General Finance Limited

Interim Condensed Financial Statements

For the six months ended

30 September 2020

General Finance Limited

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General Finance Limited

Interim Condensed Statement of Comprehensive Income
For the six months ended 30 September 2020

	Note	6 months ended Sep 2020 $	6 months ended Sep 2019 $
Interest income		1,566,895	1,178,016
Interest expense		(1,050,878)	(552,272)
Net interest income		516,017	625,744
Fee and commission income		420,113	231,320
Fee and commission expense		(91,292)	(57,742)
Net fee and commission income		328,821	173,578
Other Revenue		36,215	5,839
Net revenue		881,053	805,161
Release / (increase) in allowance for expected credit losses		8,624	(20,072)
Personnel expenses		(338,860)	(276,125)
Depreciation and amortisation expense		(13,471)	(12,961)
Occupancy expenses		(44,458)	(48,622)
Other expenses		(353,472)	(229,963)
Profit before income tax		139,416	217,418
Income tax expense		(39,289)	(61,735)
Net profit attributable to the shareholders of the Company		**100,127**	**155,683**
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		**165,761**	**155,683**

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 2020

	Note	Share Capital	Retained Earnings	Reserves	Total
Balance at 1 April 2019		**4,650,000**	**440,978**	**-**	**5,090,978**
Profit for the period		-	155,683	-	155,683
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		**-**	**155,683**	**-**	**155,683**
Transactions with owners in their capacity as owners:					
Contributions of equity	9	300,000	-	-	300,000
Balance at 30 September 2019		**4,950,000**	**596,661**	**-**	**5,546,661**
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**

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

Interim Condensed Statement of Financial Position
As at 30 September 2020

	Note	30 Sep 2020 $	31 Mar 2020 $	30 Sep 2019 $
Share capital		4,950,000	4,950,000	4,950,000
Retained earnings		982,821	882,694	596,661
Reserves		65,634	-	-
Total equity		**5,998,455**	**5,832,694**	**5,546,661**
Assets				
Cash and cash equivalents		11,190,948	12,472,062	7,471,050
Other current assets		74,217	160,056	171,678
Related party receivables	9	141,366	110,538	-
Bank deposits		3,000,000	-	-
Loan receivables	4	32,074,789	34,855,849	23,625,489
Listed bonds	10	4,814,346	-	-
Intangible assets		17,583	29,299	38,973
Property, plant and equipment		910	2,665	4,421
Deferred tax asset		61,306	47,643	41,583
Total assets		**51,375,465**	**47,678,112**	**31,353,194**
Liabilities				
Accounts payable and accruals		288,658	265,882	195,113
Related party payables	9	3,923	119,258	-
Term deposits	5	45,015,113	41,450,497	25,606,856
Income tax payable		43,792	9,781	4,564
Deferred tax liability		25,524	-	-
Total liabilities		**45,377,010**	**41,845,418**	**25,806,533**
Net assets		**5,998,455**	**5,832,694**	**5,546,661**

Authorised for issue on behalf of the Board:

O Hattaway

Director

Date: 24/11/20

Director

Date: 24/11/20

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 2020

	6 months ended Sep 2020 $	6 months ended Sep 2019 $
Cash flows from / (to) operating activities		
Cash was provided from / (applied to)		
Interest received	1,552,847	1,084,991
Bad debts recovered	4,180	5,839
Loan fees, commission and other income	581,134	144,069
Payments to suppliers and employees	(886,399)	(792,228)
Interest paid	(1,004,519)	(491,190)
Income tax paid	(18,942)	(20,000)
Loan receivables net repayments / (net advances)	2,700,963	(6,258,462)
Net cash inflow / (outflow) to operating activities	2,929,264	(6,326,981)
Cash flows from / (to) investing activities		
Cash was provided from / (applied to)		
Investments in term deposits	(3,000,000)	-
Investments in listed bonds	(4,718,617)	-
Purchases of intangible assets	-	(2,531)
Net cash outflow to investing activities	(7,718,617)	(2,531)
Cash flows from / (to) financing activities		
Cash was provided from / (applied to)		
Shares issued	-	300,000
Term deposits (net receipts)	3,508,239	10,686,454
Net cash inflow from financing activities	3,508,239	10,986,454
Net cash and cash equivalents movement for year	(1,281,113)	4,656,942
Opening cash and cash equivalents balance	12,472,062	2,814,108
Closing cash and cash equivalents balance	11,190,948	7,471,050

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 7, 12-26 Swanson Street, Auckland, 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 2020.

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.

1.3.1 Listed bonds

During the six months ended 30 September 2020, the Company purchased listed corporate and local government bonds totaling $4,718,617. The Company had no listed bonds in the comparative financial periods.

The listed bonds meet the following conditions and are therefore measured subsequently at fair value through other comprehensive income (FVTOCI):

- the listed bonds are held within the Company's business model or treasury function whose objective is achieved by both collecting contractual cash flows and selling the financial assets depending on the liquidity requirements of the Company; and
- the contractual terms of the listed bonds give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

In the previous full year financial statements, the Company had no financial assets that were classified as fair value through other comprehensive income (FVTOCI).

Financial assets at FVTOCI are measured at fair value with unrealised gains and losses recognised in other comprehensive income except for interest income, impairment charges and foreign exchange gains and losses which are recognised in profit or loss.

On disposal of these financial assets, the cumulative gain or loss that was previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

Fair value

Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

On initial recognition, the transaction price generally represents the fair value of the financial instrument, unless there is observable information from an active market that provides a more appropriate fair value.

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Company determines fair value using other valuation techniques.

The Company measures fair values using the following fair value hierarchy, which reflects the observability of the inputs used in measuring fair value:

Level 1:	Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2:	Input other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3:	Inputs for the asset or liability that are not based on observable market data.

The Company recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

1.4 New and amended standards adopted by the Company.

The Company has adopted the following new or revised standards, amendments and interpretations that became effective for the period beginning 1 April 2020:

Definition of Material – Amendments to NZ IAS 1 'Presentation of Financial Statements and NZ IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors'

The amendments have been issued to make the definition of 'material' in NZ IAS 1 easier to understand. The amendments are not intended to alter the underlying concept of materiality in NZ IFRS Standards. These include:

• the concept of 'obscuring' material information with immaterial information as part of the new definition;
• a change to the threshold for materiality influencing users from 'could influence' to 'could reasonably be expected to influence'; and,
• replacing the definition of material in NZ IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors with a reference to the definition of material in NZ IAS 1.
In addition, the NZASB made consequential amendments to other Standards and the NZ Conceptual Framework to ensure consistency.

The adoption of this standard has not had a material impact on the disclosures made in the Company's financial statements for the period ended 30 September 2020.

There are no other new and amended standards that are effective that have an impact on the Company.

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 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 (refer note 2.2 and 2.3).

These financial statements have been prepared based upon conditions existing as at 30 September 2020 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 2020, 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 (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 COVID-19 pandemic and measures implemented have lowered overall economic activity and confidence (described above), 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 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.

Cashflow forecast and going concern

Whilst the COVID-19 pandemic and measures implemented have lowered overall economic activity and confidence (as described above), the Company's earnings, cash flow and financial position have not been significantly adversely impacted since the outbreak began up to the date of signing these financial statements.

When preparing the 31 March 2020 financial statements, the Company determined the main potential downside impacts of the pandemic on the Company's earnings, cash flows, financial position and application of the going concern basis of accounting to be the following:

1) A reduction in term deposit reinvestment rates.
2) A reduction in new term deposit investments.
3) The inability for borrowers to make loan payments on their contractual repayment dates.
4) A reduction in loan security values (residential property values).

The Company has performed much more favourably than the highly stressed scenarios which were assumed in the forecast prepared for the 31 March 2020 financial statements going concern consideration. This is detailed further below:

1) The Company forecasted a reduction in term deposit reinvestment rates from 79% actual for the March 2020 financial year to 25%. The actual weighted average term deposit reinvestment rate in the 6-month period ended 30 September 2020 was 36% (quarter ended 30 June 2020 reinvestment rate of 28% and quarter ended 30 September 2020 reinvestment rate of 46%).

2) The Company forecasted a reduction in new term deposit investments from an average of $2.4 million actual per month for the 2020 financial year to $Nil. Actual new term deposit investments for the 6 month period ended 30 September 2020 averaged $1.8 million monthly (quarter ended 30 June 2020 monthly average of $1.3 million and quarter ended 30 September 2020 monthly average of $2.3 million).

3) The Company assumed that 50% of loans that mature would not be repaid on their expected repayment date including expected delays due to the Covid-19 government restrictions. Whilst there were some delays encountered due mostly to government restrictions, the gross loan book decreased by 27% from its 31 March 2020 balance of $35.2 million to $25.6 million on 30 June 2020 from loans repaid in that quarter and has increased by 27% back to $32.4 million at 30 September 2020 in line with new lending net of repayments in that quarter.
   Loans in arrears reduced to $4.8m at 30 September 2020 (from $5.4 million at 31 March 2020) with $nil loans past due by greater than 90 days at 30 September 2020 (down from $0.9 million at 31 March 2020).

   There were no loan write-offs in the 6-month period ended 30 September 2020.

4) The Company forecasted a reduction in loan security values (residential property values) by 25%.The September 2020 monthly property report dated 13 October 2020 published by the Real Estate Institute of New Zealand (REINZ) showed that the median house price had increased by 14.7% nationally year on year with the REINZ House Price Index increasing by 11.1% nationally year on year.

Based on the current pandemic and economic conditions in New Zealand, the Company currently expects the favourable trends above to continue including:

1. Term deposit reinvestment rates to gradually return to historical average of 70-80%.
2. New term deposit investments to continue growing.
3. Loans will be repaid on or close to their maturity date (with the exception of loans rolled over in line with the Company's lending policies).
4. No significant reduction in loan security values.

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.

Direct and indirect financial impacts of the pandemic on the carrying value of reported amounts of assets and liabilities

Consistent with 31 March 2020 disclosures, there have been no material direct or indirect impacts on the reported amount of assets and liabilities. Refer to note 2.3 below for further information on expected credit losses on loans receivable.

Health and safety responses

Despite the Company being an essential services provider (Non-bank Deposit Taker) during Alert level 4 in the year ended 31 March 2020 and during Alert level 3 restrictions in the period ended 30 September 2020, the Company implemented strict working from home measures in line with the New Zealand Government guidelines. This was not a significant issue as the Company already had remote working capability in place.

Other health and safety measures have been put into place including social distancing, contact tracing and cleaning.

Personal protective equipment (PPE) including masks, gloves and hand sanitiser have been made available to employees from early March 2020.

Cost saving measures

1. Term deposit interest rates were reduced throughout the year in line with the global interest rate trends.
2. Other cost savings initiatives have been implemented where possible.

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. An asset moves to doubtful when its credit risk has increased significantly since initial recognition. NZ IFRS 9 does not define what constitutes a significant increase in credit risk.

In assessing whether the credit risk of an asset has significantly increased the Company takes into account qualitative and quantitative reasonable and supportable forward-looking information.

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 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 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 2020, the loss allowance on loan receivables would have been $61,221 higher/(lower) (March 2020: $67,347 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 2020, the loss allowance on loan receivables would have been $17,867 higher/(lower) (March 2020: $15,163 higher/(lower)).

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

The COVID-19 Alert Level 4 and Level 3 restrictions 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.

These factors have improved since COVID-19 restrictions were reduced. Loans in arrears reduced to $4.8m at 30 September 2020 (from $5.4 million at 31 March 2020) with $nil loans past due by greater than 90 days at 30 September 2020 (down from $0.9 million at 31 March 2020). There were no loan write-offs in the 6-month period ended 30 September 2020.

The highest loan to valuation ratio (LVR) of the Company's loan book as at 30 September 2020 was 75.4% (March 2020: 77.0%) and the weighted average LVR of the loan book was 58.5% (March 2020: 55.8%), based on loan security valuations on origination of the loan.
According to sensitivity analysis performed on the residential property security valuations underlying the Company's loan receivables as at 30 September 2020:

1) A 10% drop in property values would result in no loan losses (March 2020: $nil).
2) A 20% drop in property values would result in no loan losses (March 2020: $10,000 – $20,000).
3) A 25% drop in property values would result in a loss in the range of $50,000 - $100,000 (March 2020: $200,000 – $250,000).

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. The sensitivity analysis does not factor in potential increases in underlying security value since the origination of the loan. Residential property prices in New Zealand have increased on average year on year to 30 September 2020 (refer to further comments on residential property value trends in section 2.2).

Expected credit losses:

1) Based on the history of the Company loan book over the last 7 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 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 0.31% (March 2020: 0.31%) 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 2020 the Company's capital ratio was 22.3% (31 March 2020: 19.6%).

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 2020 $	31 Mar 2020 $
First mortgage advances	32,290,764	33,806,493
Second mortgage advances	106,266	349,917
Combined first and second mortgage advances[1]	-	1,033,456
	32,397,030	35,189,866
Less deferred fee income and expenditure	(222,208)	(225,360)
Less impairment allowance	(100,033)	(108,657)
Net carrying value	32,074,789	34,855,849
Current portion	12,816,449	31,009,328
Non-current portion	19,258,340	3,846,521
	32,074,789	34,855,849

[1] Loan advance secured by first mortgage over one property and second mortgage over another property. Classified as a second mortgage for the purposes of calculating the Company's capital ratio in accordance with the Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010 (refer to note 3).

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 2 years.

At period end there was $5,232,352 in outstanding loan commitments including future capitalised interest (March 2020: $742,412). The increase in loan commitments is due to loan offers accepted but not yet drawn down totaling $4.9 million at 30 September 2020 (March 2020: $0.2 million). $4.2 million of the undrawn loan offers relates to a commitment to a single borrower for $4.2 million which was advanced in November 2020. The loan is within the Company's maximum loan exposure limits. .

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 2019	17,377,959	-	-	17,377,959
New loan advances	30,848,719	-	-	30,848,719
Repayments	(13,036,812)	-	-	(13,036,812)
Transfer to lifetime not credit impaired	(610,369)	610,369	-	-
Transfer to lifetime credit impaired	(905,956)	-	905,956	-
Balance as at 31 March 2020	**33,673,541**	**610,369**	**905,956**	**35,189,866**
New loan advances	18,453,401	-	-	18,453,401
Repayments	(19,729,912)	(610,369)	(905,956)	(21,246,237)
Transfer to lifetime not credit impaired	(1,786,686)	1,786,686	-	-
Balance as at 30 September 2020	**30,610,344**	**1,786,686**	**-**	**32,397,030**

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 2019	53,659	-	-	53,659
Movement due to new loan advances	95,252	-	-	95,252
Movement due to loan repayments	(40,254)	-	-	(40,254)
Transfer to lifetime not credit impaired	(1,885)	1,885	-	-
Transfer to lifetime credit impaired	(2,797)	-	2,797	-
Impairment allowance as at 31 March 2020	**103,975**	**1,885**	**2,797**	**108,657**
Movement due to new loan advances	56,979	-	-	56,979
Movement due to loan repayments	(60,921)	(1,885)	(2,797)	(65,603)
Transfer to lifetime not credit impaired	(5,517)	5,517	-	-
Impairment allowance as at 30 September 2020	**94,516**	**5,517**	**-**	**100,033**

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 43.3% - 74.6% as at 30 September 2020 (March 2020: 44.9% - 64.3%), based on the security property valuation at origination.

5. Term Deposits

	30 Sep 2020 $	31 Mar 2020 $
Gross deposit stock liability	45,074,698	41,520,102
Less deferred commission expenditure	(59,585)	(69,605)
Net carrying value	**45,015,113**	**41,450,497**
Contractual repayment terms:		
On call	156,964	364,006
Within 12 months	29,183,954	26,053,028
Greater than 12 months	15,674,195	15,033,463
	45,015,113	**41,450,497**

Reconciliation of movement in term deposits

	6 months ended 30 Sep 2020 $	12 months ended 31 Mar 2020 $
Balance of term deposits at beginning of period	41,520,102	14,928,161
Additions	10,674,882	28,600,674
Withdrawals	(7,439,498)	(2,467,142)
Compound interest reinvested	319,212	458,409
Balance of term deposits at end of period	**45,074,698**	**41,520,102**

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 2020: Nil)

7. Capital Commitments

There were no material commitments for capital expenditure outstanding at reporting date. (March 2020: Nil)

8. Contingencies

There were no material contingent assets or liabilities at reporting date. (March 2020: 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
Alistair Ward	Non-executive Director *(resigned effective 16 September 2019)*
Brent King	Managing Director
Greg Pearce	Executive Director
Rewi Bugo	Director of Ultimate Parent Company
Garth Ward	Director of Parent Company *(resigned effective 14 September 2019)*
Beaconsfield Nominees Limited	Common Director with General Capital Limited
Cascade Benevolent Trust	Common Trustee / 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 / Directors
Moneyonline Limited	Common Director
Pegasus Golf Limited	Common Director with Sports & Education Corporation Limited (parent company of Pegasus Golf Limited)[1]
Romana Benevolent Trust	Common Trustee / Director

[1] Sports & Education Corporation Limited was a related party by virtue of common directorship between 30 November 2018 and 10 October 2019

Related party balances at period end:	31 Sep 2020 $	31 Mar 2020 $
Included in related party payables:		
Equity Investment Advisers Limited	3,104	3,946
General Capital Limited	-	113,063
Greg Pearce	819	-
Investment Research Group Limited	-	2,249
	3,923	119,258
Included in related party receivables:		
Equity Investment Advisers Limited	4,143	-
General Capital Limited	79,397	68,394
Investment Research Group Limited	57,826	42,144
	141,366	110,538
Term deposits held by related parties[3]	2,351,539	5,623,275

[2]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 2020	30 Sep 2019
Key Management Personnel[1]	Expense	Short-term Remuneration[2]	209,097	210,413
	Expense	Expense reimbursement	19,877	13,568
Equity Investment Advisers Limited	Expense	Brokerage	18,271	51,098
	Contra Expense	Other expenses recharged	-	4,830
Ellice Tanner Hart Limited	Expense	Legal expenses	791	7,269
General Capital Limited	Expense	Personnel expenses	10,773	11,644
	Expense	Occupancy expenses	41,437	44,682
	Expense	Other expenses	12,432	75,569
	Contra Revenue	Allocation of Covid-19 Wage Subsidy	1,826	-
	Contra Expense	Personnel expenses recharged	30,488	21,591
Investment Research Group Limited	Expense	Prepaid advertising[5]	-	115,000
	Expense	Loan fees[6]	11,500	-
	Contra Revenue	Allocation of Covid-19 Wage Subsidy	2,529	-
	Contra Expense	Personnel expenses recharged	15,682	21,038
	Contra Expense	Other expenses recharged	-	2,000
Pegasus Golf Limited[4]	Revenue	Fees and interest on loan	-	7,659
Various related parties[3]	Expense	Interest expense on term deposits	80,838	74,642

[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]The loan was repaid in full on 22 July 2019.
[5]Prepaid advertising spend with major NZ media company owned by Investment Research Group and on-charged to the Company. At year end there is a balance of $98,960 (2019: $nil) left to spend. The balance is included in other current assets.
[6]Advisory fees paid to Investment Research Group Limited in relation to loan receivable advanced and repaid during the period. Recognised in fee and commission income 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 171,428 ordinary shares on 30 September 2019 to the parent company for an issue price of $1.75 per share resulting in an increase in capital of $300,000.

Investment Research Group Limited charged a non-related customer a fee of $143,658 in relation to loan advice provided. The fee became payable when the borrower accepted a loan offer from the Company during September 2020. The borrower authorised the fee to be paid by General Finance Limited and added to the borrower's loan principal balance. The fee amount was paid to Investment Research Group Limited after period end (in early November 2020) when the loan was advanced.

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 2019) via Equity Investment Advisers Limited. No brokerage was charged by Equity Investment Advisers Limited in relation to these trades.

10. Fair Value

Fair values compared with carrying amounts

The carrying value of all financial assets and liabilities not measured at fair value is considered to approximate their fair values.

Fair value measurements

Financial assets and liabilities recognised and measured at fair value have been determined by the following fair value measurement hierarchy:

Level 1:	Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2:	Input other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3:	Inputs for the asset or liability that are not based on observable market data.

31 March 2020	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets				
Listed corporate and local government bonds	-	-	-	-
Total financial assets	**-**	**-**	**-**	**-**

30 September 2020	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets				
Listed corporate and local government bonds	4,814,346	-	-	4,814,346
Total financial assets	**4,814,346**	**-**	**-**	**4,814,346**

Listed corporate and local government bonds are designated at fair value through other comprehensive income upon initial recognition. The bonds are valued using quoted yields for the specific securities.

11. Post Reporting Date Events

There have been no material post reporting date events (March 2020: Nil)

12. Liquidity Profile

The following tables set out the undiscounted contractual cash flows, and the undiscounted expected cash flows, of the Company's financial assets and liabilities. No other monetary assets and liabilities are interest bearing.

September 2020	Weighted Average Int. Rate	Total $	Contractual Cash Flows 0 – 6 Months $	7 - 12 Months $	13 - 24 Months $	24+ Months $
Financial assets						
Cash and cash equivalents	0.85%	12,963,132	9,941,985	2,018,414	1,002,733	-
Other receivables	0%	141,791	141,791	-	-	-
Loan receivables	8.31%	34,515,152	15,108,865	10,694,506	4,237,309	4,474,472
Listed bonds	2.53%	7,511,955	62,699	62,699	125,399	7,261,158
Totals		55,132,030	25,255,340	12,775,619	5,365,441	11,735,630
Financial liabilities						
Other payables	0%	67,432	67,432	-	-	-
Term deposit	4.92%	47,110,303	18,001,383	12,619,912	14,185,972	2,303,036
Totals		47,177,735	18,068,815	12,619,912	14,185,972	2,303,036
Net cashflow		7,954,295	7,186,525	155,707	(8,820,531)	9,432,594

September 2020	Total $	Expected Cash Flows 0 - 6 Months $	7 - 12 Months $	13 - 24 Months $	24+ Months $
Financial assets					
Bank deposits	12,978,197	9,957,050	2,018,414	1,002,733	-
Other receivables	141,791	141,791	-	-	-
Loan receivables	35,783,267	8,986,084	5,945,355	14,185,240	6,666,588
Listed bonds	4,997,873	62,699	2,467,587	2,467,587	-
Totals	53,901,128	19,147,624	10,431,356	17,655,560	6,666,588
Financial liabilities					
Other payables	67,432	67,432	-	-	-
Term deposit	48,631,773	9,749,826	5,522,008	14,926,838	18,433,101
Totals	48,699,205	9,817,258	5,522,008	14,926,838	18,433,101
Net cashflow	5,201,923	9,330,366	4,909,348	2,728,722	(11,766,513)

The table above shows management's expected maturities of existing financial assets and liabilities. In determining the expected cash flow, the following assumptions have been made based on management's best estimate having regard to past experience, current market conditions and the future outlook including COVID-19 estimated impacts:

- Term deposit reinvestment rates assumptions:
  - 50% for maturities up to 31 March 2021; and
  - 60% for maturities after 31 March 2021.
- Term deposit reinvestments are made for a weighted average 18-month term.
- 50% of loans not past due repay on existing contractual maturity date, with the balance rolled over at their existing interest rates and repaid after a further 12 months.
- Half of the listed bonds are sold in one year from 30 September 2020 with the balance sold in two years from 30 September 2020. The bonds are assumed to be sold at their 30 September 2020 fair values.

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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 19, which comprise the condensed statement of financial position as at 30 September 2020, 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 2020, 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 COVID-19

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 and 2.3 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
Applicability of the going concern basis of accounting As disclosed in Notes 1.2 and 2.2 of the interim condensed financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. As described in our *Emphasis of Matter* paragraph above and note 2.1 of the interim condensed financial statements, the ongoing COVID-19 pandemic, and the public health and social measures and economic responses implemented by governments, regulators and industry sectors, have lowered economic activity and confidence. The application of the going concern basis of accounting was significant to our audit due to the subjectivity, complexity and uncertainty inherent in assessing the impact the COVID-19 pandemic will	Our audit procedures among others included: ▪ Evaluating Management's assessment as to whether potential impacts as a result of the implications of the COVID-19 pandemic could be material; ▪ Evaluating Management's response plan to the potential impacts identified as a result of the implications of COVID-19 pandemic; ▪ Evaluating Management's assessment of the direct and indirect financial impacts of the COVID-19 pandemic on the carrying value of assets and liabilities, and amounts of revenues and expenses; ▪ Evaluating Management's assessment of the Company's ability to continue to apply the going concern basis of accounting, and the appropriateness of this in light of present economic conditions; Procedures included: o Evaluating Management's process regarding the preparation and review of forecast financial

Key Audit Matter	How our audit addressed the key audit matter
have on the Company's forecast earnings, cash flow and financial position. This assessment involves complex and subjective estimation and judgement by Management on the future performance, cashflows and position of the Company. Management has prepared forecast earnings, cash flows and financial position models as part of its assessment of whether the Company's application of the going concern basis of accounting was appropriate for the interim condensed financial statements. Management have also performed sensitivity analysis for reasonably possible changes in key forecast assumptions.	information (earnings, cash flow and financial position); o Comparing Management's forecasts to Board approved forecasts; o Evaluating the cash flow requirements of the Company for twelve months from the date of signing the interim condensed financial statements based on Management's forecasts; o Evaluating the liquidity of existing financial assets on the Company's Statement of Financial Position; o Evaluating the actual term deposit reinvestment and new term deposit investment rates since September 2020 and comparing them to Management's forecasts; o Challenging Management's assumptions, estimates and judgements used; and o Evaluating Management's sensitivity analysis for reasonably possible changes in key assumptions, with an emphasis on the potential downside scenarios and the resultant impact on available funds. ▪ Evaluating the disclosures related to the Company's application of the going concern basis of accounting and the impact of the COVID-19 pandemic on the Company which are included in the interim condensed financial statements.
Valuation of loan receivables As disclosed in Note 4 of the interim condensed financial statements, the Company has loan receivable assets of $32.1m consisting of short-term and long-term loans secured by residential 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 assessment of impairment for the Company's loan receivables as at 30 September 2020. This assessment involves complex and subjective estimation and judgement by Management in relation to credit risk and the future cashflows of the loan receivables.	Our audit procedures among others included: ▪ 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 registered valuations performed on acceptance; ▪ Examining the loan receivables individually assessed for impairment and forming our own judgements as to whether the impairment provision recognised by Management was appropriate (including consideration of the impact of the COVID-19 pandemic on the impairment 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 analysis for reasonably possible changes to the key inputs (including 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
	▪ 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 and validation to external sources of information (including 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; and ▪ Evaluating the disclosures related to loan receivables and the risk 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 2020 (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 2020 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 2020 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 2020