

Geneva Finance Limited

Appraisal Report

In Respect of the Proposed Loan Arrangements with Federal Pacific Group Limited

October 2023

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1. Introduction

1.1 Background

Geneva Finance Limited (**Geneva** or the **Company**) is a finance company that provides finance and financial services to the consumer credit and small to medium business markets.

Geneva’s shares are listed on the main equities securities market (the **NZX Main Board**) operated by NZX Limited (**NZX**) with a market capitalisation of approximately \$28.8 million as at 27 October 2023. Its audited total equity as at 31 March 2023 was approximately \$38.8 million.

A profile of Geneva is set out in section 3.

1.2 Federal Pacific Group Limited

Federal Pacific Group Limited (**Federal Pacific**) is Geneva’s largest shareholder. It holds 46,207,267 fully paid ordinary shares, representing 63.35% of the Company’s shares on issue.

The shares are held by Federal Pacific’s wholly owned subsidiary Federal Pacific Group Nominees Limited.

Federal Pacific is owned by members of the Hutchison family, including Geneva director Alan Hutchison.

Federal Pacific has advanced a total of \$5.1 million to Geneva by way of 3 loans to assist the Company’s funding requirements (the **Current FP Loans**).

Current FP Loans			
Commencement Date	Maturity Date	\$000	Interest Rate
1 Apr 2018	31 Jul 2024 ¹	3,850	9.25%
24 Oct 2018	31 Jul 2024 ¹	650	8.50%
23 Dec 2022	31 Jul 2024 ¹	600	9.50%
		5,100	

¹ Extended on 18 August 2023

On 18 August 2023, Federal Pacific agreed to extend the maturity date of each of the Current FP Loans to 31 July 2024.

Geneva now proposes to seek shareholder approval for the Company to undertake further borrowings from Federal Pacific and / or its subsidiaries (the **Future FP Loans**).

Under the proposal:

- the outstanding aggregate principal amount borrowed from Federal Pacific (ie the Current FP Loans and the Future FP Loans, including any extensions or renewals of such loans) will not at any time exceed the greater of \$10 million and 40% of the Company’s Average Market Capitalisation (as defined in the NZX Listing Rules (the **Listing Rules**)) (the **Maximum Loan Limit**) and
- the applicable interest rate will not exceed 15% per annum (the **Maximum Interest Rate**).

In addition, it is to be a requirement of making any Future FP Loan or extending any loan from Federal Pacific that the independent directors of Geneva:

- certify that in their opinion the particular transaction is on terms and conditions which are no less advantageous to Geneva than would apply if the relevant moneys were to have been borrowed from an unrelated external commercial lender and
- certify that in their opinion the entry into the transaction is fair and reasonable to Geneva and to all shareholders of Geneva.

We refer to the proposed arrangements as the **Federal Pacific Loan Arrangements**.

1.3 Extraordinary Meeting of Shareholders

Geneva is holding an extraordinary general meeting of shareholders on 29 November 2023, where the Company will seek shareholder approval of an ordinary resolution in respect of the Federal Pacific Loan Arrangements (the **Loan Arrangements Resolution**).

An ordinary resolution is a resolution passed by a simple majority of votes of those shareholders entitled to vote and voting on the resolution in person or by proxy.

Federal Pacific and its Associated Persons (as defined in the Listing Rules) are not permitted to vote on the Loan Arrangements Resolution.

1.4 Summary of Opinion

Our evaluation of the fairness of the Federal Pacific Loan Arrangements as required under the Listing Rules is set out in section 2.

In our opinion, after having regard to all relevant factors, the terms and conditions of the Federal Pacific Loan Arrangements are fair to the Company's shareholders not associated with Federal Pacific (the **Non-associated Shareholders**).

1.5 Regulatory Requirements

Listing Rule 5.2.1 stipulates that an Issuer must not enter into a Material Transaction if a Related Party is a party to the Material Transaction or to one of a related series of transactions of which the Material Transaction forms part unless the Material Transaction is approved by way of an ordinary resolution from shareholders not associated with the Related Party.

The Federal Pacific Loan Arrangements represent a Material Transaction as the potential market value of the Federal Pacific Loan Arrangements exceeds 10% of the Company's Average Market Capitalisation and Federal Pacific is a Related Party of the Company as it holds 63.35% of the Company's shares.

Listing Rule 7.8.8 (b) requires an Appraisal Report to be prepared where a meeting will consider a resolution required by Listing Rule 5.2.1.

1.6 Purpose of the Report

The Company's directors not associated with Federal Pacific, being Ronald King and David Smale (the **Non-associated Directors**), have engaged Simmons Corporate Finance to prepare an Appraisal Report on the fairness of the Federal Pacific Loan Arrangements in accordance with the Listing Rules.

Simmons Corporate Finance was approved by NZX Regulation Limited (**NZ RegCo**) on 25 September 2023 to prepare the Appraisal Report.

Simmons Corporate Finance issues this Appraisal Report to the Non-associated Directors for the benefit of the Non-associated Shareholders to assist them in forming their own opinion on whether to vote for or against the Loan Arrangements Resolution.

We note that each shareholder's circumstances and objectives are unique. Accordingly, it is not possible to report on the fairness of the Federal Pacific Loan Arrangements in relation to each shareholder. This report on the fairness of the Federal Pacific Loan Arrangements is therefore necessarily general in nature.

The Appraisal Report is not to be used for any other purpose without our prior written consent.

2. Evaluation of the Fairness of the Federal Pacific Loan Arrangements

2.1 Basis of Evaluation

Listing Rule 7.10.2 requires an Appraisal Report to consider whether the terms and conditions of the Federal Pacific Loan Arrangements are *fair* to the Company's shareholders not associated with Federal Pacific.

There is no legal definition of the term *fair* in either the Listing Rules or in any statute dealing with securities or commercial law in New Zealand.

In our opinion, the Federal Pacific Loan Arrangements will be fair to the Non-associated Shareholders if:

- they are likely to be at least no worse off if the Federal Pacific Loan Arrangements proceed than if they do not. In other words, we consider that the Federal Pacific Loan Arrangements will be fair if there is no value transfer from the Non-associated Shareholders to Federal Pacific, and
- the terms and conditions of the Federal Pacific Loan Arrangements are in line with market terms and conditions.

We have evaluated the fairness of the Federal Pacific Loan Arrangements by reference to:

- the rationale for the Federal Pacific Loan Arrangements
- the fairness of the terms of the Federal Pacific Loan Arrangements
- the benefits and disadvantages to the Non-associated Shareholders of the Federal Pacific Loan Arrangements
- the benefits and disadvantages to Federal Pacific of the Federal Pacific Loan Arrangements
- the implications if the Loan Arrangements Resolution is not approved.

Our opinion should be considered as a whole. Selecting portions of the evaluation without considering all the factors and analyses together could create a misleading view of the process underlying the opinion.

2.2 Evaluation of the Fairness of the Federal Pacific Loan Arrangements

In our opinion, after having regard to all relevant factors, the terms and conditions of the Federal Pacific Loan Arrangements are fair to the Non-associated Shareholders.

The basis for our opinion is set out in detail in sections 2.3 to 2.9.

In summary, the key factors leading to our opinion are:

- the rationale for the Federal Pacific Loan Arrangements is sound. The Federal Pacific Loan Arrangements will enable the Company to continue to fund the growth of its business by securing debt finance from Federal Pacific on arm's-length commercial terms up to the Maximum Loan Limit without the need for further shareholder approval

- the terms and conditions of the Federal Pacific Loan Arrangements are fair to the Non-associated Shareholders. The protocols that the Company will follow are suitably thorough and robust to ensure that any loans from Federal Pacific will be on arm's-length commercial terms and will not give rise to the potential transfer of value from the Non-associated Shareholders to Federal Pacific
- the implications of the Loan Arrangements Resolution not being approved by the Non-associated Shareholders are that Geneva will not be able to take advantage of the growth opportunities that are currently available and the Company's market share in the finance company loan market will potentially reduce.

2.3 Rationale for the Federal Pacific Loan Arrangements

Geneva's main asset is its finance receivables book which has increased from \$82.9 million as at 31 March 2020 to \$105.7 million as at 31 March 2023.

The Company finances its receivables book primarily through a wholesale funding arrangement with Westpac New Zealand Limited (**Westpac**) under which loan receivables are securitised through The Geneva Warehouse A Trust (the **Westpac Term Facility**). The Westpac Term Facility was increased from \$80 million to \$100 million in September 2023.

The Westpac Term Facility funds only a percentage of each loan made by Geneva to its customers, with the Company required to fund the balance of the loan. This funding is sourced from the Company's equity and from other borrowings in the form of unsecured loans from small offer investors and wholesale investors (including Federal Pacific by way of the Current FP Loans). These other borrowings amounted to \$14.8 million as at 31 March 2023.

Geneva has become aware of increased lending opportunities over the past 8 to 12 months. However, in order to continue to grow its business, the Company needs more funding. We understand that Geneva's board of directors (the **Board**) has decided that the most appropriate means of raising that funding in the present environment, and pending the adoption of a plan addressing Geneva's capital requirements, is to borrow from third party sources rather than raise additional equity from its current and / or new shareholders.

Given that the Westpac Term Facility is secured over the whole of Geneva's finance receivables book (which means that Geneva is not able to offer security over those receivables to another party), the Company needs to borrow from third parties on an unsecured basis. However, Geneva has found that accessing unsecured funding from commercial lenders at acceptable rates and on commercial terms is difficult for companies in the finance company sector – particularly for those businesses like Geneva who fund the purchase of used motor vehicles.

Geneva has been advised by Federal Pacific that it is willing to continue to support Geneva with short to medium term funding where Geneva has difficulty obtaining funding elsewhere. This funding may be provided on an unsecured basis.

Given that Federal Pacific may provide Geneva with finance on an unsecured basis and it is willing to waive the normal process of performing due diligence on the Company, the Board believes that in many cases it would be preferable to borrow from Federal Pacific rather than from external sources.

However, the Board will not borrow from Federal Pacific except on terms that the independent directors of Geneva are satisfied represent commercial terms no less disadvantageous from Geneva's viewpoint as would be available from an external unrelated commercial lender.

Any Future FP Loans will be used for Geneva's general corporate purposes, although the Board expects that the bulk of the amounts borrowed will be used to make loans to customers.

Any Future FP Loans will increase Geneva's liabilities and assets in equal measure by the amount of the borrowing.

In our view, the rationale for the Federal Pacific Loan Arrangements is sound. It will enable the Company to continue to fund the growth of its business by securing debt finance from Federal Pacific on arm's-length commercial terms up to the Maximum Loan Limit without the need for further shareholder approval.

2.4 Terms of the Federal Pacific Loan Arrangements

Background

Under the Federal Pacific Loan Arrangements, the Maximum Loan Limit (ie the outstanding principal amount of the Current FP Loans and the Future FP Loans) will not at any time exceed the greater of \$10 million and 40% of the Company's Average Market Capitalisation and the Maximum Interest Rate will not exceed 15% per annum.

If Geneva wishes to enter into, extend or renew any such loans from time to time, in each case, the independent directors of Geneva must:

- certify that in their opinion the particular transaction is on terms and conditions which are no less advantageous to Geneva than would apply if the relevant moneys were to have been borrowed from an unrelated external commercial lender and
- certify that in their opinion the entry into the transaction is fair and reasonable to Geneva and to all shareholders of Geneva.

Size of Potential Borrowing

The amount that may be borrowed from Federal Pacific is capped under the Maximum Loan Limit at the greater of \$10 million and 40% of the Company's Average Market Capitalisation.

Geneva's Average Market Capitalisation will vary depending on movements in its share price and how many shares it has on issue. Accordingly, the Maximum Loan Limit will also vary.

As at 27 October 2023, the Company's market capitalisation was approximately \$28.8 million. 40% of this is approximately \$11.5 million.

The Current FP Loans total \$5.1 million. Assuming a Maximum Loan Limit of \$11.5 million, Geneva would be able to borrow up to \$6.4 million of Future FP Loans (assuming the Current FP Loans have not been repaid).

The Company expects that the term of any Future FP Loans will be for periods of between 90 days and 3 years, with any extension beyond the agreed period being subject to mutual agreement in accordance with the terms of the Federal Pacific Loan Arrangements.

Geneva also contemplates that any Future FP Loans will likely be in minimum tranches of \$0.2 million, with the maximum aggregate amount borrowed in a 10 day period being \$2.0 million.

Maximum Interest Rate

A Maximum Interest Rate of 15% per annum has been set by Geneva to provide assurance to the Non-associated Shareholders that irrespective of prevailing market conditions at the time that a Future FP Loan is being considered, there will always be a cap on the interest rate.

As set out in section 1.2, the interest rates on the Current FP Loans range between 8.5% and 9.5% per annum at present.

Federal Pacific Loan Arrangements Protocols

We are advised by the Board that if the Loan Arrangements Resolution is approved, the Board will apply the following protocols for approving any loans from Federal Pacific (the **Protocols**):

- Geneva's senior management are responsible for considering whether borrowing from Federal Pacific should be requested by Geneva
- if both Geneva and Federal Pacific are willing to entertain a proposed loan (subject to mutually acceptable terms and conditions) then senior management will take soundings from bankers, brokers and other market sources with a view to establishing what is considered to be available pricing for a loan with comparable terms (including as to amount and tenor) if sourced from third party commercial lenders
- senior management will record, electronically or in writing, all information received as to appropriate pricing and other terms received from the market sources
- following receipt of this market information, senior management and Federal Pacific will discuss what will be appropriate terms and conditions for the proposed loan
- following agreement on the terms of the proposed loan, senior management will submit in writing the terms of the proposed loan for Geneva's independent directors' approval. As part of the written submission, senior management will certify that in their view the terms and conditions of the proposed loan fall within the approved Federal Pacific Loan Arrangements as regards quantum, pricing and other terms
- the independent directors will consider the loan proposal and will be free to give or deny approval to the proposed loan. As part of this process, the independent directors may seek such further market advice as to appropriate terms and conditions for the proposed loan as they see fit in their discretion
- if the independent directors approve the loan proposal then the loan will be made on the agreed terms and conditions
- if the independent directors do not approve the loan proposal then the loan will not proceed unless revised terms and conditions acceptable to senior management and Federal Pacific are approved by the independent directors.

Any loan extension or renewal or replacement, or any variation to terms and conditions of any loan from Federal Pacific to Geneva, will be subject to the processes set out in the Protocols.

Conclusion

We are of the view that the terms of the Federal Pacific Loan Arrangements, as set out in the Protocols, are fair to the Non-associated Shareholders.

The Protocols are suitably thorough and robust to ensure that any loans from Federal Pacific will be on arm's-length commercial terms and will not give rise to the potential transfer of value from the Non-associated Shareholders to Federal Pacific.

2.5 Main Advantage to the Non-associated Shareholders of the Federal Pacific Loan Arrangements

The Federal Pacific Loan Arrangements will enable the Company to access additional debt finance from Federal Pacific on arm's-length commercial terms to finance the growth of Geneva's business without the need for further shareholder approval.

2.6 No Disadvantages to the Non-associated Shareholders of the Federal Pacific Loan Arrangements

In our view, there are no disadvantages to the Non-associated Shareholders associated with the Federal Pacific Loan Arrangements.

2.7 Other Issues for the Non-associated Shareholders to Consider

No Impact on Control of the Company

The Federal Pacific Loan Arrangements have no impact on the number of shares that Geneva has on issue and will not result in any change in Federal Pacific's ability to exert control or influence over the Company's operations, board representation or shareholder voting.

No Impact on Share Price and Liquidity

An analysis of Geneva's recent share trading is set out in section 3.9.

On the basis that the terms and conditions of the Federal Pacific Loan Arrangements are fair, we are of the view that the Federal Pacific Loan Arrangements will have no impact on Geneva's share price or the liquidity of the Company's shares.

No Change in Business Risk

The Federal Pacific Loan Arrangements will have negligible impact on the business risks faced by Geneva.

2.8 Likelihood of the Loan Arrangements Resolution Being Approved

The Loan Arrangements Resolution is an ordinary resolution, passed by a simple majority of votes of those shareholders entitled to vote and voting on the resolution in person or by proxy.

Federal Pacific and its Associated Persons (as defined in the Listing Rules) collectively hold 65.28% of the Company's shares and are not permitted to vote on the Loan Arrangements Resolution. Therefore shareholders holding 34.72% of the shares will determine the outcome of the Loan Arrangements Resolution (assuming they all vote).

The Board has unanimously recommended that the Non-associated Shareholders vote in favour of the Loan Arrangements Resolution.

The Company's top 10 shareholders excluding Federal Pacific and its Associated Persons collectively hold 12.79% of the Company's shares (representing 36.84% of the maximum number of shares that can vote on the Loan Arrangements Resolution) and will therefore significantly influence the outcome of the voting on the resolution if they vote.

We are not aware of how these major shareholders will vote in respect of the resolution, other than Non-associated Directors Ronald King and David Smale who have stated that they will vote their collective 3.91% shareholdings in favour of the resolution.

2.9 Implications if the Loan Arrangements Resolution is not Approved

If the Loan Arrangements Resolution is not approved, then the Company may have difficulty raising additional capital to support the Board's growth plans, which in turn may mean that Geneva may not be able to take advantage of opportunities to grow its receivables portfolio and may face the prospect of losing market share to its competitors.

Furthermore, if Geneva wishes to borrow further funds from Federal Pacific in the future and those borrowings constitute a Material Transaction (as defined in the Listing Rules), then Geneva will need to seek shareholder approval of the transaction and this will incur additional costs for the Company.

2.10 Voting For or Against the Loan Arrangements Resolution

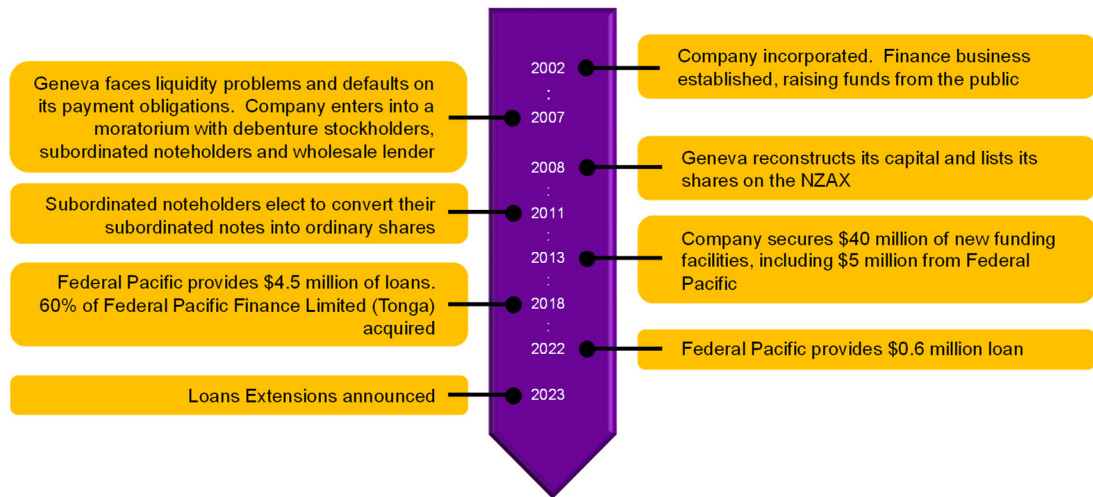
Voting for or against the Loan Arrangements Resolution is a matter for individual shareholders based on their own views as to value and future market conditions, risk profile and other factors. Non-associated Shareholders will need to consider these consequences and consult their own professional adviser if appropriate.

3. Profile of Geneva Finance Limited

3.1 Background

Geneva was incorporated on 19 August 2002 as Geneva Finance Limited. It changed its name to GFNZ Group Limited on 7 April 2011 and back to Geneva Finance Limited on 27 June 2016.

The Company's key events are summarised below.



3.2 Nature of Operations

Geneva is a finance company that provides finance and financial services to the consumer credit and small to medium business markets.

The Company operates in New Zealand and Tonga.

Geneva has 2 principal activities:

- the provision of finance
- the provision of motor vehicle insurance products.

Geneva provides finance to individuals to assist them in purchasing motor vehicles. Approximately 90% of the Company's lending is for this purpose with the other 10% in the form of unsecured personal loans.

The finance products offered comprise:

- hire purchase finance
- personal loans secured by registered security interests over personal assets such as motor vehicles
- mortgages of residential property.

The carrying value of the Company's finance receivables (including the invoice factoring business) as at 31 March 2023 (after provisions for deferred revenue and doubtful debts) was \$105.7 million.

As at 31 March 2023, Geneva's New Zealand receivables ledger amounted to \$115.3 million (prior to provisions for deferred revenue and doubtful debts), spread over 9,845 loans with an average loan size of approximately \$11,700.

The Company’s Tongan operations’ receivables ledger amounted to \$7.4 million (prior to provisions), spread over 1,498 loans with an average loan size of approximately \$4,900.

Geneva’s loans are originated through 3 distribution channels:

- direct
- broker
- dealer.

The loans are processed by the central sales desk and administered through a national operations centre located at Mt Wellington, Auckland.

Geneva’s second principal activity is the provision of motor vehicle insurance products to individuals, irrespective of whether the Company has provided the finance. The largest products by volume are comprehensive motor vehicle insurance and mechanical breakdown insurance.

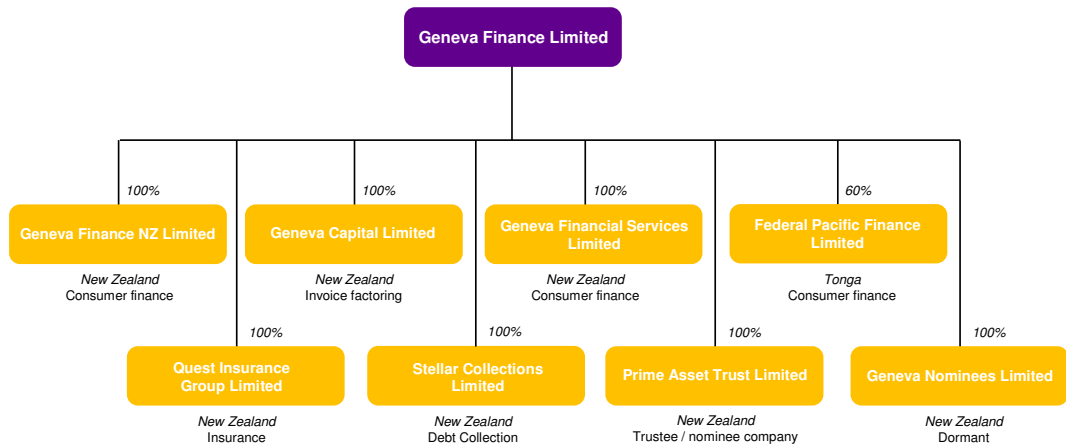
During the 2023 financial year, insurance premiums written totalled \$39.3 million. There were 106,435 active policies as at 31 March 2023.

Geneva also provides invoice financing, debt collection and debt litigation services to New Zealand based commercial businesses.

The Geneva group of companies employs approximately 62 staff, based at its Mt Wellington, Auckland head office.

3.3 Group Structure

The Geneva group consists of the listed parent company and 8 subsidiaries.



3.4 Directors and Senior Management

The directors of Geneva are:

- Laurence Goodman, non-executive director, associated with Federal Pacific
- Alan Hutchison, non-executive director, associated with Federal Pacific
- Malcolm Johnston, managing director, associated with Federal Pacific
- Ronald King, independent non-executive chair
- David Smale, independent non-executive director.

The Geneva senior management team consists of:

- Malcolm Johnston, managing director
- Albert Boy, chief financial officer
- Nigel Edwards, manager, Stellar Collections
- Lou Coetzer, legal services manager
- Steve Te Waiti, head of sales and lending
- Greg Main, head of insurance.

3.5 Capital Structure and Shareholders

Geneva currently has 72,935,275 fully paid ordinary shares on issue held by 683 shareholders.

The names, number of shares and percentage holding of the Company's 10 largest shareholders as at 13 October 2023 are set out below.

10 Largest Shareholders		
Shareholder	No. of Shares	%
Federal Pacific	46,207,267	63.35%
Peter Francis and Viaduct Trustee Services (Francis) Limited	2,432,933	3.34%
Charles Hutchison and Gregory Eden	1,403,000	1.92%
David O'Connell, Vivienne O'Connell and Liston Trustee Services Limited	1,146,141	1.57%
Robin King and Lynn King	1,126,005	1.54%
Ronald King and Lynn King	925,201	1.27%
Geneva	805,286	1.10%
David Smale and E Smale	800,000	1.10%
New Zealand Depository Nominee	585,111	0.80%
Brent Fairweather and Tony Winsloe	510,000	0.70%
Subtotal	55,940,944	76.70%
Others (673 shareholders)	16,994,331	23.30%
Total	<u>72,935,275</u>	<u>100.00%</u>

Source: NZX Company Research

Charles Hutchison is a relative of the Hutchison family members who own Federal Pacific.

David O'Connell is the former managing director of Geneva. He retired from the position on 11 August 2023.

Geneva holds 805,286 shares as treasury stock.

3.6 Financial Performance

A summary of Geneva's recent financial performance is set out below.

Summary of Geneva Financial Performance				
	Year to 31 Mar 20 (Audited) \$000	Year to 31 Mar 21 (Audited) \$000	Year to 31 Mar 22 (Audited) \$000	Year to 31 Mar 23 (Audited) \$000
Net interest income	10,669	11,304	11,613	11,187
Underwriting profit	6,397	8,119	11,646	13,583
Other revenue	4,750	4,834	4,040	2,771
Operating revenue	21,816	24,257	27,299	27,541
Operating expenses	(15,860)	(16,666)	(19,491)	(22,517)
Operating profit	5,956	7,591	7,808	5,024
Impaired asset reversal / (expense)	(1,854)	(825)	430	(270)
Net profit before taxation	4,102	6,766	8,238	4,754
Taxation (expense) / benefit	13	(146)	(2,294)	(1,278)
Net profit after taxation	4,115	6,620	5,944	3,476
Earnings per share (cents)	5.1	8.5	7.6	4.2

Source: Geneva annual reports

The Company derives most of its revenue from:

- interest income on its finance receivables book
- insurance premiums
- collection services income.

Its main operating expenses are:

- interest expense
- insurance claim costs
- insurance contract acquisition costs
- employee benefits.

The Company recorded a \$4.1 million tax paid profit in the 2020 financial year, which improved to \$6.6 million in the 2021 financial year and reduced to \$5.9 million in the 2022 financial year.

Tax paid profit in the 2023 financial year reduced to \$3.5 million, primarily due to:

- lower lending in the first half of the year
- an increase in the cost of funds driven by the regular increases in the Official Cash Rate, resulting in reduced profit margins
- claim costs associated with the Auckland floods and Cyclone Gabrielle
- additional regulatory costs and an investment in governance structures.

3.7 Financial Position

A summary of Geneva's recent financial position is set out below.

Summary of Geneva Financial Position				
	As at 31 Mar 20 (Audited) \$000	As at 31 Mar 21 (Audited) \$000	As at 31 Mar 22 (Audited) \$000	As at 31 Mar 23 (Audited) \$000
Cash and cash equivalents	20,625	27,802	38,834	27,844
Trade and other receivables	5,884	9,139	11,676	17,804
Taxation receivable	12	8	8	31
Finance receivables	82,868	92,152	93,203	105,730
Financial assets at fair value	3,684	203	33	10,794
Derivative financial instruments	-	-	502	595
Deferred insurance contract acquisition costs	4,102	5,226	5,847	7,568
Deferred tax	4,712	4,910	3,021	2,158
Plant and equipment	1,217	857	542	241
Intangible assets	2,371	2,202	1,985	1,699
Total assets	125,475	142,449	155,651	174,464
Accounts payable and accruals	(4,351)	(5,295)	(4,995)	(5,680)
Outstanding claims liability	(962)	(1,657)	(2,962)	(4,087)
Employee entitlements	(435)	(563)	(720)	(686)
Unearned premium liability	(12,706)	(19,008)	(25,580)	(33,499)
Derivative financial instruments	(551)	(248)	-	-
Bank facilities	(60,598)	(66,985)	(69,111)	(76,864)
Other borrowings	(13,684)	(13,942)	(14,242)	(14,841)
Lease liabilities	(839)	(581)	(281)	(12)
Total liabilities	(94,126)	(108,279)	(117,891)	(135,669)
Share capital	52,779	52,779	52,779	52,779
Treasury stock	-	(342)	(342)	(342)
Reserves	(1,176)	(2,317)	(2,016)	(1,562)
Retained earnings	(21,725)	(17,523)	(14,717)	(14,367)
Non-controlling interest	1,471	1,623	2,056	2,287
Total equity	31,349	34,220	37,760	38,795

Source: Geneva annual reports

The Company's main asset is its finance receivables book which has increased from \$82.9 million as at 31 March 2020 to \$105.7 million as at 31 March 2023. The provision for impairment on the financial receivables book has decreased from 19.4% as at 31 March 2020 to 16.0% as at 31 March 2023.

Bank facilities of \$76.9 million as at 31 March 2023 mainly represented the Westpac Term Facility. The Westpac Term Facility limit was increased from \$80 million to \$100 million in September 2023.

Other borrowings of \$14.8 million as at 31 March 2023 represented \$9.7 million of unsecured loans from small offer investors and wholesale investors and \$5.1 million of Current FP Loans.

Total equity has increased from \$31.3 million as at 31 March 2020 to \$38.8 million as at 31 March 2023, consisting of:

- share capital (net of treasury stock) – \$52.4 million
- reserves – negative \$1.5 million
- retained earnings – negative \$14.4 million
- non-controlling interest – \$2.3 million.

3.8 Cash Flows

A summary of Geneva's recent cash flows is set out below.

Summary of Geneva Cash Flows				
	Year to 31 Mar 20 (Audited) \$000	Year to 31 Mar 21 (Audited) \$000	Year to 31 Mar 22 (Audited) \$000	Year to 31 Mar 23 (Audited) \$000
Net cash inflow / (outflow) from operating activities	6,380	119	11,667	(5,244)
Net cash inflow / (outflow) from investing activities	(2,473)	3,297	(57)	(10,918)
Net cash inflow / (outflow) from financing activities	<u>(1,535)</u>	<u>3,761</u>	<u>(578)</u>	<u>5,172</u>
Net increase / (decrease) in cash held	2,372	7,177	11,032	(10,990)
Opening cash balance	18,253	20,625	27,802	38,834
Closing cash balance	<u>20,625</u>	<u>27,802</u>	<u>38,834</u>	<u>27,844</u>

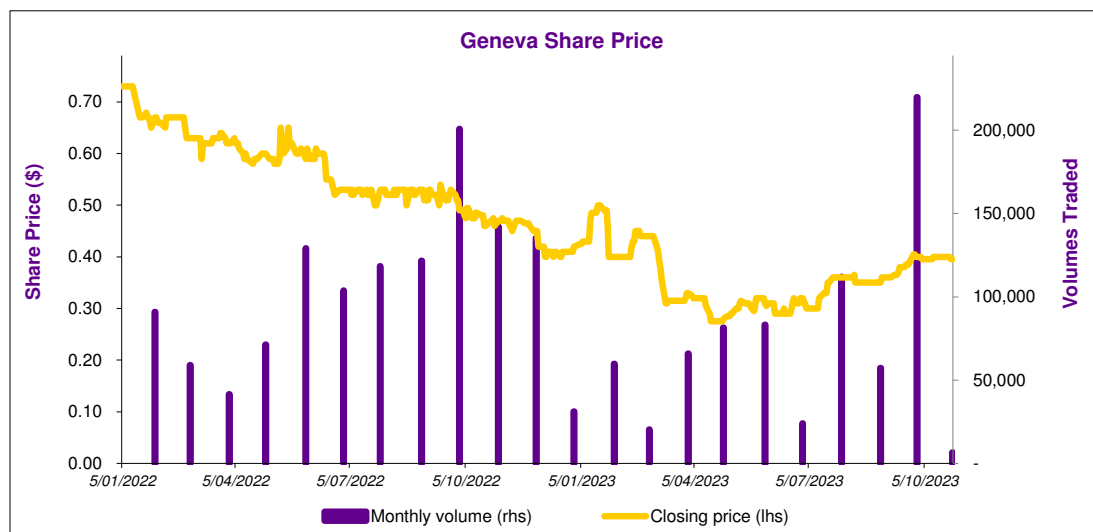
Source: Geneva annual reports

Investing activities cash flows in the 2023 financial year included the purchase of \$10.7 million of bank bonds.

Financing activities cash flows included \$6.4 million raised from the Westpac Term Facility in the 2021 financial year and \$7.8 million raised from the Westpac Term Facility in the 2023 financial year.

3.9 Share Price History

Set out below is a summary of Geneva's daily closing share price and monthly volumes traded from 5 January 2022 to 27 October 2023.



Source: NZX Company Research

During the period, Geneva's shares have traded between \$0.275 and \$0.730 at a volume weighted average share price (VWAP) of \$0.474.

Trading in the Company's shares is extremely thin, reflecting that Federal Pacific holds 63.35% of Geneva's shares.

An analysis of VWAP, traded volumes and liquidity (measured as traded volumes as a percentage of shares outstanding) up to 27 October 2023 is set out below.

Share Trading up to 27 October 2023					
Period	Low (\$)	High (\$)	VWAP (\$)	Volume Traded (000)	Liquidity
1 month	0.395	0.400	0.399	11	0.0%
3 months	0.350	0.405	0.368	304	0.4%
6 months	0.280	0.405	0.349	505	0.7%
12 months	0.275	0.500	0.373	917	1.3%

Source: NZX Company Research

In the past year up to 27 October 2023, 1.3% of the Company's shares have traded on 220 days at a VWAP of \$0.373.

4. Sources of Information, Reliance on Information, Disclaimer and Indemnity

4.1 Sources of Information

The statements and opinions expressed in this report are based on the following main sources of information:

- the draft notice of extraordinary general meeting
- the Current FP loans agreements dated 18 April 2018, 24 October 2018 and 23 December 2022
- the Federal Pacific loans variations letter dated 18 August 2023
- the Geneva annual reports for the years ended 31 March, 2021 to 2023
- data in respect of Geneva from NZX Company Research and S&P Capital IQ.

During the course of preparing this report, we have had discussions with and / or received information from the Non-associated Directors and Geneva's legal advisers.

The Non-associated Directors have confirmed that we have been provided for the purpose of this Appraisal Report with all information relevant to the Federal Pacific Loan Arrangements that is known to them and that all the information is true and accurate in all material aspects and is not misleading by reason of omission or otherwise.

Including this confirmation, we have obtained all the information that we believe is needed for the purpose of preparing this Appraisal Report.

In our opinion, the information to be provided by Geneva to the Non-associated Shareholders is sufficient to enable the Non-associated Directors and the Non-associated Shareholders to understand all the relevant factors and to make an informed decision in respect of the Federal Pacific Loan Arrangements.

4.2 Reliance on Information

In preparing this report we have relied upon and assumed, without independent verification, the accuracy and completeness of all information that was available from public sources and all information that was furnished to us by Geneva and its advisers.

We have evaluated that information through analysis, enquiry and examination for the purposes of preparing this report but we have not verified the accuracy or completeness of any such information or conducted an appraisal of any assets. We have not carried out any form of due diligence or audit on the accounting or other records of Geneva. We do not warrant that our enquiries would reveal any matter which an audit, due diligence review or extensive examination might disclose.

4.3 Disclaimer

We have prepared this report with care and diligence and the statements in the report are given in good faith and in the belief, on reasonable grounds, that such statements are not false or misleading. However, in no way do we guarantee or otherwise warrant that any forecasts of future profits, cash flows or financial position of Geneva will be achieved. Forecasts are inherently uncertain. They are predictions of future events that cannot be assured. They are based upon assumptions, many of which are beyond the control of Geneva and its directors and management. Actual results will vary from the forecasts and these variations may be significantly more or less favourable.

We assume no responsibility arising in any way whatsoever for errors or omissions (including responsibility to any person for negligence) for the preparation of the report to the extent that such errors or omissions result from our reasonable reliance on information provided by others or assumptions disclosed in the report or assumptions reasonably taken as implicit, provided that this shall not absolve Simmons Corporate Finance from liability arising from an opinion expressed recklessly or in bad faith.

Our evaluation has been arrived at based on economic, exchange rate, market and other conditions prevailing at the date of this report. Such conditions may change significantly over relatively short periods of time. We have no obligation or undertaking to advise any person of any change in circumstances which comes to our attention after the date of this report or to review, revise or update this report.

We have had no involvement in the preparation of the notice of extraordinary general meeting issued by Geneva and have not verified or approved the contents of the notice of extraordinary general meeting. We do not accept any responsibility for the contents of the notice of extraordinary general meeting except for this report.

4.4 Indemnity

Geneva has agreed that, to the extent permitted by law, it will indemnify Simmons Corporate Finance and its directors and employees in respect of any liability suffered or incurred as a result of or in connection with the preparation of the report. This indemnity does not apply in respect of any negligence, wilful misconduct or breach of law. Geneva has also agreed to indemnify Simmons Corporate Finance and its directors and employees for time incurred and any costs in relation to any inquiry or proceeding initiated by any person. Where Simmons Corporate Finance or its directors and employees are found liable for or guilty of negligence, wilful misconduct or breach of law or term of reference, Simmons Corporate Finance shall reimburse such costs.

5. Qualifications and Expertise, Independence, Declarations and Consents

5.1 Qualifications and Expertise

Simmons Corporate Finance is a New Zealand owned specialist corporate finance advisory practice. It advises on mergers and acquisitions, prepares independent expert's reports and provides valuation advice.

The person in the company responsible for issuing this report is Peter Simmons, B.Com, DipBus (Finance), INFINZ (Cert).

Simmons Corporate Finance and Mr Simmons have significant experience in the independent investigation of transactions and issuing opinions on the merits and fairness of the terms and financial conditions of the transactions.

5.2 Independence

Simmons Corporate Finance does not have at the date of this report, and has not had, any shareholding in or other relationship with Geneva or Federal Pacific or any conflicts of interest that could affect our ability to provide an unbiased opinion in relation to the Federal Pacific Loan Arrangements.

Simmons Corporate Finance has not had any part in the formulation of the Federal Pacific Loan Arrangements or any aspects thereof. Our sole involvement has been the preparation of this report.

Simmons Corporate Finance will receive a fixed fee for the preparation of this report. This fee is not contingent on the conclusions of this report or the outcome of the voting in respect of the Loan Arrangements Resolution. We will receive no other benefit from the preparation of this report.

5.3 Declarations

An advance draft of this report was provided to the Non-associated Directors for their comments as to the factual accuracy of the contents of the report. Changes made to the report as a result of the circulation of the draft have not changed the methodology or our conclusions.

Our terms of reference for this engagement did not contain any term which materially restricted the scope of the report.

5.4 Consents

We consent to the issuing of this report in the form and context in which it is to be included in the notice of extraordinary general meeting to be sent to the Non-associated Shareholders. Neither the whole nor any part of this report, nor any reference thereto may be included in any other document without our prior written consent as to the form and context in which it appears.



Peter Simmons
Director

Simmons Corporate Finance Limited
30 October 2023