

GENEVA FINANCE LIMITED

Interest Bearing Repayment Plan

INVESTMENT STATEMENT

5 March 2010

INVESTMENT STATEMENT

Information required by regulation 5 of the Securities (Moratorium) Regulations 2009

1 Important Information

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

Moratorium proposals are very significant, and have short-term and long-term consequences. They alter your rights under the securities that you currently hold, and the timing or likely amount of any repayments you can expect.

Read all documents carefully. Ask questions. Seek professional advice from an adviser before committing yourself.

This document, together with the trust deed, prospectus (if any), and other documents available to you relating to the moratorium proposal, will outline your rights in relation to this moratorium proposal. Know and understand your rights.

Important considerations when deciding on a moratorium

When deciding whether to accept the moratorium proposal, 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.

This Investment Statement has been prepared for the purposes of the Securities Act 1978 as at 5 March 2010. A glossary of defined terms used in this Investment Statement is on page 28 and 29.

What is the moratorium proposal?

2 Description of the Plan

This Investment Statement describes the Interest Bearing Repayment Plan (**Plan**) to be submitted to Geneva Finance Debentureholders and Noteholders for their approval at meetings to be held on 29 March 2010.

The Plan extends the repayment period of:

- (a) the outstanding Moratorium Stock, being the 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 any shares or payments of cash were made under that Plan, which has an aggregate principal amount of \$39,926,000;
- (b) the Security Stock, which is held by BOS International (Australia) Limited (**BOS**), and which has a principal amount of \$35,000,000 (the BOS Facility, secured by this Security Stock, was drawn to \$26,800,000 at 30 September 2009); and
- (c) the Notes, which have an aggregate principal amount of \$4,444,000.

The Plan does not affect the payment terms of the Debenture Stock issued after 1 May 2008, which had an aggregate principal amount of \$2,911,000 as at 30 September 2009.

If approved, the Plan would involve the following:

Debentureholders

The period for full repayment of outstanding principal of the Moratorium Stock would be extended by 30 months beyond the current final repayment date of 30 September 2012, making a final repayment date of 31 March 2015. Payments of principal would continue to be made semi-annually in March and September with interest paid monthly at the existing interest rates. Commencing with the payment of principal due on 31 March 2010, the amount of each semi-annual principal payment to Moratorium Debentureholders (other than the final two payments) would reduce to 50% of its current amount (but totalling the same principal amount as the existing principal amounts due to the additional number of payments that would be made under what would be a longer repayment schedule).

The period for repayment of Security Stock held by BOS (currently required to be paid no later than 30 April 2011) would also be extended to 31 March 2015 and, commencing on 31 March 2010, the BOS Facility Limit will be reduced on the same dates and at the same percentage amounts as Moratorium Stock is repaid under the proposed Plan.

Noteholders

The period for full repayment of outstanding Notes would be deferred by 30 months. The payments due on 30 April 2011, 31 October 2011, 30 April 2012 and 31 October 2012 would be deferred until 31 October 2013, 30 April 2014, 31 October 2014 and 30 April 2015 and the amount of each of these payments (except for the final payment) would reduce to 50% of its current amount (but totalling the same principal amount as the existing principal amounts because of an increased final payment). Interest will continue to be paid monthly in arrears at the same interest rates.

Process

In order to implement the Plan both the Debentureholders and the Noteholders must pass Extraordinary Resolutions approving the Plan and also amendments to the Trust Deeds. The

Extraordinary Resolution of Debentureholders requires an affirmative vote of 75% or more of the votes of all Debentureholders (including the Moratorium Debentureholders and BOS as the holder of the Security Stock) and, because the Plan does not affect the payment terms of the Debenture Stock issued after 1 May 2008, an affirmative vote of 75% or more of the votes of the Moratorium Debentureholders and BOS only. The Extraordinary Resolution of Noteholders requires an affirmative vote of 75% or more of the votes of all Noteholders.

Meetings have been convened for 29 March 2010 at which the relevant resolutions will be voted on. Details of the quorum and voting procedure are set out in the Notices of Meeting sent to all Debentureholders and Noteholders with this Investment Statement.

Who is involved in this moratorium proposal?

3 Names and addresses

The Issuer

The issuer is Geneva Finance Limited whose address is 6B Pacific Rise, Mt Wellington. Its directors are:

David William Smale
Peter Edward Francis A.C.A.
David Gerard O'Connell A.C.A.
Phillip Graeme Bell B.Com LLB
Ronald Robin King

Promoters

There are no promoters of the Plan.

Trustee

The Trustee is Covenant Trustee Company Limited whose address is Level 34, Vero Centre, 48 Shortland Street, Auckland.

Independent Expert

The independent expert is Northington Partners Limited whose address is Level 13, 52 Swanson Street, Auckland.

Independent Monitor

There is no independent monitor of the Plan.

Substantial Security Holders

The only substantial security holder of Geneva Finance is Brume Securities Limited which holds 19.816% of the shares in Geneva Finance.

How would the moratorium proposal affect my rights?

4 Changes to rights

Debentureholders

Under Geneva Finance's Capital Reconstruction Plan implemented on 1 May 2008, Debentureholders (**Moratorium Debentureholders**) with Debenture Stock outstanding immediately prior to implementation of that plan (**Moratorium Stock**) had 15 cents in the dollar of the principal amount of their Moratorium Stock converted into ordinary shares in Geneva Finance. Of their remaining Moratorium Stock outstanding immediately prior to implementation of the Capital Reconstruction Plan, Moratorium Debentureholders have received cash repayments of their Moratorium Stock totalling 50 cents in the dollar of the principal amount of Moratorium Stock held outstanding immediately prior to implementation of the Capital Reconstruction Plan.

Moratorium Debentureholders are still owed cash repayments totalling 35 cents in the dollar in respect of their Moratorium Stock payable by 6 semi-annual instalments commencing on 31 March 2010 and ending on 30 September 2012. .

Under the terms of the proposed Plan, Moratorium Debentureholders will receive the outstanding 35 cents in the dollar balance of their Moratorium Stock over a period extended from the original 36 months to 66 months by 11 semi-annual instalments commencing on 31 March 2010 and ending on 31 March 2015. Interest will continue to be paid monthly on the outstanding balance of Moratorium Stock at the current interest rates set as part of the Capital Reconstruction Plan.

The Security Stock held by BOS secures a facility (**BOS Facility**) which, since 1 May 2008, has been reduced from \$43 million to \$35 million and is repayable in full on or before 30 April 2011. Under the Plan, BOS extends the term of its facility beyond 30 April 2011 at a lower level, with reductions in the BOS Facility Limit commencing on 31 March 2010 on the same dates and at the same percentage amounts as other Debentureholders are repaid under the proposed Plan with the BOS Facility Limit being reduced to zero on 31 March 2015. The BOS Facility is a revolving facility which means that Geneva can make drawings and repayments as it sees fit so long as the aggregate principal amount which is owing at any time does not exceed the BOS Facility Limit then applying. The BOS Facility Limit at present is \$35 million. Currently, \$18.3 million is outstanding under the BOS Facility and it is expected to be drawn to approximately \$24 million at the date of the Debentureholders' and Noteholders' meetings. Geneva can make repayments of the BOS Facility at any time without making payments to the Moratorium Debentureholders or Noteholders (other than the scheduled repayment instalments which must always be made) so long as the principal amount owing to BOS is not less than 65% of the BOS Facility Limit then applying. If a repayment of the BOS Facility would reduce the principal amount owing to BOS below 65% of the BOS Facility Limit then applying, the repayment can only be made if a pro rata repayment is made to the Moratorium Debentureholders;

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 accordance with the Geneva 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 Debentureholders would share equally with BOS in proportion to the amounts owing to them.

The following table shows the amounts of existing instalments and proposed new instalments on the basis of dollars per \$1000 of Original Amount of Moratorium Stock held.

Payment Date	Moratorium Stock \$ Existing Schedule	Moratorium Stock \$ New Schedule
1 May 2008. Satisfied by the issue of Shares	150	150
Period from 1 May 2008 to 30 September 2009	500 (paid)	500 (paid)
31 March 2010	100	50
30 September 2010	50	25
31 March 2011	50	25
30 September 2011	50	25
31 March 2012	50	25
30 September 2012	50	25
31 March 2013		25
30 September 2013		25
31 March 2014		25
30 September 2014		50
31 March 2015		50
Totals	1,000	1,000

Geneva Finance would have the right to repay Moratorium Stock and BOS early, either in full or in part. Other than repayments to BOS which do not reduce the amount to BOS below 65% of the BOS Facility Limit then applying (as discussed above), any early repayment would need to be made to the Moratorium Debentureholders and BOS on a pro rata basis. Any partial early repayment to Moratorium Debentureholders would be applied against the instalment or instalments next due to Moratorium Debentureholders in their order of maturity.

Since implementation of the Capital Reconstruction Plan, Geneva Finance has issued new Debenture Stock with various interest rates and maturities. It is not intended that the Plan will apply to that Debenture Stock which Geneva Finance would be obliged to repay in accordance with its existing terms.

In addition to changes to the repayment schedule of Moratorium Stock, the following change is proposed to be made to the Debenture Trust Deed.

The Debenture Trust Deed includes a restriction on the value of property that can be owned and occupied by Geneva Finance. At present, the value of property owned and occupied by Geneva Finance must not exceed 5% of Total Tangible Assets. Geneva Finance owns its office premises at 6B Pacific Rise, Mt Wellington. As the value of Total Tangible Assets have decreased due to repayments of Moratorium Stock, the value of 6B Pacific Rise as a percentage of Total Tangible Assets has increased to the point where it may exceed 5% of Total Tangible Assets in the near future. Since Geneva Finance does not intend to sell 6B Pacific Rise in the present depressed property market, it is proposed that the 5% limitation be removed in relation to ownership and occupation by Geneva Finance of that property only for the purpose of carrying out its business

so as to prevent a breach of the 5% limitation merely due to reducing values of Total Tangible Assets.

Noteholders

Under the Capital Reconstruction Plan, Noteholders had 55 cents in the dollar of the principal amount of their Notes converted into ordinary shares in Geneva Finance and are scheduled to receive cash repayments totalling 45 cents in the dollar payable by 4 equal semi-annual instalments over an 18 month period commencing on 30 April 2011 and ending on 31 October 2012.

Under the terms of the proposed Plan, Noteholders would receive the outstanding 45 cents in the dollar over an 18 month period but commencing on 31 October 2013 and ending on 30 April 2015. Interest will continue to be paid monthly on the outstanding balance of the Notes at the current interest rates set as part of the Capital Reconstruction Plan.

The following table shows the amounts of existing instalments and proposed new instalments on the basis of dollars per \$1000 of Original Amount of Notes held.

Payment Date	Notes Existing Schedule \$	Notes New Schedule \$
1 May 2008. Satisfied by the issue of Shares	550.00	550.00
30 April 2011	112.50	
31 October 2011	112.50	
30 April 2012	112.50	
31 October 2012	112.50	
30 April 2013		
31 October 2013		56.25
30 April 2014		56.25
31 October 2014		56.25
30 April 2015		281.25
Total	1,000	1,000

Under the terms of the proposed Plan, Geneva Finance would have the right to make early repayments to Noteholders, subject to approval of the Trustee (on behalf of Debentureholders) and BOS under the BOS Facility, on a pro rata basis.

In addition to changes to the repayment schedule of the Notes, the change to the Debenture Trust Deed described above is also proposed to be made to the Unsecured Trust Deed.

Apart from the above changes to the repayment terms of the Debenture Stock and Notes and to the terms of the Trust Deeds, no other rights of Debentureholders or Noteholders would be waived or removed under the proposed Plan.

Under the proposed Plan, if Geneva Finance fails to pay any of the instalments of principal on the

Debenture Stock or Notes on the due dates, the Trustee would still have all rights under the Trust Deeds to enforce the Trust Deeds including, in the case of the Debenture Trust Deed, appointing a receiver.

Why are the directors putting this moratorium proposal to security holders?

5 Reasons for the Plan

BOS advised Geneva Finance that they were not prepared to extend their loan facility of \$35 million beyond the 30 April 2011 maturity date. Without a commitment from BOS to extend their facility and due to the current difficulties in securing new finance in the financial markets, Geneva Finance believes it may not be able to find replacement finance. Without replacement finance, Geneva Finance's Board considers that Geneva Finance cannot repay BOS its \$35 million on 30 April 2011 and pay all repayment instalments of Debenture Stock and Notes in accordance with the current repayment schedules.

After discussions between Geneva Finance and BOS, BOS have agreed to extend their facility through to 31 March 2015, subject to the proposed Plan also being approved by Debentureholders and Noteholders and the BOS Facility Limit being reduced on the same dates and at the same percentage amounts as Moratorium Stock is repaid under the proposed Plan. As a result of this agreement, Geneva will need to operate on lower lending volumes to ensure Geneva reserves the cash to meet the increased debt repayment obligations. The lower lending volumes in turn result in a forecast smaller receivables ledger and lower profitability than that previously forecast. A consequence of the lower profit forecasts is the requirement to reverse the deferred tax asset from the balance sheet. The reversal of the deferred tax asset and the lower than budgeted lending volumes have resulted in a breach of two of the BOS Facility Covenants. As part of the agreement with BOS, BOS has agreed to waive these breaches.

Geneva Finance's agreement with BOS contains restrictions on lending volumes, the size of the receivables ledger and profitability that are reflected in the Geneva Forecasts. The extension of the BOS Facility would also involve the BOS Facility Covenants being amended but on a basis that means Geneva Finance would no longer be in default of the two BOS Facility Covenants.

The Board believes that if the Plan is implemented Debentureholders (including BOS) and, Noteholders would receive repayment of all of their principal in accordance with the revised repayment schedule and would continue to receive monthly interest at the current rates.

While there would be no direct benefits to shareholders of Geneva Finance under the proposed Plan, the Board considers that adoption of the Plan would result in Geneva Finance continuing to carry on business thereby and its shares remaining listed on the NZAX. Should a receiver be appointed to Geneva Finance, the Board believes it is likely that the shares would substantially diminish in value and may even become worthless.

What are the other options, and how do they compare with a moratorium proposal?

6 Comparison of options

While the Directors have considered the possibility of negotiating an amendment to the BOS loan documents to waive the defaults referred to above and then sourcing new financing to repay the BOS Facility on 30 April 2011 (and thereby continue on with the current repayment schedules of Debenture Stock and Notes), the Directors do not believe that there is a realistic prospect of achieving this outcome.

Consequently there are only two realistic options available to Geneva Finance:

- 1 proceed with the BOS agreement and seek Debentureholder and Noteholder approval to alter the repayment schedules of Debenture Stock and Notes; or
- 2 implement a wind-down of the Company either under the control of a receiver or the directors along the lines set out in the Northington Report (**Wind-down Scenario**).

The Board does not support the second option because it believes that under the Wind-down Scenario, while Debentureholders (including BOS) may receive full repayment of their outstanding principal, they are unlikely to receive the full amount of their monthly interest payments. Noteholders will not receive full repayment of their outstanding principal and it is likely that they will not receive any of their monthly interest payments. Further, the shares in Geneva issued to Debentureholders and Noteholders under the Capital Reconstruction Plan are likely to be worthless.

The Board believes the first option will return all outstanding principal to Debentureholders (including BOS) and Noteholders over the periods described in this Investment Statement and allow Geneva Finance to continue to pay monthly interest at the current rates. The shares in Geneva should continue to trade on the NZAX and increase in value as the Company's prospects improve.

An analysis of the net present value of the schedule of payments due under the payment schedules adopted by the Capital Reconstruction Plan and the proposed schedule of payments to be made under the Plan follows.

	Debentureholders \$	Noteholders \$
Current Principal Value	36,926,000	4,444,000
Net present value	36,926,000	4,444,000
Discount Rate used	11.1%	13.2%

The principal assumptions used in the above analysis are:

Debentureholders

An average interest rate of 11.1% per annum from 31 March 2010 to 31 March 2015. This is the interest rate currently being paid to this class of investor and it is Geneva Finance's view that this is the appropriate rate for this security having regard for the term of the investment and other fixed interest investment options available to investors.

Noteholders

An average interest rate of 13.2% per annum from 31 March 2010 to 31 March 2015. This is the interest rate currently being paid to this class of investor and it is Geneva Finance's view that this is the appropriate rate for this security having regard for the term of the investment and other fixed interest investment options available to investors.

While the Northington Report uses a discount rate of 20%, the directors of Geneva consider that discount rates of 11.1% and 13.2% are more appropriate as they more accurately reflect the market interest rates that Debentureholders and Noteholders would receive if they were to reinvest their funds in debentures and subordinated notes in the current market.

Net present value shows the value today of money to be received (or paid) in the future. It allows

investors to compare options that involve different payments at different times. For example, net present value takes into account that \$100 in 6 months time is worth less than \$100 now because \$100 now can be reinvested and will earn interest for the next 6 months. Because the discount rate used and the actual average interest rate paid are the same, the net present value is also the same as the current principal value.

The risk faced by Debentureholders and Noteholders if the Plan is adopted is that Geneva Finance may nevertheless default in payment of the revised repayment instalments. In the short-term, the most critical factor is the performance of the existing receivables book. Any further substantial write-downs in the value of the loans primarily written prior to the Capital Reconstruction Plan or deterioration in the collections from that book will likely lead to an event of default under the BOS Facility and possibly under the Trust Deeds. In the medium term, the most obvious risks are:

- the ability to raise sufficient debt funding. The funding profile incorporated into the Geneva Forecasts assumes that the Company secures new debenture flows of \$200,000 per month starting in April 2011. The Northington Report suggests that this assumption appears to be optimistic in the current market environment; and
- the ability to raise the assumed level of equity funding. The Geneva Forecasts assume that new equity capital of \$2.5 million will be raised in March 2012 and March 2013. At the date of this Investment Statement, the ability to meet this capital raising target is very uncertain and is largely dependent on the Company's survival as a viable going concern for the next 2-3 years.

Other general risks applying to Geneva and not specific to the Plan are described in the section "*What are my risks?*" on pages 23 to 26.

On the other hand, if the Plan is not adopted, the Board believes it is very likely that Geneva Finance will need to adopt a Wind-down Scenario, in which event the Board believes that, while Debentureholders (including BOS) may receive full repayment of their outstanding principal, they are unlikely to receive the full amount of their monthly interest payments. Noteholders will not receive full repayment of their outstanding principal and it is likely that they will not receive any of their monthly interest payments. Further, the shares in Geneva issued to Debentureholders and Noteholders under the Capital Reconstruction Plan are likely to be worthless.

In the opinion of the directors of Geneva Finance, after due inquiry by them, the Plan is the best option from the perspective of Debentureholders and Noteholders assessed as a whole (as opposed to the interests of shareholders, promoters, or any other persons).

What are the directors' plans for the issuer?

7 Directors' plans if the Plan is accepted

If the Plan is adopted, the Board intends to focus on the core operating activities of maximizing income per loan and collections effectiveness as well as exercising tight control over operating costs and seeking to continually increase staff performance and compliance. A second focus is to look for opportunities to attract new equity and debt.

Outcomes required to be achieved

In order to implement the Plan, Geneva will need to perform substantially in accordance with the Geneva Forecasts over the period of those forecasts. The achievement of lending volumes, collections targets, control of operating costs and new funding as described in the Geneva Forecasts are key outcomes required to be met in order to successfully make all payments due under the Plan. The Geneva Forecasts set the timeframes for the achievement of these

outcomes.

Milestones

Geneva prepares monthly management accounts which enable its performance against the Geneva Forecasts to be tracked on a monthly basis.

Likelihood of Insolvency

Success of the Plan obviously depends upon Geneva remaining solvent over the life of the Plan. Whilst there is some risk that Geneva might become insolvent during this period, the Board believes this to be unlikely as the Geneva Forecasts show that Geneva will be solvent at all times and the Board is confident that Geneva can perform substantially in accordance with the forecasts.

Offering of Securities during the moratorium period

It is the Board's intention to seek new equity and new debenture funds during the period of the Plan. This is reflected in the Geneva Forecasts.

What will ultimately happen to the issuer

8 Directors' future plans if the Plan is completed

Once the Plan is completed, the Board's major objective will be to focus on alternative sources of funding to enable the business to grow and thus add value for the shareholders by way of dividends and increased share value.

In any event the directors intend that Geneva Finance will continue trading and will continue to offer debt securities to the public.

What does the independent expert say about the moratorium proposal?

9 Findings of the independent expert

The Northington Report sets out in full an analysis of the Plan. Following are comments by Northington Partners taken from their report.

The advantages and disadvantages of the Plan and the alternative options referred to in clause 6 above

Our analysis indicates that the potential repayment profile to Debentureholders under the Wind-down Scenario may be considered to be as attractive as that offered by the Plan. Our assessment of these projected outcomes is summarised as follows.

If the Plan is successful, Debentureholders will be paid all of the outstanding principal (\$0.35 per \$1 of the Original Amount of Moratorium Stock) and all of the interest accrued over the five year repayment period (\$0.10 per \$1 of the Original Amount of Moratorium Stock).

Under a Wind-down Scenario, Debentureholders will also be paid all of the outstanding principal (\$0.35 per \$1 of the Original Amount of Moratorium Stock) and approximately 2/3rds of the accrued interest (\$0.05 per \$1 of the Original Amount of Moratorium Stock). We assume that interest will accrue at the same average rate of 11.1% in each scenario.

The repayments are however expected to take place significantly earlier under a Wind-down Scenario and a valid comparison between outcomes from the two scenarios should reflect these timing differences. The relative NPVs of the total payments under the Plan and a Wind-down Scenario are dependent on the assumed required rate of return used in the calculation. If Debentureholders believe that the coupon interest rate of 11.1% is an adequate return on their investment, then the NPV under the Plan (\$0.35 per \$1 of the Original Amount of Moratorium

Stock) is \$0.01 higher than that under the Wind-down Scenario (\$0.34 per \$1 of the Original Amount of Moratorium Stock).

If investors believe that the appropriate required return on the Moratorium Stock is higher than the 11.1% average rate that is being paid, then the difference between the NPVs becomes even smaller. We note that the NPVs for both the Plan and a Wind-down Scenario are the same (\$0.29 per \$1 of the Original Amount of Moratorium Stock) at a required rate of return equal to 20%.

We stress that the projected outcomes under both scenarios are subject to considerable uncertainty and the actual outcomes could differ substantially from the projections selected as the "base case" for the Plan and a Wind-down Scenario. From the Debentureholders' point of view, it should be noted that there are a number of feasible Wind-down Scenarios which could result in the full repayment of principal and interest.

The projected outcome for Noteholders is more clear cut. Under the Plan, Noteholders will be paid \$0.17 per \$1 of the Original Amount of Notes towards the end of the five year projection period and are scheduled to receive the remaining \$0.28 per \$1 of the Original Amount of Notes in April 2015. Interest will also continue to be paid at an average rate of 13.2% per annum. Noteholders are unlikely to receive any payments under a Wind-down Scenario.

When considered strictly on the basis of total NPV return per \$1 of the Original Amount of Moratorium Stock, Debentureholders should be largely indifferent between the alternatives considered here. However, as a result of the Capital Reconstruction Plan, Debentureholders and Noteholders converted a portion of their securities into ordinary shares in the Company. In aggregate, the Debentureholders converted approximately \$15.6 million (\$0.15 per \$1 of the Original Amount of Moratorium Stock) into equity and the Noteholders converted just over \$7.0 million (at an average of \$0.55 per \$1 of the Original Amount of Notes). All shares were issued at a price of \$0.3649 per share.

One of the key potential advantages of the Plan is that the Company will remain as a going concern and that Debentureholders will be in a position to extract additional value for their shares compared to the likely outcome under a Wind-down Scenario. We estimate that there is likely to be no cash available to shareholders in a Wind-down Scenario. The likely future range in value to shareholders assuming that the Company can remain as a going concern is however very uncertain:

- Although the market for the shares is illiquid, traded prices have been consistently lower than the net assets per share. We expect that this price relationship will continue into the medium term and that opportunities for investors to sell their shares will remain limited;
- Based strictly on the Geneva Forecasts, the net assets of Geneva at the end of the five year projection period will be approximately \$29 million, equating to \$0.11 for the \$0.15 per \$1 of the Original Amount of Moratorium Stock converted to equity when the Capital Reconstruction Proposal was approved. When compared to the total projected payments of \$0.45 per \$1 of the Original Amount of Moratorium Stock under the Plan, the estimated equity upside of \$0.11 per \$1 of the Original Amount of Moratorium Stock represents an additional 24% return. While it is possible that future outcomes for Geneva may be better than those incorporated into the Plan and Debentureholders will therefore be able to realise greater value per \$1 of the Original Amount of Moratorium Stock, we suggest that the downside risk is also considerable. The ability to realise any level of value for the shares is ultimately dependent on whether Geneva can remain as a going concern.

Whether the assumptions are realistic

We have reviewed the financial model and verified that the projections are consistent with the assumptions that have been made by Geneva management. We are comfortable that if the Company performs in line with management's projections over the next five year period, it will be in a position to meet the repayment obligations as prescribed by the Plan. However, the Company's ability to meet these commitments will ultimately be driven by the following key business drivers:

- New Lending Volumes
- Access to New Funding
- Performance of the Existing Receivables
- Operating Costs

The following sections summarise our views on the reasonableness of the assumptions incorporated by Geneva in the Geneva Forecasts.

New lending volumes

The Geneva Forecasts summarise the projected changes in the size of the Geneva loan receivables book over the 5 year projection period and illustrates the changing composition between existing receivables and new lending. New lending volumes are forecast at \$25.0 million in 2011 through to 2014, dropping slightly in 2015 to \$20.0 million to ensure that sufficient cash is retained to meet projected repayments in that year. On the face of it, these projected lending levels appear reasonable as long as the Company can access sufficient funding.

Access to New Funding

The Geneva Forecasts present the funding sources that are assumed to be in place to support the projected lending over the five year projection period. They show the scheduled reduction in funding from Moratorium Debentures, BOS and Notes, countered by an increasing use of equity capital and New Debentures. The New Debenture funding is not assumed to commence until April 2011. If Geneva can successfully implement the Repayment Plan and demonstrate a significant improvement in its financial position at that point, it is at least feasible that it may attract some level of retail funding support. However, based on the Company's current position and considering the general market environment, it is clearly optimistic at this point in time to assume that the projected level of funding from New Debentures can be achieved.

The most likely source of New Debenture funding is via re-investment by existing Debentureholders when the scheduled repayments are made in line with the Plan. However the reinvestment rate based on the forecast repayment of Moratorium Stock would need to range between 43% - 124% to meet the projected level of New Debenture funding. Since the approval of the Capital Reconstruction Plan in May 2008, we understand that the re-investment rate has not exceeded 10%. Assuming that re-investment rates remain at this level, the Company will clearly need to attract new investors to satisfy the projected issues of New Debentures.

The Company intends to raise a total of \$5.0 million in new equity capital in March 2012 and March 2013. We believe that this assumption is subject to the same level of uncertainty as discussed above in relation to New Debentures. In its current position, Geneva is exposed to a wide range of risk factors and is unlikely to be viewed as an attractive proposition for an equity investor. However, if the market environment for non-bank deposit takers improves sufficiently over the next two years, it is possible that those finance companies that are still operating will attract investor interest. In our view, it is not possible to accurately assess the likelihood that the equity raising targets will be met. This assumption represents one of the main risk factors for the Plan.

We conclude that the assumed new funding levels under the Plan are optimistic, given the state

of Geneva and the current market environment. However, we note that significant new funding inflows are not assumed to occur for about two years and, if both Geneva's position and the general market have significantly improved by that point in time, then it is feasible that the assumed new level of funding may be achievable.

Performance of the Existing Receivables

As at 31 March 2010, the old ledger (being the historical ledger written prior to the Capital Reconstruction Plan) is projected to comprise gross receivables of \$39.6 million, impairment provisions of \$19.1 million, and a net balance of \$20.5 million (representing a 48% provisioning level). Over the five year projection period, Geneva expects to collect the majority of this net outstanding balance of the old ledger, with only a small increase in the provision for further doubtful debts.

The new loan receivables balance (being the loan receivables written subsequent to the Capital Reconstruction Plan) is projected to be \$48.4 million at 31 March 2010, with an impairment provision of \$5.7 million and a net balance of \$42.7 million (11% provision). In line with the expectation of long-term impairments on new lending, Geneva provisions approximately 4.0% of all loan assets at the time the loans are written, which is amortised over the actual risk life of the loans.

If Geneva remains as a going concern and is capable of writing the projected level of new loans, the average quality of the Geneva loan receivables will improve through time as the old ledger is collected and becomes a small proportion of the total receivables balance. Based on the recent impairment history for the loans that meet Geneva's credit criteria and assuming that there are no material changes to the economic environment, we believe that the impairment assumptions incorporated into the financial projections are reasonable.

Operating Costs

Following the Capital Reconstruction Plan in 2008, Geneva implemented a wide range of cost reduction initiatives to better match the reduced scale of the business. The current cost base is significantly lower than that of the previous business model, and some further net cost reductions have been forecast during the projection period. Although wages and salaries are projected to increase over time to support the renewed focus on new lending opportunities, most other operating costs are forecast to reduce. We have reviewed the projected operating costs and conclude that the assumptions appear to be consistent with the overall business strategy that will be pursued under the Repayment Plan.

Other Key Business Model Assumptions

Geneva generates revenue from a combination of interest charges and fees that vary by loan product. Interest rates are forecast to range from 17% to 25%, with average effective interest rates (including fees and other charges) between 24% and 25%. Although the assumed rates and charges are consistent with recent levels, the assumed weighted average return is slightly lower to reflect the expected improvement in the overall lending quality of the receivables book. We consider that the forecast rates are reasonable, based on Geneva's intended future lending policies and the current range of rates that are charged.

Future funding is based on four sources, with the following assumed average costs over the projection period:

Moratorium Stock – 11.1%
Notes – 13.2%
BOS Facility – 9.75%
New funding – 9.75%

The assumed rates for Moratorium Stock and Notes are based on the average rate paid since the Capital Reconstruction Plan was accepted. There is therefore limited uncertainty over these rates during the term of the Plan. The estimated funding cost for the BOS Facility reflects the margin that will be charged for the remaining term of the facility, together with a reasonable estimate of future benchmark interest rates. The assumed cost of the New Debentures at 9.75% is consistent with the average costs of existing funds.

The fairness between the Debentureholders and the Noteholders

At present, BOS and all of the debentures (Moratorium Stock and New Debentures) rank *pari passu* in the event of a liquidation. That means that each dollar received from the sale or realisation of the existing Geneva assets in a liquidation of the Company would be split between these security holders on a pro-rata basis that reflected the outstanding balances owed. The Notes have lower priority and will only be repaid after all other security holders and the unsecured creditors have been paid.

The relative priorities are not affected by the Plan. Further, we note that the actual balance of the BOS Facility will increase by approximately \$4.7 million to fund the proposed repayment to Debentureholders scheduled for 31 March 2010 if the Plan is approved. The security position of Debentureholders relative to BOS will therefore be immediately improved compared to the likely outcome under a Wind-down Scenario.

Potential return for shareholders

If the Plan is successfully implemented:

- Debentureholders will receive all of their outstanding principal as well as the accrued interest on the balance owed during the five year repayment period;
- BOS will also receive full payment of interest and principal, along with an exit fee of \$1.0 million if the facility has not been fully repaid by 1 October 2013. The exit fee will only be payable after both BOS and Debentureholders have been fully repaid in line with the proposed repayment schedule, but has priority over the final scheduled repayment to Noteholders on 30 April 2015. On the basis of current interest base rates, BOS are paid a significantly lower rate than either Debentureholders or Noteholders. Should the exit fee become payable, the effective interest rate paid to BOS will still be lower than that paid to Debentureholders and Noteholders (based on current market interest rates). This exit fee is effectively an incentive for Geneva to ensure both BOS and Debentureholders are paid in full prior to 1 October 2103.

The exit fee can be viewed as an at-risk payment to BOS that brings the interest rate earned by BOS closer to that paid to Debentureholders and Noteholders, providing compensation for agreeing to extend the facility term beyond 30 April 2011. Debentureholders will not directly receive any such additional payment if the Plan is successful. For all future outcomes in which the Company remains as a viable going concern, Debentureholders will only receive the due amount of principal and interest and there is no explicit additional “up-side” payment.

However, to the extent that Debentureholders also still hold the shares issued to them as a result of the Capital Restructuring Plan, successful implementation of the Plan provides the Debentureholders with an upside based on the future realisable value of the Geneva shares.

Any related party transactions or distributions that may be voidable

We do not believe that there are any related party transactions or distributions that may be voidable if a liquidator was to be appointed immediately. Nor are there any guarantees given in respect of the Moratorium Stock or Notes.

The likelihood of success of the Directors' future plans and merits of the Plan having regard to the interests of Debentureholders and Noteholders

A large number of adverse factors could affect the Company's ability to achieve the projections that underpin the Plan. Any outcome that is materially less favourable than the Geneva Forecasts may lead to the Company again being in breach of one or more covenants of the revised BOS Facility or the Trust Deeds (or both). The impact of any such breach is not clear cut. At one end of the spectrum, a minor breach of the BOS covenants may be waived or remedied and the Company will be free to continue operations in line with its current strategy. A more material breach of either the BOS Facility or the Trust Deeds is however, in our view, likely to result in a managed wind-down of the Company.

In the short-term, we suggest that the most critical factor is the performance of the existing receivables book. Any further substantial write-downs in the value of the loans primarily written prior to the Capital Reconstruction Plan or deterioration in the collections from that book will likely lead to an event of review. In the medium term, the most obvious risks relate to:

- The ability to raise sufficient debt funding. The funding profile incorporated into the Geneva Forecasts assumes that the Company secures new debenture flows of \$200,000 per month starting in April 2011. This assumption appears to be optimistic in the current market environment;
- The ability to raise the assumed level of equity funding. The Geneva Forecasts assume that new equity capital of \$2.5 million will be raised in March 2012 and March 2013. At this point in time, the ability to meet this capital raising target is very uncertain and is largely dependent on the Company's survival as a viable going concern for the next 2-3 years.

Despite these significant concerns regarding Geneva's ability to achieve the outcomes as set out in the Plan, it should be noted that the Company will keep some options alive if it can remain as a going concern. Given the rapid decline in the number of finance companies operating in the market, there are clear growth opportunities for the remaining market participants who are able to comply with the new regulatory regime and develop alternative funding structures. If Geneva continues to operate as a going concern, it may be able to benefit from the on-going consolidation within the industry or secure enough time to restructure its funding base. Any success in relation to these initiatives will improve the future value of the equity in Geneva and therefore benefit the Debentureholders and Noteholders who still own shares in the Company.

Given the high level of uncertainty over the viability of the Plan, the outcomes available to Debentureholders and Noteholders can be usefully characterised as follows:

- Approval of the Plan will allow the Geneva directors to continue to operate the business as a going concern with the objective of continuing to make interest and principal repayments to investors as they fall due and also preserving some shareholder value. If the Company cannot achieve the outcomes incorporated into the Geneva Forecasts, it is likely that Company will at some point be wound down over a 2-3 year period;
- If the Plan is not approved, it is likely that the business will be wound down immediately. The wind-down will be implemented by either a receiver or under the management of the Geneva Directors, depending on the outcome of various negotiations that would take place after the rejection of the Plan.

Our analysis indicates that the prospective repayments to Debentureholders under the Plan have the same NPV as the payments projected under a Wind-down Scenario (at a 20% discount rate). The Plan also provides the possibility of deriving some value for the equity in the Company whereas the residual available to shareholders is likely to be zero in most reasonable Wind-down

Scenarios. As such, we suggest that the potential outcomes for Debentureholders from approving the Plan will only be materially worse than that offered by a Wind-down Scenario if:

- At some point in the future, Geneva cannot meet its obligations under the Plan and is forced to implement a wind-down process at that time; and
- The Company has in the interim period used cash that would otherwise have been returned to security holders, to write poor quality loans.

Based on the track record established by the Company since the Capital Reconstruction Plan was approved and considering the BOS monitoring regime that will remain in place if Geneva operates as a going concern, we do not believe that this risk is material. (The revised BOS Facility is subject to quarterly monitoring in relation to a large range of covenants. Compliance with these covenants will require that Geneva continues to operate in line with the Geneva Forecasts.) Given that BOS and the Moratorium Stock rank pari passu in terms of their security position, the BOS monitoring regime benefits Debentureholders and Noteholders as well. Geneva will also need to remain compliant with the Trust Deeds.

Geneva has been able to progressively improve the overall credit quality of its loans over the last two year period, and we expect that any new loan advances made in the future if the Plan is approved will perform better than the existing receivables book. That means that if a wind-down does need to be implemented at some point in the future, the loan assets held by Geneva at that time will, on average, be of higher quality than the current book. On that basis, the outcome of any future wind-down should be no worse than that contemplated by the current Wind-down Scenario.

Effect of any guarantee given in respect of the issuer

No guarantee has been given for repayment of the Debenture Stock or Notes.

Who else has an interest in approval of this moratorium proposal?

10 Statement of benefits

The Geneva Finance shareholders will obtain indirect benefits if the Plan is implemented, since any alternative, such as receivership, is likely to result in their shares substantially diminishing in value and, possibly, becoming worthless. There are no other benefits received by the shareholders as a result of Plan. Since a large number of the shareholders are also Debentureholders and Noteholders as a result of the shares issued to Debentureholders and Noteholders under the Capital Reconstruction Plan, the Board believes there is a substantial alignment of the interests of shareholders, Debentureholders and Noteholders.

Neither the directors (except in their capacity of shareholders), the Trustee nor any associated persons of the directors or the Trustee will receive any benefits additional to their existing remuneration and benefits (which will continue unchanged) as a result of the Plan being implemented.

What does the trustee say?

11 Statement from the Trustee

Set out below is a statement from Covenant Trustee Company Limited of various matters required by clauses 11 and 12 of Schedule 2 to the Securities (Moratorium) Regulations 2009 (**Moratorium Regulations**) to be included in this Investment Statement.

Key Issues

We draw your attention to the following key issues of the Plan, including the effect of the Plan on

enforcement and monitoring by the Trustee:

Issues for Debentureholders

- (a) Each Debentureholder must decide:
- (i) whether the Plan is necessary;
 - (ii) if so, whether the Plan is realistic; and
 - (iii) if so, how the Plan compares to the Wind-down Scenario, which the Independent Expert considers to be the most likely alternative if Debentureholders do not approve the Plan.
- (b) As to whether the Plan is necessary, Geneva have considered whether it might be possible to find alternative funding for the BOS Facility prior to 30 April 2011 (which might avoid the need for the Plan), but have concluded that there is no realistic prospect of achieving this.
- (c) In relation to the Plan itself, Debentureholders must assess the assumptions in the Geneva Forecasts surrounding the collection of the historical receivables, new lending volumes and profitability, access to new funding and operating costs. On these matters the Independent Expert considers that:
- (i) in the short term the most critical factor is the performance of the historical receivables, but that the impairment assumptions made by Geneva in relation to the ledger of historical receivables are reasonable, based on the recent impairment history for loans that meet Geneva's credit criteria;
 - (ii) projected lending levels appear reasonable so long as Geneva can access sufficient funding;
 - (iii) there is, however, considerable doubt whether projections for new equity and debt funding can be achieved;
 - (iv) projected costs appear to be consistent with the overall business strategy to be pursued under the Plan.
- (d) Debentureholders must decide whether they consider the Geneva Forecasts are reasonable, because if they are not this may lead to a default, in which case the Independent Expert considers the likely result to be a Wind-down Scenario.
- (e) As regards the comparison to be made between the Plan itself and alternatives, Debentureholders are being asked to make a judgment call based on two alternatives: the Plan and the Wind-down Scenario (**the Alternatives**).
- (f) However, a key issue for Debentureholders in making this comparison is to assess the Alternatives against any other reasonably practicable options. An assessment of what might be reasonably practicable options involves making a judgment on:
- (i) the ability and suitability of the current Board and management to implement the Plan or the Wind-down Scenario, as the case may be;
 - (ii) whether there are reasonably practicable alternative deferred repayment plans that might be better than the Plan;

- (iii) whether there are reasonably practicable alternative wind-down scenarios that might be better than a Wind-down Scenario considered by the Independent Expert in its Report.
- (g) Debentureholders will note the assessment of Geneva's Board that it considers the Plan as proposed to be the best option for Debentureholders and this Investment Statement to disclose, and state the advantages and disadvantages of, the reasonably practicable alternatives to the Plan.
- (h) In comparing the Plan to a Wind-down Scenario, Debentureholders need to note that, in its Report, the Independent Expert has expressed the view that when considered strictly on the basis of the total net present value of the returns to Debentureholders, as restructured by the Plan, Debentureholders should be largely indifferent between the Alternatives.
- (i) The Independent Expert also notes that Debentureholders might nevertheless have a potential advantage under the Plan in being able to extract value for their shares in Geneva, which the Independent Expert believes will not be available under a Wind-down Scenario. However, the Independent Expert notes that the actual value realised for the shares if the Plan is approved is very uncertain, and is fundamentally dependent on whether the Plan can be implemented in line with the Geneva Forecasts prepared by the Company.
- (j) In considering this issue, a key issue for Debentureholders is the likelihood of the Company meeting the Geneva Forecasts since, based on the Independent Expert's Report, being able to meet those forecasts is likely to be the only way for Debentureholders to get some value for their shares and more value under the Plan than under a Wind-down Scenario.
- (k) As stated above, when assessing the Geneva Forecasts, Debentureholders must make a judgment on the assumptions on which those forecasts are based. In its Report, the Independent Expert notes that a key assumption underpinning the forecasts is that Geneva will be able to raise additional debt and equity funding (from the 2012 financial year onwards) to support both the ongoing lending operation and to repay the existing funding sources. The Independent Expert observes that there is considerable doubt as to whether this requirement can be met, considering the current market environment for finance companies such as Geneva.
- (l) Therefore, a key issue for Debentureholders is whether there is potential upside in the Plan relating to the potential value of Geneva's shares, whether it outweighs any potential downside in the Plan (which the Independent Expert considers to be relatively limited), and whether any potential upside is sufficient justification for voting for the Plan given the Independent Expert's view that any potential upside is very uncertain and based on a key assumption over which there is considerable doubt, and other assumptions the Independent Expert considers to be optimistic.
- (m) In assessing the issue of potential upside in the Plan, Debentureholders need to balance against it the business risks of having their money invested over a period that is likely to be longer than under a Wind-down Scenario, and involve Geneva continuing to invest in loan receivables.
- (n) Also to be balanced against any potential upside in the Plan is the Independent Expert's assessment that if the Plan is unsuccessful the downside for Debentureholders under the Wind-down Scenario is relatively limited.

- (o) Debentureholders also need to consider to what extent the following aspects of Geneva's historical performance represent unexpected circumstances, (the Independent Expert considers this to be largely or mostly the case) and to what extent they might be attributable to overly optimistic projections having been made:
 - (i) in the 2009 financial year Geneva had a post-tax loss of close to \$7 million compared to a projected profit of \$2.5 million, due mostly to a larger than expected impaired asset expense;
 - (ii) in the 2010 financial year Geneva expects a post tax loss of close to \$2.5 million compared to a profit of just over \$3 million that was projected when the existing Plan was implemented, driven in large part by a significant drop in interest income, which was in turn driven by a lower than expected level of net receivables.
- (p) A follow on issue for Debentureholders is to consider to what extent any overly optimistic projections in the past might be an indicator that the Geneva Forecasts are also optimistic (the Independent Expert considers the projections for new equity and debt funding to be optimistic).
- (q) Debentureholders also face the issue of deciding how much significance to attach to the following factors (also noted by the Independent Expert in its Report):
 - (i) since the Capital Reconstruction Plan was implemented in May 2008, Geneva has met all its commitments under that Plan;
 - (ii) there has been a significant deterioration in the business operating environment since the existing Plan was implemented;
 - (iii) the assessment of the Independent Expert that, on balance, the position of Debentureholders has been improved as a result of the ongoing efforts of Geneva's Board and management compared to the outcome anticipated in May 2008 under the receivership scenario.
- (r) Whilst these are positive factors for Geneva, past performance is not necessarily a reliable indicator of future performance or forecasts about that future performance.
- (s) Overall, a key issue for Debentureholders to consider is the realistic likelihood of the Plan delivering a better outcome than what might be available under a Wind-down Scenario. Debentureholders face the issue of making this decision having regard to the Independent Expert's cautions that the projected outcomes under both the Plan and the Wind-down Scenario are subject to considerable uncertainty.
- (t) Debentureholders also need to consider the possibility that, if the Plan is not approved, BOS does not extend its facility and acts on the two breaches of covenant (which have been waived, but conditional on the Plan being implemented). If the Plan is not implemented and BOS acts on the breaches of covenant, there is a possibility of Geneva being placed in receivership, in which case it would be the receiver (possibly in conjunction with Geneva management), who would make the key decisions in relation to Geneva going forward, including any decisions on a Wind-down Scenario. Under either scenario, it is likely the 31 March 2010 scheduled principal and interest payment will be deferred until a clear go forward position is established.
- (u) Debentureholders also need to consider whether, if the Plan is implemented, Geneva will be able to comply with the Plan. Of particular importance in this regard, is whether Geneva will be able to comply with the amended BOS Facility. Geneva expects that if it

meets the Geneva Forecasts it will comply with the covenants in the BOS Facility over the forecast period. However, in its Report, the Independent Expert expresses considerable doubt over one of the key assumptions in those forecasts, ie Geneva being able to raise additional debt and equity (from the 2012 financial year onwards) and also states that it considers other assumptions to be optimistic.

- (v) Debentureholders must also assess the significance of the fact that the key assumption in Geneva's Forecasts over which the Independent Expert has the most doubt, ie Geneva's ability to raise additional debt and equity funding, will not be tested until the 2012 financial year (not seeking to raise this funding until 2012 provides time for debt and equity markets to improve, but it also defers until then the time when the viability of the Plan is most likely to be tested).
- (w) Debentureholders therefore face the issue that they might approve the Plan, but then Geneva fails to meet the Geneva Forecasts and a receiver is appointed, in which case the Independent Expert considers the likely result to be a Wind-down Scenario.
- (x) The ultimate issue for Debentureholders is whether they should vote for the Plan, given the Independent Expert's high level of uncertainty over any potential upside in the Plan, the possibility that Geneva might default under the Plan if it does not meet the Geneva Forecasts, and the Independent Expert's belief that the downside under a Wind-down Scenario is limited.
- (y) Another issue for Debentureholders as they make their decision is what weight to attach to the Standard & Poor's rating downgrade of Geneva on 23 February 2010 from "CCC" to "CC". Standard & Poor's advise that if investors approve the Plan they would lower their rating on Geneva to "SD" (meaning selective default), whereas should investors reject the Plan Standard & Poor's have said Geneva's "CC" rating would be affirmed, but if rejection of the Plan resulted in a payment default Standard & Poor's have said they would lower their rating on Geneva to "D" (meaning payment default on financial commitments).

Issues for Noteholders

The issues for Noteholders are similar to those for Debentureholders, but more clear cut. In its Report, the Independent Expert notes that Noteholders are likely to receive nothing under a Wind-down Scenario and are therefore clearly incentivised to vote for the Plan. As the Independent Expert notes, by doing so the Noteholders preserve the possibility of realising some value from both their Notes and their Geneva shares.

A further key issue for Noteholders is to consider the exit fee of \$1 million payable to BOS if the BOS Facility is not repaid by 1 October 2013, and any impact this might have on repayments to Noteholders. This fee would be payable after all repayments to be made under the Plan to BOS and the Debentureholders have been made, but before the final payment to Noteholders scheduled for 30 April 2013.

Effect of the proposed Plan on Enforcement and Monitoring by the Trustee

The Plan makes a fundamental change to the rights attaching to the Debenture Stock and the Notes by deferring repayment of their outstanding principal, but nevertheless giving Geneva the right to repay early.

So long as Geneva complies with the Plan the Trustee would not be able to enforce the Trust Deeds on behalf of Debentureholders or Noteholders.

However, should Geneva fail to comply with the Plan, the Trustee would be able to exercise the same enforcement rights on default as it has now, albeit that the ability to exercise enforcement rights would not arise unless and until there was a default under the Plan.

Conflicts

The Trustee acts for both the Debentureholders and Noteholders under separate Trust Deeds. The Trustee considers that it is able to discharge its duties to Debentureholders and Noteholders impartially, and having regard to their respective rights and remedies.

The Trustee considers that it does not have any conflicts of interest arising from the Plan.

Whether the proposed Plan has sufficient merit for the Trustee to allow it to be put to Debentureholders and Noteholders

On balance, after considering the Plan and the Independent Expert's Report, and after taking legal advice, the Trustee considers that, taken collectively, the following factors mean that the proposed Plan has sufficient merit for the Trustee to allow it to be put to Debentureholders and Noteholders rather than seeking any alternate directions from Debentureholders and Noteholders at this time:

- (a) Geneva has met all of its repayment commitments under the existing Plan to date;
- (b) Geneva's current circumstances appear to be attributable to a significant extent (but not entirely) to the recession and a decision by BOS to require repayment of its facility on its scheduled maturity date of 30 April 2011;
- (c) Geneva has been able to negotiate an arrangement with BOS that appears to give the Company some prospect of continuing as a going concern and some potential (albeit very uncertain) for an outcome for Debentureholders and Noteholders that is slightly better than under a Wind-down Scenario which the Trustee considers to be the most likely alternative;
- (d) By voting on the Plan, Debentureholders and Noteholders are, in the Trustee's view, effectively also being asked for directions on the most likely alternative since the Trustee's view is that if Debentureholders or Noteholders were not to approve the Plan the likely result is what the Independent Expert considers to be the most likely alternative to the Plan, ie a Wind-down Scenario.

Role of the Trustee and any independent monitor

The Trustee will continue to have all the rights, powers and duties conferred on it under the Trust Deeds. The Plan does not diminish those rights, powers and duties in any way.

The Trustee's duties are to hold the rights created under the Trust Deeds on behalf of all Debentureholders and Noteholders (as the case may be), to receive and consider regular financial reports furnished by Geneva Finance and, if necessary, to enforce the Trust Deeds.

The Trustee is also bound to carry out the duties prescribed in the Fifth Schedule of the Securities Regulations 1983. In particular, the Trustee is required to exercise reasonable diligence to ascertain whether or not any breach of the terms of the Trust Deeds, or the terms of offer of the Debenture Stock or Notes (as the case may be), has occurred and, except where it is satisfied that a breach will not materially prejudice the interests of the Debentureholders or Noteholders (as the case may be), 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 Geneva Finance that are, or may be, available, are sufficient, or likely to be sufficient, to discharge the amounts payable in relation to the Debenture Stock and Notes as they become due.

We note that an independent monitor has not been appointed for the following reasons that have been accepted by the Trustee:

- (a) under the Plan, Geneva would continue to undertake the same business as before, albeit on a reduced scale;
- (b) Geneva already provides detailed reports to the Trustee in relation to its business to enable the Trustee to monitor compliance with the Trust Deeds;
- (c) Geneva is not in breach of the Trust Deeds;
- (d) Geneva has satisfied the Trustee that its existing reporting requirements under the Trust Deeds are sufficient to enable the Trustee to monitor compliance by Geneva with its obligations under the Plan which amounts, in essence, to a rescheduling of indebtedness secured by the Trust Deeds;
- (e) the existing Board of Geneva have two independent directors who are also Debentureholders and therefore there is a better alignment of interests between the Board and Debentureholders than exists in most other comparable situations;
- (f) in the circumstances, Geneva considers that appointing an independent monitor would increase the costs associated with the Plan without adding a material benefit to Debentureholders and Noteholders;
- (g) the Trustee retains its powers to obtain independent advice at any time should it consider this appropriate at any point in time in the future.

What should Debentureholders and Noteholders do?

The Trustee recommends that you:

- (a) read the attached documents and/or seek advice from a financial adviser; and
- (b) attend the meeting on 29 March 2010 or, if you are unable to attend, complete the proxy form.

The Trustee is not making any recommendation on the Plan for Debentureholders or Noteholders, since the Trustee considers that the decision whether or not to vote for the Plan is a matter for each Debentureholder and Noteholder depending on his or her own circumstances and attitude to risk, after considering the Offer Document and the Independent Expert's Report and the investment statement that accompanies the Offer Document.

Who would monitor the issuer while it is in moratorium?

12 Role of Trustee and independent monitor

The Trustee will continue to have all the rights, powers and duties conferred on it under the Trust Deeds. The Plan does not diminish those rights, powers and duties in any way.

The Trustee's duties are to hold the rights created under the Trust Deeds on behalf of all Debentureholders and Noteholders (as the case may be), to receive and consider regular financial reports furnished by Geneva Finance and, if necessary, to enforce the Trust Deeds.

The Trustee is also bound to carry out the duties prescribed in the Fifth Schedule of the Securities Regulations 1983. In particular, the Trustee is required to exercise reasonable diligence to ascertain whether or not any breach of the terms of the Trust Deeds, or the terms of offer of the Debenture Stock or Notes (as the case may be), has occurred and, except where it is

satisfied that a breach will not materially prejudice the interests of the Debentureholders or Noteholders (as the case may be), 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 Geneva Finance that are, or may be, available, are sufficient, or likely to be sufficient, to discharge the amounts payable in relation to the Debenture Stock and Notes as they become due.

An independent monitor has not been appointed for the following reasons:

- (a) under the Plan, Geneva would continue to undertake the same business as before, albeit on a reduced scale;
- (b) Geneva already provides detailed reports to the Trustee in relation to its business to enable the Trustee to monitor compliance with the Trust Deeds;
- (c) Geneva is not in breach of the Trust Deeds;
- (d) Geneva has satisfied the Trustee that its existing reporting requirements under the Trust Deeds are sufficient to enable the Trustee to monitor compliance by Geneva with its obligations under the Plan which amounts, in essence, to a rescheduling of indebtedness secured by the Trust Deeds;
- (e) the existing Board of Geneva have two independent directors who are also Debentureholders and therefore there is a better alignment of interests between the Board and Debentureholders than exists in most other comparable situations;
- (f) in the circumstances, Geneva considers that appointing an independent monitor would increase the costs associated with the Plan without adding a material benefit to Debentureholders and Noteholders;
- (g) the Trustee retains its powers to obtain independent advice at any time should it consider this appropriate at any point in time in the future.

What are my risks?

13 Risks

The risks faced by Debentureholders 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 accordance with the Geneva 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 Debentureholders 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. Geneva Finance recently reviewed and significantly tightened current credit policy and conducts regular policy reviews to make sure the policy is appropriate for current market conditions.

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 would significantly reduce Geneva Finance's liquidity risk since the maturity date of the Debenture Stock and Notes would be 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 cashflow on their loans and will always try to seek cashflow in the first instance;
- If cashflow 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.

It is reasonably foreseeable that, if Geneva Finance defaults under either Trust Deed and the Trustee enforces the Trust Deed, Debentureholders and Noteholders will receive less than the outstanding amounts owing to them on their Debenture Stock and Notes.

Whether or not the Plan is implemented, no Debentureholder or Noteholder will be obliged to pay any more money to Geneva Finance in any enforcement of the Trust Deeds or in any other circumstances.

Who do I contact with enquiries about my investment?

14 Inquiries about the Plan

All enquiries concerning the Plan should be made to:

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

Phone: 0800 800 133

Is there anyone to whom I can complain if I have problems after the moratorium proposal is accepted?

15 Complaints about the Plan

All complaints concerning the Plan should be made to the Managing Director, Geneva Finance at the contact address and phone number above.

Additionally complaints concerning the Plan can be made to:

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

Phone: 09 302 0638

There is no ombudsman to whom complaints about the Debenture Stock, Notes or the Plan can be made.

What other information can I obtain about this moratorium proposal?

16 Prospectus and financial statements

All of the currently available material information relating to the Plan is contained in this Investment Statement, in the Offer Document incorporating a prospectus being distributed with this Investment Statement, in the financial statements for Geneva Finance which are appended to the Offer Document and in the Trust Deeds.

A copy of the Offer Document being distributed with this Investment Statement, the financial statements appended to that Offer Document and the Trust Deeds are filed on a public register at the Companies Office of the Ministry of Economic Development, and are available for public inspection, on request and payment of the relevant fee, by telephoning the Companies Office Contact Centre on 0508 266 726. These documents are also available on the Companies Office's website www.companies.govt.nz under Geneva Finance's reference.

17 Periodic information

Periodic information as required by the Securities (Moratorium) Regulations 2009 in respect of the proposal will be sent to all Debentureholders and Noteholders, key features of which are:

- Half yearly reports covering trading prospects of the Group and the extent to which forecast outcomes for the moratorium proposal have been achieved; and
- Quarterly reports covering any material changes to the state of affairs of the Group since the last half yearly report.

18 On-request information

Debentureholders and Noteholders have the right to inspect, or obtain free of charge, a copy of this Investment Statement, the Offer Document being distributed with this Investment Statement, the Trust Deeds and the current and future financial statements of Geneva Finance at its office at the address above. Requests for copies of this Investment Statement, the Trust Deeds and the current and future financial statements should be made in writing.

Power to appoint receiver after moratorium proposal accepted

19 Power to appoint receiver after the Plan is accepted

At the date of this Investment Statement, Geneva Finance is in full compliance with the Trust Deeds. Whilst Geneva Finance has breached two financial covenants in the BOS Facility, BOS has not acted on those breaches and has agreed not to do so until the meetings of Debentureholders and Noteholders have been held. Under the amended BOS Facility to be adopted if the Plan is implemented, BOS has agreed to waive the breaches permanently. Therefore a default under the Trust Deeds has not arisen and the Trustee has no power to appoint a receiver or enforce the Trust Deeds prior to the Plan being implemented unless a default occurs under the Trust Deeds after the date of this Investment Statement.

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.

Board	The board of directors of Geneva Finance.
BOS	BOS International (Australia) Limited.
BOS Facility	The revolving finance facility provided by BOS to Geneva Finance upon the security of Security Stock which has a maximum principal amount of \$35 million (this facility was drawn to \$26,800,000 at 30 September 2009).
BOS Facility Covenants	The financial covenants contained in the BOS Facility.
BOS Facility Limit	The maximum principal amount which may be outstanding under the BOS Facility at any time.
Capital Reconstruction Plan	The Capital Reconstruction Plan approved by Debentureholders and Noteholders in April 2008.
Companies Act	The Companies Act 1993.
Company, Geneva and Geneva Finance	Geneva Finance Limited.
Debentureholder	A holder of Debenture Stock.
Debenture Stock	Debenture stock and other secured indebtedness issued under the Debenture Trust Deed.
Debenture Trust Deed	Debenture Trust Deed dated 17 December 2002 as amended and restated on 4 March 2009 and as further amended on 25 August 2009, between the Company, Pacific Rise Limited, Quest Insurance Group Limited, Stellar Collections Limited, Stellar Collections No 2 Limited and the Trustee.
Extraordinary Resolution	Each Extraordinary Resolution to be passed by Debentureholders and Noteholders in accordance with this Investment Statement.
Geneva Forecasts	The prospective financial information set out in the Offer Document.
Group, Charging Group or Guaranteeing Group	Geneva Finance and its subsidiaries, Pacific Rise Limited, Quest Insurance Group Limited, Stellar Collections Limited and Stellar Collections No 2 Limited.
Independent Expert	Northington Partners.
Moratorium Stock	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.

Moratorium Debentureholder	A holder of Moratorium Stock.
New Debentures	Debenture Stock issued after 1 May 2008.
Northington Partners	Northington Partners Limited.
Northington Report	The report prepared by Northington Partners on the merits of the Plan and set out in full in the Offer Document.
Note	Each unsecured subordinated note issued under the Unsecured Trust Deed.
Noteholder	The holder of a Note.
NPV	Net present value of amounts of cash to be received in the future, as explained on pages 8 and 9.
Offer Document	The Offer Document relating to the Plan delivered to Debentureholders and Noteholders with this Investment Statement.
Original Amount	The principal amount of Moratorium Stock held by a Debentureholder or of Notes held by a Noteholder (as the case may be) on 1 May 2008 at the time of adoption of the Capital Reconstruction Plan, before any conversion to shares or payments of cash were made under that Plan.
Plan	The Deferred Repayment Plan described in this Investment Statement.
Security Stock	A type of Debenture Stock issued as Security Stock under the Debenture Trust Deed to banks and financial institutions.
Trustee	Covenant Trustee Company Limited.
Trust Deeds	The Debenture Trust Deed and the Unsecured Trust Deed.
Unsecured Trust Deed	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 Insurance Group Limited, Stellar Collections Limited, Stellar Collections No 2 Limited and the Trustee.
Wind-down Scenario	A wind-down of the Company either under the control of a receiver or the Board.