General Finance Limited

Interim Condensed Financial Statements

For the six months ended

30 September 2021

General Finance Limited

Index to Condensed Financial Statements

General Finance Limited

Interim Condensed Statement of Comprehensive Income
For the six months ended 30 September 2021

	Note	6 months ended Sep 2021 $	6 months ended Sep 2020 $
Interest income		2,348,353	1,566,895
Interest expense		(1,314,244)	(1,050,878)
Net interest income		1,034,109	516,017
Fee and commission income		757,224	420,113
Fee and commission expense		(196,024)	(91,292)
Net fee and commission income		561,200	328,821
Other Revenue		2,345	36,215
Net revenue		1,597,654	881,053
(Increase) / decrease in allowance for expected credit losses		(22,401)	8,624
Personnel expenses		(404,907)	(338,860)
Depreciation and amortisation expense		(50,636)	(13,471)
Occupancy expenses		-	(44,458)
Other expenses		(367,505)	(353,472)
Profit before income tax		752,205	139,416
Income tax expense		(210,618)	(39,289)
Net profit attributable to the shareholders of the Company		**541,587**	**100,127**
Other comprehensive income			
Changes in the fair value of bonds at FVTOCI		-	91,158
Income tax on these items		-	(25,524)
Total other comprehensive income		**-**	**65,634**
Total comprehensive income attributable to the shareholders of the Company		**541,587**	**165,761**

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 2021

	Note	Share Capital	Retained Earnings	Reserves	Total
Balance at 1 April 2020		**4,950,000**	**882,694**	**-**	**5,832,694**
Profit for the period		-	100,127	-	100,127
Other comprehensive income		-	-	65,634	65,634
Total comprehensive income for the period		**-**	**100,127**	**65,634**	**165,761**
Transactions with owners in their capacity as owners:					
Contributions of equity		-	-	-	-
Balance at 30 September 2020		**4,950,000**	**982,821**	**65,634**	**5,998,455**
Balance at 1 April 2021		**4,950,000**	**1,106,124**	**-**	**6,056,124**
Profit for the period		-	541,587	-	541,587
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		**-**	**541,587**	**-**	**541,587**
Transactions with owners in their capacity as owners:					
Contributions of equity	**9**	300,000	-	-	300,000
Balance at 30 September 2021		**5,250,000**	**1,647,711**	**-**	**6,897,711**

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 2021

	Note	30 Sep 2021 $	31 Mar 2021 $	30 Sep 2020 $
Share capital		5,250,000	4,950,000	4,950,000
Retained earnings		1,647,711	1,106,124	982,821
Reserves		-	-	65,634
Total equity		**6,897,711**	**6,056,124**	**5,998,455**
Assets				
Cash and cash equivalents		14,954,428	7,248,075	11,190,948
Other current assets		109,229	229,609	74,217
Related party receivables	**9**	108,111	9,720	141,366
Bank deposits		950,000	3,000,000	3,000,000
Loan receivables	**4**	62,769,856	53,775,191	32,074,789
Listed bonds		-	-	4,814,346
Property, plant and equipment		-	309	910
Right of use assets		139,345	185,793	-
Intangible assets		1,989	5,868	17,583
Deferred tax asset		71,440	57,940	35,782
Total assets		**79,104,398**	**64,512,505**	**51,349,941**
Liabilities				
Accounts payable and accruals		380,431	314,811	288,658
Related party payables	**9**	6,883	28,058	3,923
Income tax payable		228,490	55,858	43,792
Lease liabilities		153,086	194,470	-
Term deposits	**5**	71,437,797	57,863,184	45,015,113
Total liabilities		**72,206,687**	**58,456,381**	**45,351,486**
Net assets		**6,897,711**	**6,056,124**	**5,998,455**

Authorised for issue on behalf of the Board:

Director

Date: 24 November 2021

Director

Date: 24 November 2021

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 2021

	6 months ended Sep 2021 $	6 months ended Sep 2020 $
Cash flows from operating activities		
Interest received	2,148,379	1,552,847
Bad debts recovered	2,345	4,180
Loan fees, commission and other income	612,169	581,134
Payments to suppliers and employees	(1,108,282)	(886,399)
Interest paid	(1,188,716)	(1,004,519)
Income tax paid	(51,486)	(18,942)
Net cash flows from operating activities before changes in operating assets and liabilities	414,409	228,301
Term deposits (net receipts)	13,457,059	3,508,239
Loan receivables (net advances) / net repayments	(8,667,749)	2,700,963
Net cash flows from operating activities	5,203,719	6,209,202
Cash flows from investing activities		
Sales of bonds	194,018	-
Maturity of bank deposits	3,000,000	-
Investments in bank deposits	(950,000)	(3,000,000)
Investments in listed bonds	-	(4,718,617)
Net cash flows from / (applied to) investing activities	2,244,018	(7,718,617)
Cash flows from financing activities		
Shares issued	300,000	-
Lease payments	(41,384)	-
Net cash flows from financing activities	258,616	-
Net cash and cash equivalents movement for year	7,706,353	(1,281,114)
Opening cash and cash equivalents balance	7,248,075	12,472,062
Closing cash and cash equivalents balance	**14,954,428**	**11,190,948**

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, 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 2021.

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 in the significant accounting estimates and judgments arising from the ongoing global pandemic of coronavirus disease 2019

As disclosed in the 31 March 2020 and 31 March 2021 full year financial statements, on 11 March 2020 the World Health Organization declared an ongoing global outbreak of a novel coronavirus, known as ‘coronavirus disease 2019’ (‘COVID-19’), a pandemic.

In response the New Zealand Government has implemented a range of:

- public health and social measures to prevent and contain the transmission of COVID-19; and
- economic responses to provide financial stimulus and welfare support to mitigate the economic impacts of the pandemic.

As a result of the pandemic, the Company anticipates that lowered 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 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 (also refer to note 2.2 below).

These financial statements have been prepared based upon conditions existing as at 30 September 2021 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 outbreak of the COVID-19 pandemic occurred before 30 September 2021, 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 COVID-19 pandemic has been taken into consideration in the critical accounting estimates and judgements applied by Management (also refer to note 2.2 below) and all reasonably determinable adjustments have been made in preparing these financial statements.

The Company has responded to the pandemic in the following ways:

- Undertook an analysis of its forecast cashflows to evaluate of 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 pandemic on its earnings, cash flow and financial position.
- Assessed the direct and indirect financial impacts of the pandemic on the carrying value of reported amounts of assets, liabilities, revenues and expenses.
- Implemented and enacted appropriate health and safety responses.
- Implemented cost saving measures and actively seeking further cost saving measures where possible.

Based on the current pandemic and economic conditions in New Zealand, the Company currently expects that:

1. Term deposit reinvestment rates will remain above 60% (actual reinvestment rates were 77% in the 6 months ended 30 September 2021).
2. New term deposit funding will continue to be raised ($17.7m new deposits were raised in the 6 months ended 30 September 2021).
3. Loans will be repaid on or close to their maturity date (except for loans rolled over in line with the Company's lending policies).
4. No significant reduction in loan security values.

Management has also considered stressed cash flow scenarios and has concluded that the Company will still be able to continue as a going concern for at least 12 months from the date of signing. Stress testing involved reducing the deposit re-investment and new term deposit funding rates and extending the loan repayment dates beyond maturity dates.

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.

2.2 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 financial assets, such as loan receivables with a significant increase in credit risk or in default or otherwise credit impaired. An asset moves from 12-month ECL to higher ECL categories when its credit risk has increased significantly since initial recognition. 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. Cash flows are discounted at the contractual rate and includes enforcement and collection costs.

Probability of default constitutes a key input in measuring ECL. 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 by applying an 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 recognise 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 conservative lending criteria whereby new lending is, under normal circumstances, done at loan to valuation ratios (LVRs) below 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 2021, the loss allowance on loan receivables would have been $124,768 higher/(lower) (March 2021: $106,313 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 2021, the loss allowance on loan receivables would have been $9,879 higher/(lower) (March 2021: $13,023 higher/(lower)).

Impact of COVID-19 on loan receivables / expected credit losses

The COVID-19 Alert Level 4 and Level 3 restrictions in 2020 impacted negatively on borrowers' ability to pay monthly interest and/or to repay their loans by the due date because of the following:
1) Delays by banks in processing refinancing applications from our borrowers.
2) Borrowers were unable to effectively market their properties for sale.
3) In some cases, borrower income had reduced and impacted on their ability to service their loans.

There has been no significant similar impacts on the Company's borrowers in the Level 4 and Level 3 restrictions that started in August 2021 up to the date of signing.

Loans in arrears totalled $1.3 million at 30 September 2021 (31 March 2021: $2.0 million), with $1.0 million loans past due by greater than 90 days at 30 September 2021 (31 March 2021: $nil). There were no loan write-offs in the six-month period ended 30 September 2021 (30 September 2020: $nil).

The highest loan to valuation ratio (LVR) of the Company's loan book as at 30 September 2021 was 69.1% (March 2021: 75.0%) and the weighted average LVR of the loan book was 51.8% (March 2021: 54.6%).

According to sensitivity analysis performed on the property security valuations underlying the Company's loan receivables as at 30 September 2021:
1) A 25% drop in residential property values would result in no loan losses (March 2021: a loss in the range of $150,000 - $200,000).
2) A 25% drop in commercial property values would result in no loan losses (March 2021: no loan losses).

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).

Expected credit losses:

1) Based on the history of the Company's loan book over the last eight years, the average annual write-offs as a percentage of the average loan receivable balance over the same period was 0.10%. 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 COVID-19 pandemic as described 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 loss given default and expected credit losses have increased but not by a material amount. As such, the Company has determined that 0.25% (March 2021: 0.25%) of the gross loan balance is a more appropriate expectation of losses 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 COVID-19.

3. Minimum Capital Requirements

The Company is required to comply with certain minimum capital requirements under Deposit Takers (Credit Ratings, Capital Ratios and Related Party Exposures) Regulations 2010 as introduced by the Reserve Bank of New Zealand. At 30 September 2021 the Company's capital ratio was 16.1% (31 March 2021: 16.3%).

The Company has a minimum capital ratio requirement of 8% since it obtained a credit rating on 16 September 2019. Prior to this date, the minimum capital ratio requirement in accordance with the Company's trust deed was 15%.

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

4. Loan receivables

	30 Sep 2021 $	31 Mar 2021 $
First mortgage advances	63,264,064	54,351,134
Second mortgage advances	107,767	107,822
	63,371,831	54,458,956
Less deferred fee income and expenditure	(443,545)	(547,736)
Less impairment allowance	(158,430)	(136,029)
Net carrying value	**62,769,856**	**53,775,191**
Current portion	54,541,647	40,356,443
Non-current portion	8,228,209	13,418,748
	62,769,856	**53,775,191**
Primary Loan Security		
Residential housing	53,829,823	46,751,105
Residential bare land	5,035,501	4,607,409
Commercial property	4,506,507	3,100,442
	63,371,831	**54,458,956**

Loan receivables represent loans at commercial interest rates. Current loan receivables are contractually repayable within 12 months. Non-current loan receivables are contractually repayable within 12 months to 3 years.

At period end there was $2,810,387 in outstanding loan commitments including future capitalised interest (March 2021: $1,316,486).

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 2020	**33,673,541**	**610,369**	**905,956**	**35,189,866**
New loan advances	52,166,464	-	-	52,166,464
Repayments	(31,381,049)	(610,369)	(905,956)	(32,897,374)
Transfer to lifetime not credit impaired	(1,302,341)	1,302,341	-	-
Balance as at 31 March 2021	**53,156,615**	**1,302,341**	**-**	**54,458,956**
New loan advances	26,500,418	-	-	26,500,418
Repayments	(16,285,202)	(1,302,341)	-	(17,587,543)
Transfer to lifetime credit impaired	(987,948)	-	987,948	-
Balance as at 30 September 2021	**62,383,883**	**-**	**987,948**	**63,371,831**

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 2020	**103,975**	**1,885**	**2,797**	**108,657**
Movement due to new loan advances	161,076	-	-	161,076
Movement due to loan repayments	(96,896)	(1,885)	(2,797)	(101,578)
Transfer to lifetime not credit impaired	(3,256)	3,256	-	-
Movement due to reduction in ECL %	(32,126)	-	-	(32,126)
Impairment allowance as at 31 March 2021	**132,773**	**3,256**	**-**	**136,029**
Movement due to new loan advances	66,251	-	-	66,251
Movement due to loan repayments	(40,594)	(3,256)	-	(43,850)
Transfer to lifetime credit impaired	(2,470)	-	2,470	-
Impairment allowance as at 30 September 2021	**155,960**	**-**	**2,470**	**158,430**

The LVR of loans with a significant increase in credit risk or in default was 50.7% as at 30 September 2021 (March 2021: in a range of 53.9% - 63.0%), based on the security property valuation at origination.

5. Term Deposits

	30 Sep 2021 $	31 Mar 2021 $
Gross deposit stock liability	71,512,086	57,929,500
Less deferred commission expenditure	(74,289)	(66,316)
Net carrying value	**71,437,797**	**57,863,184**
Contractual repayment terms:		
On call	17,386	30,151
Within 12 months	48,989,920	37,888,692
Greater than 12 months	22,430,491	19,944,341
	71,437,797	**57,863,184**

Reconciliation of movement in term deposits

	6 months ended 30 Sep 2021 $	12 months ended 31 Mar 2021 $
Balance of term deposits at beginning of period	57,929,500	41,520,102
Additions	17,717,313	31,196,875
Withdrawals	(4,531,190)	(15,459,597)
Compound interest reinvested	396,463	672,120
Balance of term deposits at end of period	**71,512,086**	**57,929,500**

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 2021: Nil)

7. Capital Commitments

There were no material commitments for capital expenditure outstanding at reporting date. (March 2021: Nil)

8. Contingencies

There were no material contingent assets or liabilities at reporting date. (March 2021: 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
Greg Pearce	Non-executive Director
Brent King	Managing Director
Rewi Bugo	Director of Ultimate Parent Company
Beaconsfield Nominees Limited	Common Director with General Capital Limited
Casrom Trustee Company Limited (as trustee of trusts)	Common Director
Corporate Holdings Limited	Parent Company
Ellis 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

Related party balances at period end:	**30 Sep 2021 $**	**31 Mar 2021 $**
Included in related party payables:		
Equity Investment Advisers Limited	6,491	5,084
General Capital Limited	370	22,974
Moneyonline Limited	22	-
	6,883	**28,058**
Included in related party receivables:		
Equity Investment Advisers Limited	154	-
General Capital Limited	100,000	-
Investment Research Group Limited	7,957	9,720
	108,111	**9,720**
Term deposits held by related parties[1]	**5,778,661**	**4,708,940**

[1]Includes term deposits held by Directors of the Company, Directors of the ultimate parent company, their families and their controlled entities.

Related party transactions during the period:

Related Party	Type	Transaction	30 Sep 2021	30 Sep 2020
Key Management	Expense	Short-term Remuneration[2]	179,055	209,097
Personnel[1]	Expense	Expense reimbursement	6,738	19,877
Equity Investment	Expense	Brokerage	44,798	18,271
Advisers Limited	Contra Expense	Personnel expenses recharged	2,269	-
Ellice Tanner Hart Limited	Expense	Legal expenses	154	791
General Capital Limited	Expense	Personnel expenses	-	10,773
	Expense	Occupancy expenses	-	41,437
	Expense	Other expenses	97,030	12,432
	Contra Revenue	Allocation of Covid-19 Wage Subsidy	-	1,826
	Contra Expense	Other expenses recharged	48,748	-
	Contra Expense	Personnel expenses recharged	42,333	30,488
Investment Research	Expense	Loan fees[4]	-	11,500
Group Limited	Contra Revenue	Allocation of Covid-19 Wage Subsidy	-	2,529
	Contra Expense	Personnel expenses recharged	53,356	15,682
	Contra Expense	Other expenses recharged	48,748	-
Various related parties[3]	Expense	Interest expense on term deposits	75,108	80,838

[1]Key Management Personnel includes Directors of the Company and the Chief Financial Officer.
[2]Net of amounts recharged to related companies.
[3]Includes term deposits held by Key Management Personnel, Directors of the ultimate parent company, their families and their controlled entities.
[4]Advisory fees paid to Investment Research Group Limited in relation to loan receivable advanced and repaid during the period. Recognised in fee and commission expense in profit or loss using the effective interest method (forms part of the transaction costs of the loan).

Other related party transactions during the period:

The Company issued 150,000 ordinary shares on 30 September 2021 to the parent company for an issue price of $2.00 per share resulting in an increase in capital of $300,000 (no shares were issued in the six-month period ended 30 September 2020).

During the six months ended 30 September 2021, the Company advanced $165,000 to General Capital Limited. $65,000 of this was repaid during the period leaving $100,000 outstanding at 30 September 2021. The advance is repayable on demand and non-interest bearing. No advances were made to General Capital Limited in the six-month period ended 30 September 2020. Related party exposures of the Company are limited to 10% of regulatory capital under its trust deed. This limit has not been exceeded by the Company.

Investment Research Group Limited charged a General Finance Limited borrower fees of $7,500 in relation to loan advice provided in the six-month period ended 30 September 2021 ($143,658 in the six-month period ended 30 September 2020). The fees charged in the six-month period ended 30 September 2021 were paid directly by the borrower to Investment Research Group Limited. In the six-month period ended 30 September 2021, the borrower authorised the fees to be paid by General Finance Limited and added to the borrower's loan principal balance (the payment was made in November 2020).

During the six months ended 30 September 2020, the Company purchased listed corporate and local government bonds totaling $4,718,617 ($nil in the six-month period ended 30 September 2021) via Equity Investment Advisers Limited. No brokerage was charged by Equity Investment Advisers Limited in relation to these trades.

10. Post Reporting Date Events

There have been no material post reporting date events (March 2021: Nil)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders 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 15, which comprise the condensed statement of financial position as at 30 September 2021, and the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the period then ended, and selected notes to the interim condensed financial statements, including significant accounting policies.

In our opinion, the accompanying interim condensed financial statements present fairly, in all material respects, the financial position of the Company as at 30 September 2021, and its financial performance and its cash flows for the period then ended in accordance with New Zealand Equivalents to International Financial Reporting Standard 34: *Interim Financial Reporting* ('NZ IAS 34') and International Financial Reporting Standard 34: *Interim Financial Reporting* (IAS 34').

Our report is made solely to the Shareholders of the Company. Our audit work has been undertaken so that we might state to the Shareholders of the Company those matters 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 Shareholders of the Company as a body, for our audit work, for our report or for the opinions we have formed.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). 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 (Revised) *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' *Code of Ethics for Professional Accountants* ('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, our firm carries out other assignments for General Finance Limited in the area of taxation compliance services. The provision of these other services has not impaired our independence.

Emphasis of Matter – Increased level of inherent uncertainty arising from the ongoing COVID-19 pandemic

We draw attention to note 2.1 of the interim condensed financial statements, which describes the impact of the ongoing global pandemic of the novel coronavirus disease 2019 ('COVID-19') and Management's assessment of, and responses to, this pandemic on the Company. The COVID-19 pandemic has lowered overall economic activity and confidence, resulting in significant volatility and instability in financial markets and economic uncertainty. Consequently, there has been an increase in the level of inherent uncertainty in the critical accounting estimates and judgements applied by Management in the preparation of these interim condensed financial statements, described in notes 2.2 of the interim condensed financial statements. As at the date of signing these interim condensed financial statements, all reasonably known and available information with respect to the COVID-19 pandemic 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 interim condensed financial statements.

Our opinion is not modified in respect of this matter.

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. In addition to the matter described in the *Emphasis of Matter* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed the key audit matter
Valuation of loan receivables As disclosed in Note 4 of the interim condensed financial statements, the Company has loan receivable assets of $63.4m consisting of short and long-term loans secured by residential *(including apartments)* and commercial property. Loan receivable assets were significant to our audit due to the size of the assets and the subjectivity, complexity and uncertainty inherent in the timing of the recognition of impairment in respect of loan receivables and the amount of that impairment. Management has prepared impairment models to complete its	Our audit procedures, among others, included: ▪ Understanding and evaluating the Company's internal controls relevant to the accounting estimates used to determine the recoverable value of the Company's loan receivables; ▪ Evaluating the design and operating effectiveness of the key controls over loan receivable origination, ongoing administration and impairment model data and calculations; ▪ Selecting a representative sample of loan receivables and agreeing these loan receivables to the loan agreement, client acceptance documents, mortgage documents, and valuations performed on acceptance; ▪ Challenging and evaluating Management's logic, key assumptions, and calculation of its expected credit losses models against the requirements specified in NZ IFRS 9 *Financial Instruments* for recognising expected credit losses on financial assets; ▪ Evaluating Management's key assumptions for contradictory evidence that supports a different outcome to Management's key assumptions and calculations; ▪ For individually assessed loan receivables, examining those loan receivables and forming our own judgements as to whether the expected credit losses provision recognised by Management was appropriate (including the consideration of the impact of the COVID-19 pandemic on the expected credit losses provision); ▪ Testing the key inputs and the mathematical accuracy of the calculations of the loan to value ratio analysis used to individually assess the recoverability of loan receivables. We have specifically challenged the valuation of the underlying security and performed sensitivity analyses for reasonably possible changes to the key inputs (including the consideration of the impact of the COVID-19 pandemic on the valuation of the underlying security);

Key Audit Matter	How our audit addressed the key audit matter
assessment of impairment for the Company's loan receivables as at 30 September 2021. This assessment involves complex and subjective estimation and judgement by Management in relation to credit risk and the future cashflows of the loan receivables.	▪ For the 12 months expected credit loss provision, challenging and evaluating the logic within Management's model and key assumptions used with our own experience (including the consideration of the impact of the COVID-19 pandemic on key assumptions used). Also, testing key inputs used in the collective impairment models and the mathematical accuracy of the calculations within the model; ▪ Evaluating the changes made to the expected credit losses impairment model to capture the effect of the changing economic environment at 30 September 2021 compared to the economic environment at the date when the historical data used to determine the expected credit losses was collected; ▪ Evaluating the selection of valuation methods, inputs and assumptions with a view to identifying Management bias; and ▪ Evaluating the related disclosures (including the accounting policies and accounting estimates) about loan receivable assets, and the risks attached to them which are included in the interim condensed financial statements.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the period ended 30 September 2021 (but does not include the interim condensed financial statements and our auditor's report thereon).

Our opinion on the interim condensed financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the interim condensed financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the interim condensed financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 the 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 interim condensed financial statements is located at the External Reporting Board's website at:
https://xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-4/

Matters Relating to the Electronic Presentation of the Audited Interim Condensed Financial Statements

This audit report relates to the interim condensed financial statements of General Finance Limited for the period ended 30 September 2021 included on General Finance Limited's website. The Directors of General Finance Limited are responsible for the maintenance and integrity of General Finance Limited's website. We have not been engaged to report on the integrity of General Finance Limited's website. We accept no responsibility for any changes that may have occurred to the interim condensed financial statements since they were initially presented on the website.

The audit report refers only to the interim condensed financial statements named above. It does not provide an opinion on any other information which may have been hyper linked to or from these interim condensed financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited interim condensed financial statements and related audit report dated 24 November 2021 to confirm the information included in the audited interim condensed financial statements presented on this website.

Legislation in New Zealand governing the preparation and dissemination of interim condensed financial statements may differ from legislation in other jurisdictions.

The engagement partner on the audit resulting in this independent auditor's report is G K Raniga.

Baker Tilly Staples Rodway

BAKER TILLY STAPLES RODWAY AUCKLAND
Auckland, New Zealand
24 November 2021