

## Geneva Finance Limited Notice of Extraordinary General Meeting

Notice is hereby given that an Extraordinary General Meeting of shareholders of Geneva Finance Limited (**Geneva**) will be held at Level 3, 3 Te Kehu Way, Sylvia Park, Mt Wellington, Auckland on Wednesday 29 November 2023 commencing at 2:00pm.

### Agenda

- Introduction;
- Questions on proposed resolution;
- Voting on resolution.

### Business – Proposed Resolution

The only item of business to be considered at the meeting is to consider, and if thought fit, to pass the following ordinary resolution, requiring a simple majority of votes by those shareholders entitled to vote and voting:

**“IT IS RESOLVED THAT** Geneva Finance Limited and/or one or more of its subsidiaries (together **Geneva**) be authorised to borrow from Federal Pacific Group Limited and/or one or more of its subsidiaries (together **FPG**), the holder of a majority of the issued shares in the capital of Geneva Finance Limited, loans having an aggregate principal amount not exceeding at any time the greater of NZ\$10,000,000 and 40% of Average Market Capitalisation (as defined in the NZX listing rules from time to time) (including all existing advances previously made by FPG to Geneva) and to extend or renew any such loans from time to time, in each case subject to the applicable interest rate never being greater than 15% per annum and to the independent directors of Geneva Finance Limited:

- (a) certifying 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
- (b) certifying that in their opinion the entry into of the transaction is fair and reasonable to Geneva and to all shareholders in Geneva Finance Limited.”

The resolution is discussed in the Explanatory Notes below.

### Explanatory Notes

The purpose of seeking the passage of the resolution at the Meeting is to enable Geneva and its subsidiaries to access a funding line to take advantage of growth opportunities for their respective businesses as they arise. This is discussed in more detail below.

Under the NZX Listing Rules (the **Rules**), Federal Pacific Group Limited (**Federal Pacific**), being the holder as at the date of this notice of 63.35% of the issued shares in Geneva, is a Related Party of Geneva and the Rules contain certain restrictions on dealings between Geneva as a listed issuer on the NZX and its Related Parties. The Listing Rule which impacts on Geneva borrowing from Federal Pacific is Rule 5.2.1, which provides in respects relevant to the proposed resolution as follows:

*5.2.1 An Issuer [i.e. Geneva] must not enter into a Material Transaction [discussed below] if a Related Party [e.g. Federal Pacific or its subsidiaries] is, or is likely to become:*

*(a) a direct party to the Material Transaction, or*

*(b) a beneficiary of a guarantee or other transaction which is a Material Transaction,*

*unless that Material Transaction is approved by an Ordinary Resolution (such resolution being subject to the voting restrictions in Rule 6.3 [Rule 6.3 is referred to below]) or conditional on such approval.*

A Material Transaction is defined in the Rules, so far as is relevant to the proposed resolution, as follows:

**Material Transaction** means a transaction, or a related series of transactions, whereby an Issuer [i.e. Geneva]: ...

- (b) issues its own Financial Products [which includes borrowings] . having a market value above 10% of the Issuer's Average Market Capitalisation ...,
- (c) borrows, lends, pays or receives money, or incurs an obligation of an amount above 10% of the Average Market Capitalisation of the Issuer ...

There is therefore a restriction on Geneva or its subsidiaries borrowing from Federal Pacific or its subsidiaries where it constitutes a Material Transaction where the transaction or related series of transactions have a market value above 10% of Geneva's Average Market Capitalisation (**AMC**). AMC is defined in the Rules, and as at 25 October 2023 Geneva's AMC was approximately \$ 29.18 million. If one accepts that loans previously made by Federal Pacific to Geneva which remain outstanding are transactions related to any future loans which may be authorised by the passage of the proposed resolution, then it is clear that on the basis of its current AMC Geneva needs approval of shareholders to enter into the transactions going forward. Geneva has therefore in the proposed resolution suggested a cap on the total principal amount which may from time to time be owing by way of loans made by Federal Pacific to Geneva, which cap is above the threshold of the restriction in Rule 5.2.1 of 10% of AMC.

Geneva has become aware of increased lending opportunities over the last 8-12 months, and approval for an increased funding line will assist Geneva in taking up these opportunities as they arise. Previously Geneva has attempted to source facilities from other leading commercial banks in New Zealand, but experience has been that most banks in New Zealand would look to obtaining primary security (which is currently held by Westpac).

Geneva has had a longstanding securitisation funding programme in place with its principal banker Westpac New Zealand Limited, which funds Geneva's lending business. The programme has increased in principal amount over time and including a recent \$20,000,000 increase now stands at \$100,000,000. However, Westpac funds only a percentage of each loan made by Geneva to its customers, and it is the unfunded portion which Geneva needs to fund itself. While some of that funding comes from retained earnings and other sources within the Geneva group, it is clear that to continue to grow Geneva's business it needs more capital.

Geneva's Board has considered the possibility of raising further share capital, however there are a number of strategic considerations that need to be worked through by the board which will take some months to complete and, while the process is fairly costly, that option remains available for consideration.

Federal Pacific is willing to support Geneva in the short to medium term by making available the proposed increased funding line to it, subject to the proposed resolution being passed at the forthcoming meeting. Geneva is in the fortunate position that Federal Pacific does not need to do due diligence on Geneva before agreeing to make any loan as it is already familiar with the business.

Geneva is not willing to 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. The Board of Geneva has therefore adopted a protocol for approving any loans from Geneva, assuming that the proposed resolution is passed. That protocol is referred to in section 2.4 of the Appraisal Report referred to below. The purpose of the protocol is to ensure that Federal Pacific as a Related Party of Geneva is not, by lending money to Geneva, thereby advantaged to the detriment of the other shareholders in Geneva.

Because of the importance to shareholders of the protocol, a copy of the protocol in its entirety is included in the schedule to this Notice of Meeting.

A key component of the protocol is that before any loan from Federal Pacific can be agreed or, in the case of then outstanding loans from Federal Pacific, extended or amended, the independent directors

of Geneva must provide the certification referred to in the proposed resolution. A copy of each such certification will be retained by Geneva with its Board papers and other corporate records but will not be disclosed to the market at the time. In any event, Geneva as a listed issuer is subject to continuous disclosure requirements and Geneva will continue to comply with its obligations in that regard should they become relevant in relation to any new or extended loan.

It is important also for shareholders to note that they will not be asked to approve, either at the meeting the subject of this Notice of Meeting or any subsequent meeting, the terms of any transaction entered into pursuant to the proposed resolution. The approval of any such transaction will be effected on behalf of Geneva by its independent directors, and shareholders may take comfort from the independence of the independent directors from the interests of Federal Pacific.

Similarly, it is not possible at this stage to state what individual terms and conditions may or may not apply to any transaction that may be entered into as contemplated by the proposed resolution. All will depend upon circumstances existing at the time, as to (for example, but without limitation) current interest rates, the availability of finance in the market, Federal Pacific's appetite to lend and Geneva's appetite to borrow. However it is worth emphasising that the terms and conditions will need to be approved by the independent directors.

### **Maximum Interest Rate**

Geneva is proposing in the proposed resolution a cap of 15% per annum as the maximum interest rate that will apply to any loan borrowed from Federal Pacific. This figure has been inserted after discussions with NZ RegCo as giving assurance to shareholders that, irrespective of prevailing market conditions at the time (for example, as to interest rates and availability of finance) there will always be a cap on the interest rate. While Geneva would expect in the ordinary course that any rate of interest agreed with Federal Pacific would be broadly comparable to interest rates previously agreed with its wholesale investor lenders (currently between 6.5% per annum and 9.5% per annum) there can be no assurance of that in the future.

While no parameters are being set as to the duration of any loan or of a minimum amount of any loan, Geneva's expectation is that loans would be borrowed for periods of between 90 days and three years, with any extension beyond the agreed period being subject to mutual agreement and to the terms of the proposed resolution.

Geneva also contemplates that any borrowings are likely to be in minimum tranches of \$200,000, with a maximum aggregate amount borrowed in a seven day period as being \$1,000,000, although these are simply current expectations of Geneva and Federal Pacific and are subject to variation according to prevailing circumstances.

It is a basic understanding that directors of Geneva will not be seeking to borrow from Federal Pacific except on terms that directors are comfortable Geneva will have ability to make timely payments of principal and interest. Moneys will in addition be sought to be borrowed from Federal Pacific only in the situation where Geneva has a need to utilise the moneys borrowed for the purposes of its business.

Another important point for shareholders to note is that Geneva's AMC will likely fluctuate up and down over time for the foreseeable future. Share prices rise and fall frequently for nearly all listed companies. It is therefore possible that, where Geneva's AMC falls and after taking into account then outstanding loans from Federal Pacific, the aggregate amount of those loans might exceed 40% of the then applicable AMC of Geneva. In such a situation no further loans could be made/extended except within the \$10,000,000 cap, but the important thing to note is that there will be no obligation on the part of Geneva to repay all or part of the existing loans to ensure that the aggregate outstanding amount is no greater than 40% of the then applicable AMC.

### **Geneva's Current Borrowings**

As at 30 September 2023 Geneva had bank borrowings of \$80.06 million owing to Westpac, \$3.1 million owing to Kiwibank and other borrowings of \$15.28 million. Included in the other borrowings are loans from Federal Pacific totalling \$5,100,000. Any further borrowings from Federal Pacific would increase the amounts borrowed by the amount of the borrowing, but would also increase the total assets of Geneva by the same amount. Typically, the higher the level of borrowings of a company, the greater

the risk to the shareholders of the company, although shareholders will take comfort from the maximum limit of borrowings from Federal Pacific contained within the proposed resolution, the cap on interest rate and the requirement for certification from the independent directors of Geneva. Moreover, Geneva would only wish to make increased borrowings where the Board considers the commercial benefits of so doing (e.g. to invest in income-producing assets such as loans to customers) make the transaction worthwhile and beneficial.

Geneva will, in accordance with its legal requirements, continue to record all related party loans in its accounts, and will comply with all legal disclosures in its accounts in relation to those loans.

Any borrowings undertaken from Federal Pacific as a result of the proposed resolution being passed will be used for the general corporate purposes of Geneva and its subsidiaries, although the Board expects that the bulk of any monies so borrowed will be used directly in lending to customers. Any loan borrowed from Federal Pacific will increase Geneva's liabilities and assets in equal measure, by the amount of the borrowing.

If the proposed resolution is not passed then the ability of Geneva to take advantage of the opportunities for growth in its loan portfolio will be severely hampered, as alternative funding from other sources is as set out above problematic. In the absence of Geneva accessing debt or equity capital then Geneva will be unable to grow its receivables portfolio and faces the prospect of losing market share to its competitors.

### **Appraisal Report**

Under the Rules, any resolution proposed to shareholders of a listed issuer which involve a dispensation from Rule 5.2.1 (described above) needs to be accompanied by an Appraisal Report prepared in accordance with the Rules by an independent appraiser. Accordingly Geneva has commissioned the preparation of such a report from Simmons Corporate Finance, and a copy of their report is attached to this Notice of Meeting. The Geneva Board is pleased to note that the Appraisal Report has concluded that, after having regard to all relevant factors, the terms and conditions of the proposed loan arrangements with Federal Pacific are fair to Geneva's shareholders not associated with Federal Pacific. The appraiser has also made a number of other statements as required by the Rules.

The Board strongly recommends that shareholders read the Appraisal Report before deciding to cast their vote on the proposed resolution.

### **Board recommendation**

The Board unanimously recommends to shareholders that they vote in favour of the proposed resolution. The two independent directors on the Board, Ronald King (the Chair) and David Smale, have each advised that they will be voting the shareholdings respectively controlled by them in favour of the resolution.

A letter from the Chair of Geneva accompanies this Notice of Meeting.

### **Important Information: General Note Applicable to All Resolutions requiring Votes at the Meeting**

Pursuant to section 125 of the Companies Act 1993, the Board has determined that, for the purposes of voting at the Annual Meeting, only those registered shareholders of the Company as at 5:00pm on 27 November 2023, being a day not more than 20 working days before the meeting, shall be entitled to exercise the right to vote at the meeting either in person or by appointing a proxy to attend and vote instead of that shareholder.

Voting will be 1 share, 1 vote and may be conducted by way of a poll.

It is important to note that under the Rules, Federal Pacific and any Associated Person (as defined in the Rules) of Federal Pacific are not permitted to vote on the proposed resolution.

### **Proxies**

Any Shareholder who is entitled to attend and vote at the Meeting may appoint a proxy to attend and vote at the Meeting. A proxy does not need to be a Shareholder.

If you appoint a proxy, you may either direct your proxy how to vote for you, or you may give the proxy discretion to vote as he or she sees fit. If you wish to give your proxy discretion then you should make the appropriate election on the Proxy Form, to grant your proxy that discretion.

Except as discussed below, you will be deemed to have given your proxy discretion if you do not make an election in relation to of the proposed resolution. The Chairman of the meeting is willing to act as proxy for any shareholder who appoints him or her for that purpose. The Chairman and any Directors appointed as proxy will vote any discretionary proxies in favour of the resolution.

To be valid, a completed Proxy Form must be returned by no later than 2:00pm on Monday 27 November 2023. Any Voting/Proxy Form received after that time will not be valid for the meeting.

A proxy form is enclosed with this Notice of Meeting. If you wish to vote by proxy you must complete the form and return it to Link Market Services Limited, so as to ensure that it is received by 2:00pm on Monday 27 November 2023. You can also appoint your proxy and vote on the resolution online by going to <https://investorcentre.linkgroup.nz/voting/GFL>. Details of where to return the completed proxy form are set out on the Proxy Form.

By Order of the Board of Directors

Malcolm Johnston  
Managing Director

**14 November 2023**

## **SCHEDULE**

### **Protocol for approving loans from Federal Pacific**

Set out below is the protocol agreed by the board of Geneva Finance Limited at its meeting on 2023.

#### **Definitions**

In this protocol the following terms have the following meanings:

**Federal Pacific** means Federal Pacific Group Limited and includes any of its subsidiaries.

**Shareholder Approval** means the resolution approved by the shareholders of Geneva Finance Limited passed at the extraordinary general meeting held on 29 November 2023.

**Geneva** means Geneva Finance Limited and includes any of its subsidiaries.

**Proposed Loan** means a loan proposed to be made by Federal Pacific to Geneva.

#### **Procedures**

1. Senior management of Geneva to consider whether borrowing from Federal Pacific should be requested by Geneva.
2. If both Geneva and Federal Pacific are willing to entertain a Proposed Loan, subject to mutually acceptable terms and conditions, then Geneva senior management is to 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.

3. Geneva management to record, electronically or in writing, all information received as to appropriate pricing and other terms received from the market sources.
4. Once senior management has the market information they and Federal Pacific are to discuss what will be appropriate terms and conditions for the Proposed Loan, subject always to Geneva board approval below.
5. Once agreement on the terms of the Proposed Loan has been reached then senior management is to write to Geneva's independent directors seeking their approval to the terms of the Proposed Loan. Management is to certify as part of that application for approval that in their view the terms and conditions of the Proposed Loan fall within the Shareholder Approval as regards quantum, pricing and other terms.
6. Independent directors of Geneva Finance Limited are to consider management's proposal, and are free to give or deny approval to the Proposed Loan, and may if they wish seek such further market advice as to appropriate terms and conditions for the Proposed Loan as they see fit in their discretion.
7. If the independent directors do not approve of the application then the Proposed Loan is not to occur unless revised terms and conditions acceptable to Federal Pacific and senior management are approved by the independent directors. If approval is given then the loan may be made on the agreed terms and conditions.
8. Any loan extension or renewal or replacement, or any variation to terms and conditions of any loan from Federal Pacific to Geneva, is to be subject to the processes set out in this protocol.