

Document 2 of 4
Appendix 1

Expert Opinion

Report from Northington Partners

Geneva Finance Limited

genevaFINANCE
Making life easier

Expert Opinion

On the merits of a proposed interest bearing
deferred repayment plan by Geneva Finance

March 2010

Northington Partners
INVESTMENT BANKERS

Table of Contents

ABBREVIATIONS AND DEFINITIONS		II
EXECUTIVE SUMMARY		3
1.0 BACKGROUND AND SCOPE OF THIS REPORT		7
1.1	GENEVA'S PERFORMANCE SINCE THE APPROVAL OF THE CAPITAL RECONSTRUCTION PROPOSAL	7
1.2	SUMMARY OF THE REPAYMENT PLAN	10
1.3	IMPLICATIONS OF NOT APPROVING THE REPAYMENT PLAN	10
1.4	TERMS OF REFERENCE AND ASSESSMENT APPROACH	11
2.0 REVIEW OF THE REPAYMENT PLAN		13
2.1	GENERAL INDUSTRY ENVIRONMENT	13
2.2	REVIEW OF THE BASE CASE BUSINESS PLAN	14
3.0 ASSESSMENT OF THE WIND-DOWN SCENARIO		23
4.0 SUMMARY OF OUR ASSESMENT		26
4.1	GENERAL BACKGROUND	26
4.2	COMPARATIVE FINANCIAL RETURNS	26
4.3	LIKELY FUTURE OUTCOMES AND DECISION MAKING FRAMEWORK	29
4.4	FAIRNESS OF THE REPAYMENT PLAN AS BETWEEN SECURITY HOLDERS	31
4.5	POTENTIAL RETURNS TO SHAREHOLDERS	31
4.6	OTHER REQUIREMENTS OF THE SECURITIES (MORATORIUM) REGULATIONS 2009	32
5.0 QUALIFICATIONS, DECLARATIONS AND CONSENTS		33
5.1	DECLARATIONS	33
5.2	QUALIFICATIONS	33
5.3	INDEPENDENCE	33
5.4	DISCLAIMER AND RESTRICTIONS ON THE SCOPE OF OUR WORK	33
5.5	INDEMNITY	34

Appendix I Sources of Information Used in This Report

ABBREVIATIONS AND DEFINITIONS

Abbreviations used in this report are as follows:

BOS	BOS International (Australia) Limited
Capital Reconstruction Proposal	The Capital Reconstruction proposal approved by Stockholders and Noteholders in April 2008
FY	Financial year ending 31 March
Geneva or Company	Geneva Finance Limited
Moratorium	Principal repayment moratorium entered into by Geneva in November 2007
NA	Net Assets
NBDT's	Non-Bank Deposit Takers
New Debentures	Secured Debenture Stock issued by Geneva subsequent to approval of the Capital Reconstruction Proposal and which is not subject to the Repayment Plan
Northington Partners	Northington Partners Limited
Noteholders	Holders of Sub-Notes
NPV	Net Present Value
Quest	Quest Insurance Group Limited
Repayment Plan	The detailed "Interest Bearing Deferred Repayment Plan" as set out in the Offer Document (including a Prospectus) prepared by Geneva
Reserve Bank	Reserve Bank of New Zealand
Restructured Debentures	Secured Debenture Stock restructured as a result of the Capital Reconstruction Proposal and which is subject to the Repayment Plan
Stellar	Stellar Collections Limited
Stockholders	Holders of Restructured Debentures
Sub-Notes	Subordinated Notes restructured as a result of the Capital Reconstruction Proposal and which is subject to the Repayment Plan
Trustee	Covenant Trustee Company Limited
Wind-down Scenario	The assumed alternative to the Repayment Plan, based on the approach and assumptions documented in this report

EXECUTIVE SUMMARY

INTRODUCTION

Investors in Geneva Finance Limited (“**Geneva**” or “**Company**”) voted in April 2008 to accept a capital reconstruction proposal (“**Capital Reconstruction Proposal**”). The main aim of the proposal was to recapitalise Geneva so that it could continue to operate as a going concern, and was achieved by converting 15% of all outstanding secured debenture stock (“**Restructured Debentures**”) and 55% of all outstanding subordinated notes (“**Sub-Notes**”) into ordinary shares in the Company. Together with additional contributions from the existing shareholder in the Company, Financial Investment Holdings Limited, the conversions of Restructured Debentures and Sub-Notes increased the equity position from \$4.8 million to approximately \$27.5 million. Principal repayments on the remaining portion of the debt securities were also altered, on the basis that principal on the Restructured Debentures would be fully repaid by September 2012 and Sub-Note principal would be repaid by October 2012.

Apart from the Restructured Debentures and Sub-Notes, the other major source of debt funding for the Company has been provided by BOS International (Australia) Limited (“**BOS**”) via a wholesale loan facility. When the Capital Reconstruction Proposal was approved, the existing BOS facility was restructured as a \$35 million revolving facility on normal commercial terms, repayable in one payment no later than 30 April 2011. In late 2009, BOS confirmed that it would require full repayment in line with the amended loan terms. Considering the prevailing market conditions and the Company’s current position, Geneva cannot be confident that it will be able to refinance the BOS facility when it becomes due in April 2011. The Company has therefore negotiated a repayment plan with BOS which will extend the facility until March 2015, with scheduled periodic reductions in the facility limit every six months during the extension period.

As a condition of the revised terms of the facility, BOS requires that the remaining principal repayments for the Restructured Debentures and Sub-Notes are also extended beyond the repayment timeframe prescribed in the Capital Reconstruction Proposal. Geneva is therefore now proposing a revised repayment plan (“**Repayment Plan**”) for the Restructured Debentures and Sub-Notes which the Company believes is in the best interests of all investors.

The remaining principal amounts and the key proposed changes to the repayment schedules are summarised in Table 1 for the three classes of securities affected by the Repayment Plan.

Table 1: Summary of Repayment Plan

	BOS	Restructured Debentures	Sub-Notes
Principal Outstanding	\$35 million ¹	\$0.35 per Restructured Debenture	\$0.45 per Sub-Note
Current Repayment Schedule	Full repayment on 30 April 2011	A further six instalments, with final payment in September 2012	Four instalments, starting in April 2011 and ending in October 2012
Proposed Repayment Schedule	Semi-annual reductions in the facility limit starting on 31 March 2010 and ending on 31 March 2015	A further 11 instalments, with final payment in March 2015	Four instalments, starting in October 2013 and ending in April 2015

¹ This represents the current facility limit. The facility balance is expected to be approximately \$18.5 million immediately prior to the scheduled payment to Stockholders on 31 March 2010.

Covenant Trustee Company Limited (“**Trustee**”) has engaged Northington Partners Limited (“**Northington Partners**”) to provide an expert opinion on the merits of the Repayment Plan, primarily for the benefit of the holders of the Restructured Debentures (“**Stockholders**”) and Sub-Notes (“**Noteholders**”).

If the Repayment Plan is not approved, the immediate consequences for the Company remain somewhat uncertain. We believe that it is most likely that a wind-down plan (“**Wind-down Scenario**”) will be implemented under the guidance of the current management team or a receiver, whereby the existing assets of the Company are realised over time and the available proceeds paid to BOS and Stockholders in the first instance, and then to Noteholders once all secured and unsecured creditors have been paid.

We have assessed the potential outcomes on the following basis:

- ▼ **Repayment Plan** Geneva has prepared a financial model that incorporates a wide range of assumptions regarding the future performance of the business and which reflects the expected repayments of the Restructured Debentures and Sub-Notes. We have used this model as the basis of our assessment of the likely future outcomes for Stockholders and Noteholders;
- ▼ **Wind-down Scenario** We have amended the Geneva financial model to provide indicative outcomes from a wind-down of the business. The model is based on projections of the performance of the existing loan receivables and reflects active management of the receivables book rather than an outright sale. We assume the wind-down is implemented over 3 years.

This report is included in the prospectus for the Repayment Plan in accordance with clause three of schedule one of the Securities (Moratorium) Regulations 2009.

SUMMARY OF OUR ASSESSMENT

Relevant background, analysis, and commentary on the Repayment Plan are presented in the following sections of this report. We recommend that all Stockholders and Noteholders should read the report in its entirety, with particular emphasis on Section 4.0 which sets out our assessment of the key merits of the Repayment Plan.

A summary of the projected financial outcomes comparing the Repayment Plan to the Wind-down Scenario is presented in Table 2.

Table 2: Summary of Projected Financial Outcomes for the Repayment Plan and Wind-down Scenario

	Repayment Plan	Wind-down Scenario
Restructured Debentures		
Principal Repayments (per Debenture)	\$0.35	\$0.35
Interest Payments (per Debenture)	\$0.10	\$0.05
Total Payments (per Debenture)	\$0.45	\$0.40
Repayment Period	5 Years	3 Years
NPV of Total Payments to Stockholders – 11.1% Discount Rate	\$0.35	\$0.34
NPV of Total Payments to Stockholders – 20.0% Discount Rate	\$0.29	\$0.29

Table 2: Summary of Repayment Plan and Wind-down Scenario (Continued)

	Repayment Plan	Wind-down Scenario
Sub-Notes		
Principal Repayments (per Sub-Note)	\$0.45	\$0.00
Interest Payments (per Sub-Note)	\$0.29	\$0.00
Total Payments (per Sub-Note)	\$0.74	\$0.00
Repayment Period	5 Years	NA
NPV of Total Payments to Noteholders – 13.2% Discount Rate	\$0.45	\$0.00
NPV of Total Payments to Noteholders – 20.0% Discount Rate	\$0.38	\$0.00
Ordinary Shares		
Projected Total Book Value of Equity in 2015	\$29.2 million	\$0.0
Projected Book Value of Equity per Restructured Debenture	\$0.11	\$0.0
Projected Book Value of Equity per Sub-Note	\$0.42	\$0.0

Merits of the Repayment Plan for Stockholders

Stockholders will receive all of their outstanding principal and accrued interest if the projected outcomes under the Repayment Plan are achieved. We estimate that Stockholders are also likely to receive all of the outstanding principal under the Wind-down Scenario, but will only receive about 2/3'rds of the accrued interest. When the timing of the projected payments is taken into account, the difference between the Net Present Value (“NPV”) of each scenario is relatively small.

The Repayment Plan offers Stockholders the possibility that the shares issued to them in May 2008 as part of the Capital Reconstruction Proposal will have value in the future. Based on the Geneva projections, the book value of equity will represent approximately \$0.11 per Restructured Debenture at the end of the projection period in 2015. Under the Wind-down Scenario, we do not expect that the shares will have any value.

The actual value realised for the shares if the Repayment Plan is approved is very uncertain, and is fundamentally dependent on whether the Repayment Plan can be implemented in line with the projections prepared by the Company. A key assumption underpinning the projections is that the Company will be able to raise additional debt and equity funding (from FY2012 onwards) to support both the ongoing lending operation and to repay the existing funding sources. Considering the current market environment for finance companies such as Geneva, there is considerable doubt as to whether this requirement can be met.

By approving the Repayment Plan, Stockholders will effectively retain the potential upside relating to the future value of the shares. Although the Company faces significant challenges in successfully implementing the Repayment Plan, we believe that the downside for Stockholders if the plan is unsuccessful is relatively limited. The likely outcome in these circumstances is that the Company would eventually be wound down and we expect that Stockholders would receive full repayment of the principal outstanding at that point in time.

We note that despite the significant deterioration in the operating environment since the Capital Reconstruction Proposal was approved, Geneva has to date met all of its repayment commitments. We also believe that on balance, the Stockholders' position has been improved as a result of the ongoing efforts of

the existing Board and management compared to the outcome that was anticipated in May 2008 under the receivership alternative.

Merits of the Repayment Plan for Noteholders

Noteholders are likely to receive nothing in a wind-down situation and are therefore clearly incentivised to vote for the Repayment Plan. By doing so, the Noteholders preserve the possibility of realising some value from both the Sub-Notes and the shares issued as part of the Capital Reconstruction Proposal.

1.0 BACKGROUND AND SCOPE OF THIS REPORT

1.1 GENEVA'S PERFORMANCE SINCE THE APPROVAL OF THE CAPITAL RECONSTRUCTION PROPOSAL

All payments to Stockholders and Noteholders have to date been in line with the repayment schedule that was stipulated in the Capital Reconstruction Proposal. As summarised in Table 3, payments to Stockholders prior to the scheduled payment on 31 March 2010 total \$0.50 per Restructured Debenture, out of a total face value of \$0.85 per Restructured Debenture. Interest has also been paid monthly at an average rate of 11.1%.

Noteholders are not due to receive any principal repayment under the Capital Reconstruction Proposal until April 2011. Interest has been paid on a monthly basis at an average rate of 13.2%.

Table 3: Principal and Interest Repaid Prior to 31 March 2010

Payment Type	BOS ¹ (000s)	Restructured Debentures Per Debenture (000s)	Sub-Notes Per Note (000s)
Principal Repaid	\$8,000	\$49,412	\$0.50
Interest	\$4,667	\$10,359	\$0.10

¹ The repayment to BOS represents the reduction in the facility limit since the approval of the Capital Reconstruction Proposal. The limit is currently set at \$35 million, and the facility is expected to be drawn to approximately \$18.5 million immediately prior to the scheduled payment to Stockholders on 31 March 2010.

² Represents a small number of Sub-Notes that have been fully repaid on compassionate grounds.

Table 4 presents a range of information that compares Geneva's financial projections at the time that the Capital Reconstruction Proposal was approved in April 2008 to either the actual outcome for FY2009 or updated projections that are incorporated into the Repayment Plan.

- ▼ Actual performance in FY2009 was considerably lower than initially projected, with a post-tax loss of close to \$7.0 million recorded compared to a projected profit of \$2.5 million. Most of the disparity can be attributed to the larger than expected impaired asset expense;
- ▼ The result for the year ending March 2010 is expected to reflect a difference of approximately \$5.0 million compared to the projection made in March 2008. In large part, the reduction in projected profitability reflects a significant drop in interest income that is driven by a lower than expected level of net receivables (as set out in Table 5);
- ▼ A far lower level of projected receivables in FY2011 is also the main driver of the large reduction in projected profitability in that year;
- ▼ Actual and projected Net Premium Revenue and Other Revenue is higher than was initially expected because Quest Insurance Group Limited ("**Quest**") and Stellar Collections Limited ("**Stellar**") are now recognised as 100% subsidiaries of Geneva and all revenue generated by these businesses is incorporated into the Group projections. The consolidated operating costs also reflect the projected costs of running these businesses.

Table 4: Comparison of Actual and Projected Financial Performance

(\$000s)	FY2009 Projection (As At Mar 2008)	FY2009 Actual	FY2010 Projection (As At Mar 2008)	FY2010 Projection (As At Feb 2010)	FY2011 Projection (As At Mar 2008)	FY2011 Projection (As At Feb 2010)
Interest Income	31,056	27,335	25,038	15,680	24,188	11,952
Interest Expense	12,010	12,424	8,176	7,434	6,669	6,143
Net Interest Income	19,046	14,911	16,862	8,246	17,520	5,809
Net Premium Revenue		3,700	-	2,730		1,944
Other Revenue	2,277	6,756	2,107	5,872	3,889	4,941
Operating Revenue	21,323	25,367	18,969	16,848	21,409	12,694
Operating Expenses	14,528	20,054	12,551	14,494	14,340	11,992
Operating Profit	6,796	5,313	6,419	2,354	7,069	702
Impaired Asset Expense	3,038	11,878	1,875	1,598	2,350	1,744
Net Profit before Taxation	3,758	(6,565)	4,544	757	4,719	(1,042)
Taxation Expense	1,127	433	1,363	3,233	1,416	0
Net Profit After Taxation	2,631	(6,998)	3,180	(2,476)	3,303	(1,042)

Table 5: Comparison of Actual and Projected Financial Position

(\$000s)	FY2009 Projection (As At Mar 2008)	FY2009 Actual	FY2010 Projection (As At Mar 2008)	FY2010 Projection (As At Feb 2010)
Current Assets				
Cash	1,092	8,125	922	802
Other Current Assets	4,451	11,758	2,950	10,470
Total Current Assets	5,543	19,883	3,871	11,272
Non-Current Assets				
Gross Loans Receivable	107,027	102,249	95,145	87,955
Less Provisions and Adjustments	(9,688)	(22,541)	(8,109)	(24,741)
Net Loan Receivables	97,340	79,708	87,036	63,214
Fixed Assets & Other Assets	8,321	11,922	7,309	6,986
Total Assets	111,203	111,513	98,216	81,471
Current Liabilities	1,050	6,660	3,407	4,863
Term Liabilities				
Restructured Debentures	44,289	45,473	24,605	31,747
BOS	31,000	34,627	32,500	23,150
Subordinated Loans and other loans	5,069	4,458	4,729	5,059
Other Term Liabilities	(1)	915	(1)	0
Total Term Liabilities	80,358	85,473	61,834	59,956
Total Liabilities	81,408	92,133	65,241	64,819

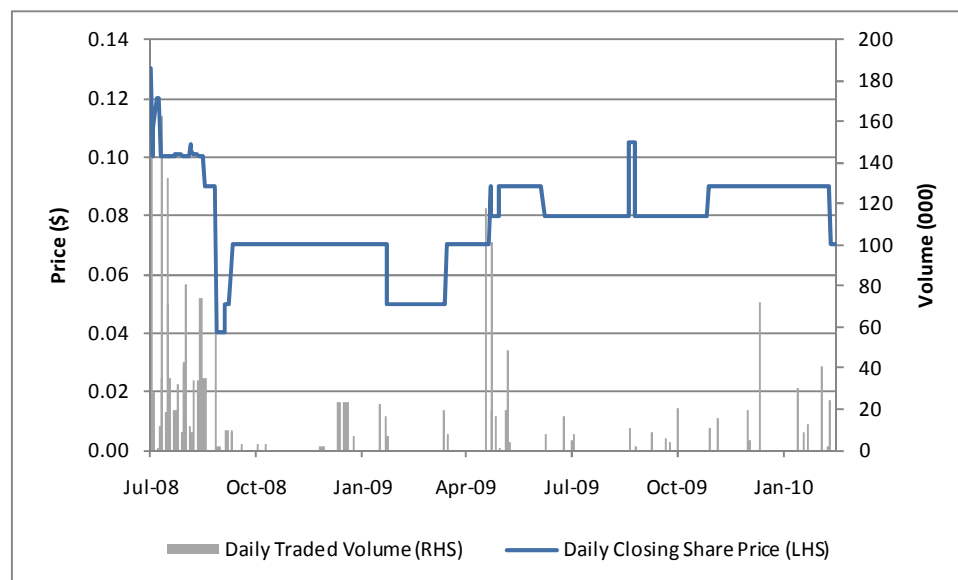
Table 5: Comparison of Actual and Projected Financial Position (Continued)

(\$000s)	FY2009 Projection (As At Mar 2008)	FY2009 Actual	FY2010 Projection (As At Mar 2008)	FY2010 Projection (As At Feb 2010)
Shareholders' Funds				
Ordinary Share Capital	35,995	37,699	35,995	37,699
Retained Earnings	(6,885)	(18,700)	(3,705)	(21,176)
Revaluation Reserve & Hedge Position	685	381	685	129
Total Equity	29,795	19,380	32,975	16,652

Figure 1 summarises the recorded prices for transactions of Geneva shares since listing on the NZAX market in July 2008. Although the shares were issued to Stockholders and Noteholders at an issue price of \$0.3649 per share, the vast majority of the recorded trades have taken place within a much lower range of \$0.04 - \$0.12 per share. Prices within this traded range represent a considerable discount to the Net Asset ("NA") position, which was approximately \$0.35 per share when the Capital Reconstruction Proposal was approved in April 2008 and is now approximately \$0.20 per share (based on the equity position reported as at September 2009).

We note that traded volumes are very low, with a total volume of just 2.4 million shares transacted since listing. Over 60% of the trading took place in the first two months following the listing. The total traded volume represents 3% of the total ordinary shares on issue, and in our view provides a relatively unreliable estimate of the market's view of the intrinsic value of the Company.

Figure 1: Share Price and Traded Volume of Geneva Ordinary Shares



1.2 SUMMARY OF THE REPAYMENT PLAN

Full details of the Repayment Plan are set out in the Offer Document prepared by the Company. In summary:

- ▼ To date, Stockholders have received \$0.50 for each Restructured Debenture owned when the Capital Reconstruction Proposal was approved. A further \$0.35 per Debenture remains outstanding, currently scheduled for repayment in six instalments ending in September 2012;
- ▼ Under the Capital Reconstruction Proposal, Noteholders are scheduled to receive a total principal repayment of \$0.45 in four equal instalments over an 18 month period beginning in April 2011;
- ▼ Geneva is proposing to reschedule the remaining principal repayments for both Stockholders and Noteholders over a period that is 30 months longer than the repayment schedule prescribed in the Capital Reconstruction Proposal;
- ▼ Interest on the Restructured Debentures and Sub-Notes will continue to be paid on a monthly basis at the same rates that are currently paid. The average interest rate for Stockholders is 11.1% and Noteholders are currently paid an average of 13.2%; and,
- ▼ If the Repayment Plan is approved, BOS will restructure its current facility as follows:
 - The \$35 million facility limit will reduce in six-monthly increments starting on 31 March 2010, with total repayment scheduled by March 2015;
 - The loan covenants for the revised facility will be changed so that Geneva is expected to be compliant with all covenants for the full five year period covered by the Repayment Plan (based on Geneva's projections);
 - The interest rate margin will remain at current levels until 30 September 2012, at which point it will increase by 0.5% per annum. The line fee increases by 0.5% per annum immediately and then again after 30 September 2012;
 - An exit fee of \$1.0 million is payable if the full facility is not repaid by 1 October 2013. The exit fee payment will only be payable after all repayment milestones to BOS and Stockholders have been met, but before the final repayment to Noteholders scheduled for 30 April 2015.

1.3 IMPLICATIONS OF NOT APPROVING THE REPAYMENT PLAN

The next scheduled repayment to Stockholders under the Capital Reconstruction Proposal is due on 31 March 2010. That payment amounts to \$0.10 per Debenture, representing a total cash payment of approximately \$9.7 million. Given that Geneva is currently in breach of two lending covenants on the BOS loan facility, BOS is in a position where it can prevent any further principal repayments from being made. Although BOS has not made any statement regarding its intentions in this scenario, we would expect that the repayment will be suspended if the Repayment Plan is not approved.

Future control and management of the Company from that point is uncertain, and would largely depend on the outcome of discussions between the Trustee, BOS and the Geneva Directors. We believe that the two most likely outcomes are as follows:

- ▼ The Company is placed into receivership and the business is wound down by the appointed receiver in a manner in which the receiver believes will maximise the returns to BOS, the Stockholders and the Noteholders;
- ▼ The Trustee allows the Geneva Directors a limited period of time to consider an alternative restructuring plan for consideration by BOS, the Stockholders, and the Noteholders. In the circumstances, any alternative deemed worthy of consideration at this point is likely to represent a wind-down scenario that is implemented by current management (as opposed to a wind-down managed by a receiver).

For the purposes of assessing the particular merits of the Repayment Plan, we assume a wind-down alternative in which the majority of senior management of Geneva will choose to continue their involvement with the Company, even if a receiver is appointed to oversee the wind-down process.

1.4 TERMS OF REFERENCE AND ASSESSMENT APPROACH

This report constitutes an “Expert Opinion” as required by the Securities (Moratorium) Regulations 2009. In accordance with Schedule 1 of the legislation, the report sets out our opinion of the following (where relevant to this particular proposal):

- (a) the advantages and disadvantages of the restructuring proposal and the alternative options to be referred to in the investment statement and whether the assumptions underlying Geneva’s financial information and analysis are realistic;
- (b) the fairness of the restructuring proposal as between debenture stock holders and subordinated note holders, taking into account relative priorities between these types/classes of investment in the event of an insolvency;
- (c) whether any potential return for shareholders is fair to security holders in the circumstances of the offer;
- (d) details of any related party transactions or distributions that may be voidable if a liquidator were to be appointed immediately, including amounts;
- (e) the likelihood of success of the directors’ plans for the issuer (including an opinion on the proposal not to appoint an independent monitor in relation to the restructuring proposal);
- (f) the effect of any guarantee given in respect of Geneva; and,
- (g) the merits of the restructuring proposal, having regard to the interests of the classes of security holders to whom the offer is made.

We certify that we have made due inquiry in relation to the Repayment Plan. Apart from reviewing the financial model developed by Geneva, we have had a number of meetings and discussions with the Directors and management of the Company, and have been provided with an extensive array of supporting documentation. The sources of information that we have relied on in preparing this report are set out in Appendix I.

This report is subject to all of the limitations and restrictions set out in Section 5.0. In particular we note that in preparing this report, Northington Partners has relied on information provided by the Geneva Directors and a range of other parties (as set out in Appendix I). Northington Partners has not performed anything in

the nature of an audit of that information, and does not express any opinion on the reliability, accuracy, or completeness of the information provided to us and upon which we have relied.

Northington Partners has used the provided information on the basis that it is true and accurate in material respects and not misleading by reason of omission or otherwise. Accordingly, neither Northington Partners nor its Directors, employees or agents, accept any responsibility or liability for any such information being inaccurate, incomplete, unreliable or not soundly based or for any errors in the analysis, statements and opinions provided in this letter resulting directly or indirectly from any such circumstances or from any assumptions upon which this report is based proving unjustified.

2.0 REVIEW OF THE REPAYMENT PLAN

2.1 GENERAL INDUSTRY ENVIRONMENT

Following the collapse of numerous finance companies over the past 2-3 years, the operating environment for Non-Bank Deposit Takers (“**NBDT’s**”) has become increasingly difficult. Investor confidence in the sector is very low, and the regulatory and compliance requirements for the NBDT’s are quickly becoming far more onerous. It is generally expected that only a relatively small number of finance companies will be in a position to continue business when the full suite of regulatory changes come into effect over the short term.

Legislation passed in September 2008 established the Reserve Bank of New Zealand (“**Reserve Bank**”) as the regulator of NBDT’s. The Reserve Bank has subsequently commenced a process to establish frameworks for legislation relating to such things as credit ratings, minimum capital requirements, related party lending restrictions, and liquidity requirements. Although the timeframe for the implementation of all of the new policies has yet to be confirmed, we expect that most parts of the framework will be in place by the end of September 2010.

A summary of the regulatory and compliance issues that will have an important impact on future performance for Geneva are set out in Table 6.

Table 6: Summary of Regulatory and Compliance Issues

	Background	Geneva Position
Credit Rating	All NBDT’s with liabilities in excess of \$20 million must hold a credit rating from an approved rating agency.	Standard and Poors has advised that the Geneva credit rating is likely to be CC (negative outlook) soon after the Repayment Plan is approved. An obligation rated CC is described as being highly vulnerable to non-payment.
Government Deposit Guarantee Scheme	The Retail Deposit Guarantee Scheme introduced by the Government in 2008 ends in October 2010. The scheme will however be extended for qualifying companies until December 2011.	Geneva is not participating in the current Retail Deposit Guarantee Scheme and will not qualify to participate in the amended scheme.
Capital Adequacy Requirements	A new risk-weighted framework for establishing capital requirements is expected to be introduced by September 2010. Minimum capital required for companies with a credit rating is likely to be 8% of risk-weighted assets.	We estimate that Geneva currently complies with the draft capital adequacy framework and will continue to do so over the five-year projection period if the Company performs in line with the Geneva Directors’ projections.

In our view, the general environment for finance companies that are reliant on funding from the public is unlikely to improve in the medium term. There remains considerable uncertainty over whether even large, well capitalised companies will continue to receive support from debenture investors as the Deposit Guarantee Scheme begins to wind down. Wholesale funding sources also remain very limited. Companies with poor credit ratings which are operating in the higher-risk part of the industry are likely to require high levels of equity and/or access to new sources of debt funding.

2.2 REVIEW OF THE BASE CASE BUSINESS PLAN

2.2.1 Projected Financial Position and Performance

Under the Repayment Plan, Geneva will continue to implement on-going changes to the business model that have been pursued since the approval of the Capital Reconstruction Proposal. Recent efforts have focused on improving the average credit quality of the new loan advances and securing an efficient distribution platform for increasing new loan volumes. Management is also looking to extract incremental improvements in arrears collection activities while maintaining tight control over operating expenses.

Geneva has developed a detailed financial model for the five year period ending in March 2015. The model is based on a large set of assumptions which the Company believes represent a reasonable view of the possible outcome for the business, reflecting both recent performance and the current market environment. A summary of the projections is set out in the following tables.

Table 7: Projected Statement of Financial Performance (\$000s)

	FY2010 Projected	FY2011 Projected	FY2012 Projected	FY2013 Projected	FY2014 Projected	FY2015 Projected
Interest Income	15,680	11,952	11,702	11,971	12,411	11,812
Interest Expense	7,434	6,143	5,485	4,396	3,173	2,536
Net Interest Income	8,246	5,809	6,218	7,575	9,239	9,276
Net Premium Revenue	2,730	1,944	1,474	1,551	1,411	1,411
Other Revenue	5,872	4,941	4,277	4,093	3,978	3,644
Operating Revenue	16,848	12,694	11,968	13,219	14,627	14,330
Operating Expenses	14,494	11,992	10,474	9,858	9,679	9,568
Operating Profit	2,354	702	1,495	3,361	4,948	4,763
Impaired Asset Expense	1,598	1,744	1,572	1,540	1,524	1,296
Net Profit before Taxation	757	(1,042)	(77)	1,821	3,424	3,467
Taxation Expense	3,233	0	0	0	0	0
Net Profit After Taxation	(2,476)	(1,042)	(77)	1,821	3,424	3,467

We note the following significant points with regard to the projected financial performance:

- ▼ The projections for FY2010 reflect actual performance for the six months to September 2009, as recorded in the management accounts, plus projections for the remaining six months to March 2010;
- ▼ Interest income over the five year projection period is lower than the expected FY2010 level, in line with reductions in the net loan receivables book (as set out in Table 8). However, net interest income increases over the period as the existing debentures and BOS liabilities are progressively repaid and the loan receivables are increasingly funded through equity;
- ▼ Net insurance premium revenue generated by Quest also reduces in line with the declining lending activity;
- ▼ Following the restructure in April 2008, Geneva has made significant reductions in its operating cost base to reflect the requirements of the new business model. Further cost reductions are projected to occur over the next two year period, before reaching a steady state level;

- ▼ As the legacy receivables ledger is collected and reduces through time, the impaired asset expense also reduces to a level at the end of the projection period which reflects the improved average credit quality of the new lending business.

In summary, expectations for short-term profitability are poor, but are expected to improve through time as the asset quality of the lending portfolio improves, and high cost funding is reduced and replaced with higher levels of equity funding.

Table 8: Projected Statement of Financial Position (\$000s)

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
	Projected	Projected	Projected	Projected	Projected	Projected
Current Assets						
Cash	802	404	959	947	1,621	3,123
Other Current Assets	10,470	8,147	7,396	6,816	6,597	6,680
Total Current Assets	11,272	8,550	8,354	7,763	8,219	9,803
Non-Current Assets						
Gross Loans Receivable	87,955	85,813	82,419	79,834	78,333	72,999
Less Provisions and Adjustments	(24,741)	(26,227)	(27,459)	(28,755)	(29,970)	(31,105)
Net Loan Receivables	63,214	59,586	54,960	51,079	48,362	41,894
Fixed Assets & Intangibles	6,986	6,127	5,438	461	344	226
Total Assets	81,471	74,263	68,753	59,303	56,925	51,923
Current Liabilities	4,863	4,319	4,383	4,781	5,268	4,065
Term Liabilities						
Restructured Debentures	29,133	24,277	19,422	14,566	9,711	0
New Debentures	2,615	1,661	3,368	5,104	9,100	15,830
BOS	23,150	23,950	19,100	8,050	3,175	0
Subordinated Notes	4,444	4,444	4,444	4,444	3,888	2,777
Subordinated Loans	615	0	0	0	0	0
Total Term Liabilities	59,956	54,332	46,333	32,163	25,874	18,607
Total Liabilities	64,819	58,652	50,719	36,948	31,146	22,677
Net Assets	16,652	15,611	18,034	22,355	25,779	29,246
Shareholders Funds						
Ordinary Share Capital	37,699	37,699	40,199	42,699	42,699	42,699
Preference Share Capital						
Retained Earnings	(21,176)	(22,217)	(22,294)	(19,783)	(16,359)	(12,892)
Revaluation Reserve	129	129	129	(561)	(561)	(561)
Total Equity	16,652	15,611	18,034	22,355	25,779	29,246

Table 8 sets out the projected statement of financial position. Notable features of the projections are as follows:

- ▼ Other Current Assets reduce from \$10.5 million in 2010 to \$8.1 million in 2011 due primarily to the scheduled sale of shares held by Quest in a property investment company that are valued at \$1.55 million. Thereafter, other current assets reduce slightly over the remaining projection period;

- ▼ The net loan receivables balance reduces from \$63.2 million in 2010 to \$41.9 million in 2015 as a function of the projected collections on the existing receivables book and limited growth through new lending;
- ▼ A significant reduction in the balance of fixed assets occurs in 2013 as a result of the assumed sale (and lease back) of the commercial property which the Company currently owns and occupies. The estimated proceeds from the sale of \$4.62 million reflect a recent valuation of the property;
- ▼ Funding liabilities comprise both Restructured Debentures, new debentures issued subsequent to the approval of the Capital Reconstruction Plan (“**New Debentures**”), the BOS facility, and Sub-notes. Apart from New Debentures, all funding sources reduce over the projection period in line with the proposed repayment schedule. The residual balance of Sub-notes at the end of FY2015 (\$2.78 million) is scheduled to be repaid in April 2015 (the month immediately following the end of the projection period). The Company expects to be in a position to make this final payment when it becomes due;
- ▼ The projections include the provision for new equity capital injections of \$2.5 million in both March 2012 and March 2013;
- ▼ Based on the projected financial position, we estimate that the capital adequacy ratio (calculated in line with the draft Reserve Bank regulations) is forecast to increase from 9.6% in March 2010 to approximately 40% in March 2015. The Company therefore expects that its capital position will exceed the 8% regulatory minimum level of risk-weighted assets over the projection period. The significant increase in the capital ratio over the projection period reflects a reduced reliance on debt funding and the expected sale of assets that carry a high risk weighting.

Table 9 sets out the projected cashflow over the five year projection period. Consistent with the observations made above, the Company expects to meet its repayment commitments to Stockholders, BOS and Noteholders predominantly through a combination of cash generated by the ongoing business operations, asset sales, new equity capital, and the issue of New Debentures.

Table 9: Projected Cash Flow Statement (\$000s)

Year ending 31 March	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
	Projected	Projected	Projected	Projected	Projected	Projected
Cash flow from operating activities						
Interest received	15,805	11,952	11,702	11,971	12,411	11,812
Other receipts	7,110	6,503	5,733	5,816	5,701	4,694
Proceeds from financial assets at fair value	562	551	504	466	296	-
Net movement in finance receivables	15,056	1,884	3,054	2,341	1,193	5,173
Interest paid	(7,434)	(6,143)	(5,485)	(4,396)	(3,173)	(2,536)
Payments to suppliers and employees	(12,412)	(10,850)	(9,309)	(9,018)	(9,319)	(10,230)
Tax payments	192	-	-	-	-	1
Net cash flow from operating activities	18,879	3,897	6,199	7,180	7,109	8,914
Cash flows from investing activities						
Proceeds from sale of equities	-	1,554	-	-	-	-
Proceeds from the sale of fixed assets	41	-	-	4,620	-	-
Purchase of fixed and intangible assets	(353)	(225)	(145)	(142)	(145)	(145)
Net cash flow from investing activities	(312)	1,329	(145)	4,478	(145)	(145)

Table 9: Projected Cash Flow Statement (\$000s) (Continued)

Year ending 31 March	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
	Projected	Projected	Projected	Projected	Projected	Projected
Cash flows from financing activities						
Proceeds from share issue	-	-	2,500	2,500	-	-
Proceeds from term facility	-	800	-	-	-	-
Repayment of term facilities	(11,850)	-	(4,850)	(11,050)	(4,875)	(3,175)
Repayment of debentures	(13,726)	(5,809)	(3,149)	(3,120)	(859)	(2,981)
Repayment of subordinated notes and loans	(314)	(615)	-	-	(556)	(1,111)
Net cash outflow from financing activities	(25,890)	(5,624)	(5,499)	(11,670)	(6,290)	(7,267)
Net decrease in cash held	(7,323)	(398)	555	(12)	674	1,502
Add: Opening cash balance	8,125	802	404	959	947	1,621
Balance at end of period	802	404	959	947	1,621	3,123

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 Repayment Plan. However, the Company's ability to meet these commitments will ultimately be driven by the following key business drivers:

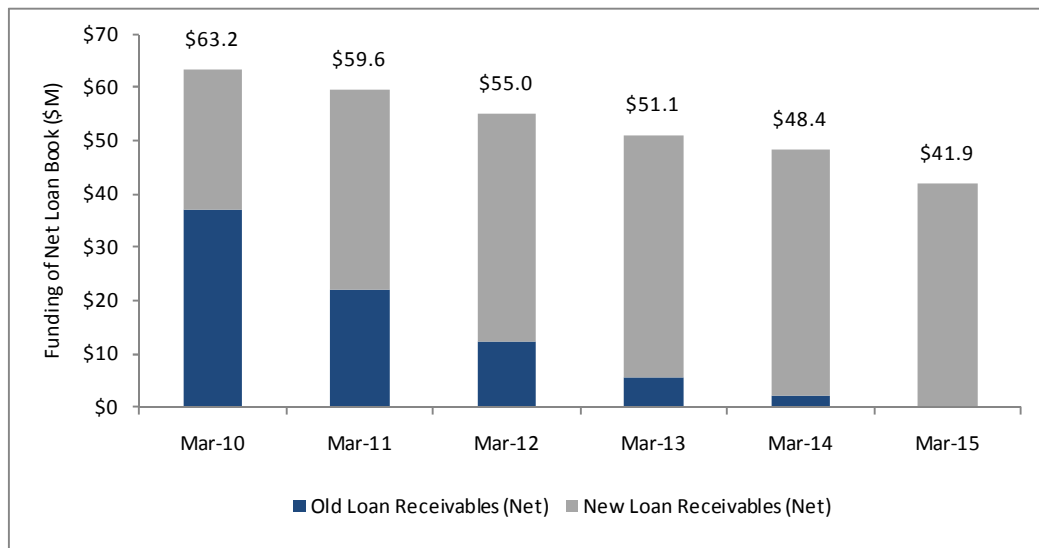
- ▼ **New Lending Volumes and Profitability** Assumed profitability from on-going lending activities is an important source of the cash needed to make the principal repayments scheduled under the Repayment Plan;
- ▼ **Access to New Funding** New debt and equity funding is needed to replace the existing funding sources as the proposed repayments are made. If these new sources do not materialise, the Company will not be in a position to fund the assumed level of new lending;
- ▼ **Performance of the Existing Receivables** The future performance of the existing loans will have a direct impact on the cash available for principal repayments;
- ▼ **Operating Costs** Projected profitability of the business is sensitive to the Company's ability to optimise operating costs in relation to the size of the lending portfolio and the appropriate level of collections activity.

The following sections summarise our views on the reasonableness of the assumptions incorporated by Geneva into the financial projections.

2.2.2 New Lending Volumes

Figure 2 summarises 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 FY2011 through to FY2014, dropping slightly in FY2015 to \$20.0 million to ensure that sufficient cash is retained to meet projected repayments in that year.

Figure 2: Projected Total Loan Receivables



On the face of it, these projected lending levels appear reasonable as long as the Company can access sufficient funding. Although new lending levels over the period since the approval of the Capital Reconstruction Proposal have not reached the levels incorporated into the projections, the Geneva Directors believe that the Company is now better positioned to meet the new lending targets. The Company is in the process of establishing a more efficient distribution platform for vehicle lending, and believes that there is no shortage of good quality lending opportunities in the face of limited supply in the current market.

2.2.3 Access to New Funding

Figure 3 presents the funding sources that are assumed to be in place to support the projected lending over the five year projection period. It shows the scheduled reduction in funding from Restructured Debentures, BOS, and Sub-Notes, countered by an increasing use of equity capital and New Debentures.

Figure 3: Projected Funding Sources

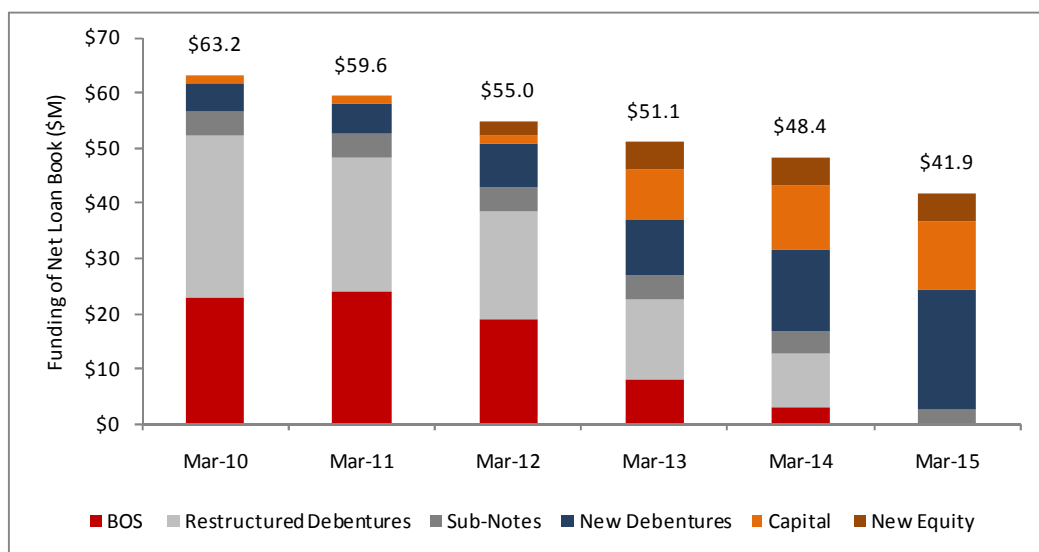


Table 10 compares the relative contributions of each type of debt funding at the start and the end of the five year projection period.

Table 10: Current and Projected Debt Funding Sources

Year ending 31 March	FY2010 Projected	%	FY2015 Projected	%
BOS	\$23.2 ¹	38%	\$0.0	0%
Restructured Debentures	\$29.1	47%	\$0.0	0%
Sub-Notes	\$4.4	7%	\$2.8	11%
New Debentures ²	\$4.9	8%	\$21.6	89%
Total Debt Funding	\$61.6	100%	\$24.4	100%

¹ Projected balance after the payment of \$0.05 per Restructured Debenture on 31 March 2010, assuming the Repayment Plan is approved.

² Includes New Debentures issued to Quest.

The main features of the assumed funding structure over the projection period are as follows:

- ▼ **New Debenture Funding** The most significant source of the assumed new funding is the issue of New Debentures. The Repayment Plan assumes that New Debentures totalling \$2.7 million will be issued in FY2012, \$2.4 million in FY2013, \$4.0 million in FY2014 and \$6.0 million in FY2015. In addition to this, Quest is expected to purchase \$5.3 million of New Debentures over the same period. We note that apart from the New Debentures already on issue, the projections make no allowance for maturity repayments of the New Debentures within the five year period. This effectively assumes that all of the New Debentures issued from April 2011 onwards have a term of at least four years (or are fully reinvested upon maturity).

The current market for raising new debenture funding for any maturity term is very difficult, especially for NBDT's with poor credit ratings that are not covered by the Retail Deposit Guarantee Scheme. As noted in Section 2.1, the regulatory environment is being significantly tightened and we believe that it will take some time before we know whether investors' appetite for funding NBDT's will return.

If the Repayment Plan is approved, Standard & Poors has advised that Geneva is likely to be rated CC (negative outlook) which, when compared to other issuers, is clearly not attractive. Debt obligations issued by a Company with this rating are highly vulnerable to non-payment, and are dependent on favourable business, financial, or economic conditions for the issuer to meet its financial commitments on the obligation. In adverse conditions, the issuer is unlikely to have the capacity to meet its financial commitment on the obligation.

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 Stockholders when the scheduled repayments are made in line with the Repayment Plan. However, as illustrated in Table 11 below, the reinvestment rate based on the forecast repayment of Restructured Debentures 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.

Table 11: Projected New Debentures Covered by Roll-Over (\$000s)

	FY2012 Projected	FY2013 Projected	FY2014 Projected	FY2015 Projected
Projected New Debentures	2,700	2,400	4,000	6,000
Repayments to Restructured Debentures	5,849	5,520	4,859	4,855
Rollover Rate Required	46%	43%	82%	124%

- ▼ **New Equity Funding** 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 NBDT's 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 Repayment Plan.

Apart from equity and debenture funding, we understand that Geneva is also pursuing opportunities for establishing a securitisation program. Securitisation is a process whereby loans originated by Geneva are sold to a separate entity which funds the purchase by issuing new securities to third party investors. This process would effectively provide Geneva with access to a new source of funding that could be used to either replace the existing funding sources or to increase the size of the lending portfolio.

The market for new securitisation issues has been severely affected by the global disruption to credit markets over the last 2 - 3 years. Following significant losses in the sub-prime residential mortgage market, most of the institutional investors who typically acquired the repackaged securities issued by the securitisation vehicles have halted any new investments. The demand for securitisations based on property related loans is expected to remain very weak for some time to come.

Geneva and its securitisation advisor have completed a significant amount of work assessing the feasibility of a securitisation based on a sub-set of the loans held in the existing receivables portfolio. Possible securitisation structures have been developed, an indicative credit rating for the issue has been considered by an international rating agency, and preliminary discussions have been held with institutional investors regarding their appetite to invest in the highest rated securities that would be issued by the securitisation vehicle.

On that basis, Geneva is hopeful that a significant amount of the existing loan receivables could be securitised within a relatively short period of the Repayment Plan being implemented. In the current market environment, securitisations based on consumer loans have some advantages over mortgage backed assets, and the relatively high interest rate margins that can be maintained on consumer loans mean that the securitisation pricing structure is still viable despite investors' requirements for far larger risk premiums.

Despite the progress that has been made in relation to the securitisation structure, more work is required to determine whether this form of funding is optimal in the current market and whether the securitisation is compatible with the security covenants in place for the existing funding sources. The financial projections prepared by Geneva do not incorporate any plans for securitisation and we believe that this assumption is prudent in the current environment. There is however a possibility that this funding mechanism could be used in the future as a useful component of a diversified funding package; if successful, securitisation could result in some level of the Restructured Debentures and BOS being repaid earlier than scheduled in the Repayment Plan.

We conclude that the assumed new funding levels under the Repayment 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. We suggest that the funding target is far more likely to be met if Geneva can establish alternative sources of funding not incorporated into the current projections, and thereby eliminate any significant reliance on New Debentures. The current outlook for future access to retail funding for companies such as Geneva is very poor.

2.2.4 Performance of the Existing Receivables

Following the Moratorium and the subsequent approval of the Capital Reconstruction Proposal, the Company has undertaken a major shift in the underwriting policy for new loans whereby it has targeted lending with much higher credit quality. The new book which has been written since this time displays markedly better default and bad debts performance than the historical ledger written prior to the Capital Reconstruction Proposal. In the period since April 2008, the changes implemented to the lending policies and the measures taken to adjust the expectations regarding collections from the old ledger have helped stabilise the business.

As at 31 March 2010, the old ledger 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 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.

2.2.5 Operating Costs

Projected operating expenses for the five year projection period are presented in Table 12.

Following the Capital Reconstruction Proposal 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 through 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.

Table 12: Projected Operating Expenses (\$000s)

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
	Projected	Projected	Projected	Projected	Projected	Projected
Audit Fees	421	362	370	379	388	395
Employee Benefits	3,095	3,046	3,044	3,056	3,051	3,161
Trustee Fees	103	103	105	107	109	111
Other Operating Expenses	8,440	6,569	5,633	5,134	5,003	4,768
Claim Expenses	565	574	450	457	432	432
Depreciation	1,413	1,084	834	499	262	262
Directors Fees	120	125	128	131	135	138
Rent	337	130	(89)	95	300	300
Total Operating Costs	14,494	11,992	10,474	9,858	9,679	9,568

2.2.6 Other Key Business Model Assumptions

Table 13 summarises the other key assumptions for the Geneva business model, along with our assessment of the reasonableness of the chosen values.

Table 13: Key Business Model Assumptions

Component	Geneva Assumption	Discussion
Returns on New Loan Receivables	Geneva generates revenue from a combination of interest charges and fees that vary by loan product. Interest rates 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.
Funding Costs	<p>Future funding is based on four sources, with the following assumed average costs over the projection period:</p> <ul style="list-style-type: none"> ▼ Restructured Debentures – 11.1% ▼ Sub-Notes – 13.2% ▼ BOS facility – 9.75% ▼ New Funding – 9.75% 	<p>The assumed rates for Restructured Debentures and Sub-Notes are based on the average rate paid since the Capital Reconstruction Proposal was accepted. There is therefore limited uncertainty over these rates during the term of the Repayment Plan.</p> <p>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.</p> <p>The assumed cost of the New Debentures at 9.75% is consistent with the average costs of existing funds.</p>

3.0 ASSESSMENT OF THE WIND-DOWN SCENARIO

A managed wind-down could potentially occur under a number of different structures. We assume that regardless of the actual structure put in place, the wind-down is likely to involve some of the existing management, the collection team and the oversight of either a receiver or an independent monitor. Other key assumptions for our adopted Wind-down Scenario are as follows:

- ▼ The wind-down period covers 3 years. Given the nature of the business, it is likely that attempts would be made to keep the existing management and collections team in place while the receivables book is collected. Once a substantial proportion of the book has been collected, we have assumed that the residual assets of the Company are sold and proceeds used to repay outstanding liabilities. In our financial model, we have assumed that this final asset liquidation occurs at the end of three years, in March 2013;
- ▼ The current loan book is split between performing loans and loans in arrears. Geneva has provisioned approximately \$24 million for loans in arrears as at 31 March 2010 and we assume that over the course of the three year wind-down a further \$7 million is provided against the collection of the receivables. This reflects primarily the risk of retaining the experienced and effective collections team for the duration of the wind-down;
- ▼ We have not made any allowance for early repayments. It is possible that good customers who wish to borrow more will refinance their entire loan with another lender because Geneva will be unable to service their ongoing requirements. Although these repayments mean that additional cash is available earlier than the contracted repayment dates, the total amount of cash collected will be lower because of the interest income that is foregone. For consumer lending, this factor could be significant;
- ▼ We have assumed that the commercial property Geneva owns and occupies is sold in September 2012 for \$4.6 million, as assumed under the Repayment Plan. The actual proceeds realised from the sale will be dependent on market movements in the period prior to the assumed sale date and the outcome from attempts to find a tenant to replace Geneva. With all else being equal, the transaction price will be lower if the property is untenanted when it is sold;
- ▼ At the end of the three year wind-down period, the remaining assets are sold. We assume that the loan receivables at this time are sold at 40% of face value, which we believe represents a reasonable recovery level given the projected balance of the portfolio between old impaired assets and higher quality loan assets. Other liquidated assets include a small balance of residual assets in Quest comprising cash, government stock, and property securities; we assume these assets are sold at recorded book values;
- ▼ Figure 4 shows the projected operating costs under both the Repayment Plan and the Wind-down Scenario. The assumed reduction in operating costs under the Wind-down Scenario is largely due to the cessation of new lending activities and broad cost reductions throughout the business as the Company becomes primarily a collections vehicle. All expenses relating to the origination of new lending have been eliminated, accounting for approximately 20% of the total costs under the Repayment Plan. The balance of the reduction reflects administration and other salary expenses;
- ▼ Operating costs under the Wind-down Scenario include a total allowance of \$0.8 million for costs associated with the appointment of a receiver to oversee the wind-down process. This estimate is based on the reported costs of similar receiverships in which the incumbent management team was retained to assist with the wind-down. As stated above, it could be the case that a wind-down of Geneva is carried out directly by the existing management team with potential oversight by an

independent monitor. Under these circumstances, we expect that the overall costs of the wind-down may be lower than we have assumed;

- ▼ We also assume that the exit fee of \$1.0 million payable to BOS would not be paid under the Wind-down Scenario because Stockholders are not expected to receive all of the interest accrued over the wind-down period.

While the projected operating costs under the Wind-down Scenario are markedly lower than those under the Repayment Plan, we note that projected embedded value from new lending is also omitted from this scenario. To that end, the potential cost reductions are only part of the overall consideration that should be taken into account when accessing the potential advantages of the Wind-down Scenario.

Figure 4: Projected Operating Costs under Repayment Plan and Wind-down Scenario

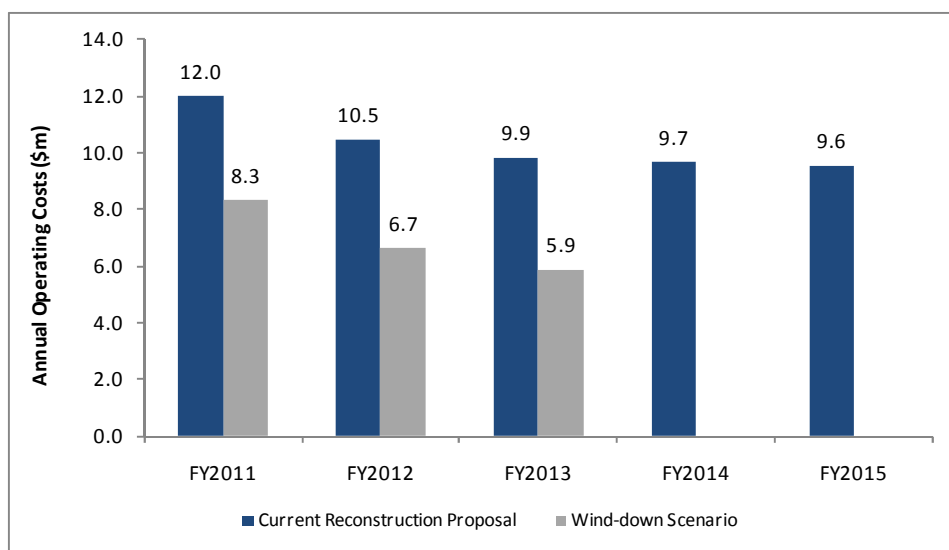
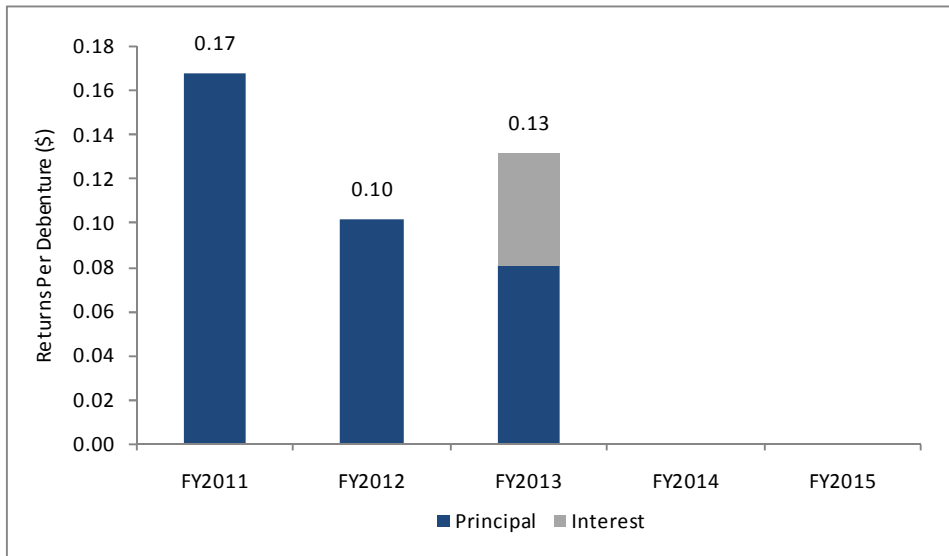


Figure 5 summarises the projected cash payments to Stockholders under the Wind-down Scenario. We assume that payments are made to Stockholders in March and September of each year, estimated on the basis of cash collected within each period. Under this scenario, we estimate that:

- ▼ Stockholders will receive all of the \$0.35 of outstanding principal on the Restructured Debentures, and \$0.05 of the \$0.07 interest which accrues over the period;
- ▼ Noteholders will not receive any payments;
- ▼ There will be no residual cash available for distributions to shareholders at the completion of the wind-down.

Figure 5: Cash Payments to Stockholders under the Wind-down Scenario



The actual outcome under the Wind-down Scenario is obviously sensitive to the assumptions made in our analysis. Changes to the assumed performance of the existing receivables, operating costs, and the liquidation proceeds will affect the total payments made to Stockholders. The estimated shortfall in interest payments made to Stockholders under this “base case” Wind-down Scenario (\$0.02 per Restructured Debenture) amounts to \$2.3 million. We believe that only relatively small improvements are needed over the base case assumptions in order to ensure that Stockholders can be paid all of the interest that accrues over the wind-down period. Similarly, it is conceivable that the net collections from the existing receivables will be lower than assumed, in which case the total repayments to Stockholders will be less than our base case projection.

4.0 SUMMARY OF OUR ASSESMENT

4.1 GENERAL BACKGROUND

Since the approval of the Capital Reconstruction Proposal in April 2008, Geneva has met all of the rescheduled repayment commitments as promised at that time. Payments to date for Stockholders total \$0.50 per Debenture, with the remaining \$0.35 scheduled to be repaid in six further semi-annual payments spread over the next 30 month period. BOS has been repaid a total of \$8.0 million and the current facility limit is capped at \$35 million. As stipulated in the Capital Reconstruction Proposal, repayments to Noteholders were not scheduled to begin until April 2011. All three classes of security holders have been paid the promised interest on a monthly basis.

Geneva has however clearly had issues that were not contemplated at the time of the Capital Reconstruction Proposal. The recession in New Zealand has led to greater unemployment and placed greater financial pressure on all borrowers, but especially those with high margin consumer loans. Faced with a weakening economy and very low levels of consumer confidence, Geneva tightened credit approval criteria as the business was repositioned to a lower risk, more mainstream customer profile. As a consequence of all of these changes, Geneva has been unable to meet the lending targets set when the Capital Reconstruction Proposal was approved. Collections from the existing loan receivables have also been lower than were expected and higher than forecast write-downs have been incurred. These impacts were partially offset by the acquisition of Stellar and Quest and the further lowering of operating costs within the overall group.

During October and November of 2009, Geneva met with BOS regarding the extension of its funding facility beyond the scheduled repayment date of 30 April 2011. BOS has subsequently advised the Company that the facility will not be renewed. Geneva considered that although it was possible that alternative funding could be obtained prior to 30 April 2011, it was in the best interests of all parties to negotiate an arrangement whereby the BOS facility is paid down over an extended time period.

As a condition of BOS' support for the Repayment Plan, Stockholders and Noteholders are now being asked to approve an extension of the repayment period for the outstanding principal on the Restructured Debentures and Sub-Notes. It is proposed that interest will continue to be paid at existing interest rates, the relative security interest for each existing class of security will not change, and that, other than the right of the company to repay investors early, no other proposed changes to the terms of the Restructured Debentures and Sub-Notes will be made.

Geneva has prepared a projection of the financial performance and position of the Company over the next five years, covering the period in which all future repayments contemplated in the Repayment Plan will be made. The projections are based on a large set of assumptions regarding key performance drivers such as the yield from the existing receivables book, new lending levels, and future equity and debt funding. As set out in Section 2.0 above, we believe that certain assumptions adopted by the Geneva Directors are optimistic, particularly in light of the challenges currently faced by all participants in the finance sector. The assumptions regarding future access to the required level of debt and equity funding are of most concern.

4.2 COMPARATIVE FINANCIAL RETURNS

Our analysis indicates that the potential repayment profile to Stockholders under the Wind-down Scenario may be considered to be as attractive as that offered by the Repayment Plan. Figure 6 summarises the

projected repayments to Stockholders under both scenarios, and Table 14 sets out the aggregate cash returns for both Stockholders and Noteholders as modelled under the Repayment Plan and the Wind-down Scenario.

Figure 6: Repayment Profile for the Repayment Plan and Wind-down Scenario

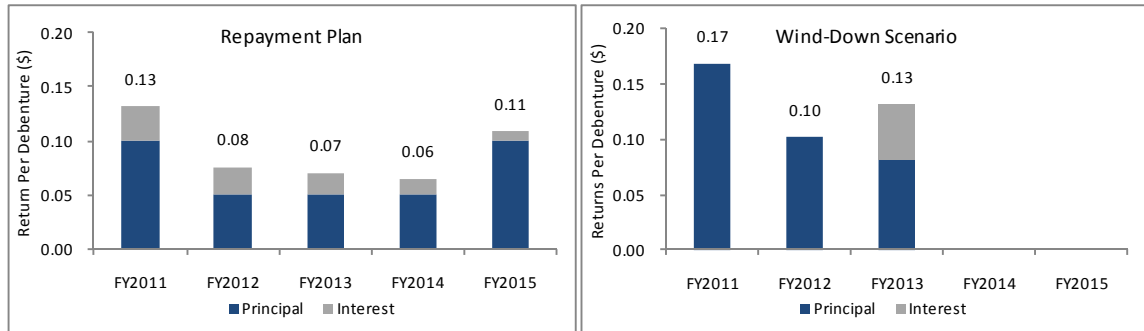


Table 14: Projected Repayments Under the Repayment Plan and Wind-down Scenario

	Repayment Plan	Wind-down Scenario
Total Payments to Stockholders (Per Restructured Debenture)	Principal \$0.35 Interest \$0.10	Principal \$0.35 Interest \$0.05
Indicative Timeframe for Payments to Stockholders	5 Years	3 Years
NPV of Payments to Stockholders (Per Restructured Debenture) – 11.1% Discount Rate	\$0.35	\$0.34
NPV of Payments to Stockholders (Per Restructured Debenture) – 20% Discount Rate	\$0.29	\$0.29
Total Payments to Noteholders (Per Sub-Note)	Principal \$0.45 Interest \$0.29	\$0.00
Indicative Timeframe for Payments to Noteholders	5 Years	NA
Net Present Value of Payments to Noteholders (Per Sub-Note) – 13.2% Discount Rate	\$0.45	\$0.00
Net Present Value of Payments to Noteholders (Per Sub-Note) – 20% Discount Rate	\$0.38	\$0.0

Our assessment of these projected outcomes is summarised as follows:

- ▼ If the Repayment Plan is successful, Stockholders will be paid all of the outstanding principal (\$0.35 per Restructured Debenture) and all of the interest accrued over the five year repayment period (\$0.10 per Restructured Debenture);
- ▼ Under the Wind-down Scenario, Stockholders will also be paid all of the outstanding principal (\$0.35 per Restructured Debenture) and approximately 2/3rds of the accrued interest (\$0.05 per Restructured Debenture). 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 the Wind-down Scenario and a valid comparison between outcomes from the two scenarios should reflect these

timing differences. As shown in Table 14, the relative NPVs of the total payments under the Repayment Plan and the Wind-down Scenario are dependent on the assumed required rate of return used in the calculation. If Stockholders believe that the coupon interest rate of 11.1% is an adequate return on their investment, then the NPV under the Repayment Plan is marginally higher (\$0.01 per Restructured Debenture) than that under the Wind-down Plan;

- ▼ If investors believe that the appropriate required return on the Restructured Debentures 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 Repayment Plan and the Wind-down Scenario are the same (\$0.29 per Restructured Debenture) 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 Repayment Plan and the Wind-down Scenario. From the Stockholders’ 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 Repayment Plan, Noteholders will be paid \$0.17 per Sub-Note towards the end of the five year projection period and are scheduled to receive the remaining \$0.28 per Sub-Note 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 the Wind-down Scenario.

When considered strictly on the basis of total NPV return per Restructured Debenture, Stockholders should be largely indifferent between the alternatives considered here. However, as a result of the Capital Reconstruction Proposal, Stockholders and Noteholders converted a portion of their securities into ordinary shares in the Company. In aggregate, the Stockholders converted approximately \$15.6 million (\$0.15 per Debenture) into equity and the Noteholders converted just over \$7.0 million (at an average of \$0.55 per Sub-Note). All shares were issued at a price of \$0.3649 per share. Table 15 sets out some estimates of the current and future value of the shares which are now held by those Stockholders and Noteholders (assuming that the shares have not been sold in the interim)¹.

Table 15: Value Estimates of Equity Issued to Stockholders and Noteholders

	April 2008 Book Value	Current Market Value	March 2010 Projected Book Value	March 2015 Projected Book Value ¹
Total Value (000s)	\$26,833	\$5,638	\$16,652	\$29,246
Equity Value per \$0.15 Face Value of Debentures	\$0.14	\$0.03	\$0.08	\$0.11
Equity Value per \$0.55 Face Value of Sub-Notes	\$0.50	\$0.11	\$0.31	\$0.42

¹ Reflects the dilution that will result from the proposed issue of new shares in 2012 and 2013, based on the assumption that the new equity is issued at NTA at the time of the issue.

One of the key potential advantages of the Repayment Plan is that the Company will remain as a going concern and that Stockholders will be in a position to extract additional value for their shares compared to

¹ Only 3% of the total shares on issue have been traded since listing in May 2008, indicating that the vast majority of Stockholders and Noteholders have retained the shares allotted to them under the Capital Reconstruction Proposal.

the likely outcome under the Wind-down Scenario. As set out on Section 3.0, we estimate that there is likely to be no cash available to shareholders in a wind-down situation. 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 recorded NA 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 financial projections prepared by the Geneva Directors, NA at the end of the five year projection period will be approximately \$29 million, equating to \$0.11 for the \$0.15 per debenture converted to equity when the Capital Reconstruction Proposal was approved.

When compared to the total projected payments of \$0.45 per Debenture under the Repayment Plan, the estimated equity upside of \$0.11 per Debenture represents an additional 24% return. While it is possible that future outcomes for Geneva may be better than those incorporated into the Repayment Plan and Stockholders will therefore be able to realise greater value per Restructured Debenture, 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.

4.3 LIKELY FUTURE OUTCOMES AND DECISION MAKING FRAMEWORK

A large number of adverse factors could affect the Company's ability to achieve the projections that underpin the Repayment Plan. Any outcome that is materially less favourable than the Geneva projections may lead to the Company again being in breach of one or more covenants of the revised BOS facility or the Trust Deed (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 Deed 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 Proposal or a 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 financial projections assumes that the Company secures new debenture flows of \$200,000 per month starting in April 2011. As discussed in Section 2.2.3, this assumption is optimistic considering Geneva's financial position and the current market environment;
- ▼ The ability to raise the assumed level of equity funding. The financial projections prepared by the Geneva Directors 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 Repayment 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 New Zealand 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 Stockholders who still own shares in the Company.

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

- ▼ Approval of the Repayment 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 financial projections provided by the Geneva Directors, it is likely that Company will at some point be wound down over a 2-3 year period;
- ▼ If the Repayment 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 Repayment Plan.

Our analysis indicates that the prospective repayments to Stockholders under the Repayment Plan have the same NPV as the payments projected under the Wind-down Scenario (at a 20% discount rate). The Repayment 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 Stockholders from approving the Repayment Plan will only be materially worse than that offered by the Wind-down Scenario if:

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

Based on the track record established by the Company since the Capital Reconstruction Proposal was approved and considering the monitoring regime that will remain in place if Geneva operates as a going-concern², we do not believe that this risk is material. As previously discussed, 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 Repayment 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.

² The revised BOS funding 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 projections prepared by the Company to support the Repayment Plan. Given that BOS and the Restructured Debentures rank pari passu in terms of their security position, the BOS compliance regime benefits Stockholders as well. The Trustee will also continue to monitor compliance with the Trust Deed on behalf of all debenture stockholders (Stockholders and BOS).

4.4 FAIRNESS OF THE REPAYMENT PLAN AS BETWEEN SECURITY HOLDERS

Table 16 sets out the principal amounts owing to BOS, Stockholders and Noteholders prior to the scheduled principal repayment to Stockholders on 31 March 2010.

Table 16: Principal Outstanding Prior to Repayment on 31 March 2010

Security Holder	Nominal Value (\$000s)
BOS	18,500
Restructured Debentures	33,988
New Debentures	4,805
Sub-Notes	4,444
Total	61,737

At present, BOS and all of the debentures (Restructured Debentures 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 Sub-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 Repayment 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 Stockholders scheduled for 31 March 2010 if the Repayment Plan is approved. The security position of Stockholders relative to BOS will therefore be immediately improved compared to the likely outcome under a Wind-down Scenario.

A condition in the Trust Deed will also help to protect the position of Stockholders and Noteholders relative to BOS throughout the proposed repayment period. Geneva will be prevented from drawing down less than 65% of the available limit on the BOS facility, thereby limiting the possibility that BOS will be repaid on a disproportionate basis compared to Stockholders.

On balance, we believe that the Repayment Plan provides a fair treatment of the interests of BOS, Stockholders, and Noteholders.

4.5 POTENTIAL RETURNS TO SHAREHOLDERS

If the Repayment Plan is successfully implemented:

- ▼ Stockholders 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 Stockholders 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 Stockholders or Noteholders. Should the exit fee become payable, the effective interest rate paid to BOS will still be lower than that paid to Stockholders and Noteholders (based on current market interest rates). This

exit fee is effectively an incentive for Geneva shareholders to ensure both BOS and Stockholders 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 Stockholders and Noteholders, providing compensation for agreeing to extend the facility term beyond 30 April 2011. Stockholders will not directly receive any such additional payment if the Repayment Plan is successful. For all future outcomes in which the Company remains as a viable going concern, Stockholders will only receive the due amount of principal and interest and there is no explicit additional "up-side" payment.

However, to the extent that Stockholders also still hold the shares issued to them as a result of the Capital Restructuring Proposal, successful implementation of the Repayment Plan provides the Stockholders with an upside based on the future realisable value of the Geneva shares (as discussed in Section 4.2 above). No dividends or any other distributions are proposed before all security holders have been fully repaid.

We note that Stockholders and Noteholders collectively hold a majority of the shares on issue in the Company and control the majority of the Geneva Board. Both the control position and equity ownership held by the Stockholders and Noteholders will help to ensure that their interests will not be overlooked to the possible benefit of an independent shareholder.

Considering the circumstances of the Repayment Plan, we therefore conclude that the potential return to shareholders is fair to Stockholders and Noteholders.

4.6 OTHER REQUIREMENTS OF THE SECURITIES (MORATORIUM) REGULATIONS 2009

As specifically required by Schedule 1 of the Securities (Moratorium) Regulations 2009, we certify the following:

- i. We do not believe that there are any related party transactions or distributions that may be avoidable if a liquidator was to be appointed immediately; and
- ii. There are no guarantees given in respect of the Restructured Debentures or Sub-Notes.

5.0 QUALIFICATIONS, DECLARATIONS AND CONSENTS

5.1 DECLARATIONS

This report has been prepared by Northington Partners at the request of the Trustee to provide Stockholders and Noteholders with an independent assessment of the Repayment Plan. This report, or any part of it, should not be reproduced or used for any other purpose. Northington Partners specifically disclaims any obligation or liability to any party whatsoever in the event that this report is supplied or applied for any purpose other than that for which it is intended.

A prior draft of this report was provided to the Trustee and Geneva for review and discussion. Although minor changes to the report were made after the release of the first draft, there were no changes to our methodology, analysis, or conclusions.

5.2 QUALIFICATIONS

Northington Partners provides an independent corporate advisory service to companies operating throughout New Zealand and the Asia-Pacific region. The company specialises in mergers and acquisitions, capital raising support, investment appraisals, financial instrument valuations, and business and share valuations. Northington Partners is retained by a mix of publicly listed companies, substantial privately held companies, and State Owned Enterprises.

The individuals responsible for preparing this report are Greg Anderson B.Com, M.Com (Hons), Ph.D, Mark Cahill B.Sc, M.Com, and Will Parkyn B.App.Sc. Each individual has a wealth of experience in providing independent advice to clients relating to the value of business assets and equity instruments, as well as the choice of appropriate financial structures and governance issues.

5.3 INDEPENDENCE

None of the Directors or employees of Northington Partners have a relationship with, or a shareholding in, any of the parties associated with the Repayment Plan that could reasonably be regarded as capable of affecting Northington Partners ability to provide an unbiased assessment.

5.4 DISCLAIMER AND RESTRICTIONS ON THE SCOPE OF OUR WORK

In preparing this report, Northington Partners has relied on information provided by Geneva and a range of other parties. Northington Partners has not performed anything in the nature of an audit of that information, and does not express any opinion on the reliability, accuracy, or completeness of the information provided to us and upon which we have relied.

Northington Partners has used the provided information on the basis that it is true and accurate in material respects and not misleading by reason of omission or otherwise. Accordingly, neither Northington Partners nor its Directors, employees or agents, accept any responsibility or liability for any such information being inaccurate, incomplete, unreliable or not soundly based or for any errors in the analysis, statements and opinions provided in this report resulting directly or indirectly from any such circumstances or from any assumptions upon which this report is based proving unjustified.

The statements and opinions expressed in this report are based on information available as at the date of the report. In forming our opinion, we have relied on forecasts, projections and assumptions prepared by Geneva (with some adjustments where deemed appropriate) about future events which by their nature are not able to be independently verified. Inevitably, some assumptions may not materialise and unanticipated events and circumstances are likely to occur. Therefore, actual results in the future will vary from the forecasts and projections upon which we have relied.

We reserve the right, but will be under no obligation, to review or amend our report if any additional information which was in existence on the date of this report was not brought to our attention, or subsequently comes to light.

5.5 INDEMNITY

Geneva has agreed to indemnify Northington Partners (to the maximum extent permitted by law and subject to certain exceptions) for all claims, proceedings, damages, losses (including consequential losses), fines, penalties, costs, charges and expenses (including legal fees and disbursements) suffered or incurred by Northington Partners in relation to the preparation of this report; except to the extent resulting from any act or omission of Northington Partners finally determined by a New Zealand Court of competent jurisdiction to constitute negligence or bad faith by Northington Partners.

Northington Partners Limited



Greg Anderson
Director

www.northington.co.nz

Appendix I - Sources of Information Used in This Report

Other than the information sources referenced directly in the body of the report, this assessment is also reliant on the following sources of information:

- ▼ A financial model (and associated updates) prepared by Geneva containing the projected financial performance of the Company for a five year period;
- ▼ Drafts of the Offer Document (including a Prospectus) prepared by Geneva in relation to the Reconstruction Proposal;
- ▼ Financial Statements for Geneva for the year ended 31 March 2009 and for the 6 months ended 30 September 2009;
- ▼ The Constitution of Geneva dated March 2008;
- ▼ An outline of the Repayment Plan prepared by Geneva dated 30 November 2009;
- ▼ The Geneva Debenture Trust Deed (and Deed of Amendment);
- ▼ The Geneva Unsecured Deposits and Subordinated Notes Trust Deed (including a deed of amendment and supplemental trust deed);
- ▼ A range of worksheets and schedules provided by Geneva in relation to various aspects of the Repayment Plan;
- ▼ A draft Term Sheet prepared by BOS containing the proposed amendments to the terms and conditions of the revised funding facility.