

**GENEVA FINANCE LIMITED**

**INVESTMENT STATEMENT**

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

**25 August 2009**

## IMPORTANT INFORMATION

*(The information in this section is required under the Securities Act 1978)*

Investment decisions are very important. They often have long-term consequences. Read all documents carefully. Ask questions. Seek advice before committing yourself.

### Choosing an Investment

When deciding whether to invest, consider carefully the answers to the following questions that can be found on the pages noted below:

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In addition to the information in this document, important information can be found in the current registered prospectus for the investment. You are entitled to a copy of that prospectus on request.

### Engaging an investment adviser

An investment adviser must give you a written statement that contains information about the adviser and his or her ability to give advice. You are strongly encouraged to read that document and consider the information in it when deciding whether or not to engage an adviser.

Tell the adviser what the purpose of your investment is. This is important because different investments are suitable for different purposes, and carry different levels of risk.

The written statement should contain important information about the adviser, including:

- relevant experience and qualifications, and whether dispute resolution facilities are available to you; and
- what types of investments the adviser gives advice about; and
- whether the advice is limited to investments offered by 1 or more particular financial institutions; and
- information that may be relevant to the adviser's character, including certain criminal convictions, bankruptcy, any adverse findings by a court against the adviser in a professional capacity, and whether the adviser has been expelled from, or prohibited from joining, a professional body; and
- any relationships likely to give rise to a conflict of interest.

The adviser must also tell you about fees and remuneration before giving you advice about an investment. The information about fees and remuneration must include:

- the nature and level of the fees you will be charged for receiving the advice; and
- whether the adviser will or may receive a commission or other benefit from advising you.

An investment adviser commits an offence if he or she does not provide you with the information required.

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This Investment Statement is dated 25 August 2009 and is prepared for the purposes of the Securities Act 1978

### ABOUT GENEVA FINANCE

#### Company Activities

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. Geneva Finance's loans are originated through three distribution channels (Direct, Retail and Dealer), processed by the central sales desk then administered through a national operations centre located at Mt Wellington, Auckland.

The Company's principal activity is to borrow money, including by the issue of Debenture Stock and Subordinated Notes, and to lend that money to individuals, companies and other entities during the course of carrying on its finance company business. 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

The Company provides 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.

#### Receivables Ledger

	31 March 2009 Audited \$ millions
Gross finance receivables	\$102.2
Less: Deferred fee revenue and expenses	
Unearned interest	\$1.0
Provision for credit impairment	\$0.1
	<u>\$21.4</u>
Net finance receivables	<u><u>\$79.7</u></u>
Number of loans	17,739
Average loan size (\$)	\$5,761

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

#### Lending Policies

Geneva Finance has developed and implemented prudent lending and risk management policies which result in a very thorough analysis of customer loan applications relative to specified criteria. Its staff work very closely with each customer, helping them through all stages of the borrowing process to ensure the loan is affordable while at the same time, delivering the Geneva Finance promise of a fast, personalized lending service.

The lending process commences with the receiving of a loan enquiry by a Geneva Finance lending representative, where the borrower's needs are ascertained and the Company's lending requirements are explained. The customer completes a detailed loan application form which includes full personal details, an income and expenditure budget, a statement of assets and liabilities, any credit references etc, together with any required supporting documentation and information i.e. bank statements, proof of identification, address and income, settlement statements etc.

Once the application is completed and all required information provided then a very thorough verification and credit checking process takes place into : the applicants credit history and status ; the security valuation, ownership and status ; and to confirm that the all details on the application form are independently verified i.e. identification, living address, income, debt, relationship and family status etc.

Once the application preparation, processing and verification has been completed then it is submitted for lending review, analysis and decision-making and there are several lending approval levels depending on the size of the loan. Payment protection insurance is generally offered to the applicant who can choose to decline it. A lending decision is then made and communicated to the client and the lending process is completed, including: the establishment of the loan; the documentation of the contract; the full disclosure of the borrower's responsibilities under the contract; the disbursement of the loan advance; registration of securities; and finalization of all other loan processes and details.

The Company may require additional co-borrowers or guarantors where a loan application review requires it, e.g. where joint parties own the security used as collateral, younger borrowers, insufficient security value etc.

#### **Credit Management Policies**

Geneva Finance has comprehensive credit and risk management policies which are used to manage its exposure to any credit risk. Geneva Finance works very closely with its borrowers both in its lending and credit control processes and has strong credit management competencies based on the significant experience of its staff, its business systems and its technology. The company has well documented risk management policies and all staff go through rigorous training to ensure that all loans comply with these policies and are managed effectively. It has standardized systems, processes, policies and procedures.

A key collection strategy on any non-performing loan is to always seek cashflow and to work closely and supportively with those customers to achieve that. If cashflow can't 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 pursue collection through the legal process. Geneva Finance may use Stellar Collections Limited on an arms length basis to assist with the collection and legal processes. Stellar Collections is a subsidiary company of Geneva Finance and focuses specifically on debt recovery, legal services and investigation and tracing.

If a borrower has suffered an event which is covered by any payment protection policy they may have taken, then any amounts payable under that policy are applied to the repayment of their loan with Geneva Finance.

Geneva Finance regularly reviews and assesses the adequacy of its doubtful debt provisions both specific (against specific individual loans) and collective, and will fully provide against those loan balances where the Company has exhausted all collection activities and loan cashflow has stopped for some time. The Company enjoys great success in the rehabilitation of non-performing loans based on the competency and thoroughness of its collection activities.

#### **Capital Reconstruction**

On 28 April 2008 the Stockholders and Noteholders approved a capital reconstruction of Geneva Finance (the **Capital Reconstruction**) consisting of three main components:

- a conversion of a portion of existing Debenture Stock and Subordinated Notes into new ordinary shares in Geneva Finance to be listed on the NZAX; and
- a change in the maturity dates for the remaining Debenture Stock and Subordinated Notes; and
- the issue of additional new ordinary shares to existing Debenture Stock and Subordinated Noteholders who elected to subscribe for such additional shares. These additional new ordinary shares were paid up by cash or by conversion of all or part of the remaining Stock or the Notes.

The Capital Reconstruction was effected on 1 May 2008. As a result of the Capital Reconstruction:

- 15% of the principal amount of Debenture Stock existing at the time of the Capital Reconstruction has been converted into ordinary shares in Geneva Finance;
- 85% of the principal amount of Debenture Stock existing prior to the Capital Reconstruction will be repaid over a period of 4 years and 5 months. The initial payment of 15% was made on 31 May 2008 and a further payments of 10% and 15% were made on 30 September 2008 and 31 March 2009. Semi-annual instalments will continue to be paid on 31 March and 30 September in each year with a final payment on 30 September 2012. Instalments vary in amount from 15% to 5% of the principal amount of Stock. From

1 May 2008, interest is paid monthly on the outstanding balance of the Stock at the higher of (i) 11% per annum and (ii) the interest rate for the relevant Stock existing prior to the Capital Reconstruction;

- 55% of the principal amount of Notes existing at the time of the Capital Reconstruction have been converted into ordinary shares in Geneva Finance; and
- 45% of the principal amount of Notes existing at the time of the Capital Reconstruction will be repaid over a period of 2 years commencing on 30 April 2011 by 4 equal semi-annual instalments on 30 April and 31 October in each year with a final payment on 31 October 2012. From 1 May 2008, interest will be paid monthly on the outstanding balance of these Notes at the higher of (i) 13% per annum and (ii) the interest rate for the relevant Notes existing prior to the Capital Reconstruction.

The ownership of Geneva Finance has changed as a result of the Capital Reconstruction. Prior to the Capital Reconstruction Financial Investment Holdings Limited (**FIHL**) held 100% of the capital of Geneva Finance. Geneva Finance is now owned as follows:

- Debenture Stockholders existing at the time of the Capital Reconstruction hold approximately 53.6% of the capital of Geneva Finance;
- Noteholders existing at the time of the Capital Reconstruction hold approximately 21% of the capital of Geneva Finance.
- FIHL holds approximately 25.4% of the capital of Geneva Finance.

FIHL does not guarantee the Stock or Notes offered in this Investment Statement.

#### **Banking Facility Covenants**

The Company's single major creditor is BOS International (Australia) Limited (**BOS**). The principal amount owed to BOS is \$35,000,000. BOS holds Security Stock (a type of Stock ranking equally with all Debenture Stock) to secure this amount. BOS has agreed its Security Stock will be repaid as a 3 year term loan on normal commercial terms, repayable in one lump sum not earlier than 30 April 2011.

On 20 August 2008, Geneva advised that it was undergoing an asset quality review. The results of this review were announced in October 2008 and included \$6.3 million (after tax) of additional provisioning against the old ledger. Geneva has divided its receivables ledger into an 'old' ledger and a 'new' ledger. The 'old' ledger includes loans made prior to August 2006 to a market segment that Geneva no longer lends to. The 'new' ledger consisting of loans made to borrowers with higher affordability levels, proven credit performance and greater stability of residence and employment.

The financial statements of the Group for the period ended 30 September 2008 show a loss for the six months of \$7.7 million after tax. This loss is inclusive of the additional provisioning as above and the determination by the directors that it was inappropriate to continue carrying a deferred tax asset (being tax losses available to the group) with a book value of \$2.9 million on the balance sheet. This tax loss which represents a potential future asset available to the group.

As a result of the above, Geneva breached several of its banking covenants with BOS. Geneva and BOS have subsequently agreed revised covenants with commercially acceptable terms and BOS have reconfirmed its \$35.0m funding facility through to 30th April 2011. As is normal with bank facilities of this type, a failure by the Company to comply with the covenants and ratios will entitle BOS to request early repayment of its loan.

#### **Acquisition of Subsidiaries**

On 31 March 2006, the Company acquired all the shares in Pacific Rise Limited and Pacific Rise Limited became a charging subsidiary under the Debenture Trust Deed and a guaranteeing subsidiary under the Unsecured Trust Deed. Pacific Rise Limited's only asset is the land and building at 6B Pacific Rise, Mt Wellington, which is the Company's Operations Centre. The acquisition price of the shares in Pacific Rise did not exceed 20% of the value of the Total Tangible Assets of the Charging Group as at 31 March 2006.

On 1 May 2008, the Company acquired all the shares in Quest and Stellar. Quest is an insurance company which provides insurance products primarily to Geneva's customers. Its insurance products include temporary life insurance contracts covering death, disability, disablement and redundancy and short term motor vehicle contracts covering comprehensive, third party and mechanical breakdown risks. Stellar is a debt collection company which provides debt collection services to Geneva and other financial institutions. Stellar also owns \$2.8 million of past due and non-performing debt. On 20 January 2009 Quest and Stellar became charging subsidiaries under the Debenture Trust Deed and guaranteeing subsidiaries under the Unsecured Trust Deed. The acquisition price of the shares in Quest and Stellar did not exceed 20% of the value of the Total Tangible Assets of the Charging Group as at 31 March 2008.

#### **INDEPENDENT CREDIT RATING**

On 1 May 2005, Geneva Finance was issued by Standard & Poor's with a B+/Stable credit rating. On 10 September 2007, this credit rating was updated by Standard & Poor's to B+/Watch Negative, on the back of the then current disruptions caused by the failure of some New Zealand finance companies reflecting the potential impact of increasing pressure on Geneva Finance's liquidity and funding position.

On the announcement of the Company's proposal to seek a moratorium on 16 October 2007, this credit rating was further updated by Standard & Poor's to "D" and following the adoption of the Moratorium, this credit rating was again updated by Standard & Poor's on 5 November 2007 to "CC/Watch Developing".

Following the approval by Stockholders and Noteholders of the Capital Reconstruction of the Company, the credit rating was again updated by Standard & Poor's on 29 April 2008 to "CCC/Negative". On 6 April 2009 Standard & Poor's reaffirmed this credit rating.

A Standard & Poor's credit rating is a current opinion of a company's overall financial capacity (its creditworthiness) to pay its financial obligations. This opinion focuses on the Company's capacity and willingness to meet its financial commitments as they come due. It does not apply to any specific financial obligation, as it does not take into account the nature of and provisions of the obligation, its standing in liquidation, statutory preferences, or the legality and enforceability of the obligation.

Standard & Poor's ratings range from AAA to D. Obligations rated 'BB', 'B', 'CCC', 'CC', and 'C' are regarded as having significant speculative characteristics. 'BB' indicates the least degree of speculation and 'C' the highest. While such obligations will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions.

An obligation rated 'CCC' is currently vulnerable to non-payment, and is dependent upon favourable business, financial, and economic conditions for the obligor to meet its financial commitment on the obligation. In the event of adverse business, financial, or economic conditions, the obligor is not likely to have the capacity to meet its financial commitment on the obligation.

Further information about the rating, including detailed rating definitions, may be obtained from Standard & Poor's website at [www.standardandpoors.com](http://www.standardandpoors.com) and a copy of the published rating report may be obtained by subscribers to [www.ratingsdirect.com](http://www.ratingsdirect.com) or on request to Geneva Finance by completing a request form on Geneva Finance's website, [www.genevafinance.co.nz](http://www.genevafinance.co.nz).

#### **RELATED PARTY LENDING**

The Geneva Finance Group has entered into a Debenture Trust Deed dated 17 December 2002 as amended and restated on 4 March 2009 and as further amended on 25 August 2009 (the **Debenture Trust Deed**) with Covenant Trustee Company Limited for the benefit of all Stockholders. The Geneva Finance Group has also entered into an Unsecured Deposits and Subordinated Notes Trust Deed dated 28 September 2005 as amended and restated on 4 March 2009 and as further amended on 25 August 2009 (the **Unsecured Trust Deed**) with Covenant Trustee Company Limited for the benefit of all Noteholders. Under clause 5.2 (b) of the Debenture Trust Deed and clause 7.2 (b) of the Unsecured Trust Deed, the Company covenants with the Trustee that it will not, without the prior written consent of the Trustee, enter into any Related Party Transaction except in the ordinary course of business and where the terms thereof are evidenced in writing and the consideration therefore is on the basis of an arms length transaction as between two unrelated parties contracting in an open market. In any twelve month period the aggregate Value of Related Party Transactions entered into or remaining outstanding shall not exceed 2% of Total Tangible Assets.

Geneva Finance complies with these covenants.

## FEATURES OF THE ISSUE

### Debenture Stock

Geneva Finance Limited offers for subscription Debenture Stock in accordance with the terms of this Investment Statement and the terms of the Company's current Prospectus.

The debenture stock offered in this Investment Statement are debt securities issued by Geneva Finance under the Debenture Trust Deed. Debenture Stock is offered for such periods and interest rates as Geneva from time to time determines. The issue periods and interest rates are set out in a rate chart available from Geneva, which is subject to change.

### Subordinated Notes

Geneva Finance Limited offers for subscription Subordinated Notes in accordance with the terms of this Investment Statement and the terms of the Company's current Prospectus.

The Subordinated Notes offered in this Investment Statement are debt securities issued by Geneva Finance under the Unsecured Trust Deed. Subordinated Notes are offered for such periods and interest rates as Geneva from time to time determines. The issue periods and interest rates are set out in a rate chart available from Geneva, which is subject to change.

### Security for Debenture Stock

Because it would be impracticable for each individual investor to hold a separate security over the assets of the Company, the Debenture Stock is constituted under the Debenture Trust Deed. The charge created by the Debenture Trust Deed is a first ranking debenture over the assets and undertakings of the Company and its subsidiaries (the **Group**), subject only to permitted prior charges which must not exceed 5% of the Total Tangible Assets of the Group. Currently there are no prior charges that would rank ahead of the Debenture Stock.

All Debenture Stock ranks equally as far as security over the assets and undertaking of the Group is concerned.

The Debenture Trust Deed is entered into for the benefit of all holders of the Debenture Stock ("**Stockholders**"). The Trust Deed is registered with the Companies Office and a copy is available on request from Geneva Finance. The Trustee does not guarantee the payment of the Debenture Stock or the interest thereon.

### Terms of Issue of Subordinated Notes

Because it would be impracticable for each individual investor to have a separate contract with the Company governing the terms of the Subordinated Notes issued to the individual investor, the Subordinated Notes are constituted under the Unsecured Trust Deed.

The Unsecured Trust Deed is entered into for the benefit of all holders of the Subordinated Notes ("**Noteholders**"). The Trust Deed is registered with the Companies Office and a copy is available on request from Geneva Finance. The Trustee does not guarantee the payment of the Subordinated Notes or the interest thereon.

The Notes rank behind all Senior Creditors of the Company. Senior Creditors are defined as the Stockholders, unsecured depositors and creditors in respect of all other liabilities (except for the Notes and liabilities in respect of which the creditors have agreed to rank equally with or behind the Noteholders). At present the only liabilities ranking equally with or behind the Noteholders are the subordinated loans made to the Company. Further details of the subordinated loans are set out in the Company's current Prospectus.

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.

All Subordinated Notes rank equally between themselves.

### How to Invest

If you wish to subscribe for Debenture Stock or Subordinated Notes, please complete the Application Form distributed with this Investment Statement. Applications must be for a minimum of \$ 5,000 and thereafter in multiples of \$1,000. Geneva Finance reserves the right to reject any application in whole or in part without assigning any reason.

Please fill in all the details on the Application Form using the terms and conditions you have agreed with Geneva Finance and attach your cheque, made payable to Geneva Finance. Post the completed form and your cheque to Geneva Finance Limited at Box 14377, Panmure, or bring it in to our offices at 6B Pacific Rise, Mt Wellington.

Alternatively payment may be made by direct credit to our bank account, which can be provided to you upon request. Please fax the completed application form to the Company's fax number : (09) 573 6248.

### Interest Payment

The interest will accrue on a daily basis from the day the application money is received in cleared funds by the Company. A range of deposit terms (as per Company rate card from time to time) and interest payment options are available to investors to choose from as follows :

- **Monthly payment** by direct credit (on the last day of the month)
- **Quarterly payment** by direct credit (on the last days of March, June, September and December)
- **Quarterly compounded.** Your original investment grows by having your interest compounded and added to your investment at the end of each quarter (on the last days of March, June, September and December)

General information – All rates are subject to change without prior notice. All rates are per annum. Special rates may apply for larger amounts.

#### **Resident Withholding Tax**

Under current legislation, the Company is required to deduct Resident Withholding Tax on a PAYE basis from interest earned on your investment. You will be advised of the tax deducted.

If an investor supplies their IRD Number to the Company the rate of Resident Withholding Tax will normally be 19.5% but, investors can elect to have Resident Withholding Tax deducted at 33% or 38%. If no IRD Number is supplied, Resident Withholding Tax will be deducted at 38%. Resident Withholding Tax will not be deducted where an investor holds a certificate of exemption and a copy of the certificate of exemption is supplied to the Company. Under current tax law, interest paid to overseas residents is subject to non-resident withholding tax.

#### **Repayment of your Investment**

On maturity of your Debenture Stock or Subordinated Notes, you may choose to have all or any part of your principal and/or any outstanding interest if any either repaid or re-invested. Geneva Finance will write to you at least fourteen days before the maturity date, stating the reinvestment and repayment options, and asking for your instructions.

If at the maturity date the Company has not received any instructions from you regarding either the reinvestment or repayment of your investment the Company reserves the right to:

- Hold that investment “at call” at the Company’s “at call” rate ; or
- Reinvest your investment for the same term, earning interest at the current rate for that term; or
- Repay your investment (together with accrued but unpaid interest), by cheque posted to your last known address.

#### **Early Repayment**

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

- (a) A sole investor dies; or
- (b) There are exceptional or unforeseen circumstances that cause the investor 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 investment was actually outstanding.

#### **Statements**

Geneva Finance will issue an Investment Confirmation to you after your investment has been accepted, to provide you with a record of the terms on which the investment has been accepted. It will send a quarterly statement to you providing details of all transactions for the quarter, the balance of your investment at the end of each quarter and interest earned and tax deductions for the quarter and year to date.

When your investment matures, you simply provide the Company with your signed, written instructions for repayment or re-investment and these will be verified and actioned accordingly. For “at call” investments, you will receive a written acknowledgement containing details of your investment.

#### **Register and Transfers**

Registers of Stockholders and Noteholders will be maintained by Geneva Finance at its office at 6B Pacific Rise, Mt Wellington, Auckland.

Transfers of Debenture Stock or Subordinated Notes may be made on the form commonly used for security transfers, or on any other form approved by the Company. Registration of transfers will be effected as soon as the Company is practicably able, following receipt of a properly executed transfer. On the death of a Stockholder or Noteholder a transfer can be effected to an executor or beneficiary as soon as probate or letters of administration are presented to the Company.

Funds raised from the current offer will be used to further expand the Company’s receivables ledger.

## STATUTORY INFORMATION

### WHAT SORT OF INVESTMENT IS THIS?

#### **Debenture Stock**

The Debenture Stock offered in this Investment Statement are secured debt securities issued by the Company under its Trust Deed. The Trust Deed creates a security interest over the assets of the Company to secure all Debenture Stock or as otherwise agreed with any Stockholder.

Debenture Stock is offered for such periods and interest rates as the Company from time to time determines. The issue periods and interest rates are set out in a rate chart available from the Company from time to time or as otherwise agreed with any Noteholder.

#### **Subordinated Notes**

The Subordinated Notes offered under this Investment Statement are subordinated debt securities in the Company, constituted under the Unsecured Trust Deed.

Subordinated Notes are offered for such periods and interest rates as the Company from time to time determines. The issue periods and interest rates are set out in a rate chart available from the Company from time to time.

The Company will use the funds raised under this Investment Statement in its finance company business.

### WHO IS INVOLVED IN PROVIDING IT FOR ME?

#### *The Issuer*

The issuer is Geneva Finance Limited (the **Company**) of 6B Pacific Rise, Mt Wellington, Auckland.

#### *The Trustee*

The Trustee for Stockholders and Noteholders appointed under the Company's Debenture Trust Deed and Unsecured Trust Deed is Covenant Trustee Company Limited, Level 34, Vero Centre, 48 Shortland Street, Auckland.

#### *Activities*

Geneva Finance commenced business on 7 October 2002. It is a finance company whose principal activity is to borrow money and to lend that money to individuals, companies and other entities during the course of carrying on its finance company business.

The Company's principal activity is to borrow money including by the issue of Debenture Stock and Subordinated Notes, and to lend that money to individuals, companies and other entities during the course of carrying on its finance company business. 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.

The Company provides 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.

### HOW MUCH DO I PAY?

Applications for Debenture Stock must be for a minimum amount of \$5,000 and thereafter in multiples of \$1,000 (or such other minimum and multiples as the Company from time to time agrees). Applications for Subordinated Notes must be for a minimum amount of \$5,000 and thereafter in multiples of \$1,000 (or such other minimum and multiples as the Company from time to time agrees). All investments must be made on and in accordance with the instructions set out on the Application Form accompanying this Investment Statement.

The Company reserves the right to refuse any application, or to accept any application in part only, without assigning a reason.

The Application Form accompanying this Investment Statement must be sent, together with your payment, to the Company at P.O. Box 14377, Panmure, Auckland, 1741 or delivered, with your payment to 6B Pacific Rise, Mt Wellington, Auckland.

If payment is made by cheque, the Company may delay issue of the Debenture Stock or Subordinated Notes until the cheque has been cleared.

### WHAT ARE THE CHARGES?

An investor does not pay any charges for an investment in Debenture Stock or Subordinated Notes other than the money paid for the Debenture Stock or Subordinated Notes applied for.

The Company may allow early repayment of Debenture Stock or Subordinated Notes before its maturity date if:

- (a) a sole investor dies; or
- (b) exceptional or unforeseen circumstances exist for the investor 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 investment was actually outstanding.

## **WHAT RETURNS WILL I GET?**

The returns to an investor will be interest on the Debenture Stock or Subordinated Notes.

Interest rates for Debenture Stock and Subordinated Notes are determined by the Company after considering the prevailing market interest rates for investments of a similar type and term and are set out in a rate card available from the Company from time to time. Interest is calculated on a per annum basis. Once the Company has accepted an investment at the relevant rate, the Company will pay that rate for the term of the investment. At call rates can change daily. Interest on Debenture Stock or Subordinated Notes held at call will accrue on a daily basis at the daily call rate and will be paid on repayment of the Debenture Stock or Subordinated Notes.

The Company may vary the interest rates offered at any time. A change in interest rates will not affect the rate on any Debenture Stock or Subordinated Notes already issued. If the Company reduces an interest rate after an investor completes an application for investment but before the relevant Debenture Stock or Subordinated Notes is issued, it will notify the investor of the new rate. The investor may then confirm their application at the reduced rate, otherwise their application money will be refunded within 14 days. No interest will be paid on refunded investments.

The Company may adjust the interest rate applicable to any Debenture Stock or Subordinated Notes if the investor seeks early repayment in the circumstances set out in the section "What are the Charges." The new rate will be a rate the Company determines is applicable for the period during which the investment was held.

If an investor supplies their IRD Number to the Company the rate of Resident Withholding Tax will normally be 19.5% but investors can elect to have Resident Withholding Tax deducted at 33% or 38%. If the investor does not supply the Company with their IRD Number, Resident Withholding Tax will be deducted at the rate of 38%. Resident Withholding Tax will not be deducted where an investor holds a certificate of exemption and a copy of the certificate of exemption is supplied to the Company. Under current tax law, interest paid to overseas residents is subject to non-resident withholding tax.

Subject to an investor's application being accepted, interest will begin accruing on the day the application money is received in cleared funds by the Company. The interest will accrue on a daily basis from that date (on the basis of a 365 day year) and will be paid at the intervals and the rates as set out in the application form on which the investment was made or as otherwise agreed with the Company.

Interest payments will only be made to the person in whose name the Debenture Stock or Subordinated Notes is registered. Where there are joint holders, interest may be paid by the Company to the holder whose name first appears in the Register maintained by the Company.

Where a person becomes entitled to an investment following the death, insanity or bankruptcy of an investor, the Company may retain the principal and interest until a transmission or transfer to the person has been registered.

The Company, Geneva Finance Limited, is legally liable to repay the Debenture Stock and Subordinated Notes and all interest thereon.

Under the Trust Deeds, Pacific Rise Limited, Quest Insurance Group Limited, Stellar Collections Limited and Stellar Collections No 2 Limited, all wholly owned subsidiaries of the Group, have unconditionally guaranteed all of the Debenture Stock and Subordinated Notes and all interest thereon. Pacific Rise Limited, Quest Insurance Group Limited, Stellar Collections Limited and Stellar Collections No 2 Limited have given an unlimited first ranking charge over all their assets in support of this guarantee.

## **WHAT ARE MY RISKS?**

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

### **Investment Risks**

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

#### *Risks Specific to the Capital Reconstruction*

There is a risk that Stockholders who did not support the extraordinary resolution of Stockholders approving the Capital Reconstruction may deny that the Capital Reconstruction is binding upon them. Should this happen, they may seek to have the Debenture Trust Deed enforced in relation to their Stock and based on their rights prior to implementation of the Capital Reconstruction.

Enforcement of the Debenture Trust Deed at the instigation of Stockholders who vote against the extraordinary resolution is at the discretion of the Trustee, unless the Trustee is requested to act by a Major Security Stockholder (a holder of Security Stock where the principal amount is equal to or greater than 10% of the aggregate principal amount of all Stock), or directed to do so by extraordinary resolution of the Stockholders.

#### *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 the Company's business. The board of Geneva Finance maintain 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*

The Company relies on its borrowers to repay their loans and make interest payments on due date. The Company takes security over assets to secure most of the loans it makes. However 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, the Company will make a loss on that loan. These types of loan are called impaired receivables. If a significant number of the Company's loans become impaired receivables, the Company could become insolvent.

The Company 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. The Company recently significantly reviewed and tightened current credit policy and conducts regular policy reviews to make sure the policy represents current market conditions.

The Company has segregated its loan book into two distinct ledgers. They are the "new ledger" and the "old ledger".

The new ledger has net receivables value of approximately \$45.3m as at 31 March 2009. In July 2006 and then again in January 2007 and January 2008, the Company made major changes to the eligibility criteria for the approval of new loans. This reflected the need to move away from the traditional customer base to a more mainstream customer profile i.e. a move towards those customers with higher affordability, proven credit performance and greater stability of residence and employment. This ledger comprises customers who meet these new eligibility criteria.

The old ledger comprises loans to a market sector the company no longer lends to. It is now viewed as a collections only ledger. This ledger has a net receivables value of approximately \$34.4m as at 31 March 2009.

The Company has a number of impaired and past due receivables. A receivable is impaired and impairment losses are incurred if an event has occurred which has had an impact on the estimated future cash flows of the receivable that can be reliably estimated. A past due receivable is an overdue receivable less than 31 days in arrears and is not impaired.

The Company's impaired and past due receivables are as follows:

	31 March 2009	31 March 2008
	Audited	Audited
	\$ millions	\$ millions
Impaired assets	29.8	33.0
Past due assets but not impaired	11.2	20.9
Gross finance receivables	102.2	144.4
Deferred revenues	1.1	2.3
Impairment provision	21.4	20.7
Net finance receivables	79.7	121.4
Impairment provision as % of gross receivables	20.9%	14.3%

#### *Liquidity Risk*

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

#### *Interest Rate Risk*

Interest received on loans to customers is the Company'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 Stock and Notes as well as pay all of the Company's expenses. Interest rates paid on 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 the Company's portfolio in order to ensure that interest rate margins are maintained.

#### *Risks specific to the Company's business*

The Company'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 the Company'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 the Company has diversified its client base and a significant percentage of new advances are in the middle to higher income bracket. The Company believes that this will help reduce the risk of customers defaulting in the future.

Whilst the majority of the Company's lending involves hire purchase finance, the Company's other main activity involves the provision of personal loans to the consumer credit market. Personal loan applicants likewise are evaluated against the Company'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 the Company for a faster, more personalised lending service.

The specific risks associated with the provision of hire purchase finance and personal loans by the Company 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 the Company's credit management activities are ultimately unsuccessful in getting those customers to repay their loans in part or in full;
- Although the loan balance is being reduced by regular loan repayments (e.g. weekly) over the term of the loan, the value of the security is also depreciating and if the loan security has to be realised then the proceeds from the disposal of the loan security is 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 this occurred in relation to a significant proportion of the Company's loans, the Company could become insolvent as a result.

#### ***Risk Management***

The Company 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; the taking of appropriate securities as collateral for 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;
- The Company works closely with these customers to restore cashflow on their loans and will always try to seek cashflow in the first instance;
- If cashflow 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 and dispose of the loan security and to pursue the payment of the debt through the legal system; and
- The Company's margins reflect the risk profile of its customers.

#### ***Consequences of receivership or liquidation***

It is reasonably foreseeable that in a receivership or liquidation of the Company, Stockholders and/or Noteholders will receive less than the amount due to them on maturity of their Stock and Notes.

#### ***Payments and ranking of securities in a liquidation***

No Stockholder or Noteholder will be obliged to pay any further monies to the Company as a result of the insolvency or liquidation of the Company.

In a liquidation of the Company:

- the claims of all Stockholders will rank equally with each other and ahead of the claims of the Noteholders and all other creditors other than the following claims which will or may rank ahead of claims of Stockholders:
  - Claims of holders of Prior Security Interests permitted under the Trust Deed. (The Trust Deeds permit the Company to create Prior Security Interests securing amounts not exceeding 5% of total tangible assets of the Group). As at the date of this Investment Statement, there are no security interests which rank ahead of the Stock;

- Claims of various preferential creditors under the Seventh Schedule of the Companies Act 1993;
- Claims of the Trustee or any receiver appointed by the Trustee for costs, liabilities and remuneration under the relevant Trust Deed.
- the claims of all Noteholders will rank equally amongst themselves, ahead of the shareholders of the Company but behind all Stock and all other secured, unsecured and unsubordinated liabilities of the Company from time to time (including all claims which rank ahead of the Stockholders as detailed above).

**CAN THE INVESTMENT BE ALTERED?**

The specific terms (such as maturity date and interest rate) of Debenture Stock and Subordinated Notes which has been issued to an investor cannot be altered without agreement between the investor and the Company. However, both the Debenture Trust Deed and the Unsecured Trust Deed provide for alteration of their terms by the Trustee and the Company either upon direction of an Extraordinary Resolution of Stockholders or Noteholders (as the case may be) 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 or Noteholders (as the case may be).

**HOW DO I CASH IN MY INVESTMENT?**

Debenture Stock and Subordinated Notes are only repayable by the Company at the agreed maturity date. The Company has a discretion to repay the investment early if:

- (a) A sole investor dies; or
- (b) There are exceptional or unforeseen circumstances that cause the investor 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 investment was actually outstanding.

A Stockholder or Noteholder may sell his or her investment. A transfer must not result in a Stockholder or Noteholder holding Debenture Stock or Subordinated Notes of less than \$5,000. The Company may not register a transfer of Debenture Stock or Subordinated Notes if:

- (a) The Register is closed; or
- (b) A duly completed transfer is not left at the registered office of the Company; or
- (c) The Directors of the Company decide, in their absolute discretion, to refuse to register a transfer.

In the Company’s opinion, there is no established market for such sales.

**WHO DO I CONTACT WITH ENQUIRIES ABOUT MY INVESTMENT?**

Enquiries about Debenture Stock should be made to:

The Investment Manager  
 Geneva Finance  
 6B Pacific Rise  
 Mt Wellington  
 Auckland

Telephone: 0800 800 133  
 Facsimile: (09) 573 6248

## IS THERE ANYONE TO WHOM I CAN COMPLAIN IF I HAVE PROBLEMS WITH THE INVESTMENT?

Complaints about the Debenture Stock can be made to:

The Managing Director  
Geneva Finance  
6B Pacific Rise  
Mt Wellington  
Auckland

Telephone: 0800 800 133  
Facsimile: (09) 573 6248

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

Telephone: (09) 302-0638  
Facsimile: (09) 302-1037

There is no ombudsman for this class of investment.

## WHAT OTHER INFORMATION CAN I OBTAIN ABOUT THIS INVESTMENT?

Other information about the Company and the Debenture Stock and Subordinated Notes is contained in the Company's current Prospectus and financial statements. A copy of the current Prospectus and financial statements and the Company's constitution are available free of charge on request by telephone or in person from:

Geneva Finance  
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 Companies Office Contact Centre on 0508 266 726

Investors may request from the Company in writing, copies of any of the above documents plus the most recent financial statements of the Company which will be supplied free of charge.

## GLOSSARY

The following capitalised terms used in this Investment Statement 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>BOS</b>	BOS International (Australia) Limited.
<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 4 March 2009 and as further amended on 25 August 2005, between the Company, Pacific Rise Limited, Quest, Stellar and Stellar Collections No2 Limited and the Trustee.
<b>Directors</b>	The Directors of Geneva Finance.
<b>FIHL</b>	Financial Investment Holdings Limited, the former holding company of Geneva Finance prior to the Capital Reconstruction. FIHL does not guarantee the Stock or Notes offered in this Investment Statement.
<b>Geneva Finance Group and Group</b>	The Company and its subsidiaries, Pacific Rise Limited, Quest Insurance Group Limited and Stellar Collections Limited and subsidiary Stellar Collections No2 Limited.
<b>Note or Subordinated Note</b>	Each subordinated note issued under the Unsecured Trust Deed.
<b>Noteholder</b>	The holder of a Note.
<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>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>Trustee</b>	Covenant Trustee Company Limited.
<b>Trust Deeds</b>	The Debenture Trust Deed and the Unsecured Trust Deed.
<b>Unsecured Trust Deed</b>	The Unsecured Deposits and Notes Trust Deed dated 28 September 2005 as amended and restated on 4 March 2009 and as further amended on 25 August 2009, between the Company, Pacific Rise Limited, Quest, Stellar and Stellar Collections No2 Limited and the Trustee.

**DIRECTORY**

**THE COMPANY**

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Auckland  
Ph: (09) 573 2940

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Auckland 1151

**TRUSTEE**

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Auckland

**SOLICITORS TO THE  
TRUSTEE**

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Lumley Centre  
88 Shortland Street  
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**REGISTRAR**

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