General Finance Limited

Interim Condensed Financial Statements

For the six months ended

30 September 2023

General Finance Limited

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General Finance Limited

Interim Condensed Statement of Comprehensive Income
For the six months ended 30 September 2023

	6 Months ended 30-Sep 2023 $	6 Months ended 30-Sep 2022 $
Interest income	6,134,723	4,603,120
Interest expense	(3,594,408)	(2,233,808)
Net interest income	2,540,315	2,369,312
Fee and commission income	1,427,927	1,407,775
Fee and commission expense	(372,795)	(343,309)
Net fee and commission income	1,055,132	1,064,466
Other revenue	2,345	4,414
Net revenue	3,597,792	3,438,192
Decrease / (increase) in allowance for expected credit losses	11,977	(183,658)
Personnel expenses	(687,408)	(467,145)
Depreciation and amortisation expense	(968)	(46,958)
Occupancy expenses	(44,417)	-
Other expenses	(1,174,713)	(715,921)
Profit before income tax	1,702,263	2,024,510
Income Tax Expense	(477,131)	(566,863)
Net Profit attributable to the shareholders of the Company	**1,225,132**	**1,457,647**
Other comprehensive income	-	-
Total other comprehensive income	**-**	**-**
Total comprehensive income attributable to the shareholders of the Company	**1,225,132**	**1,457,647**

The accompanying notes form part of and should be read in conjunction with the Interim Condensed Financial Statements.

General Finance Limited

Interim Condensed Statement of Changes in Equity
For the six months ended 30 September 2023

	Share Capital	Retained Earnings	Total
Balance at 1 April 2022	**7,100,000**	**2,643,002**	**9,743,002**
Profit for the period	-	1,457,647	1,457,647
Other comprehensive income	-	-	-
Total comprehensive income for the period	**-**	**1,457,647**	**1,457,647**
Balance at 30 September 2022	**7,100,000**	**4,100,649**	**11,200,649**
Balance at 1 April 2023	**12,574,234**	**3,414,088**	**15,988,322**
Profit for the period	-	1,225,132	1,225,132
Other comprehensive income	-	-	-
Total comprehensive income for the period	**-**	**1,225,132**	**1,225,132**
Balance at 30 September 2023	**12,574,234**	**4,639,220**	**17,213,454**

The accompanying notes form part of and should be read in conjunction with the Interim Condensed Financial Statements.

General Finance Limited

Interim Condensed Statement of Financial Position
As at 30 September 2023

	Note	30 Sep 2023 $	31 Mar 2023 $	30 Sep 2022 $
Share capital		12,574,234	12,574,234	7,100,000
Retained earnings		4,639,220	3,414,088	4,100,649
Total equity		**17,213,454**	**15,988,322**	**11,200,649**
Assets				
Cash and cash equivalents		16,176,704	9,443,743	16,977,773
Other current assets		258,267	223,331	142,427
Related party receivables	**9**	35,589	12,608	14,509
Bank deposits		12,070,454	8,924,560	4,356,210
Loan receivables	**4**	104,305,967	108,834,304	101,195,375
Property, plant and equipment		8,280	1,336	-
Right of use assets		-	-	46,448
Intangible assets		206,000	-	129
Deferred tax asset		156,496	245,922	135,896
Total assets		**133,217,757**	**127,685,804**	**122,868,767**
Liabilities				
Accounts payable and accruals		858,558	648,779	505,025
Related party payables	**9**	269,979	136,933	17,286
Term deposits	**5**	114,737,488	109,886,032	110,470,674
Lease liabilities		-	-	64,576
Income tax payable		138,278	1,025,738	610,557
Total liabilities		**116,004,303**	**111,697,482**	**111,668,118**
Net assets		**17,213,454**	**15,988,322**	**11,200,649**

Authorised for issue on behalf of the Board:

Director

Date: 21 November 2023

Director

Date: 21 November 2023

The accompanying notes form part of and should be read in conjunction with the Interim Condensed Financial Statements.

General Finance Limited

Interim Condensed Statement of Cash Flows
For the six months ended 30 September 2023

	6 months ended Sep 2023 $	6 months ended Sep 2022 $
Cash flows from operating activities		
Interest received	6,474,185	4,376,782
Bad debts recovered	2,345	1,910
Loan fees, commission and other income	1,662,657	730,751
Payments to suppliers and employees	(2,353,790)	(1,835,379)
Interest paid	(3,154,218)	(2,005,601)
Income tax paid	(1,275,165)	(527,230)
Net cash flows from operating activities before changes in operating assets and liabilities	1,356,014	741,233
Term deposits (net receipts)	4,427,467	22,212,584
Loan receivables (net advances) / net repayments	4,109,287	(20,417,735)
Net cash flows from operating activities	**9,892,768**	**2,536,082**
Cash flows from investing activities		
Purchases of property, plant and equipment	(7,913)	-
Purchases of intangible assets	(6,000)	-
Investments in bank deposits	(3,145,894)	(1,906,210)
Net cash flows applied to investing activities	**(3,159,807)**	**(1,906,210)**
Cash flows from financing activities		
Lease payments	-	(46,951)
Net cash flows applied to financing activities	**-**	**(46,951)**
Net cash and cash equivalents movement for the period	**6,732,961**	**582,921**
Opening cash and cash equivalents balance	**9,443,743**	**16,394,852**
Closing cash and cash equivalents balance	**16,176,704**	**16,977,773**

The accompanying notes form part of and should be read in conjunction with the Interim Condensed Financial Statements

1.0 Reporting and Accounting Basis

1.1 Reporting Entity

The interim condensed financial statements presented here are for the entity General Finance Limited.

General Finance Limited (the "Company") is a finance and mortgage lending company incorporated in New Zealand. The Company's ultimate parent company is General Capital Limited, an NZX listed entity.

The Company, a profit-oriented entity, is a limited liability company registered under the Companies Act 1993. The address of its registered office is Level 8, General Capital House, 115 Queen Street, Auckland CBD, New Zealand.

1.2 Reporting Framework

The interim condensed financial statements have been prepared in accordance with the requirements of the Financial Markets Conduct Regulations 2014 and New Zealand Generally Accepted Accounting Practice (NZ GAAP). In accordance with the provisions of the Financial Reporting Act 2013 and the Financial Market Conducts Act 2013, the Company is an FMC Reporting Entity.

These interim condensed financial statements comply with NZ IAS 34 *Interim Financial Reporting and* IAS 34 *Interim Financial Reporting* and should be read in conjunction with the financial statements for the year ended 31 March 2023.

These interim condensed financial statements have been prepared on a going concern basis in accordance with historical cost concepts, as modified by the revaluation of certain assets and liabilities as identified in the accounting policies below.

The presentation and functional currency used by the Company is New Zealand dollars. In presenting amounts in the interim condensed financial statements these amounts have been rounded to the nearest dollar.

1.3 Changes in accounting policies

The accounting policies applied by the Company are consistent with those applied and disclosed in the previous full year financial statements and methods of computation.

2. Significant accounting estimates and judgments

There are a number of significant accounting treatments which include complex or subjective judgments and estimates that may affect the reported amounts of assets in these financial statements. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

An explanation of the judgments and estimates made by the Company in the process of applying its accounting policies, that have the most significant effect on the amounts recognised in the financial statements, are set out below.

2.1 Increased level of inherent uncertainty

International economies are being strongly influenced by significant geopolitical events including conflicts between Russia and Ukraine and in the Middle East as well as uncertainty in the South China sea. These events have caused impacts on markets, particularly commodities including oil, grain etc. These pressures have created cost tensions and an increase in inflation. The New Zealand market has been affected by inflation in costs and the RBNZ's response was to increase interest rates. High interest rates played a significant part in slowing down of the New Zealand property market. In September 2023 there were signs of a property market recovery, however the future of the property values is still uncertain. There are continuing signs that the level of economic activity is under pressure, and it is likely that some sectors will face business failure and staff will face layoffs. As a result of international and domestic economic environments there has been an increase of inherent uncertainty in the critical accounting estimates and judgements applied by management in the preparation of these financial statements.

All reasonably known and available information with respect to the current adverse macro and micro economic conditions and adverse global events has been taken into consideration in the critical accounting estimates and judgements applied by Management, and all reasonably determinable adjustments have been made in preparing these financial statements.

As a result of the above, the Company anticipates that lower levels of economic activity and confidence will continue for at least the short to medium term and may result in increased business failures and unemployment levels in New Zealand.

Consequently, the Company has concluded that there has been an increase in the level of inherent uncertainty in the significant accounting estimates and judgements applied by Management in the preparation of these financial statements (refer note 2.2 and 2.3).

These financial statements have been prepared based upon conditions existing as at 30 September 2023 and consider those events occurring subsequent to that date that provide evidence of conditions that existed at the end of the reporting period. As the above events occurred before 30 September 2023, its impacts are considered an event that is indicative of conditions that arose prior to reporting period. Accordingly, as at the date of signing these financial statements, all reasonably known and available information with respect to the current adverse macro and micro economic conditions, adverse global events, recovery of the property market, high interest rates have been taken into consideration in the critical accounting estimates and judgements applied by Management (refer note 2.2 and 2.3 below) and all reasonably determinable adjustments have been made in preparing these financial statements.

2.2 Applicability of the going concern basis of accounting

Whilst the above-stated factors have lowered overall economic activity and confidence, Management have assessed and determined that the Company’s application of the going concern basis of accounting remains appropriate.

The Company has responded to the above economic conditions in the following ways:

- Undertook an analysis of its forecast cashflows to evaluate the appropriateness of the Company’s continued application of the going concern basis of accounting. This forecast cashflows took into consideration the Company’s expectation of the impact of the above-stated factors on its earnings, cash flow and financial position.
- Assessed the direct and indirect financial impacts on the carrying value of reported amounts of assets, liabilities, revenues and expenses.
- Implemented and enacted appropriate health and safety responses.

Cashflow forecast and going concern

The Company has performed consistently with the expected trends assumed in preparing the 31 March 2023 financial statements going concern consideration. These are detailed further below:

1) The Company expected term deposit reinvestment rates to be at a rate of 65-75%. The actual average reinvestment rate was higher, at 76% for the six months ended 30 September 2023.

2) The Company expected total term deposit investments will continue growing. Total term deposits have increased by $4.9m during the period. Actual new term deposit investments were at an average of $2.4m per month for the six months ended 30 September 2023 (March 23 full year: $4.2m per month).

3) The Company expected that some loans will take longer to collect. Management have increased default penalty interest rates and will target loans with lower loan to valuation ratios.

   Loans in arrears decreased to $6.5m as at 30 September 2023 from $13.5m as at 31 March 2023. These loan arrears include $2.7m of loans past due greater than 90 days (March 2023: $4.1m). A total of $2.5m of arrears has been cleared after 30 September 2023. There was one loan write-off of $330k in the 6 months ended 30 September 2023 (March 2023: $Nil), recovery actions are continuing in endeavour to collect some or all of the write off.

4) The Company expected the property values to continue to reduce. The September 2023 monthly property report dated 11 October 2023 published by the Real Estate Institute of New Zealand (REINZ) showed that the median price for residential property had reduced by 3.1% nationally from September 2022 to September 2023, and the REINZ House Price Index dropped by 3.3% nationally year on year. As at 30 September 2023 Management have performed sensitivity analysis, factoring in a 25% drop in property values (as described further in the note).

5) The Company expected gradual reduction of the net interest margin *(the difference between loan and deposit interest rates)* plateauing in the second half the financial year ended 31 March 2024. For the six months ended 30 September 2023 the company experienced a gradual decrease in the net interest margin due to a higher level of increases in interest rates paid on term deposits compared to the interest rates earned from loans.

Based on the current economic conditions in New Zealand, the Company currently expects the following trends:
1. Term deposit reinvestment rates to improve to the average rate of 70-80%.
2. Total term deposits to continue growing.
3. Property values to remain stable. Management will continue to consider loans up to historic loan to valuation ratios. Management have performed a sensitivity analysis, factoring in a 25% drop in property values described further in note 2.3.
4. A gradual reduction of the net interest margin *(the difference between loan and deposit interest rates)* plateauing in the first half of the 2024 calendar year.

During the reporting period the Company has maintained its Credit Rating for BB with a stable outlook.

Accordingly, Management have assessed and determined based on forecasts prepared for greater than 12 months from the date of signing, that the Company’s application of the going concern basis of accounting remains appropriate.

2.3 Allowance for expected credit losses

Significant increase in credit risk

Expected credit losses (‘ECL’) are measured as an allowance equal to 12-month ECL, or lifetime ECL for assets with a significant increase in credit risk or in default or otherwise credit impaired. In assessing whether the credit risk of an asset has increased significantly, the Company considers its historical loss experience and adjust this for current observable data. This data includes any payment defaults by the borrower, known or expected defaults by the borrower on similar obligations (other loans), uninsured deterioration of the security property and any changes in the borrowers circumstances which could impact on their ability to repay either interest or principal amounts on their due date. The Company also considers changes or forecast changes to macroeconomic factors including property prices, unemployment, interest rates, gross domestic product and inflation.

Calculation of loss allowance

When measuring ECL the Company uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Company would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

The ECL is calculated on an individual loan basis through a combination of the assessed lifetime credit default and probability default (referred to as expected loss factor) to the loan balance. The expected loss factor is determined from the Company historical loss experience data.

Historical loss experience data is reviewed by management and adjustments made to reflect current and forward looking economic and credit conditions. In addition, management recognised that a certain level of imprecision exists in any model used to generate risk grading and provisioning levels. As such an adjustment is applied for model risk.

In instances where the probability of default has increased significantly (a significant increase in credit risk), or where the loan is in default, the expected credit loss (or loss given default) may not increase significantly due to the Company’s lending criteria which prohibits lending when the loan to valuation ratio (LVR) exceeds 75%. This means in general that the Company expects that the present value of expected cash flows from a loan in default to approximate the carrying value of the loan prior to the default event, except in cases where the LVR has increased considerably due to a reduction in the security property valuation or a significant increase in the loan balance.

Management regularly reviews and adjusts its ECL estimates, judgements, assumptions, and methodologies as data becomes available. Changes in these estimates, judgements, assumptions, and methodologies could have a direct impact on the level of credit provision and credit impairment charge recorded in the financial statements (refer Note 4 Loan Receivables).

If the 12-month ECL rate for loans without a significant increase in credit risk increased/(decreased) by 0.2% higher/(lower) as at 30 September 2023, the loss allowance on loan receivables would have been $198,529 higher/(lower) (March 2023: $202,057 higher/(lower)).

If the lifetime ECL rate for loans with a significant increase in credit risk and credit impaired loans increased/(decreased) by 1.0% higher/(lower) as at 30 September 2023, the loss allowance on loan receivables would have been $64,508 higher/(lower) (March 2023: $94,777 higher/(lower)).

The events described in note 2.1 have impacted negatively on some borrowers' ability to make their payments as they fell due, this included:

1) Lending institutions increasing their processing times
2) Difficulties in marketing properties
3) Difficulties in proving borrowers future income
4) Delays in supply chains
5) Delays in the council approvals
6) Difficulties in transferring funds from overseas jurisdictions to New Zealand (primarily China)
7) The availability of funding for potential purchasers of the properties the Group has security over.

The highest loan to valuation ratio (LVR) of the Company's loan book as at 30 September 2023 was 66.1% (March 2023: 67.2%) and the weighted average LVR of the loan book was 53.3% (March 2023: 54.2%), based on loan security valuations on origination of the loan (the 30 September 2023 LVR calculation excludes 1 loan for $235,257 secured by caveat).

According to a sensitivity analysis performed on the property security valuations underlying the Company's loan receivables as at 30 September 2023 (factoring in selling costs and time value of money):
1) A 25% drop in residential property values would result in losses of $0 – $50,000 (March 2023: Nil).
2) A 25% drop in commercial property values would result in no loan losses (March 2023: $nil).

The above sensitivity analysis factors in the expected selling costs of the property as well as the time value of money over the expected time to sell (or to refinance) the property (expected to be no greater than six-months based on the Company's experience). The sensitivity analysis does not factor in potential increases in underlying security value since the origination of the loan (The sensitivity analysis calculation for 30 September 2023 excludes 1 loan secured by caveat).

Expected credit losses:

1) Based on the history of the Company's loan book over the last three years, the average annual write-offs as a percentage of the average loan receivable balance over the same period was 0.15%. This would be an appropriate basis for 12-month expected credit losses in normal economic conditions.

2) The Company recognises that New Zealand's economic forecast for the next 12 months is uncertain due to the impacts of the events described in note 2.1 above. As a result, the Company has concluded that the probability of default has increased. However, due to the Company's well-secured loan book (as described above), the expected credit losses have increased but not by a material amount. As such, the Company has determined that 0.25% (March 2023: 0.25%) of the gross loan balance is a more appropriate expectation of losses than 0.15% for the next 12 months.

3) Lifetime ECL's for loans with a significant increase in credit risk and for loans in default have been calculated based on the Company's expectations for discounted net cash flows from the respective loan receivables over the expected remaining life of the loans in light of ongoing events as described in note 2.1.

3. Management of capital

The Company's capital includes share capital and retained earnings as disclosed in the Statement of Changes in Equity.

The Company's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business. In accordance with its Trust Deed, and the Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010, and the Non-Bank Deposit Takers Act 2013, the Company has a minimum capital ratio requirement of 8% of capital against risk weighted assets which it is required to maintain. The minimum capital ratio requirement was reduced from 15% on 16 September 2019 when the Company published its first credit rating.

The Company has complied with this ratio requirement during the year. As at 30 September 2023, the capital ratio of the Company was 23.90% (as at 31 March 2023: 21.83%).

The Company maintains an appropriate buffer above these ratios and reports these to its Board of Directors monthly.

4. Loan receivables

	30 Sep 2023 $	31 Mar 2023 $
Advances secured by first mortgage	105,479,971	110,506,174
Advance secured by caveat[2]	235,257	-
	105,715,228	110,506,174
Less deferred fee income and expenditure	(975,085)	(895,605)
Less impairment allowance	(434,176)	(776,265)
Net carrying value	**104,305,967**	**108,834,304**
Current portion	95,736,925	107,703,548
Non-current portion	8,569,042	1,130,756
	104,305,967	**108,834,304**
Primary Loan Security		
Residential housing	88,623,665	92,916,572
Residential bare land	13,993,095	12,383,593
Residential development land and buildings	-	2,107,329
Commercial property[1]	3,098,468	3,098,680
	105,715,228	**110,506,174**

[1]The Company's credit risk policy allows for a maximum of 30% of total lending to be secured over commercial properties and individual commercial loans are to be limited to 7.5% of total tangible assets. For the half year ended 30 September 2023 the company had 2.9% of commercial lending (March 2023: 2.8%).

[2]The Company's credit risk policy allows caveats as a secondary security.

Loan receivables represent loans at commercial interest rates. Current loan receivables are contractually repayable within 12 months. Non-current loan receivables are contractually repayable between 12 months to 24 months from the balance date.

At year end there was $2,964,620 outstanding loan commitments (loans approved and accepted not yet drawn) including future capitalised interest (March 2023: $7,510).

Reconciliation of gross loan receivable balance movements through ECL stages:

	12 month ECL	Lifetime ECL Not credit impaired	Lifetime ECL credit impaired	Total
Balance as at 31 March 2022	**79,129,017**	**1,301,738**	**487,279**	**80,918,034**
New loan advanced and accrued	95,678,186	-	-	95,678,186
Repayments	(64,301,029)	(1,301,738)	(487,279)	(66,090,046)
Transfer to lifetime not credit impaired	(5,415,857)	5,415,857	-	-
Transfer to lifetime credit impaired	(4,061,846)	-	4,061,846	-
Balance as at 31 March 2023	**101,028,471**	**5,415,857**	**4,061,846**	**110,506,174**
New loan advanced and accrued	42,377,518	-	-	42,377,518
Repayments	(37,926,017)	(5,085,745)	(3,826,590)	(46,838,352)
Loan balances written off	-	(330,112)	-	(330,112)
Transfer to lifetime not credit impaired	(3,730,971)	3,730,971	-	-
Transfer to lifetime credit impaired	(2,484,609)	-	2,484,609	-
Balance as at 30 September 2023	**99,264,392**	**3,730,971**	**2,719,865**	**105,715,228**

Reconciliation of movements in impairment allowance by stage:

	12 month ECL	Lifetime ECL Not credit impaired	Lifetime ECL credit impaired	Total
Impairment allowance as at 31 March 2022	**197,536**	**3,254**	**1,505**	**202,295**
New loan advanced and accrued	239,195	-	-	239,195
Repayments	(160,466)	(3,254)	(1,505)	(165,225)
Transfer to lifetime not credit impaired	(13,540)	13,540	-	-
Transfer to lifetime credit impaired (collectively assessed)	(10,155)	-	10,155	-
Transfer to lifetime credit impaired (individually assessed)	-	400,000	100,000	500,000
Impairment allowance as at 31 March 2023	**252,570**	**413,540**	**110,155**	**776,265**
New loan advanced and accrued	105,944	-	-	105,944
Repayments	(94,816)	(12,714)	(9,566)	(117,096)
Loan balances written off (collectively assessed)	-	(825)	-	(825)
Loan balances written off (individually assessed)		(330,112)		(330,112)
Transfer to lifetime not credit impaired	(9,327)	9,327	-	-
Transfer to lifetime credit impaired (collectively assessed)	(6,212)	-	6,212	-
Transfer to lifetime credit impaired (individually assessed)	-	(69,888)	69,888	-
Impairment allowance as at 30 September 2023	**248,159**	**9,328**	**176,689**	**434,176**

In instances where the probability of default has increased significantly (a significant increase in credit risk), or where the loan is in default, the expected credit loss (or loss given default) may not increase significantly due to the Company's lending criteria which prohibits lending when the loan to valuation ratio (LVR) exceeds 75%. This means in general that the Company expects that the present value of expected cash flows from a loan in default to approximate the carrying value of the loan prior to the default event, except in cases where the LVR has increased considerably due to a reduction in the security property valuation or a significant increase in the loan balance.

The LVR of loans with a significant increase in credit risk or in default was in a range of 48.9% - 66.1% as at 30 September 2023 (March 2023: in a range of 34.9% - 67.2%), based on the security property valuation at origination (the 30 September 2023 LVR calculation excludes 1 loan secured by caveat). $2.7m of Lifetime ECL Credit Impaired loans are made up of 3 loans. Two of the loans have first mortgages and one is secured by caveat. Enforcement actions are being taken and full recovery is expected.

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5. Term Deposits

	30 Sep 2023 $	31 Mar 2023 $
Gross deposit stock liability	114,856,171	109,988,514
Less deferred commission expenditure	(118,683)	(102,482)
Net carrying value	**114,737,488**	**109,886,032**
Contractual repayment terms:		
On call	114,350	104,087
Within 12 months	72,527,455	77,329,770
Greater than 12 months	42,095,683	32,452,175
	114,737,488	**109,886,032**

Reconciliation of movement in term deposits

	6 months ended 30 Sep 2023 $	12 months ended 31 Mar 2023 $
Balance of term deposits at beginning of period	109,988,514	88,134,579
Additions	14,404,862	49,808,288
Withdrawals	(10,853,065)	(29,838,926)
Compound interest reinvested	1,315,860	1,884,573
Balance of term deposits at end of period	**114,856,171**	**109,988,514**

6. Unrecognised Assets and Liabilities

The Company has not entered into any contractual arrangements which would lead to off balance sheet assets or liabilities (March 2023: Nil).

7. Capital Commitments

There were no material commitments for capital expenditure outstanding at reporting date (March 2023: Nil).

8. Contingencies

There were no material contingent assets or liabilities at reporting date (March 2023: Nil).

9. Related Party Transactions and Balances

Related parties that the Company transacts with:

Related Party	Relationship
Donald Hattaway	Non-executive Chair
Robert Hart	Non-executive Director
Brent King	Managing Director
Greg Pearce Anton Douglas Simon McArley	Non-executive Director Non-executive Director Director of Ultimate Parent Company (retired effective 17 July 2023)
Rewi Bugo	Director of Ultimate Parent Company
Beaconsfield Nominees Limited	Common Director with General Capital Limited
Casrom Trustee Company Limited	Common Director
Corporate Holdings Limited	Parent Company
Ellice Tanner Hart Limited	Common Director
Equity Investment Advisers Limited	Common Director
General Capital Limited	Ultimate Parent Company
Investment Research Group Limited	Common Shareholder / Director
Moneyonline Limited	Common Director
Romana Benevolent Trust	Common Director of a trustee company
Grey River Capital Advisors Limited	Common Director

Related party balances at period end:	**30 Sep 2023 $**	**31 Mar 2023 $**
Included in related party payables:		
Equity Investment Advisers Limited	213,477	9,940
General Capital Limited	53,017	41,875
Ellice Tanner Hart Limited	-	203
Key Personnel[1]	3,485	84,915
	269,979	**136,933**
Included in related party receivables:		
General Capital Limited	17,144	11,883
Equity Investment Advisers Limited	10,201	725
Investment Research Group Limited	8,244	-
	35,589	**12,608**
Term deposits held by related parties[2]	**1,897,816**	**2,342,793**

[1]Key Personnel includes Directors, Legal Counsel and the Chief Financial Officer.

[2]Includes term deposits held by Key Personnel, Non-executive Directors, Directors of the ultimate parent company, their families and their controlled entities. $645,066 of the Term deposits held by related parties have been approved for early withdrawal on 28 April 2023 in compliance with the Company's 'early repayment' terms of offer criteria included in the Company's Product Disclosure Statement. A further $1,032,712 of the Term deposits held by related parties have been approved for early withdrawal on 2 October 2023 in compliance with the Company's 'early repayment' terms of offer criteria included in the Company's Product Disclosure Statement.

Related party transactions during the period:

Related Party	Type	Transaction	30 Sep 2023	30 Sep 2022
Key Personnel[1]	Expense	Short-term Remuneration[2,4]	523,565	239,729
		Expense reimbursement	4,568	7,142
	Other Current Assets	Expense reimbursement	12,202	-
	PPE	Expense reimbursement	5,747	-
Equity Investment Advisers Limited	Expense	Brokerage	72,108	72,661
	Intangible Assets	Client Relationships[5]	200,000	-
	Contra Expense	Personnel expenses recharged	9,476	4,355
Ellice Tanner Hart Limited	Expense	Legal expenses	-	690
	Loan Receivables	Legal expenses	4,126	-
General Capital Limited	Expense	Other expenses	323,482	320,379
		Occupancy expenses	49,680	-
	Contra Expense	Other expenses recharged	228	36,426
	Contra Expense	Personnel expenses recharged	102,208	70,795
	Other Current Assets	Prepayments recharged	126,846	-
Investment Research Group Limited	Expense	Other expenses	-	460
	Contra Expense	Personnel expenses recharged	20,147	4,500
Grey River Capital Advisors Limited	Expense	Short-term Remuneration[4]	20,125	-
Various related parties[3]	Expense	Interest expense on term deposits	70,879	109,257

[1]Key Personnel includes Directors, Legal Counsel and the Chief Financial Officer (includes Directors consulting fees).
[2]Net of amounts recharged to related companies.
[3]Includes term deposits held by Key Personnel, Directors of the ultimate parent company, their families and their controlled entities.
[4]Payment for Director fees, included in two related party categories above.
[5]$200,000 was paid to Equity Investment Advisers Limited on 2 October 2023. The contract became unconditional in the period ended 30 September 2023. General Finance Limited purchased the customer relationships and not the systems or processes that Equity Investment Advisers Limited uses. The purchase was primarily for the purpose of allowing direct engagement with the depositors and hence the protection of the depositor book. The transaction has been treated as a purchase of an intangible asset rather than a business combination.

Other related party transactions during the period:

Related party exposures owed by the Company are limited to 10% of regulatory capital under its trust deed. This limit has not been exceeded by the Company.

During the six months ended 30 September 2023, Investment Research Group Limited charged a customer loan origination and brokerage fee totaling $20,660 in relation to a loan facility that was provided by the Company. The borrower instructed the Company to advance the fees to Investment Research Group Limited and for the amount to be added to the borrower's loan principal balance. The borrower is not a related party of General Finance Limited or Investment Research Group Limited.

10. Post Reporting Date Events

$1,032,712 of the Term deposits held by related parties have been approved for early withdrawal on 2 October 2023 in compliance with the Company's 'early repayment' terms of offer criteria included in the Company's Product Disclosure Statement.

Robert Hart has resigned as a Director of the Company effective 31 October 2023.

Anton Douglas has resigned as a Director of the Company effective 8 November 2023.

Independent Auditor's Report

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To the Shareholder of General Finance Limited

Report on the Audit of the Interim Condensed Financial Statements

Opinion

We have audited the interim condensed financial statements of General Finance Limited (the 'Company') on pages 3 to 16, which comprise the interim condensed statement of financial position as at 30 September 2023, and the interim condensed statement of comprehensive income, interim condensed statement of changes in equity and the interim condensed statement of cash flows for the six month period then ended, and selected notes to the interim condensed financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying interim condensed financial statements present fairly, in all material respects, the interim financial position of General Finance Limited as at 30 September 2023, and its interim financial performance and interim cash flows for the six month period then ended, in accordance with the New Zealand equivalents to International Accounting Standard 34 *Interim Financial Reporting* ('NZ IAS 34') and International Accounting Standard 34 Interim Financial Reporting ('IAS 34').

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand*) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code*, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor and the provision of other assurance services, we have no relationship with, or interests in, the Company.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the interim condensed financial statements of the current period. These matters were addressed in the context of our audit of the interim condensed financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Why the audit matter is significant	How our audit addressed the key audit matter
Allowance for impairment losses from loan receivables The allowance for impairment losses from loan receivables to customers amounts to $434,176 in the interim condensed financial statements as at 30 September 2023. The assessment of the allowance for impairment losses (expected credit losses) is complex and requires significant judgement and estimation. Key areas of judgment included the identification of loans with an increase in credit risk and assumptions used in the credit loss model, for both the 12 month and lifetime expected credit losses. This was a key audit matter due to the significance of the judgements and estimates applied in determining the allowance for impairment losses from loan receivables in the interim condensed financial statements. The principles for determining the allowance for impairment losses from loan receivables are described in note 2.3 and the review of the allowance for impairment losses is disclosed in note 4 of the interim condensed financial statements.	We have: • Obtained an understanding of the lending processes and controls and models used to determine the allowance for impairment losses from loan receivables, including event identification, collateral valuation and how management's estimates and judgements are determined. • For a selection of loans issued by the Company, we inspected the loan agreement and other available information that formed part of management's loan approval process (such as credit scores and security details), and reviewed management's approval process controls, to determine whether loans were appropriately approved and that the information available supported any conclusions reached about the expected credit loss at that point. • We identified loans for which we believed there may be indicators of impairment. We considered management's conclusions regarding impairment for each of these loans individually. • For each significant identified loan with indicators of impairment, we tested whether there was adequate security against each advance in order to recover the outstanding balance. Where provided, we considered adequacy of third-party valuations, and also verified any prior ranking securities to independent sources. • For the collective provisioning model, we: (a) Recalculated the provision based on the input factors identified by management as part of the expected credit loss methodology; and (b) Assessed the calculation of the expected credit losses model against the requirements of NZ IFRS 9 *Financial Instruments* for the recognition and measurement of 12 month and lifetime expected credit losses on financial assets; and (c) Assessed the judgements made by management regarding the assumptions used for the expected credit loss methodology, including challenging the appropriateness of current and future external factors. • We assessed the appropriateness of the Company disclosures in the financial reports against the requirements of the accounting standards.

Directors' responsibilities for the Interim Condensed Financial Statements

The Directors are responsible on behalf of the Company for the preparation and fair presentation of the interim condensed financial statements in accordance with NZ IAS 34 and IAS 34, and for such internal control as the Directors determine is necessary to enable the preparation of interim condensed financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the interim condensed financial statements, the directors are responsible on behalf of the Company for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the Audit of the Interim Condensed Financial Statements

Our objectives are to obtain reasonable assurance about whether the interim condensed financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these interim condensed financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the External Reporting Board's website at: https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-2/

Restriction on use of our report

This report on the interim condensed financial statements is made solely to the Company's shareholder. Our audit work has been undertaken so that we might state to the Company's shareholder those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholder for our audit work, for this report or for the opinion we have formed.

Grant Thornton New Zealand Audit Limited

Grant Thornton

Ryan Campbell

Partner

Auckland

21 November 2023