

# GFNZ GROUP LIMITED

## Notice of Special Meeting

Notice is given that a special meeting of shareholders of GFNZ Group Limited (Geneva) will be held at Amway of New Zealand, 6a Pacific Rise, Mt Wellington, Auckland on Tuesday 29 April 2014 commencing at 2 pm.

### SPECIAL BUSINESS

#### 1 Approval of Rights Issue

To consider and, if thought fit, to pass the following resolution as an ordinary resolution of Geneva:

*“In accordance with Listing Rule 7.3.1, to approve the issue of up to 202,168,512 new ordinary shares at 3 cents per share pursuant to a non-renounceable rights issue and on the terms as more particularly described in the explanatory notes to, and Simplified Disclosure Prospectus accompanying, this notice of meeting (the **Rights Issue**).”*

#### 2 Approval of underwriting agreement with Federal Pacific Group Limited

To consider and, if thought fit, to pass the following resolution as an ordinary resolution of Geneva:

*“In accordance with Listing Rules 7.5 and 9.2.1 and Rule 7(d) of the Takeovers Code, to ratify, confirm and approve entry into, and performance of, the underwriting agreement dated 2 April 2014 between Federal Pacific Group Limited (**FedPac**) and Geneva in relation to the Rights Issue as described in the Simplified Disclosure Prospectus accompanying this notice of meeting and to approve the issue of shares to FedPac under the underwriting agreement.”*

### EXPLANATORY NOTES

#### Majority required

The resolutions required for agenda items 1 and 2 are ordinary resolutions. Ordinary resolutions will be passed if greater than 50% of the votes that are cast by shareholders entitled to vote on the resolution and voting, vote in favour of the resolution.

#### Quorum

The shareholder's meeting will proceed if at least 5 shareholders having the right to vote at the meeting are present in person or by proxy.

#### Exercise of votes

On a show of hands, each shareholder has one vote. On a poll, each shareholder has one vote for each share held.

#### Voting of jointly held shares

If your shares are jointly held, only the vote of the shareholder whose name appears first in the register of shareholders will be counted to the exclusion of the other joint holder.

#### Voting by corporations

In order to vote at the meeting (other than by proxy), a corporation that is a holder of shares must appoint a person to act as its representative.

#### Proxies and Representatives

You may exercise your right to vote at the meeting either by being present in person or by appointing a proxy to attend and vote in your place. A proxy need not be a shareholder of Geneva. You may appoint the chairperson of the meeting to be your proxy. If you do not indicate how the chairperson will vote, the chairperson will vote in favour of the resolutions. A body corporate shareholder may appoint a representative to attend the meeting on its behalf.

A proxy form is enclosed with this notice of meeting. If you wish to vote by proxy you must

complete the form and send it to Link Market Services Limited, so as to ensure that it is received by 5 pm, on Sunday, 27 April 2014. Details of where to send the completed proxy form are set out in the voting instructions attached to this notice of meeting.

### **Voting Restrictions**

#### *Resolution 1*

Under NZAX Listing Rule 9.3.1, no director of Geneva or any shareholder of Geneva associated with any director, is permitted to vote their existing shares in Geneva on resolution 1. David O'Connell owns 5000 shares in Geneva. Associated parties of the other three directors, Messrs Smale, King and Hutchison, are shareholders in Geneva. These shareholders are:

- DW Smale and EM Smale as partners of the DW and EM Smale Partnership;
- Robin King and Lynn King as partners in the Robin and Lynn King Family Partnership;
- Robin King and Lynn King as trustees of the Robin and Lynn King Family Trust;
- Federal Pacific Nominees Limited.

There are no other shares held by the directors or their associated parties.

#### *Resolution 2*

Under NZAX Listing Rule 9.3.1, Federal Pacific Group Nominees Limited and any shareholder of Geneva associated with it, are not permitted to vote their existing shares in Geneva on resolution 2. Additionally rule 17 of the Takeovers Code also prohibits Federal Pacific Group Nominees Limited and any shareholder of Geneva associated with it, from voting their existing shares in Geneva on resolution 2.

Disqualified persons may not act as a discretionary proxy but may vote in accordance with express instructions of a shareholder who is not disqualified from voting.

### **Listing Rules, Companies Act and Takeovers Code**

Geneva is listed on the NZAX market operated by NZX Limited, and must comply with the NZAX Listing Rules and the Takeovers Code. In addition, various provisions of the NZAX Listing Rules are incorporated in Geneva's Constitution. The Companies Act, the Takeovers Code, Geneva's Constitution and the NZAX Listing Rules contain specific requirements which are relevant to the proposed resolutions set out in this notice of meeting. These requirements are addressed in these Explanatory Notes.

### **What happens if either Resolution 1 or 2 is not passed?**

If Resolution 1 is not passed, there will not be a Rights Issue and Resolution 2 will not be put to the vote and as noted below under "Reason for the Rights Issue", neither of the stated 2 principal reasons will be able to be fulfilled. As stated in paragraph 2.4 of the independent adviser report accompanying this notice of meeting, without the additional funding from the Rights Issue, Geneva will be able to operate but it will not have as much equity capital as the directors consider prudent in order to fund the expansion of Geneva's new business receivables book. Accordingly, Geneva's ability to enhance its profitability would be diminished and Geneva would need to raise additional equity in the near future.

If Resolution 1 is passed but Resolution 2 is not passed, the Rights Issue will proceed but will not be underwritten.

### ***Resolution 1 – Approval of the Rights Issue***

#### **Reason for the Rights Issue**

Geneva requires additional equity funding for two principal reasons:

1. To fund the expansion of its new business lending program. On the 1 August 2013, Geneva obtained a \$30.0m securitisation facility from Westpac. As at that date the facility was drawn to \$17.3m. Under the securitisation facility, typically each \$1.00 of new lending is 78% funded by the facility with the remaining 22% being funded by Geneva. Approximately \$2.0m - \$2.5m of the funds raised through the Rights Issue will be used to fund Geneva's portion of the expanding new business receivables ledger.

2. To re-strengthen Stellar Collections Limited's balance sheet by \$3.5m - \$4.0m. The residual old ledgers which are now held by Stellar Collections Limited have proved to be an ongoing source of losses for Geneva. Equity raised under the Rights Issue will both replace the equity eroded by these losses and repay inter-company debt, thereby lowering Stellar Collections Limited's funding cost.

### **Main Terms of the Rights Issue**

The main terms of the Rights Issue are as follows:

- Geneva will issue up to 202,168,512 new ordinary shares at 3 cents per share (payable in full in cash on application);
- the Rights Issue is scheduled to open on 10 April 2014 and close on 6 May 2014. Shares will be issued on 13 May 2014;
- the Rights Issue is subject to the approval of the shareholders by ordinary resolution (Resolution 1);
- the shareholders are offered 11 new shares for every 18 shares held on 4 April 2014 (the **Record Date**) (with fractions rounded down);
- Holders of Geneva's options issued under the 2012 rights issue and employees to whom options were issued on 31 July 2012 are offered 11 new shares for every 18 options held on the Record Date (with fractions rounded down);
- the new shares issued under the Rights Issue will rank equally in all respects, including as to dividends and voting, with the existing shares;
- Rights are non-renounceable, which means that shareholders and optionholders may not sell or transfer any of their Rights;
- shareholders and optionholders can apply for more than their entitlement. In the event that more shares are subscribed for than are available under the Rights Issue, the directors will scale applications, first, after allocating entitlements, and thereafter in a manner the directors determine is equitable.

For example, if a shareholder currently holds 1000 shares, the shareholder will be entitled to subscribe for 611 new shares under the Rights Issue for a total price of \$18.33.

In the 3 months to 31 March 2014, there have been 1,343,153 shares sold at an average selling price of 4.3 cents per share. The number of shares sold represents 0.48% of the total shares on issue.

Accompanying this notice of meeting is a Simplified Disclosure Prospectus detailing the terms of the Rights Issue and a Rights Entitlement and Acceptance Form setting out the number of Rights to which each shareholder and optionholder is entitled, determined in accordance with the number of shares and options held on the Record Date.

### **Requirements for Resolution 1**

Resolution 1 is required by NZAX Listing Rule 7.3.1 which provides that Geneva cannot issue shares unless the precise terms and conditions of the issue are approved by an ordinary resolution of shareholders or the issue is specifically permitted by another Listing Rule. No other Listing Rule permits a pro rata rights issue to all shareholders where the issue is non-renounceable.

### ***Resolution 2 – Approval of underwriting agreement with Federal Pacific Group Limited***

The underwriter for the Rights Issue is Federal Pacific Group Limited (**FedPac**), a shareholder in Geneva which currently holds 33.67% of the shares in Geneva. It is likely that the percentage of shares held by FedPac will increase as a result of its underwriting of the Rights Issue.

Shareholder approval by ordinary resolution is sought in accordance with the Takeovers Code and the Listing Rules of NZX Limited for Geneva to enter into the underwriting agreement with FedPac and the potential allotment of shares to FedPac under underwriting agreement, which may result in FedPac holding or controlling an increased percentage of Geneva's shares.

*Principal terms of the underwriting agreement*

FedPac has agreed to underwrite the Rights Issue on the following basis:

- FedPac will accept its full rights entitlement of 78,003,676 new shares on the basis of FedPac's current holding of 94,561,028 shares and 33,081,352 options;
- FedPac will subscribe for, at the issue price of 3 cents per share and in cleared funds on the allotment date for the Rights Issue (the **Allotment Date**) and receipt of written notification of the shortfall, any shortfall in the issue below 202,168,512 shares (which includes FedPac's entitlement of 78,003,676 new shares);
- FedPac may apply all or part of its three year \$5,000,000 loan to Geneva (see page 5 of the Simplified Disclosure Prospectus) in payment of shares issued to it under its entitlement and its underwrite;
- Geneva will pay FedPac a fixed underwriting fee of \$75,813 being equal to 1.25% of the total issue price of the shares offered under this the Simplified Disclosure Prospectus;
- FedPac's underwriting commitment is conditional on:
  - the shareholders approving the terms of the Rights Issue and the underwriting agreement and the issue of shares pursuant to the Rights Issue and the underwriting agreement;
  - any regulatory or stock exchange approvals necessary for the Rights Issue being obtained on terms reasonably acceptable to FedPac.
  - the Allotment Date being not later than 30 June 2014;
  - NZX accepting the new shares for quotation;
  - NZX not suspending the quotation of shares prior to the Allotment Date;
  - the directors of Geneva not withdrawing or terminating the Rights Issue; and
  - the Simplified Disclosure Prospectus not being or becoming false or misleading in a material particular by reason of failing to refer, or give proper emphasis, to adverse circumstances whether occurring before or after the date of the Simplified Disclosure Prospectus, and no material adverse change occurring in the position or prospects of Geneva.
  - None of the following occurring after the date of the underwriting agreement and prior to the Allotment Date:
    - an event or series of events occurs, or FedPac first becomes aware of any matter or information which it could not reasonably have been aware of before the date of the underwriting agreement, which in the reasonable opinion of FedPac:
      - (i) has, or is likely to have, or once publicly disclosed, will have a material adverse effect on Geneva or a member of the Geneva Group or on its business or prospects;
      - (ii) has given rise to or is likely to give rise to a contravention by FedPac of, or FedPac being involved in a contravention of, the Securities Act, the Listing Rules, the Takeover Code or any other applicable law or regulation; or
    - trading in all securities quoted or listed on the NZAX being suspended or limited in a material respect for at least 2 days on which that exchange is open for trading except when such trading is suspended or limited by a technical glitch; or
    - any adoption by the Reserve Bank of New Zealand of a significant change in any policy or direction in respect of which there has not been a detailed announcement

prior to the date of the underwriting agreement which will or may have a material adverse effect on the New Zealand economy.

If any condition listed above is not fulfilled, or ceases to be fulfilled, or Geneva breaches any provision of the underwriting agreement, or any warranty given by Geneva in of the underwriting agreement is incorrect, FedPac may terminate the underwriting agreement by written notice to Geneva.

## **Requirements for Resolution 2**

Resolution 2 is required by:

- NZAX Listing Rule 9.2.1, which provides that an issuer such as Geneva cannot enter into a “Material Transaction” if a “Related Party” such as FedPac is or is likely to become a direct or indirect party to the Material Transaction or to one of a series of transactions of which the Material Transaction forms part, unless the Material Transaction has first been approved by an ordinary resolution of the shareholders of Geneva. The underwriting agreement constitutes a Material Transaction with a Related Party because FedPac could be required to subscribe for shares having a market value in excess of 10% of Geneva’s Average Market Capitalisation (as that term is defined in the NZAX Listing Rules);
- NZAX Listing Rule 7.5 which states that an issuer such as Geneva cannot issue securities if there is a significant likelihood that the issue will result in any person, such as FedPac, materially increasing its ability to exercise effective control of the issuer, where that person is already entitled to exercise not less than 1% of the total votes attaching to the issuer’s securities, unless the precise terms and conditions of the issue have first been approved by an ordinary resolution of the shareholders of the issuer; and
- Rule 7(d) of the Takeovers Code which allows a person holding 20% or more of the voting rights to take an allotment of voting securities which increases their voting rights in a code company, such as Geneva, only if the allotment of voting securities is approved by an ordinary resolution of the shareholders of Geneva. FedPac currently holds more than 20% of the shares in Geneva which confer on FedPac more than 20% of the voting rights.

### *Takeovers Code*

Rule 16 of the Takeovers Code requires the following information to be included in this notice of meeting. The paragraph numbering below corresponds with the paragraphs of Rule 16.

- (a) FedPac (through its nominee Federal Pacific Nominees Limited) is the proposed allottee of shares, to be issued to it under the Rights Issue and the underwriting agreement;
- (b) the particulars of the voting securities that may be allotted to FedPac are set out below;
- (c) not applicable (as the voting securities to be allotted are not securities of a body corporate other than a code company);
- (d) the issue price:
  - (i) for the shares under the Rights Issue, is 3 cents per share, payable in full on application; and
  - (ii) for shares acquired under the underwriting agreement, is 3 cents per share, payable on the first business day after the closing date of the Rights Issue and notification of the shortfall;
- (e) the potential allotment of shares to FedPac arises from its commitment under the underwriting agreement. Geneva’s reasons for the Rights Issue are described on page 2 above;
- (f) the allotments of shares to FedPac under the Rights Issue, if approved, will be permitted under rule 7(d) of the Takeovers Code as an exception to rule 6 of the Takeovers Code.
- (g) Geneva has been advised by FedPac that, except for under the underwriting agreement, no agreements or arrangements have been, or are intended to be, entered into between FedPac and any other person relating to:

- the allotment, holding or control of the shares to be allotted to FedPac; or
  - the exercise of voting rights in Geneva.
- (h) this notice of meeting is accompanied by an independent adviser report from Simmons Corporate Finance Limited on the merits of the proposed allotment of voting securities to FedPac. The report states that after having regard to all relevant factors, on balance the positive aspects of the allotment of shares to FedPac under the underwriting agreement outweigh the negative aspects from the perspective of the shareholders who are not associated with FedPac.
- (i) the directors of Geneva have issued a statement recommending approval of the proposed allotment of voting securities to FedPac on the grounds that the Fedpac underwrite will ensure that new equity of \$6,065,000 is received which is an increase of 48.6% of Geneva's equity as at 30 September 2013 and thus a significant strengthening of Geneva's financial position.

*Particulars of voting securities that may be allotted to FedPac*

The following information is included as required by Rule 16(b)(ii) of, and Schedule 5 to, the Takeovers Code. Paragraphs (a) to (g) in the table provide the information required by paragraphs (a) to (g) of Schedule 5.

(a)	The maximum number of shares that can be allotted	202,168,512
(b)	The maximum number of shares that can be allotted as a percentage of the number of shares on issue	72%
(c)	1. The maximum percentage of shares which FedPac could hold after the Rights Issue 2. the percentage of shares which FedPac could hold after 19 December 2015	1. 61.43% 2. 61.88%
(d)	1. The maximum percentage of shares which FedPac and its associates could hold after the Rights Issue 2. the maximum percentage of shares which FedPac and its associates could hold after 19 December 2015	1. 61.43% 2. 61.88%
(e)	Not applicable	
(f)	The date used to calculate the information in this table (the calculation date)	The date of this notice of meeting
(g)	The assumptions on which the above calculations are based	<ul style="list-style-type: none"> <li>• none of the other shareholders take up any of their entitlement under the Rights Issue and therefore FedPac subscribes for all 202,168,512 shares;</li> <li>• there is no change to the total number of Geneva's shares from the number of shares on issue at the date of this notice of meeting and 19 December 2015 other than as a result of the Rights Issue, the underwriting agreement and the options described below;</li> </ul>

		<ul style="list-style-type: none"><li>• the employees to whom options were issued in July 2012 exercise all of their options before 31 July 2015 (the date on which those options expire); and</li><li>• when the options issued in 2012 become exercisable in November 2015, the optionholders (including FedPac) exercise all of their options on or before 19 December 2015 (the date on which those options expire).</li></ul>
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Dated 8 April 2014

By order of the Board

**MANAGING DIRECTOR**

**INVITATION:** At the conclusion of the meeting, afternoon tea will be served.

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# GFNZ GROUP LIMITED'S SPECIAL MEETING

## 29 April 2014

### Voting Instructions for shareholders

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Shareholders can vote in the following ways:

- 1 **Attend the meeting** – bring your Proxy Form to the meeting as the barcode is required to assist with your registration.
- 2 **Appoint a person as your proxy** – complete the Proxy Form including how you wish them to vote and mail back to Link Market Services Limited (Link) before 5.00pm on Sunday, 27 April 2014. Your appointed proxy will receive the voting paper upon registration at the meeting. You can also appoint a proxy online as described below.
- 3 **Electronic voting and proxy appointments** – To vote online or appoint a proxy online, please visit the Link Market Services Investor website: <https://investorcentre.linkmarketservices.co.nz/voting/GFL.aspx> and follow the prompts. You will require your CSN/Holder Number and FIN to vote. If you have previously registered a Link Investor Centre Portfolio, log in to your portfolio and vote by select the “voting” option from the top menu bar. Electronic voting will close at 5.00pm on Sunday, 27 April 2014.

**Each method of voting and the way to use the forms enclosed with this Notice of Meeting are explained in detail below. Please read this section carefully, and choose only one voting option.**

Full details on how to return your Proxy Forms to the registry is available at the end of this section.

#### 1 IF YOU WISH TO ATTEND AND VOTE AT THE ANNUAL MEETING:

If you wish to **attend the meeting, you must register at the registration desk prior to entering the meeting.** The registration and poll (should a poll be held) will be managed by our registry, Link.

**Please bring your Proxy Form with you** to the meeting to present at the registration desk as the **barcode on your form is required to assist with your registration.**

Upon registration you will receive a separate voting card to complete and mark the way you wish to vote at the time that each poll is put to the meeting by the Chairperson (should a poll be held). Once the voting is completed, Link will collect your voting cards from you.

#### 2 APPOINTING A PROXY TO ATTEND AND VOTE ON YOUR BEHALF:

##### (a) **Appointing a Proxy by Mail**

If you wish to appoint another person as your proxy, you will need to complete your enclosed Proxy Form.

Please read the information on your Proxy Form carefully. Insert the name of the person you wish to appoint in the area provided. Complete the voting boxes by indicating on the Proxy Form how you wish the proxy to vote.

If you return the Proxy Form without indicating how you wish to vote, your proxy will vote as s/he sees fit or abstain from voting.

Please advise your proxy that s/he must register at the registration desk prior to entering the meeting room to obtain the necessary voting papers to vote on your behalf.

The Proxy/Representative Form must be completed, signed and received by Link, no later than 5.00pm on Sunday, 27 April 2014.



**(b) Appointing a Proxy Electronically**

To appoint your proxy and vote online, please visit the Link Market Services Investor website: <https://investorcentre.linkmarketservices.co.nz/voting/GFL.aspx> and follow the prompts. You will require your CSN/Holder Number and FIN to vote. If you have previously registered a Link Investor Centre Portfolio, log in to your portfolio and vote by select the “voting” option from the top menu bar.

Electronic proxy appointments and voting will close at 5.00pm on Sunday, 27 April 2014.

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**YOU CAN RETURN YOUR PROXY FORM TO OUR REGISTRY, LINK, IN ONE OF THE FOLLOWING WAYS:**

- **mail** it to Link in the reply-paid envelope provided, or
- **address** it to Link Market Services Limited, PO Box 91976, Auckland 1030, New Zealand, or
- **deliver** it to Link Market Services Limited, Level 7, Zurich House, 21 Queen Street, Auckland, or
- **fax** it to 64 9 375 5990, or
- **scan and email** it to *meetings@linkmarketservices.co.nz* (please put the words “Geneva Proxy Form” in the subject line for easy identification), or
- **vote online** as per the instruction in the section above.

The Proxy Form must be received by Link no later than 5.00pm on Sunday, 27 April 2014, to be valid.

If you have any questions regarding the voting, please contact Link on (phone) 64 9 375 5998.

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**PLEASE NOTE THAT ALL SHAREHOLDERS / PROXY HOLDERS / VISITORS OR ANY OTHER PERSON(S) WHO WISH TO ATTEND GFNZ GROUP LIMITED’S SPECIAL MEETING, MUST REGISTER AT THE REGISTRATION DESK PRIOR TO ENTERING THE MEETING ROOM.**

**PLEASE CHOOSE ONLY ONE VOTING OPTION.**