



General Finance Limited

Financial Statements

For the year ended 31 March 2024

General Finance Limited

Index to Financial Statements

Business Profile	3
Directors' Statement	4
Independent Auditor's Report	5 - 7
Statement of Comprehensive Income	8
Statement of Changes in Equity	9
Statement of Financial Position	10
Statement of Cash Flows	11
Notes to and Forming Part of the Financial Statements	12 - 34

General Finance Limited

Business Profile As at 31 March 2024

Nature of Business	Non-Bank Deposit Taker and Mortgage Lending Company	
Business Address	Level 8, 115 Queen Street Auckland CBD	
Postal Address	PO Box 1314 Shortland Street, Auckland 1010	
Telephone	09 526 5000	
IRD Number	68-422-167	
Share Capital	7,288,382 Ordinary Shares	
Shareholder	Corporate Holdings Limited Total Shares	Ordinary <u>7,288,382</u> <u>7,288,382</u>
Directors	Donald F Hattaway (<i>Independent Non-Executive Chair</i>) Gregory J Pearce (<i>Independent Non-Executive Director</i>) Brent D King (<i>Managing Director</i>)	
Registered Office	Level 8, 115 Queen Street Auckland CBD	
Company Number	860336	
Date of Incorporation	13 June 1997	
Bankers	Bank of New Zealand Limited Westpac New Zealand Limited Heartland Bank	
Auditor	Grant Thornton New Zealand Audit Limited	

General Finance Limited

Directors' Statement For the year ended 31 March 2024

In accordance with Section 208 and 211 of the Companies Act 1993, the Directors present the Annual Report for the Company, including the attached Financial Statements and Independent Auditor's Report thereon.

The Directors are responsible for the preparation of financial statements, in accordance with generally accepted accounting practice in New Zealand, that give a true and fair view of the matters to which they relate, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors consider that the financial statements have been prepared using appropriate accounting policies consistently applied and supported by reasonable judgments and estimates and that all the relevant financial reporting and accounting standards have been followed.

The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

The shareholders of the Company have exercised their right under Section 211(3) of the Companies Act 1993 and have agreed that this Annual Report need not include disclosure of the information specified in paragraphs (a) and (e) to (j) of Section 211(1) of the Act.

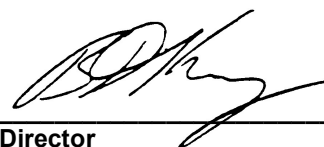
The Directors of the company authorise the financial statements set out on pages 8 to 34 for issue.

For and on behalf of the Board



Director

Date: 25 June 2024



Director

Date: 25 June 2024

Independent Auditor's Report

Grant Thornton New Zealand Audit Limited
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152 Fanshawe Street
PO Box 1961
Auckland 1140
T +64 9 308 2570
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To the Shareholder of General Finance Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of General Finance Limited (the 'Company') on pages 8 to 34 which comprise the statement of financial position as at 31 March 2024, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of General Finance Limited as at 31 March 2024 and its financial performance and cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') issued by the New Zealand Accounting Standards Board.

Basis for Opinion

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

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

Key Audit Matters

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

Why the audit matter is significant	How our audit addressed the key audit matter
Allowance for impairment losses from loan receivables The allowance for impairment losses from loan receivables to customers amounts to \$472,500 in the financial statements as at 31 March 2024. The assessment of the allowance for impairment losses (expected credit losses) is complex and	We have: Obtained an understanding of the lending processes and controls and models used to determine the allowance for impairment losses from loan receivables, including event identification, collateral valuation and how management's estimates and judgements are determined.

requires significant judgement and estimation. Key areas of judgment included the identification of loans with an increase in credit risk and assumptions used in the credit loss model, for both the 12 month and lifetime expected credit losses. This was a key audit matter due to the significance of the judgements and estimates applied in determining the allowance for impairment losses from loan receivables on the financial statements. The principles for determining the allowance for impairment losses from loan receivables are described in note 2.1 and the review of the allowance for impairment losses is disclosed in note 6 of the financial statements.	• For a selection of loans issued by the Company, we inspected the loan agreement and other available information that formed part of management's loan approval process (such as credit scores and security details), and reviewed management's approval process controls, to determine whether loans were appropriately approved and that the information available supported any conclusions reached about the expected credit loss at that point. • We identified loans for which we believed there may be indicators of impairment. We considered management's conclusions regarding impairment for each of these loans individually. • For each significant identified loan with indicators of impairment, we tested whether there was adequate security against each advance in order to recover the outstanding balance. Where provided, we considered adequacy of third-party valuations, and also verified any prior ranking securities to independent sources. • For the collective provisioning model, we: (a) Recalculated the provision based on the input factors identified by management as part of the expected credit loss methodology; and (b) Assessed the calculation of the expected credit losses model against the requirements of NZ IFRS 9 <i>Financial Instruments</i> for the recognition and measurement of 12 month and lifetime expected credit losses on financial assets; and (c) Assessed the judgements made by management regarding the assumptions used for the expected credit loss methodology, including challenging the appropriateness of current and future external factors. • We assessed the appropriateness of the Company disclosures in the financial statements against the requirements of the accounting standards.
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Information Other than the Financial Statements and Auditor's Report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Business Profile and the Directors' Statement but does not include the financial statements and our auditor's report thereon.

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

In connections with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

Directors' responsibilities for the Financial Statements

The Directors are responsible on behalf of the Company for the preparation and fair presentation of the financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards issued by the New Zealand Accounting Standards Board, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

Restriction on use of our report

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

Grant Thornton New Zealand Audit Limited



Ryan Campbell

Partner

Auckland

26 June 2024

General Finance Limited

Statement of Comprehensive Income For the year ended 31 March 2024

	Notes	2024 \$	2023 \$
Interest income	9	13,399,355	10,580,049
Interest expense		<u>(8,096,442)</u>	<u>(5,224,192)</u>
Net interest income		<u>5,302,913</u>	<u>5,355,857</u>
Fee and commission income		3,327,444	2,980,148
Fee and commission expense		<u>(862,307)</u>	<u>(781,120)</u>
Net fee and commission income		<u>2,465,137</u>	<u>2,199,028</u>
Other revenue		<u>3,190</u>	<u>23,456</u>
Net revenue		<u>7,771,240</u>	<u>7,578,341</u>
Increase in allowance for expected credit losses		(59,087)	(573,970)
Personnel expenses		(1,566,454)	(1,062,811)
Depreciation and amortisation expense	13, 14	(23,825)	(93,683)
Occupancy expenses		(78,930)	(1,986)
Other operating expenses	12	<u>(2,221,493)</u>	<u>(1,493,811)</u>
Profit before income tax		3,821,451	4,352,080
Income tax expense	16	<u>(938,360)</u>	<u>(1,106,760)</u>
Net profit attributable to the shareholder of the Company		2,883,091	3,245,320
Other comprehensive income			
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income attributable to the shareholder of the Company		<u>2,883,091</u>	<u>3,245,320</u>

General Finance Limited

Statement of Changes in Equity For the year ended 31 March 2024

	Share Capital	Retained Earnings	Total
Balance at 1 April 2022	<u>7,100,000</u>	<u>2,643,002</u>	<u>9,743,002</u>
Profit for the year	-	3,245,320	3,245,320
Other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u>-</u>	<u>3,245,320</u>	<u>3,245,320</u>
Transactions with owners in their capacity as owners:			
Contributions of equity	3,000,000	-	3,000,000
Taxable bonus issue	<u>2,474,234</u>	<u>(2,474,234)</u>	<u>-</u>
	<u>5,474,234</u>	<u>(2,474,234)</u>	<u>3,000,000</u>
Balance at 31 March 2023	<u>12,574,234</u>	<u>3,414,088</u>	<u>15,988,322</u>
Profit for the year	-	2,883,091	2,883,091
Other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u>-</u>	<u>2,883,091</u>	<u>2,883,091</u>
Balance at 31 March 2024	<u>12,574,234</u>	<u>6,297,179</u>	<u>18,871,413</u>

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

General Finance Limited

Statement of Financial Position As at 31 March 2024

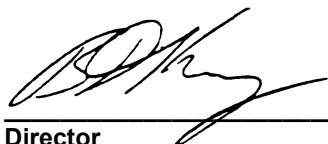
	Notes	2024 \$	2023 \$
Share capital	15	12,574,234	12,574,234
Retained earnings		<u>6,297,179</u>	<u>3,414,088</u>
Total equity		<u>18,871,413</u>	<u>15,988,322</u>
Assets			
Cash and cash equivalents	5	9,857,545	9,443,743
Other current assets		237,600	223,331
Related party receivables	18	3,522	12,608
Bank deposits	5	12,714,591	8,924,560
Loan receivables		132,220,775	108,834,304
Intangible assets	13	192,012	-
Property, plant and equipment	14	4,718	1,336
Deferred tax asset	16	<u>166,200</u>	<u>245,922</u>
Total assets		<u>155,396,963</u>	<u>127,685,804</u>
Liabilities			
Accounts payable and accruals		965,325	648,779
Related party payables	18	2,319	136,933
Term deposits	10	135,118,547	109,886,032
Income tax payable	16	<u>439,359</u>	<u>1,025,738</u>
Total liabilities		<u>136,525,550</u>	<u>111,697,482</u>
Net assets		<u>18,871,413</u>	<u>15,988,322</u>

Authorised for issue on behalf of the Board:



Director

Date: 25 June 2024



Director

Date: 25 June 2024

General Finance Limited

Statement of Cash Flows For the year ended 31 March 2024

	Notes	2024 \$	2023 \$
Cash flows from / (to) operating activities			
Cash was provided from / (applied to)			
Interest received		13,549,454	10,620,239
Loan fees, commission and other income		3,151,652	2,245,585
Payments to suppliers and employees		(4,813,056)	(3,480,909)
Interest paid		(7,377,799)	(4,651,739)
Income tax paid		(1,445,017)	(761,973)
Net cash flows from operating activities before changes in operating assets and liabilities		3,065,234	3,971,203
Term deposit (net receipts)		24,485,708	21,286,866
Loan receivables (net advances)		(23,127,890)	(28,618,533)
Net cash inflow / (outflow) from / (to) operating activities	17	4,423,052	(3,360,464)
Cash flows to investing activities			
Cash was applied from / (applied to)			
Investments in bank deposits		(3,790,031)	(6,474,560)
Investments in property, plant and equipment		(5,873)	(1,484)
Investment in intangible assets		(213,346)	-
Net cash outflow to investing activities		(4,009,250)	(6,476,044)
Cash flows from financing activities			
Cash was provided from / (applied to)			
Shares issued		-	3,000,000
Lease Payments		-	(114,601)
Net cash inflow from financing activities		-	2,885,399
Net cash and cash equivalents movement for year		<u>413,802</u>	<u>(6,951,109)</u>
Opening cash and cash equivalents balance	5	9,443,743	16,394,852
Closing cash and cash equivalents balance		<u>9,857,545</u>	<u>9,443,743</u>

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

General Finance Limited

Notes to and forming part of the financial statements For the year ended 31 March 2024

1 Reporting and Accounting Basis

1.1 Reporting Entity

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

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

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

1.2 Reporting Framework

The financial statements have been prepared in accordance with the Companies Act 1993. 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 financial statements have also been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards as appropriate to for-profit tier 1 entities. They comply with the International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations.

These 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, 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 financial statements these amounts have been rounded to the nearest dollar.

1.3 Specific Accounting Policies

The following particular accounting policies, which materially affect the measurement of profit and financial position, have been applied:

Interest revenue and expense recognition

Interest income and interest expense are recognised in profit or loss using the effective interest method. The effective interest method calculates the amortised cost of a financial asset or liability and allocates the interest income and directly related fees (including loan origination fees) and transaction costs (including commission expenses) that are an integral component of the effective interest rate over the expected life of the financial asset or liability.

Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in expenses except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Financial instruments

Initial recognition

Financial assets and financial liabilities are recognised in the company's statement of financial position when the company becomes a party to the contractual provisions of the instrument.

General Finance Limited

Notes to and forming part of the financial statements For the year ended 31 March 2024

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Financial assets that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

The Company's financial assets measured at amortised cost include cash and cash equivalents, bank deposits, trade receivables, loan receivables, and other receivables. The Company has no assets measured at FVTPL.

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period.

For financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses (ECL), through the expected life of the financial asset, or, where appropriate, a shorter period, to the gross carrying amount of the financial asset on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and at FVTOCI.

For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

General Finance Limited

Notes to and forming part of the financial statements For the year ended 31 March 2024

Modification of financial assets

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Company recalculates the gross carrying amount of the financial asset and recognises a modification gain or loss in profit or loss. The gross carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

Impairment of financial assets

The Company recognises a loss allowance for ECLs on financial assets that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial assets.

The Company recognises lifetime ECLs for trade and other receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate (also refer note 2.1).

For loan receivables, the Company applies a three-stage test to measuring ECLs. Assets may migrate through the following stages based on their change in credit quality.

- | | |
|----------------|--|
| Stage 1 | 12-month ECL (past due 30 days or less)
Where there has been no evidence of a significant increase in credit risk since initial recognition, ECLs that result from possible default events within 12 months are recognised. |
| Stage 2 | Lifetime ECL not credit impaired (between 30 and 90 days past due)
Where there has been a significant increase in credit risk, ECLs that result from all possible default events over the life of the loan are recognised. |
| Stage 3 | Lifetime ECL credit impaired (greater than 90 days past due)
Where loans are in default or otherwise credit impaired, ECLs that result from all possible default events over the life of the loan are recognised. |

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial asset at the reporting date with the risk of a default occurring on the financial asset at the date of initial recognition. In making this assessment, the Company considers its historical loss experience and adjusts 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.

The nature of the Company's loan receivables is property lending with a predominant focus on the underlying security value of the loan receivable (i.e. the residential property value) in the credit assessment. The loans are predominantly advanced on twelve-month terms but range between three-month and four-year terms. Credit risk information is updated and monitored regularly. Loan receivables are subject to ongoing scrutiny, as a key component of credit risk management, with reporting of summarised credit risk information to the Company's directors on at least a monthly basis.

**Notes to and forming part of the financial statements
For the year ended 31 March 2024**

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise, for instance when the Company is made aware of a property sale and purchase agreement or refinancing agreement which provides sufficient evidence that all of the borrower's obligations including default interest will be met.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increases in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate, for instance when the Company is made aware of a property sale and purchase agreement or refinancing agreement which provides sufficient evidence that all of the borrower's obligations including default interest will be met.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- a) an increase in loan to valuation ratio caused by either declining property security values or increases in the loan balance;
- b) significant financial difficulty of the borrower; and
- c) a breach of contract, such as a default (see (ii) above).

(iv) Write-off policy

The Company writes off a financial asset when there is information indicating that the borrower is in severe financial difficulty and there is no realistic prospect of recovery, for example an unsecured financial asset whereby the borrower has no realistic ability to meet their financial obligations to the Company. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

v) Measurement and recognition of expected credit losses

The measurement of ECLs is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted for forward-looking information including macroeconomic factors as described above. Given the Company's loan book is all secured over property, the single most significant factor for loss given default is the value of the security property, time to realise security, any known or expected uninsured deterioration of the property, or any forecast reduction in property values.

As for the exposure at default, this is represented by the assets' gross carrying amount at the reporting date.

The ECL is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate. 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.

General Finance Limited

Notes to and forming part of the financial statements For the year ended 31 March 2024

If the Company has measured the loss allowance for a financial asset at an amount equal to lifetime ECL in the previous reporting period but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

The Company recognises an impairment gain or loss in profit or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the statement of comprehensive income.

Financial liabilities

Classification of financial liabilities

Financial liabilities are measured at amortised cost.

(ii) Financial liabilities measured at amortised cost

At initial recognition financial liabilities are measured at fair value plus transaction costs that are directly attributable to the issue of the financial liabilities. The amortised cost of a financial liability is the amount at which the financial liability is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount.

The Company's financial liabilities measured at amortised cost include other payables, term deposits. The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Goods and services tax (GST)

The Company is involved in exempt activities for Goods and Services Tax purposes. Accordingly, it is not required to account for GST on its revenues. Expenditure items are stated inclusive of GST where applicable. Receivables and Payables are stated inclusive of GST where applicable.

Cash and cash equivalents

Cash and cash equivalents includes demand deposits with an original term of less than or equal to 3 months which are considered highly liquid investments that are readily convertible into cash and used by the Company as part of day-to-day cash management.

Statement of cash flows

The Statement of Cash Flows has been prepared using the direct method modified by the netting of certain cash flows, to provide more meaningful disclosure.

The advances to and repayments received from borrowers in relation to loan receivables are considered operating activities and are reported on a net basis in the Statement of Cash Flows.

Proceeds from deposits issued and repayments to deposit investors are considered operating activities and are also reported on a net basis in the Statement of Cash Flows.

**Notes to and forming part of the financial statements
For the year ended 31 March 2024**

1.4 Standards and interpretations to published standards that are not yet effective

A number of new standards and amendments to standards and interpretations are issued but not yet effective. None of these are expected to have a significant effect on the financial statements of 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 Allowance for Expected Credit Losses

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

Calculation of loss allowance

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

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

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

Expected credit losses:

- 1) Based on the history of the Company's loan book over the last three years, the average annual write-offs as a percentage of the average loan receivable balance over the same period was 0.10%.
- 2) The Company has concluded that adopting a more conservative estimate of 0.25% (March 2023: 0.25%) of the gross loan balance is a more prudent and appropriate measure for anticipating potential losses over the next 12 months, compared to a less conservative estimate of 0.10%. This approach aligns with the Company's risk management strategy and ensures a more robust provisioning for expected credit losses.
- 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.

2.2 Fair Value

Fair value of assets

The fair value of the Company's loan receivables and other assets is considered to closely approximate their carrying value. As loan receivables are not traded in an active market, fair values are estimated by discounting the future contractual cash flows using interest rates applicable for an instrument with similar terms and conditions.

**Notes to and forming part of the financial statements
For the year ended 31 March 2024**

Fair value of liabilities

The fair value of the Company's deposits and of other liabilities is considered to closely approximate their carrying value.

3. Risk Management Policies

The Company manages risk through an approval, delegation and limits structure. Regular reviews of the policies, systems and risk reports are conducted within the Company.

The Company has a Risk Management Programme pursuant to the requirements of the Non-bank Deposit Takers Act 2013. The Risk Management Programme identifies risks to be managed and describes the processes to measure, monitor and control those risks.

* *Credit risk*, applicable to loan receivables and bank deposits, is the risk of potential loss arising from the under-performance by the counterparty to an instrument or facility. Credit risk arises when funds are extended, committed, invested or otherwise exposed through contractual agreements. Credit risk is controlled through a combination of approvals, limits, reviews and monitoring procedures which are carried out on a regular basis, the frequency of which is dependent on the level of risk. The Directors oversee credit policy and asset quality.

Loan receivables are subject to regular scrutiny, as a key component of credit risk management. This includes a review of the borrower's repayment history and any interest arrears; any changes in the borrowers circumstances which could impact on their ability to repay either interest or principal amounts on their due date; and any movement in the security value.

* *Interest rate risk* management focuses on two principal factors; mismatches between the repricing dates of interest-bearing assets and liabilities; and the investment of capital and other non-interest bearing liabilities in interest bearing assets. Management's objective is to produce a strong and stable net interest income over time.

At 31 March 2024 total bank deposits (including cash and cash equivalents) attracted a weighted average interest rate of 5.84% (March 2023: 3.94%). A 1% increase / (decrease) in the weighted average interest rate would increase / (decrease) annual interest income by \$225,721 (March 2023: \$183,683) based on the total bank deposits (including cash and cash equivalents) held at the reporting date. All term deposits (excluding the ones classified as cash and cash equivalents) have fixed interest rates for their terms, as do loan receivables, so the Company is not exposed to interest rate risk on these items. All term deposits classified as cash and cash equivalents have variable interest rates. A 1% increase / (decrease) would increase/(decrease) annual interest income by \$0 (March 2023: \$13,886).

* *Liquidity risk* is the risk that under certain conditions, cash outflows can exceed cash inflows in a given period. The Trust Deed requires us to have a liquidity cover ratio of at least 1.25 times which is measured based on the total expected cash position from loans and deposits expected to mature over the next three-month period. The Company closely monitors and forecasts its liquidity and ensures that sufficient funds are available to meet the repayment requirements for deposits as they fall due, by both holding cash on hand and by collections of loan receivables.

* *Indirect price risk* relates to the risk arising from the link between the Company's mortgage securities and the property market, which may vary from time to time. The Company assesses the risk of loss in fair value from the effect of hypothetical changes in property values. The Company's weighted average loan to asset ratio is not to exceed 75% (first mortgages) or 65% (second mortgages) of market value.

As at 31 March 2024 the weighted average loan to value ratio was 55.60% (March 2023: 54.23%). Based on sensitivity testing of the loan portfolio at 31 March 2024 the Company estimates it has a \$Nil (31 March 2023: \$Nil) exposure on secured mortgages to a property downturn of up to 25% (including the cost of realisation) from most recent valuations. A total of \$472,500 (March 2023: \$776,265) has been provided for expected credit losses in the financial statements (refer note 6).

General Finance Limited

Notes to and forming part of the financial statements For the year ended 31 March 2024

4. Management of Capital

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

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

The Company has complied with this ratio requirement during the year. As at 31 March 2024, the capital ratio of the Company was 22.26% (2023: 21.83%).

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

5. Cash and Cash Equivalents and Bank Deposits

	2024 \$	2023 \$
Bank call deposits ¹	9,857,545	8,055,162
Bank term deposits ²	-	1,388,581
Total cash and cash equivalents	<u>9,857,545</u>	<u>9,443,743</u>
Bank term deposits ² – Current Portion ³	12,714,591	8,924,560
Total bank deposits	<u>12,714,591</u>	<u>8,924,560</u>

Interest Rates: ¹Bank call deposits: 0.00% - 5.7% per annum (March 2023: 0.00% - 4.10% per annum).

²Bank term deposits: 5.50% - 5.75% per annum (March 2023: 3.35% - 5.15% per annum).

³Current Portion of Bank term deposits are contractually repayable within 12 months.

6. Loan Receivables

	2024 \$	2023 \$
First mortgage advances	134,140,905	110,506,174
Second mortgage advances	-	-
	134,140,905	110,506,174
Less deferred fee income and expenditure	(1,447,630)	(895,605)
Less impairment allowance	(472,500)	(776,265)
Net carrying value	<u>132,220,775</u>	<u>108,834,304</u>
Current portion	94,992,079	107,703,548
Non-current portion	37,228,696	1,130,756
	<u>132,220,775</u>	<u>108,834,304</u>

General Finance Limited

Notes to and forming part of the financial statements For the year ended 31 March 2024

Primary Loan Security – First Mortgage	2024 \$	2024 %	2023 \$	2023 %
Residential housing	117,504,757	87.6%	92,916,572	84.1%
Residential bare land	14,911,604	11.1%	12,383,593	11.2%
Residential development land and buildings	-	-	2,107,329	1.9%
Commercial property ¹	<u>1,724,544</u>	<u>1.3%</u>	<u>3,098,680</u>	<u>2.8%</u>
	<u>134,140,905</u>	<u>100.0%</u>	<u>110,506,174</u>	<u>100.0%</u>

¹The Company's lending policy allows for a maximum of 30% of total lending to be secured over commercial properties. At the year ended 31 March 2024 the company had 1.3% of commercial lending (2023: 2.8%).

Loan receivables represent loans at commercial interest rates. Current loan receivables are contractually repayable within 12 months. Non-current loan receivables are contractually repayable between 12 months to 36 months from the reporting date.

At year end there was \$2,052,306 outstanding loan commitments (loans approved and accepted not yet drawn) including future capitalised interest (March 2023: \$7,510).

Interest rate: Between 9.25% and 11.50% (2023: Between 5.45% and 12.90%).

Effective interest rate: Between 10.25% and 24.11% (2023: Between 5.79% and 22.79%).

For loans that are in default, additional interest of up to 10% is charged.

The core lending activity of the Company is providing, through a broker network, short term and bridging finance secured by mortgage over property. The majority of loans are entered into with a maturity date within 12 months, with a proposal that repayment will be funded by the sale of the secured property or through refinancing by the borrower. The Company's lending policy allows for a maximum "loan to security value" of 75% (excluding fees and charges) on advances, unless approved by the full board of the company. There are no loans with loan to valuation ratio above 75% at the reporting date (March 2023: none).

Sometimes loan repayments do not occur on the contractual maturity date and the term of the loan is extended i.e. rollover occurs. Before a loan is rolled over, the Company's standard credit checking and approval processes are re-applied. The current "loan to security value" position will be re-assessed and updated valuations are obtained where the Directors consider this appropriate. Loan application fees are charged and evidence is obtained of the borrower's agreement to the contractual terms and conditions of the extended loan.

At reporting date, 30.8% (March 2023: 28.6%) of loans by number and 32.6% (March 2023: 24.8%) by value represent loans that have been rolled over and are into their second or subsequent credit periods.

Where loans have been rolled over, their classification in these financial statements as current or non-current, or as past due, is based on payment due dates as per the terms of the extended contract, and not as per the original or preceding contract.

General Finance Limited

Notes to and forming part of the financial statements For the year ended 31 March 2024

Borrower payment terms are profiled as follows:

	2024 \$	2023 \$
Principal and interest paid monthly	1,144,796	-
Interest only paid monthly	132,683,098	110,401,835
Interest capitalised	313,011	104,339
Total loan receivables	<u>134,140,905</u>	<u>110,506,174</u>

Loan fees (for all loans) and interest (for capitalised interest loans) are capitalised to the loan balances when charged and recognised over the life of the loans using the effective interest method. The associated cash is received when the loans are repaid (or partially repaid). Income recognised during the financial year from amounts capitalised to loan receivables were as follows:

	2024 \$	2023 \$
Interest income	13,246	236,135
Loan fees	<u>2,853,522</u>	<u>2,629,760</u>
Total	<u>2,866,768</u>	<u>2,865,895</u>

Reconciliation of gross loan receivable balance movements through ECL stages:

	12 month ECL	Lifetime ECL Not credit impaired	Lifetime ECL credit impaired	Total
Balance as at 31 March 2022	79,129,017	1,301,738	487,279	80,918,034
New loan advances	95,678,186	-	-	95,678,186
Repayments	(64,301,029)	(1,301,738)	(487,279)	(66,090,046)
Transfer to lifetime not credit impaired	(5,415,857)	5,415,857	-	-
Transfer to lifetime credit impaired	(4,061,846)	-	4,061,846	-
Balance as at 31 March 2023	101,028,471	5,415,857	4,061,846	110,506,174
New loan advances	111,138,453	-	-	111,138,453
Repayments	(78,255,053)	(5,053,005)	(3,832,813)	(87,140,871)
Loan balances written off	-	(362,852)	-	(362,852)
Transfer to lifetime not credit impaired	(7,780,334)	7,780,334	-	-
Transfer to lifetime credit impaired	(573,671)	-	573,671	-
Balance as at 31 March 2024	125,557,867	7,780,334	802,704	134,140,905

General Finance Limited

Notes to and forming part of the financial statements For the year ended 31 March 2024

Reconciliation of movements in impairment allowance by stage:

	12 month ECL	Lifetime ECL Not credit impaired	Lifetime ECL credit impaired	Total
Balance as at 31 March 2022	197,536	3,254	1,505	202,295
Movement due to new loan advances	239,195	-	-	239,195
Movement due to loan repayments	(160,466)	(3,254)	(1,505)	(165,225)
Transfer to lifetime not credit impaired	(13,540)	13,540	-	-
Transfer to lifetime credit impaired (collectively assessed)	(10,155)	-	10,155	-
Transfer to lifetime credit impaired (individually assessed)	-	400,000	100,000	500,000
Balance as at 31 March 2023	252,570	413,540	110,155	776,265
Movement due to new loan advances	277,846	-	-	277,846
Movement due to loan repayments	(195,637)	(12,633)	(9,582)	(217,852)
Loan balances written off (collectively assessed)	-	(907)	-	(907)
Loan balances written off (individually assessed)	-	(362,852)	-	(362,852)
Transfer to lifetime not credit impaired	(19,451)	19,451	-	-
Transfer to lifetime credit impaired (collectively assessed)	(1,434)	-	1,434	-
Transfer to lifetime credit impaired (individually assessed)	-	(37,148)	37,148	-
Balance as at 31 March 2024	313,894	19,451	139,155	472,500

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 50.5% - 70.6% as at 31 March 2024 (March 2023: in a range of 34.9% - 67.2%), based on the security property valuation at origination. The lifetime ECL Credit Impaired loans are made up of two loans. \$0.6m was repaid or extended after the reporting date. Full recovery is expected from all loans.

7. Lending Industry Segments and Concentration of Credit

Credit exposures are concentrated in the property sector, particularly in the North Island and the Auckland Market. As at 31 March 2024, advances by General Finance in the North Island residential property sector represented 88.7% (March 2023: 93.5%) of its total exposure, with 70.0% (March 2023: 74.3%) being in the Auckland market. The geographical profile of loan receivables is analysed further as follows:

General Finance Limited

Notes to and forming part of the financial statements For the year ended 31 March 2024

Credit risk concentration

	2024 \$	2023 \$
Northland	6,146,498	1,412,729
Auckland	93,905,052	82,157,883
Waikato	3,268,816	3,671,767
Bay of Plenty	1,440,507	1,641,255
Wellington	6,172,735	8,403,589
Other North Island	8,082,401	6,000,304
Canterbury	10,931,866	3,622,661
Otago	2,017,465	3,144,922
Marlborough	2,175,565	451,064
Total	<u>134,140,905</u>	<u>110,506,174</u>

As at 31 March 2024 the Company's loan advances are secured as follows: first mortgages 100% (March 2023: 100%). There were no unsecured loans as at 31 March 2024 (March 2023: none).

The Company is also exposed to credit risk from deposits held with banks. As at reporting date, the Company's cash and cash equivalents and bank deposits are held in the below banks representing a percentage of the total equity:

Percentage of Equity	2024	2023
Westpac New Zealand	8.3%	-
Bank of New Zealand	19.2%	60.5%
Heartland Bank	59.1%	54.4%
Forsyth Barr – custodial account with ANZ Bank New Zealand	33.0%	-

Bank of New Zealand, Westpac New Zealand and ANZ Bank New Zealand all have AA- credit ratings from Standard & Poor's and A+ credit ratings from Fitch. Heartland Bank does not have credit rating from Standard & Poor's and has a rating of BBB with Fitch.

The maximum credit exposure of the Company, assuming a zero value for collateral is \$158,768,869 (March 2023: \$128,894,595). This includes loan receivables of \$134,140,905 (March 2023: \$110,506,174), undrawn loan commitments of \$2,052,306 (March 2023: \$7,510), related party receivables of \$3,522 (March 2023: \$12,608) and bank deposits of \$22,572,136 (March 2023: \$18,368,303). Of this exposure, 85.8% is covered by collateral over properties (March 2023: 85.7%) and 14.2% is deposited with registered New Zealand banks (March 2023: 14.3%).

The Company has no foreign exchange exposure.

General Finance Limited

Notes to and forming part of the financial statements For the year ended 31 March 2024

As at 31 March 2024 the Company had the following concentration of credit exposures on loan advances as a percentage of equity.

Equity Percentage	2024 No of Exposures	2024 Average Value \$	2023 No of Exposures	2023 Average Value \$
0% to 5%	76	520,149	53	26,142,902
5% to 10%	37	1,404,793	26	29,967,201
10% to 15%	8	2,181,342	18	35,139,447
15% to 20%	2	2,925,558	4	11,450,463
20% to 25%	2	4,451,443	2	7,806,162
25% to 30%	2	-	-	-
Total no. of exposures	127		103	

The concentration of the credit exposure to the six largest exposures is 18.8% (March 2023: 17.4%) of the total loan portfolio. The Company has elected to disclose the largest six exposures as this is considered to provide a meaningful indication of concentration of credit risk. An exposure is calculated as the total of all loan exposures to a single borrower or group of linked borrowers.

8. Asset Quality

The provision for expected credit losses is detailed and explained in note 7. Gross past due loan receivables total \$10,353,445 (March 2023: \$14,620,056) which equates to 7.7% (March 2023: 13.2%) of total loan receivables.

As shown in the aging analysis of past-due loans below, the balance comprises:

Stage 1	<i>12-month ECL</i> Gross loans receivable totalling \$1,770,407 (March 2023: \$5,142,353) were past due and the Company has concluded there has not been a significant increase in credit risk.
Stage 2	<i>Lifetime ECL not credit impaired</i> Gross loans receivable totalling \$7,780,334 (March 2023: \$5,415,857) were past due by between 30 and 90 days and the Company has concluded there has been a significant increase in credit risk.
Stage 3	<i>Lifetime ECL credit impaired</i> Gross loans receivable totalling \$802,704 (March 2023: \$4,061,846) were past due by greater than 90 days and the Company has concluded there has been a significant increase in credit risk.

Aging analysis of past-due loans	2024 \$	2023 \$
Up to 30 Days	1,770,407	5,142,353
31 - 60 Days	7,275,651	5,415,857
61 - 90 Days	504,683	-
91 - 120 Days	-	555,465
120+ Days	802,704	3,506,381
Total	10,353,445	14,620,056

General Finance Limited

Notes to and forming part of the financial statements For the year ended 31 March 2024

9. Interest Income

	2024 \$	2023 \$
Loan receivables	11,978,642	9,946,809
Other interest income	<u>1,420,713</u>	<u>633,240</u>
Total interest income	<u>13,399,355</u>	<u>10,580,049</u>

10. Term Deposits

	2024 \$	2023 \$
Gross term deposit liability	135,192,864	109,988,514
Less deferred commission expenditure	<u>(74,317)</u>	<u>(102,482)</u>
Net carrying value	<u>135,118,547</u>	<u>109,886,032</u>
Contractual repayment terms:		
On call	178,813	104,087
Within 12 months	88,839,334	77,329,770
Greater than 12 months	<u>46,100,400</u>	<u>32,452,175</u>
	<u>135,118,547</u>	<u>109,886,032</u>

Repayment Terms: On call up to 5 years
Interest Rate: 3.65% - 8.30% and 0.15% on call (March 2023: 3.65% - 7.75% and 0.15% on call)
Effective Interest Rate: 3.65% - 8.30% and 0.15% on call (March 2023: 3.65% - 7.75% and 0.15% on call)
Security: First ranking security interest over the assets and undertakings of General Finance Limited in favour of the Trustee (subject only to any prior security interests permitted by the Trust Deed and preferential claims given priority by operation of law).

The Company has a total of 1,003 depositors as at 31 March 2024 (March 2023: 853). As at reporting date, the largest deposit the Company has is \$1,286,211 (March 2023: \$1,224,361) which represents 0.95% (March 2023: 1.11%) of total deposits. As at reporting date the largest aggregate deposits under a single deposit holder totalled \$2,850,000 (March 2023: \$3,000,000) which represents 2.11% (March 2023: 2.73%) of total deposits and have a weighted average maturity date of 7.99 months from reporting date (March 2023: 16.02 months from reporting date). One of the largest deposit holders as at 31 March 2024 and 31 March 2023 is a director of General Capital Limited (refer to note 18).

General Finance Limited

Notes to and forming part of the financial statements For the year ended 31 March 2024

Further analysis of gross deposit funding is as follows:

a) Concentration of funding

	2024 \$	2023 \$
Northland	4,631,033	4,166,690
Auckland	53,614,586	47,277,149
Waikato	13,529,906	10,186,523
Bay of Plenty	11,861,471	10,314,064
Wellington	18,440,430	14,234,721
Other North Island	8,872,147	6,285,283
South Island	19,715,023	14,536,014
Overseas	4,528,268	2,988,070
Total gross deposit stock liability	<u>135,192,864</u>	<u>109,988,514</u>

b) Contractual maturity of funding

	2024 \$	2023 \$
Maturing in 0 - 6 months	40,974,805	45,295,457
Maturing in 6 - 12 months	48,060,194	32,176,340
Maturing in 12 - 24 months	35,221,462	21,984,844
Maturing after 24 months	10,936,403	10,531,873
Total gross term deposit liability	<u>135,192,864</u>	<u>109,988,514</u>

c) Profile of deposit holders

	2024	2024 \$	2023	2023 \$
Deposits over \$200,000	178	85,140,202	140	68,792,518
Deposits \$100,000 - \$200,000	170	23,478,598	117	16,323,173
Deposits \$50,000 - \$100,000	223	16,598,086	214	15,983,117
Deposits \$20,000 - \$50,000	236	7,948,537	213	7,034,278
Deposits \$10,000 - \$20,000	109	1,546,022	98	1,401,109
Deposits under \$10,000	87	481,419	71	454,319
Total gross term deposit liability	<u>1,003</u>	<u>135,192,864</u>	<u>853</u>	<u>109,988,514</u>

General Finance Limited

Notes to and forming part of the financial statements For the year ended 31 March 2024

11. 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.

March 2024	Total	Contractual Cash Flows			
		0 – 6 Months	7 - 12 Months	13 - 24 Months	24+ Months
	\$	\$	\$	\$	\$
Financial assets					
<i>Amortised cost</i>					
Cash and cash equivalents	9,857,545	9,857,545	-	-	-
Bank deposits	13,165,370	5,998,667	7,166,703	-	-
Other receivables	18,671	18,671	-	-	-
Loan receivables	145,576,153	68,609,818	35,628,786	33,543,389	7,794,160
Totals	<u>168,617,739</u>	<u>84,484,701</u>	<u>42,795,489</u>	<u>33,543,389</u>	<u>7,794,160</u>
Financial liabilities					
<i>Amortised cost</i>					
Other payables	1,313,876	1,313,876	-	-	-
Term deposit	145,372,958	43,902,980	50,943,680	38,076,355	12,449,943
Totals	<u>146,686,834</u>	<u>45,216,856</u>	<u>50,943,680</u>	<u>38,076,355</u>	<u>12,449,943</u>
Net cashflow	<u>21,930,905</u>	<u>39,267,845</u>	<u>(8,148,191)</u>	<u>(4,532,966)</u>	<u>(4,655,783)</u>
March 2023	Total	0 – 6 Months	7 - 12 Months	13 - 24 Months	24+ Months
	\$	\$	\$	\$	\$
Financial assets					
<i>Amortised cost</i>					
Cash and cash equivalents	9,443,743	9,443,743	-	-	-
Bank deposits	8,993,349	8,993,349	-	-	-
Other receivables	73,574	73,574	-	-	-
Loan receivables	115,135,379	70,460,011	43,424,316	1,251,052	-
Totals	<u>133,646,045</u>	<u>88,970,677</u>	<u>43,424,316</u>	<u>1,251,052</u>	<u>-</u>
Financial liabilities					
<i>Amortised cost</i>					
Other payables	1,811,553	1,811,553	-	-	-
Term deposit	116,607,943	47,036,067	34,013,191	23,855,967	11,702,718
Totals	<u>118,419,496</u>	<u>48,847,620</u>	<u>34,013,191</u>	<u>23,855,967</u>	<u>11,702,718</u>
Net cashflow	<u>15,226,549</u>	<u>40,123,057</u>	<u>9,411,125</u>	<u>(22,604,915)</u>	<u>(11,702,718)</u>

General Finance Limited

Notes to and forming part of the financial statements For the year ended 31 March 2024

Expected Cash Flows					
March 2024	Total	0 - 6 Months	7 - 12 Months	13 - 24 Months	24+ Months
	\$	\$	\$	\$	\$
Financial assets					
<i>Amortised cost</i>					
Cash and cash equivalents	10,115,843	10,115,843	-	-	-
Bank deposits	13,165,370	5,998,667	7,166,703	-	-
Other receivables	18,671	18,671	-	-	-
Loan receivables	<u>152,474,660</u>	<u>37,772,535</u>	<u>21,226,360</u>	<u>68,903,951</u>	<u>24,571,814</u>
Totals	<u>175,774,544</u>	<u>53,905,716</u>	<u>28,393,063</u>	<u>68,903,951</u>	<u>24,571,814</u>
Financial liabilities					
<i>Amortised cost</i>					
Other payables	1,313,876	1,313,876	-	-	-
Term deposit	<u>154,835,296</u>	<u>19,692,023</u>	<u>22,797,682</u>	<u>45,216,718</u>	<u>67,128,873</u>
Totals	<u>156,149,172</u>	<u>21,005,899</u>	<u>22,797,682</u>	<u>45,216,718</u>	<u>67,128,873</u>
Net cashflow	<u>19,625,372</u>	<u>32,899,817</u>	<u>5,595,381</u>	<u>23,687,233</u>	<u>(42,557,059)</u>
Expected Cash Flows					
March 2023	Total	0 - 6 Months	7 - 12 Months	13 - 24 Months	24+ Months
	\$	\$	\$	\$	\$
Financial assets					
<i>Amortised cost</i>					
Cash and cash equivalents	9,633,830	9,633,830	-	-	-
Bank deposits	8,993,349	8,993,349	-	-	-
Other receivables	73,574	73,574	-	-	-
Loan receivables	<u>120,857,051</u>	<u>38,221,976</u>	<u>24,451,716</u>	<u>57,557,833</u>	<u>625,526</u>
Totals	<u>139,557,804</u>	<u>56,922,729</u>	<u>24,451,716</u>	<u>57,557,833</u>	<u>625,526</u>
Financial liabilities					
<i>Amortised cost</i>					
Other payables	1,811,553	1,811,553	-	-	-
Term deposit	<u>123,586,143</u>	<u>20,987,638</u>	<u>15,510,520</u>	<u>39,981,225</u>	<u>47,106,760</u>
Totals	<u>125,397,696</u>	<u>22,799,191</u>	<u>15,510,520</u>	<u>39,981,225</u>	<u>47,106,760</u>
Net cashflow	<u>14,160,108</u>	<u>34,123,538</u>	<u>8,941,196</u>	<u>17,576,608</u>	<u>(46,481,234)</u>

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 the post pandemic economic environment, high inflation and interest rates, uncertainty in the property market and post natural disaster environment estimated impacts:

- 60% term deposit reinvestment rate for March 2024 (March 2023: 60%).
- Cash and cash equivalents are expected to earn interest for the first six months at 5.24% per annum.
- Term deposit reinvestments are made for a weighted average 18-month term at 7.57% per annum (March 2023: 18-month term at 6.94% per annum).
- 50% of loans (March 2023: 50%) 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.

General Finance Limited

Notes to and forming part of the financial statements For the year ended 31 March 2024

12. Other Operating Expenses

	2024	2023
	\$	\$
Auditors Remuneration		
Audit of financial statements		
- Audit of financial statements (Grant Thornton New Zealand Audit Ltd)	170,651	164,900
- Review quarterly trustee certificates (Grant Thornton New Zealand Audit Ltd)	3,450	3,000
Total Fees Paid to the Auditors	<u>174,101</u>	<u>167,900</u>
Directors fees	143,330	126,695
Directors – Consulting fees	110,026	92,299
Management Fees	621,000	432,000

The above items are GST inclusive and are included within other operating expenses in the Statement of Comprehensive Income.

13. Intangible Assets

	Customer Relationships ¹
	\$
Cost	
At 31 March 2023	<u>-</u>
Additions	<u>213,347</u>
At 31 March 2024	<u>213,347</u>
Accumulated amortisation	
At 31 March 2023	<u>-</u>
Amortisation charge for the year	<u>(21,335)</u>
At 31 March 2024	<u>(21,335)</u>
Net book value	
At 31 March 2023	<u>-</u>
At 31 March 2024	<u>192,012</u>

¹General Finance Limited purchased the customer relationships and not the systems or processes that Equity Investment Advisers Limited uses. The purchase was primarily for the purpose of allowing direct engagement with the depositors and hence the protection of the depositor book. The transaction has been treated as a purchase of an intangible asset rather than a business combination. The amount capitalised includes the price paid for acquiring the depositor book and associated acquisition costs. The asset will be amortised over a five year period.

General Finance Limited

Notes to and forming part of the financial statements For the year ended 31 March 2024

14. Property, Plant and Equipment

	Office Equipment
Cost	\$
At 1 April 2022	9,394
Additions	<u>1,484</u>
At 31 March 2023	<u>10,878</u>
Additions	<u>5,872</u>
At 31 March 2024	<u>16,750</u>
Accumulated depreciation	
At 1 April 2022	(9,394)
Depreciation charge for the year	<u>(148)</u>
At 31 March 2023	<u>(9,542)</u>
Depreciation charge for the year	<u>(2,490)</u>
At 31 March 2024	<u>(12,032)</u>
Net book value	
At 31 March 2023	1,336
At 31 March 2024	4,718

Office equipment held by the Company includes computer equipment and other office equipment. Office equipment is depreciated on a straight-line basis at depreciation rates between 30% and 40% per annum.

15. Share Capital

	Number of ordinary shares	Value \$
Opening balance as at 1 April 2022	5,589,341	7,100,000
Issue of ordinary shares	<u>1,699,041</u>	<u>5,474,234</u>
Balance as at 31 March 2023	<u>7,288,382</u>	<u>12,574,234</u>
Issue of ordinary shares	<u>-</u>	<u>-</u>
Balance as at 31 March 2024	<u>7,288,382</u>	<u>12,574,234</u>

All ordinary shares are fully paid, have no par value and rank equally in all respects. An ordinary share confers on the holder the right to one vote on a poll.

General Finance Limited

Notes to and forming part of the financial statements For the year ended 31 March 2024

16. Income Tax

	2024 \$	2023 \$
Profit reconciliation		
Operating surplus before income tax	3,821,451	4,352,080
Temporary differences / permanent differences	66,731	(23,195)
Tax loss offset from related parties (<i>refer below</i>)	(536,896)	(376,170)
Imputation credits attached to dividends received	-	-
Taxable income	<u>3,351,286</u>	<u>3,952,715</u>
Prima facie tax – 28% (2023: 28%)	<u>938,360</u>	<u>1,106,760</u>
	<u>938,360</u>	<u>1,106,760</u>
Current tax	858,638	1,264,252
Deferred tax	<u>79,722</u>	<u>(157,492)</u>
Income tax expense	<u>938,360</u>	<u>1,106,760</u>
Opening income tax payable	1,025,738	523,458
Current tax @ 28%	858,638	1,264,252
Resident withholding tax paid	-	-
Tax payments	<u>(1,445,017)</u>	<u>(761,972)</u>
Income tax payable	<u>439,359</u>	<u>1,025,738</u>

Tax loss offset from related parties

Losses totalling \$536,896 (March 2023: \$376,170) have been offset against the Company's taxable profits by related companies General Capital Limited and Investment Research Group Limited.

Imputation credits

As at reporting date imputation credits totalled \$1,450,274 (March 2023: \$5,257). Subject to the provisions of the Income Tax Act 2007, the benefit of these credits may be passed to the shareholder as imputed tax paid on future dividends.

Movements through the Imputation Credit account were as follows:

	2024 \$	2023 \$
Balance at beginning of year	5,257	205,490
Income tax payments	1,445,017	761,969
Imputation credits attached to taxable bonus issue	-	(962,202)
Balance at end of year	<u>1,450,274</u>	<u>5,257</u>

General Finance Limited

Notes to and forming part of the financial statements For the year ended 31 March 2024

Deferred tax reconciliation	2024 \$	2023 \$
Balance at beginning of year	245,922	88,430
Increase / (decrease) in accrued expenses	5,331	1,350
Increase / (decrease) in impairment loss provision	(85,053)	160,712
Increase / (decrease) in lease liabilities	-	(30,581)
(Increase) / decrease in right of use assets	-	26,011
Balance at end of year	<u>166,200</u>	<u>245,922</u>

Deferred tax attributed to:

Deferred tax assets:

Accrued expenses	33,899	28,568
Impairment loss provision	132,301	217,354
Net deferred tax assets	<u>166,200</u>	<u>245,922</u>

17. Reconciliation of Net Profit after Tax with Cash Inflow from Operating Activities

	2024 \$	2023 \$
Reported Profit after Tax	2,883,091	3,245,320
Add/(deduct) non-cash items		
Movement in allowance for expected losses (loan receivables)	59,087	573,970
Depreciation and amortisation	23,825	93,683
Deferred tax movement	<u>79,722</u>	<u>(157,492)</u>
	<u>162,634</u>	<u>510,161</u>
Movements in other working capital items		
(Increase) / Decrease in loan receivables (net advances)	(23,127,890)	(28,618,533)
Increase / (Decrease) in term deposits (net receipts)	24,485,709	21,286,867
(Increase) / Decrease in accrued interest on loan receivables	51,067	(358,271)
(Increase) / Decrease in capitalised loan fees	(982,490)	(1,000,806)
(Increase) / Decrease in capitalised interest	23,908	398,461
(Increase) / Decrease in other current assets	23,554	(148,914)
(Increase) / Decrease in related party receivable	9,087	729
(Increase) / Decrease in prepaid commission	28,164	(15,123)
Increase / (Decrease) in income tax payable	(586,379)	502,280
Increase / (Decrease) in deferred income	627,151	207,523
Increase / (Decrease) in interest payable	718,642	572,453
Increase / (Decrease) in related party payable	(134,614)	(112,444)
Increase / (Decrease) in accounts payable and accruals	<u>241,419</u>	<u>169,833</u>
	<u>1,377,328</u>	<u>(7,115,945)</u>
Total movement – inflow / (outflow)	1,539,962	(6,605,784)
Net cash inflow / (outflow) from operating activities	<u>4,423,053</u>	<u>(3,360,464)</u>

General Finance Limited

Notes to and forming part of the financial statements For the year ended 31 March 2024

18. Related Party Transactions and Balances

Directors, Directors of subsidiaries and closely related persons or entities are considered related parties of the Company.

Key Management Personnel includes Directors, Legal Counsel, and the Chief Financial Officer.

Related party balances at year end:	2024 \$	2023 \$
<i>Included in related party payables:</i>		
Members of the same group	889	41,875
Key Management Personnel	<u>1,430</u>	<u>95,058</u>
	<u>2,319</u>	<u>136,933</u>
<i>Included in related party receivables:</i>		
Members of the same group	3,522	11,883
Key Management Personnel	<u>-</u>	<u>725</u>
	<u>3,522</u>	<u>12,608</u>
Term deposits held by related parties ¹	<u>1,300,724</u>	<u>2,342,793</u>
Loan Receivable owed by related parties	<u>312,288</u>	<u>-</u>

¹Includes term deposits held by Key Personnel, Non-executive Directors, Directors of the ultimate parent company, their families and their controlled entities.

Related party transactions during the year:

Related Party	Type	Transaction	2024	2023
Key Management Personnel ¹	Expense	Short-term Remuneration	950,520	644,320
	Expense	Expense recharges	37,113	49,864
	Expense	Brokerage	72,108	132,092
	Expense	Interest expense on term deposits ²	101,682	224,778
	Intangible Assets	Client Relationship	200,000	-
	Contra Expense	Expense recharges	17,038	8,710
	Revenue	Interest and Fee income	15,034	-
General Capital Limited – Ultimate Parent	Expense	Expense recharges	670,720	559,414
	Other Current Assets	Prepayments recharged	245,348	155,941
	Contra Expense	Expense recharges	220,345	155,818
Investment Research Group Limited	Expenses	Expense recharges	1,975	52,728
	Contra Expense	Expense recharges	44,285	29,126

¹Key Management Personnel includes Directors, Legal Counsel and the Chief Financial Officer (including Directors consulting fees).

²Includes term deposits held by Key Personnel, Directors of the ultimate parent company, their families and their controlled entities.

Other related party transactions

Related party exposures owed by the Company are limited to 10% of regulatory capital under its trust deed. This limit has not been exceeded by the Company. (Year ended 31 March 2023: not exceeded.)

General Finance Limited

Notes to and forming part of the financial statements For the year ended 31 March 2024

19. Post Balance Date Events

There have been no material post balance date events that would materially impact the Company's financial statements.