaranteed, usually by a member of the borrower's family. If a borrower fails to repay the loan made to that person on due date and the value of the secured asset (if the loan is secured) and/or the amount recovered under any guarantee is insufficient to cover the outstanding payments, Geneva Finance will make a loss

on that loan. These types of loan are called impaired receivables. If a significant number of Geneva Finance's loans become impaired receivables, Geneva Finance could become insolvent.

Geneva Finance has a credit policy which is used to manage its exposure to credit risk. As part of this policy credit evaluations are performed on all prospective borrowers, limits on exposures set, and lending is subject to defined criteria and is monitored and controlled by prudent credit measures. In early 2008, Geneva Finance reviewed and significantly tightened its credit policy and now conducts regular policy reviews to make sure the policy is appropriate for current market conditions.

#### *Old Ledger*

Prior to 2008, Geneva Finance made loans under its former credit policy. These loans are known as the "old ledger". Much of the old ledger has proved to be unrecoverable. This has led to provisioning in the Company's accounts of \$9.4m (YE 2008) and \$9.4m (YE 2009). As at the date of this Prospectus, the old ledger stands at \$19.5m. The Board considers that this balance will be repaid over time. However there is a risk that there may need to be further provisions made against this balance in the future.

#### *Liquidity Risk*

Liquidity risk arises from Geneva Finance's reliance on cash receipts to pay its debts as they fall due. Geneva Finance monitors its liquidity position on a continuous basis and plans its operating activities with a view to ensuring a balanced liquidity position. The key factors in managing liquidity are the timing of interest payments due on Debenture Stock and Notes and the dates for repayment of Debenture Stock and Notes on the one hand and the receipt of interest and loan repayments, the rates at which Debenture Stock and Notes are re-invested and the timing of proceeds on new funding sources on the other hand. The Plan has significantly reduced Geneva Finance's liquidity risk since the maturity dates of the Debenture Stock and Notes have been extended to match the maturity profile of Geneva Finance's finance receivables.

#### *Interest Rate Risk*

Interest received on loans to customers is Geneva Finance's main income. Interest rate risk arises from the need to ensure that interest received on loans to customers and on bank balances is sufficient to pay interest due on Debenture Stock and Notes as well as pay all of Geneva Finance's expenses. Interest rates paid on Debenture Stock and Notes and charged on loans are set by the Board and are subject to market influences. It is the policy of management to constantly monitor Geneva Finance's portfolio and maintain interest rate margins between borrowing and lending rates.

#### *Risks specific to Geneva Finance's business*

Geneva Finance's principal activity involves the provision of hire purchase finance to the consumer credit market. This is short-term, secured asset purchase lending which generally falls outside the traditional lending activities of trading banks. Hire purchase finance applicants are evaluated against Geneva Finance's lending criteria, their risk profile is assessed and an appropriate interest rate is charged to reflect that. The resulting margin will be a reflection of the customer profile and the assessment of risk. These customers cover a wide spectrum of socio-economic backgrounds but were historically in the lower to middle income bracket. More recently Geneva Finance has diversified its client base and a significant percentage of new advances are in the middle to higher income bracket. Geneva Finance believes that this will help reduce the risk of customers defaulting in the future.

Whilst the majority of Geneva Finance's lending involves hire purchase finance, Geneva Finance's other main activity involves the provision of personal loans to the consumer credit market. Most of these loans (approximately 95% by value) are also secured by a first ranking charge over an asset acquired with the loan, but others are unsecured loans made to finance general personal consumption expenditure. Personal loan applicants likewise are evaluated against Geneva Finance's lending criteria, their risk profile is assessed and an appropriate interest rate is charged to reflect that. The resulting margin will also be a reflection of the customer profile and the assessment of risk. These customers include hire purchase customers (as per above) but also include lower income earning customers whose personal lending needs are not adequately catered for by trading banks, and more middle income earners who may have access to bank credit but who choose to deal with Geneva Finance for a faster, more personalised lending service.

The specific risks associated with the provision of hire purchase finance and personal loans by Geneva Finance can be summarised as follows:

- That a proportion of those customers, particularly those on lower incomes, do not perform their obligations under their



loan contract;

- That Geneva Finance's credit management activities are ultimately unsuccessful in getting those customers to repay their loans in full or in part;
- Although the loan balance might be reduced by regular loan repayments (e.g. weekly) over the term of the loan, the value of the security might also be depreciating and if the loan security has to be realised then the proceeds from the disposal of the loan security are likely to be insufficient to cover the amount outstanding under the loan because a forced sale of an asset may realise less than its market value.

If all of these factors occurred in relation to a significant proportion of Geneva Finance's loans, Geneva Finance could become insolvent as a result.

#### *Risk Management*

Geneva Finance maintains a very high level of risk management activity to manage these specific risks and to reduce any potential loss arising, as follows:

- It has prudent lending policies and very thorough processes based around the analysis of loan applications against specified criteria, the verification and checking of the same to determine that the loan is affordable and in most cases the taking of securities as collateral for the loan, usually in the form of a first ranking charge over an asset acquired with the loan;
- It has strong credit management competencies based on the significant experience of its staff, its business systems and its technology in these markets;
- All customers whose loans fall into arrears are contacted as soon as that occurs and these loans individually managed for performance;
- Geneva Finance works closely with these customers to restore cash flow on their loans and will always try to seek cash flow in the first instance;
- If cash flow cannot be restored then the collection activity will be escalated until all avenues of negotiation and payment arrangement have been exhausted and the only option is to recover and dispose of the loan security and to pursue the payment of the debt through the legal system; and
- Geneva Finance's margins between borrowing and lending rates reflect the risk profile of its customers.

#### **Crown Guarantee Scheme**

The Company does not have a Crown Guarantee under the Deposit Guarantee Scheme administered by the Reserve Bank of New Zealand (RBNZ).

#### **Non-Bank Deposit Taker Regime**

Non-Bank Deposit Takers (NBDTs), including Geneva Finance, are regulated by the Reserve Bank Act 1989. This gives RBNZ power to enable it to require NBDTs to have a risk management programme, to have a credit rating from an approved credit rating agency, to maintain a minimum amount of capital, meet minimum capital ratio requirements, meet certain related party transaction restrictions, and meet minimum liquidity requirements.

Parts of the regime to govern NBDTs (the **NBDT Regime**), including the provisions as to minimum capital, minimum capital ratio requirements, related party exposures, and minimum liquidity requirements are not yet in force, and whilst draft regulations recording the details of the NBDT Regime have been published, these details have not yet been finalised. However, it is the intention of RBNZ to have the NBDT Regime in force in full by late 2010.

The draft regulations require an NBDT to comply with minimum capital ratio requirements (that take into account certain related party transaction restrictions) and to meet minimum liquidity requirements. RBNZ has proposed that a minimum capital ratio be set at 8% of an NBDT's Tier 1 capital.

In computing the minimum capital ratio, the NBDT Regime will take into account the risk weightings of various asset classes. The ratio will however not include related party exposures to the extent that they exceed 15% of an NBDT's equity. Geneva Finance believes at the date of this Prospectus that it will have a Tier 1 capital ratio exceeding the mandatory requirement.

The NBDT Regime will also require that the board of Geneva Finance includes two independent directors, and that its chairperson is neither an employee nor related party of the Company. Geneva Finance already meets this requirement of the NBDT Regime.

Geneva Finance has established an NBDT Risk Management Programme which complies with the Reserve Bank Act and has been approved by the Trustee, as well as systems to provide RBNZ with necessary reports.

Geneva Finance complies with those parts of the NBDT Regime which are in force at the date of this Prospectus and the Directors believe that, on the basis of information available at the date of this Prospectus, Geneva Finance will be able to comply with all other parts of the NBDT Regime as they come into force. However, there can be no assurance at this time that Geneva Finance will be able to comply with the future requirements as these have not been finalised. NBDTs that are not able to comply with the NBDT Regime will not be in a position to take deposits from the public.

### **Fundamental Uncertainties**

The following Fundamental Uncertainties were noted by the Auditor in their reports attached to the Group's financial statements for the year ended 31 March 2010.

"In forming our unqualified opinion, we have considered the adequacy of the following disclosure:

#### *Deferred Tax Asset*

The Company and Group have recorded in their Statement of Financial Position at 31 March 2010 a deferred tax asset of \$2.5 million, in relation to taxable temporary differences. The Company and Group concluded that it is probable they will utilise the value of these benefits based on their future earnings forecasts. The earnings forecasts are based on the Company and Group obtaining additional funding within the forecast period. Should the Company and Group not be successful in obtaining additional funding, the forecasted profits may not be achieved and the Company and Group may need to write off the deferred tax asset to the Income Statement. We are unable to quantify the potential effect of this uncertainty. Details of the circumstances relating to this fundamental uncertainty are described in note 22.

#### *Equity Securities – Available for Sale*

The Group has recorded in its Statement of Financial Position at 31 March 2010 an equity security at a cost of \$2.24 million. The investment relates to an unlisted Property Investment Company. The Auditor's Report dated 12 August 2009 for the latest audited financial statements of that Company, had raised the following fundamental uncertainty regarding the validity of the going concern assumption:

"These financial statements have been prepared on a going concern basis, the validity of which depends upon the Company meeting revenue and cash flow projections, including net cash inflows from the renewal of borrowings and new equity in order to service its debt and working capital commitments. The financial statements do not include any adjustments that would result from a failure to have adequate cash to meet debt repayment, interest and operating requirements."

Should the going concern assumption in relation to this investment not be appropriate, the Group may need to impair its investment in the equity security. We are unable to quantify the potential effect of this uncertainty. Details of the circumstances relating to this fundamental uncertainty are described in note 14.

The audit opinion is not qualified in respect of these uncertainties."

### **No other material matters**

There are no material matters relating to the issue of Debenture Stock or Subordinated Notes other than matters set out elsewhere in this Prospectus.

## **21. DIRECTORS' STATEMENT**


By signing this Prospectus, the directors of the Company state that, after due enquiry by them in relation to the period from

31 March 2010 to the date on which this Prospectus is delivered to the Companies Office for registration, in their opinion, there have not arisen any circumstances that materially adversely affect the trading or profitability of the Group, the value of its assets or the ability of the Group to pay its liabilities due within the next 12 months.

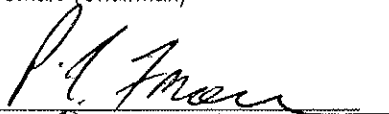
**22. AUDITOR'S REPORT**

The auditor's report letter is set out on page 33.

Signed by the directors of the Company or their authorised agent.


  
\_\_\_\_\_  
D W Smale (Chairman)

AS AUTHORIZED  
BY D SMALE

  
\_\_\_\_\_  
P E Francis

  
\_\_\_\_\_  
R R King

AS AUTHORIZED  
BY R KING

  
\_\_\_\_\_  
D G O'Connell

## GLOSSARY

The following capitalised terms used in this Prospectus have the following meanings. Some of these terms are summaries of definitions in the Trust Deeds. For complete definitions, reference should be made to the Trust Deeds.

<b>Board</b>	The board of directors of the Company.
<b>BOS</b>	BOS International (Australia) Limited.
<b>BOS Facility</b>	The revolving finance facility provided by BOS to Geneva Finance upon the security of Security Stock which has a maximum principal amount of \$30 million at the date of this Prospectus.
<b>BOS Facility Limit</b>	The maximum principal amount which may be outstanding under the BOS Facility at any time.
<b>Capital Reconstruction Plan</b>	The reconstruction of the capital of the Company implemented on 1 April 2008.
<b>Companies Act</b>	The Companies Act 1993.
<b>Company and Geneva Finance</b>	Geneva Finance Limited.
<b>Debenture Trust Deed</b>	Debenture Trust Deed dated 17 December 2002 as amended and restated on 16 April 2010, between the Company, Pacific Rise, Quest, Stellar, Stellar Collections No 2 Limited and the Trustee.
<b>Deferred acquisition costs</b>	Insurance acquisition costs that are amortised over the life of the insurance contract in accordance with NZ IFRS.
<b>Deposit</b>	An unsecured deposit issued under the Unsecured Trust Deed.
<b>Depositor</b>	The holder of a Deposit.
<b>Directors</b>	The Directors of Geneva Finance.
<b>Group, Charging Group or Guaranteeing Group</b>	The Company and its subsidiaries, Pacific Rise, Quest, Stellar and Stellar Collections No 2 Limited.
<b>Moratorium Stock</b>	Debenture Stock (other than Security Stock) outstanding on 1 May 2008 at the time of adoption of the Capital Reconstruction Plan, before any conversions to shares or payments of cash were made under that Plan.
<b>Moratorium Stockholder</b>	The holder of Moratorium Stock.
<b>NZ IFRS</b>	The New Zealand equivalents of the International Financial Reporting Standards.
<b>Note or Subordinated Note</b>	Each subordinated note issued under the Unsecured Trust Deed.
<b>Noteholder</b>	The holder of a Note.
<b>Pacific Rise</b>	Pacific Rise Limited.

<b>Policy Holder Liabilities</b>	<p>The value of the policy liabilities of each Charging Group Member which carries on an insurance business as determined:</p> <ul style="list-style-type: none"> <li>• by a Fellow of the New Zealand Society of Actuaries appointed by the Company; and</li> <li>• in accordance with sections 6 and 7 of Professional Standard no. 5 of the New Zealand Society of Actuaries.</li> </ul>
<b>Plan</b>	The Interest Bearing Repayment Plan approved by Stockholders and Noteholders on 29 March 2010.
<b>Prior Security Interest</b>	A security interest over the assets of the Group ranking ahead of the security interest of the Trustee under the Debenture Trust Deed.
<b>Quest</b>	Quest Insurance Group Limited.
<b>Related Party</b>	Companies and individuals who are related to the Company, its shareholders or directors.
<b>Related Party Transaction</b>	Any transaction of any nature between a member of the Group and a Related Party but excluding certain types of transaction such as the sale of receivables from a Group member to a Related Party for cash at not less than their then current book value, the provision of debt collection and other services by a Group member to a Related Party or by a Related Party to a Group member, in either case on arms length commercial terms and transactions between a Group member and certain types of Related Party which are part of a securitisation of assets of Group member entered into on arms length commercial terms.
<b>Security Stock</b>	A type of Stock issued to banks and financial institutions.
<b>Stellar</b>	Stellar Collections Limited.
<b>Stock and Debenture Stock</b>	Stock issued under the Debenture Trust Deed.
<b>Stockholder</b>	The holder of Stock.
<b>Total Liabilities</b>	The aggregate of all liabilities of the Group (excluding any Unearned Premium Liability), the most recent valuation of Policy Holder Liabilities, certain types of financial contingent liabilities and the amount payable on redemption of certain types of redeemable shares, but excluding the principal amount of subordinated debt or convertible notes and excluding any liability included in a balance sheet which the Group does not have a legal liability to discharge.
<b>Total Tangible Assets</b>	The aggregate of the market value of land and the book values of all other tangible assets of the Group (except for Deferred Acquisition Costs) adjusted by excluding the book values of any tangible assets situated outside New Zealand in respect of which the Trustee is not satisfied that there is a valid and effective guarantee in favour of the Trustee enforceable in accordance with the laws of the place where the relevant assets are situated and excluding the book values of any

tangible asset included in a balance sheet which would not be legally available to the creditors of the Group in liquidation.

**Trustee**

Covenant Trustee Company Limited.

**Trust Deeds**

The Debenture Trust Deed and the Unsecured Trust Deed.

**Unearned premium liability**

Unearned premium liabilities on insurance contracts as determined in accordance with NZ IFRS.

**Unsecured Trust Deed**

The Unsecured Deposits and Notes Trust Deed dated 28 September 2005 as amended and restated on 16 April 2010 and the Trustee.

**DIRECTORY**

**THE COMPANY**

Geneva Finance Limited  
6B Pacific Rise  
Mt Wellington  
Auckland  
Ph: (09) 573 2940

**DIRECTORS**

David Smale (Chairman)  
100 Otarawairere Road  
Ohope  
Whakatane

Peter Edward Francis A.C.A.  
Apartment 3601  
Metropolis  
1 Courthouse Lane  
Auckland

David Gerard O'Connell A.C.A  
11 Tudor Park Drive  
Whitford  
Auckland

Ronald Robin King  
8 Wingate Terrace  
Newtown  
Wellington

**REGISTERED OFFICE**

6B Pacific Rise  
Mt Wellington  
Auckland

**AUDITORS**

Staples Rodway  
Level 9, Tower Center, 45 Queen Street  
Auckland

**SOLICITOR TO THE COMPANY**

Richard Hanna  
Level 2, 149-155 Parnell Road  
Auckland 1151

**TRUSTEE**

Covenant Trustee Company Limited  
Level 34, Vero Centre  
48 Shortland Street  
Auckland

**SOLICITORS TO THE  
TRUSTEE**

Minter Ellison Rudd Watts  
Lumley Centre  
88 Shortland Street  
Auckland

REGISTRAR

Geneva Finance Limited  
6B Pacific Rise  
Mt Wellington  
Auckland





# *Covenant Trustee Company*

18 June 2010

The Directors  
Geneva Finance Limited  
6B Pacific Rise  
Mt Wellington

Dear Sirs

## **Prospectus dated 18 June 2010**

Covenant Trustee Company Limited as trustee under the Debenture Trust Deed dated 17 December 2002 and the Unsecured Deposits and Subordinated Notes Trust Deed dated 28 September 2005, each as amended and restated on 4 March 2009 (together the "Trust Deeds") confirms that the offer of debenture stock and subordinated notes set out in the prospectus of Geneva Finance Limited dated 18 June 2010 complies with any relevant provisions of the Trust Deeds.

The words "any relevant provisions of the Trust Deeds" refer only to the provisions of the Trust Deeds which:

- (a) entitle Geneva Finance Limited to constitute and issue the debenture stock under the Debenture Trust Deed; or
- (b) entitle Geneva Finance Limited to constitute and issue the subordinated notes under the Unsecured Deposits and Subordinated Notes Trust Deed; or
- (c) impose restrictions on the right of Geneva Finance Limited to offer the debenture stock and subordinated notes;

and are described in the summary of the Trust Deeds contained in the prospectus.

This statement is made in terms of clause 14(3) of the Second Schedule to the Securities Regulations 2009 and is given in reliance on the information supplied to us by Geneva Finance Limited pursuant to the Trust Deeds, in respect of which the Trustee has not sought independent verification.

Covenant Trustee Company Limited does not guarantee the repayment of the debenture stock and subordinated notes or the payment of interest thereon.

Yours faithfully

**COVENANT TRUSTEE COMPANY LIMITED**

Stewart Lockhart  
**CORPORATE BUSINESS MANAGER**

COVENANT TRUSTEE COMPANY LIMITED  
LEVEL 34, VERO CENTRE  
48 SHORTLAND STREET, AUCKLAND, N.Z. P.O. BOX 4243, SHORTLAND STREET, AUCKLAND 1140  
TELEPHONE: (09) 302-0638. FAX: (09) 302-1037

## AUDITOR'S REPORT

18 June 2010

The Directors  
Geneva Finance Limited  
P O Box 14 377  
AUCKLAND

Level 9, Tower Centre  
45 Queen Street 1010  
PO Box 3899  
Auckland 1140  
New Zealand  
DX CP19042

Telephone 64 9 309 0463  
Facsimile 64 9 309 4544  
enquiries@staplesrodway.com  
www.staplesrodway.com

Dear Directors

## AUDITOR'S REPORT FOR INCLUSION IN PROSPECTUS

As auditor of Geneva Finance Limited and its subsidiaries (the Group), we have prepared this report pursuant to clause 22 of Schedule 2 to the Securities Regulations 2009 for inclusion in the Prospectus dated 18 June 2010.

## DIRECTORS' RESPONSIBILITIES

The directors are responsible for the preparation and presentation of:

- (a) The financial statements of the Company and Group for the year ended 31 March 2010 that comply with clauses 17(1) of Schedule 2 to the Securities Regulations 2009 and subject to those regulations, comply with generally accepted accounting practice, and give a true and fair view of the state of affairs of the Company and Group as at 31 March 2010 and its financial performance for the year ended on that date;
- (b) The historical summary of financial statements of the Group for the years ended 31 March 2006, 2007, 2008, 2009 and 2010 as required by clauses 8 of Schedule 2 to the Securities Regulations 2009; and
- (c) The details and amounts in respect of the ranking of securities of the Group as at 31 March 2010 as required by clause 13 of Schedule 2 to the Securities Regulations 2009.

## AUDITOR'S RESPONSIBILITIES

We are responsible for:

- (a) Expressing an independent opinion on the financial statements of the Company and Group as at 31 March 2010 and for the year ended on that date, prepared and presented by the directors and reporting our opinion in accordance with clause 22(1) of Schedule 2 to the Securities Regulations 2009;
- (b) Reporting in accordance with clause 22(1)(h) of Schedule 2 to the Securities Regulations 2009, on the amounts included in the summary financial statements of the Group for the years ending 31 March 2006, 2007, 2008, 2009 and 2010; and
- (c) Reporting in accordance with clause 22(1)(h) of Schedule 2 to the Securities Regulations 2009 on the details and amounts in respect of the ranking of the securities of the Group as shown on pages 13 of the Prospectus.

This report has been prepared for inclusion in the Prospectus dated 18 June 2010 for the purpose of meeting the requirements of clause 22 of Schedule 2 to the Securities Regulations 2009. We disclaim any assumption of responsibility for reliance on this report or the amounts included in the financial statements or the prospective financial information for any other purpose other than that for which they were prepared. In addition, we take no responsibility for, nor do we report on, any part of the Prospectus not mentioned in this report.

Our firm carries out other assignments for the Company and Group in the area of taxation advice and other special consultancy projects. The firm has no other interests in the Company and Group.

### **BASIS OF OPINION ON THE FINANCIAL STATEMENTS**

Our audit of the financial statements included examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also included assessing:

- (a) the significant estimates and judgements made by the Directors in the preparation of the financial statements; and
- (b) whether the accounting policies are appropriate to the circumstances of the Company and Group and are consistently applied and adequately disclosed.

We have conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of the information in the financial statements.

### **BASIS OF OPINION ON THE HISTORICAL SUMMARY OF FINANCIAL STATEMENTS**

We have undertaken procedures to provide reasonable assurance that the amounts set out in the summary of financial statements on pages 8 to 11 pursuant to clauses 8 of Schedule 2 to the Securities Regulations 2009 have been correctly taken from the audited financial statements of the Group for the years ending 31 March 2006, 2007, 2008, 2009 and 2010.

### **FUNDAMENTAL UNCERTAINTIES**

In forming our unqualified opinion on the 31 March 2010 financial statements, we have considered the adequacy of the following disclosure:

#### **Deferred Tax Asset**

The Company and Group have recorded in their Statement of Financial Position at 31 March 2010 a deferred tax asset of \$2.5 million, in relation to taxable temporary differences. The Company and Group concluded that it is probable they will utilise the value of these benefits based on their future earnings forecasts. The earnings forecasts are based on the Company and Group obtaining additional funding within the forecast period. Should the Company and Group not be successful in obtaining additional funding, the forecasted profits may not be achieved and the Company and Group may need to write off the deferred tax asset to the Income Statement. We are unable to quantify the potential effect of this uncertainty. Details of the circumstances relating to this fundamental uncertainty are described in note 22.

#### **Equity Securities – Available for Sale**

The Group has recorded in its Statement of Financial Position at 31 March 2010 an equity security at a cost of \$2.24 million. The investment relates to an unlisted Property Investment Company. The Auditor's Report dated 12 August 2009 for the latest audited financial statements of that Company, had raised the following fundamental uncertainty regarding the validity of the going concern assumption:

"These financial statements have been prepared on a going concern basis, the validity of which depends upon the Company meeting revenue and cash flow projections, including net cash inflows from the renewal of borrowings and new equity in order to service its debt and working capital commitments. The financial statements do not include any adjustments that would result from a failure to have adequate cash to meet debt repayment, interest and operating requirements."

Should the going concern assumption in relation to this investment not be appropriate, the Group may need to impair its investment in the equity security. We are unable to quantify the potential effect of this uncertainty. Details of the circumstances relating to this fundamental uncertainty are described in note 14.

We have not qualified our opinion in respect to this fundamental uncertainty.

## **UNQUALIFIED OPINION ON THE FINANCIAL STATEMENTS**

We have obtained all the information and explanations we have required.

In our opinion:

- (a) proper accounting records have been kept by the Company and Group as far as appears from our examination of those records; and
- (b) the 31 March 2010 financial statements of the Group referred to in the prospectus:
  - (i) comply with the Securities Regulations 2009; and
  - (ii) subject to those Regulations, comply with generally accepted accounting practice in New Zealand; and
  - (iii) give a true and fair view of the financial position of the Company and Group as at 31 March 2010 and the results of its operations and cash flows for the year ended on that date.

Our audit of the financial statements for the year ended 31 March 2010 was completed on 21 May 2010 and our unqualified opinion is expressed on that date. We have not undertaken any procedures from the dates of completion of the audits.

## **UNQUALIFIED OPINION ON THE SUMMARY FINANCIAL STATEMENTS**

In our opinion the amounts set out in the summary financial statements on pages 8 to 11 pursuant to clauses 8 of Schedule 2 to the Securities Regulations 2009, have been correctly taken from the audited financial statements of the Group for the years ending 31 March 2006, 2007, 2008, 2009 and 2010. There are no amounts pursuant to clauses 9(2) and 9(3) of Schedule 2.

## **RANKING OF SECURITIES**

The amounts set out on pages 13 pursuant to clause 13 of Schedule 2 to the Securities Regulations 2009 have been correctly taken from audited financial statements at 31 March 2010 of the Group.

## **STATEMENT OF CONSENT**

In terms of Regulation 18(1)(c)(ii) of the Securities Regulations 2009 we hereby give our consent to the inclusion in the Prospectus dated 18 June 2010 of our audit report in the form in which it appears.

Yours faithfully



STAPLES RODWAY  
AUCKLAND