



General Finance Limited

Financial Statements

For the year ended 31 March 2017

General Finance Limited

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General Finance Limited

Business Profile As at 31 March 2017

Nature of Business	Non-Bank Deposit Taker and Mortgage Lending Company		
Business Address	638 Great South Road Ellerslie, Auckland, 1051		
Postal Address	PO Box 74 212 Greenlane, Auckland, 1546		
Telephone	09 526 5000		
IRD Number	68-422-167		
Share Capital	2,800,000 Ordinary Shares		
Shareholder	General Finance Holdings Limited		Ordinary
	Total Shares		<u>2,800,000</u>
			<u>2,800,000</u>
Directors	PA Anderson - Chairman WAA Cairns JC Hiddleston JR Lockie		
Registered Office	Ground Floor, 638 Great South Road Ellerslie, Auckland, 1051		
Company Number	AK 860336		
Date of Incorporation	13 June 1997		
Bankers	Bank of New Zealand Limited Westpac New Zealand Limited		
Auditor	William Buck Christmas Gouwland Audit Limited		

General Finance Limited

Who is General Finance Limited

General Finance Limited was incorporated in 1997. It commenced business in 1999 as a second mortgage lender. In 2001 it expanded to provide a full product range of residential home loans. General Finance registered its first prospectus in 2004, and became a deposit taker.

General Finance Limited is a wholly New Zealand owned and operated finance company, located in premises in Greenlane in Auckland. The Company is engaged in mortgage origination and management, providing a range of residential mortgage services. These include no-financials, non-conforming, bridging, and some second mortgages. Lending is secured on residential properties only and funded on our own balance sheet using debenture funding.

The Company also manages some mortgages that it has originated but that are funded from wholesale funding sources.

General Finance Limited is a subsidiary of General Finance Holdings Limited. General Finance and its associates have originated and managed, in aggregate, over \$1.11 billion of mortgage assets since 1999, peaking in 2007 with over \$400 million of mortgages under management and 22 staff. It sold out of its prime mortgage portfolio in 2007 and now concentrates on its finance company operation.

The Company has been at the forefront in the market of mortgage product development, with initiatives including:

- longer dated interest-only facilities aimed at the residential property investor market
- no financials products aimed at the self-employed market
- becoming an important player in the non-conforming mortgage market, lending to those individuals who have or have had some credit issues
- developing in-house expertise in lending to trust entities and family owned residential property investment companies
- offering a range of bridging finance mortgages

General Finance Limited has been a survivor of the finance company sector collapse. Throughout this period it traded profitably. Its twelfth Prospectus was approved and issued in August 2015. The Prospectus has now been replaced by a Product Disclosure Statement. The Company was one of the first finance companies to adopt this new document, releasing it in February 2016. It continues as a specialist lender secured by residential property, providing short term and bridging residential mortgages.

During the 2016/17 year, business has been strong, with active demand on both the deposit and lending sides of the business.

General Finance Limited

Directors' Statement For the year ended 31 March 2017

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 10 to 29 for issue.

For and on behalf of the Board

Director

Date:

24.5.17

Director

Date:

24/5/17

General Finance Limited

Independent auditor's report to shareholders

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of General Finance Limited (the Company), which comprise the statement of financial position as at 31 March 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2017, and of its financial performance and its cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

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) Code of Ethics for Assurance Practitioners 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 we have no relationship with, or interests in, the Company.

CHARTERED ACCOUNTANTS & ADVISORS

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wbcg.co.nz

William Buck Christmas Gouwland
Audit Limited

Information Other than the Financial Statements and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises "Who is General Finance" on page 4 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 connection 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 entity for the preparation of financial statements that give a true and fair view in accordance with New Zealand equivalents to International Financial Reporting Standards, 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 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.

As part of an audit in accordance with the ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditor's report is Michael Wood.

William Buck Christmas Gouwland Audit Limited



Auckland
25 May 2017

General Finance Limited

Consolidated Statement of Profit or Loss and Other Comprehensive Income For the year ended 31 March 2017

	Note	2017 \$	2016 \$
Interest Income	5	1,137,289	1,168,663
Interest Expense		<u>(494,460)</u>	<u>(541,975)</u>
Net Interest Income		<u>642,829</u>	<u>626,688</u>
Fee and Commission Income		296,741	279,054
Fee and Commission Expense		<u>(128,925)</u>	<u>(119,216)</u>
Net Fee and Commission Income		<u>167,816</u>	<u>159,838</u>
Net Trading Income		810,645	786,526
Other Revenue		<u>11,490</u>	<u>9,662</u>
Net Revenue		822,135	796,188
Other Income		370	370
Net Impairment (Loss) / Gain on Financial Assets		78,725	(8,950)
Personnel Expenses		(158,649)	(198,310)
Operating Lease Expenses		(46,977)	(42,936)
Other Expenses	6	<u>(263,624)</u>	<u>(225,354)</u>
Profit from Operating Activities		431,980	321,008
Income Tax Expense	9	<u>(121,696)</u>	<u>(89,698)</u>
Net Profit attributable to the shareholders of the Company		310,284	231,310
Other Comprehensive Income			
Other Comprehensive Income		<u>-</u>	<u>-</u>
Total Comprehensive Income attributable to the shareholders of the Company		<u>310,284</u>	<u>231,310</u>
Basic earnings per share (cents)		<u>11.08</u>	<u>8.26</u>
Diluted earnings per share (cents)		<u>11.08</u>	<u>8.26</u>

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

General Finance Limited

Statement of Changes in Equity For the year ended 31 March 2017

	Share Capital (Note 11)	Retained Surplus	Total
Balance 1 April 2015	2,800,000	375,521	3,175,521
Total Comprehensive Income for the period	-	231,310	231,310
Distributions to owners	-	(250,000)	(250,000)
Balance 31 March 2016	<u>2,800,000</u>	<u>356,831</u>	<u>3,156,831</u>
Total Comprehensive Income for the period	-	310,284	310,284
Distributions to owners	-	(400,000)	(400,000)
Balance 31 March 2017	<u>2,800,000</u>	<u>267,115</u>	<u>3,067,115</u>

General Finance Limited

Statement of Financial Position As at 31 March 2017

	Note	2017 \$	2016 \$
Share Capital	11	2,800,000	2,800,000
Retained Earnings		267,115	356,831
Total Equity		<u>3,067,115</u>	<u>3,156,831</u>
Assets			
Cash & Cash Equivalents	7	2,410,342	1,875,899
Short Term Bank Deposit	7	1,214,531	2,192,262
Accounts Receivable		6,697	9,913
Loan Receivables	8	8,294,488	7,391,044
Deferred Tax Asset	9	5,289	27,332
Total Assets		<u>11,931,347</u>	<u>11,496,450</u>
Liabilities			
Accounts Payable and Accruals		78,313	88,816
Debenture Stock	10	8,684,556	8,215,883
Income Tax Payable	9	62,294	5,313
Deferred Income	4	39,069	29,607
Total Liabilities		<u>8,864,232</u>	<u>8,339,619</u>
Net Assets		<u>3,067,115</u>	<u>3,156,831</u>

Authorised for issue on behalf of the Board:

Director

Date: 24.5.17

Director

Date: 24/5/17

General Finance Limited

Statement of Cash Flows For the year ended 31 March 2017

	Note	2017 \$	2016 \$
Cash Flows from / (to) Operating Activities			
Cash was provided from			
Interest Received		1,237,724	1,137,859
Loan Receivables (net advances)		-	1,914,969
Loan Fees, Commission and Management Fees		<u>267,138</u>	<u>280,632</u>
		1,504,862	3,333,460
Cash was applied to			
Payments to suppliers and employees		(544,171)	(585,926)
Interest paid		(464,602)	(502,472)
Income Tax Paid		(42,672)	(152,194)
Loan Receivables (net advances)		<u>(935,521)</u>	<u>-</u>
		(1,986,966)	(1,240,592)
Net cash inflow / (outflow) from / (to) Operating Activities	22	(482,104)	2,092,868
Cash Flows from / (to) Financing Activities			
Cash was provided from / (applied to)			
Dividends Paid		(400,000)	(250,000)
Debenture Stock (Net Receipts)		<u>438,816</u>	<u>386,675</u>
Net cash inflow / (outflow) from / (to) Financing Activities		38,816	136,675
Net Cash & Cash Equivalents Movement for Year		<u>(443,288)</u>	<u>2,229,543</u>
Opening Cash & Cash Equivalents Balance		4,068,161	1,838,618
Closing Cash & Cash Equivalents Balance	7	<u><u>3,624,873</u></u>	<u><u>4,068,161</u></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 2017

1.0 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. It is a wholly owned subsidiary of General Finance Holdings Limited, an established New Zealand owned and operated mortgage company.

The Company, a profit-oriented entity, is a limited liability company registered under the Companies Act 1993. The address of its registered office is Ground Floor, 638 Great South Rd, Ellerslie, Auckland.

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 profit-orientated entities. They comply with the International Financial Reporting Standards (IFRS) and IFRIC interpretations.

These 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 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:

Revenue and expense recognition

Revenue, which includes interest income and fee income, is recognised to the extent that it is probable that economic benefits will flow to the Company and they can be measured reliably. Expenses are recognised in the Statement of Profit or Loss and Other Comprehensive Income on an accrual basis. Interest revenue and interest expense are recognised using the effective interest method.

Interest income is recognised over the period of the loan balance and the deferred interest represents interest received but not yet recorded as income. Fee income is recognised over the period of the loan and the remaining balance represents fee income unearned, which is recorded in the Statement of Financial Position. All borrowing costs are expensed when incurred.

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.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

General Finance Limited

Notes to and forming part of the financial statements For the year ended 31 March 2017

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Leased Assets

Leases under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Operating lease payments are charged to expenses over the period of expected benefit.

Financial Assets

Financial assets are recognised in the Statement of Financial Position when the Company becomes party to a financial contract. The Company derecognises a financial asset from its Statement of Financial Position when, and only when, (i) the contractual rights to the cash flows from the financial asset expire, or (ii) the Company has transferred all or substantially all of the risks and rewards of ownership of the financial asset and no longer controls the financial asset.

All of the Company's financial assets are initially recorded at fair value plus transaction costs. Due allowance is made for impaired loan receivables (provision for impairment losses). Loan receivables include loans with fixed or determinable payments, that are not quoted in an active market and which are not classified as available for sale or designated at fair value through profit or loss. They arise when the company provides money to a customer by way of loan. They are subsequently recorded using the effective interest method and adjusted for impairment losses, deferred income and unearned future income.

Impairment of Loan Receivables

Loan receivables are regularly reviewed for impairment loss and impairment provisions are raised for identified exposures. Loans are impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more loss events occurring after the initial recognition of the loan and prior to the reporting date, and that loss event (or events) has had a reliably measurable impact on the estimated future cash flows from the loan. When a loan has been identified as impaired the carrying amount is decreased to its estimated recoverable amount, being the present value of the expected future cashflows, including amounts recoverable from the realisation of security, discounted at the loan's original effective interest rate.

Impairment is assessed on an individual loan basis and not on a collective basis.

Past Due Assets are any financial assets in which the counterparty has failed to make a payment when contractually due.

Restructured Assets are impaired financial assets that have been restructured due to deterioration in the counterparty's financial position and where the Company has made concessions that it would not otherwise consider. Once a financial asset is restructured it remains in this category independent of satisfactory performance after restructuring. A restructured asset may also be represented as a past due asset when the counterparty has failed to make a payment when contractually due, based on the restructured terms.

Notes 8 and 18 disclose impaired assets, past due assets and restructured assets.

Accounts Payables

Accounts payables are stated at the estimated amounts payable and include all obligations that can be reliably estimated.

General Finance Limited

Notes to and forming part of the financial statements For the year ended 31 March 2017

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 & Cash Equivalents

Cash includes demand deposits and other highly liquid investments readily convertible into cash 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, in order 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 debentures issued and repayments to debenture investors are considered financing activities and are also reported on a net basis in the Statement of Cash Flows.

Debentures

All debentures are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the debenture. After initial recognition, debentures are subsequently measured at amortised cost using the effective interest method. Debentures may have the interest either capitalised or paid out in accordance with the terms of the debenture. The Company derecognises a financial liability from its Statement of Financial Position, when and only when, it is extinguished.

1.4 Changes in Accounting Policies

There have been no changes in accounting policies in the year ended 31 March 2017.

2. Critical Accounting Estimates and Judgments

These financial statements are prepared in accordance with New Zealand equivalents to International Financial Reporting Standards and other authoritative accounting pronouncements. Notwithstanding the application of relevant accounting standards, there are a number of critical 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.

Impairment Provisioning

Provisions for impairment of loan receivables are raised by management to cover actual and expected losses arising from past events. Losses for impaired loans are recognised promptly when there is objective evidence that impairment of a loan has occurred. Impairment losses are calculated on an individual loan basis. Losses expected from future events, no matter how likely, are not recognised. The amount of the impairment loss is recognised as an expense in the Statement of Profit or Loss and Other Comprehensive Income.

The calculation of impairment provisions includes consideration of all expected cash flows associated with the loss. This includes any expected cash flows from realisation of security interests and takes into account any costs expected to be incurred, including security realisation costs, legal and administration costs.

General Finance Limited

Notes to and forming part of the financial statements For the year ended 31 March 2017

At each balance date, the Company reviews individual loans for evidence of impairment. All relevant information, including the economic situation, solvency of the customer/guarantor, enforceability of guarantees, current security values and the time value of future cash flows are taken into account in determining individual provisions. At a minimum, individual provisions are reassessed on a quarterly basis, upon receipt of a significant asset realisation, or when there is a change in customer circumstances/business strategy.

Management regularly reviews and adjusts these estimates and judgments as new or improved information becomes available. Changes in these estimates and judgments can have a direct impact on the level of impairment provisions and impairment expenses recorded in the financial statements.

If, in a subsequent year, the amount of the impairment loss for a specific loan decreases or completely reverses, the previously recognised impairment loss is reversed, and the reversal recognised in the Statement of Profit or Loss and Other Comprehensive Income.

3. Management of Capital

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

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company has a minimum capital ratio requirement of 10% which it is required to maintain 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 complied with this ratio requirement during the year.

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

4. Deferred Income

	2017 \$	2016 \$
Deferred Interest	8,821	1,073
Deferred Fee Income	30,248	28,534
	<u>39,069</u>	<u>29,607</u>

5. Interest Income

	2017 \$	2016 \$
Loan Receivables:		
Not impaired	1,082,869	1,061,753
Other interest income	54,420	106,910
Total Interest Income	<u>1,137,289</u>	<u>1,168,663</u>

6. Other Expenses

	2017 \$	2016 \$
Audit Fees (paid to the auditors)	39,818	45,551
Tax Services (not paid to the auditors)	3,893	4,031
Other Assurance Services (AML & PDS/Prospectus Audit – paid to auditors)	3,100	-
Directors Fees	20,000	20,000
Other Expenses	196,813	155,772
Total Other Expenses	<u>263,624</u>	<u>225,354</u>

General Finance Limited

Notes to and forming part of the financial statements For the year ended 31 March 2017

7. Cash & Cash Equivalents

	2017 \$	2016 \$
Bank deposit and current accounts	2,410,342	1,875,899
Short Term Bank Deposit (matures < 2 months)	<u>1,214,531</u>	<u>2,192,262</u>
	<u>3,624,873</u>	<u>4,068,161</u>

Interest Rates: Between 0% and 0.25% (on call) and 2.90% (short term deposit)
There is no overdraft facility (March 2016: Nil)

8. Loan Receivables

	2017 \$	2016 \$
First Mortgage Advances	7,573,054	6,787,267
Second Mortgage Advances	712,753	631,358
Unsecured Advances	<u>27,569</u>	<u>70,032</u>
	8,313,376	7,488,657
Less Impairment Provision	<u>(18,888)</u>	<u>(97,613)</u>
Net Carrying Value	<u>8,294,488</u>	<u>7,391,044</u>
Current Portion	8,294,488	7,391,044
Non-Current Portion	<u>-</u>	<u>-</u>
	<u>8,294,488</u>	<u>7,391,044</u>

Loan receivables represent loans to unrelated parties at commercial interest rates. Current loan receivables are contractually repayable within 12 months. Non-current loan receivables are contractually repayable within 13 months to 5 years.

At year end there was \$34,000 in undrawn loan commitments (March 2016: \$17,341).

Interest Rate: Between 9.95% and 16.50% (2016: Between 10.95% and 16.75%).

Effective Interest Rate: Between 10.41% and 17.80% (2016: Between 11.52% and 18.10%).

For loans that are in default, an additional 10% interest is charged.

The core lending activity of the company is providing, through a broker network, short term and bridging finance secured by mortgage over residential property. The majority of loans are entered into with a maturity date within 24 months, with a proposal that repayment will be funded by the sale of the secured property or through refinancing by the borrower. Frequently the loan repayment does 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 balance date, 57.8% (March 2016: 50.9%) of loans by number and 60.6% (March 2016: 57.2%) 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 (as in Note 8 and Note 18), or as past due (as in Note 8 and Note 18), is based on payment due dates as per the terms of the extended contract, and not as per the original or preceding contract. None of these loans (March 2016: Nil) have been classified as restructured, being impaired financial assets that have been restructured due to deterioration in the counterparty's financial position and where the Company has made concessions that it would not otherwise consider.

General Finance Limited

Notes to and forming part of the financial statements For the year ended 31 March 2017

Borrower payment terms are profiled as follows:

	2017 \$	2016 \$
Principal Only	18,888	174,683
Principal and interest paid monthly	24,425	29,431
Interest only paid monthly	7,423,289	6,577,751
Part Interest Only and Part Interest Capitalised	714,882	600,941
Interest Capitalised	131,892	105,851
Total Loan Receivables	<u>8,313,376</u>	<u>7,488,657</u>

Income earned during the financial year from amounts capitalised to loan receivables were as follows:

	2017 \$	2016 \$
Interest income	14,293	43,585
Loan Fees	280,967	260,907
Total	<u>295,260</u>	<u>304,492</u>

Reconciliation of Movement in Impairment Provision Account

	2017 \$	2016 \$
Balance at beginning of year	97,613	88,663
Provision utilised	(78,725)	-
Additional provision for impairment losses	-	8,950
Balance at end of year	<u>18,888</u>	<u>97,613</u>

Reconciliation of Movement in Past Due and Impaired Assets

	2017 \$	2016 \$
Balance of past due and impaired assets at beginning of year	2,599,850	2,003,693
Additions to past due	1,736,113	1,701,476
Repayments	(1,181,289)	(797,657)
Rolled Over	(1,231,866)	(307,662)
Bad Debts Written Off	-	-
Balance of past due and impaired assets at end of year	<u>1,748,045</u>	<u>2,599,850</u>

Balance of impaired assets at beginning of year	174,683	165,723
Additions to impaired assets	80	15,010
Repayments	(91,368)	(6,050)
Bad Debts Written Off	(64,507)	-
Balance of impaired assets at end of year	<u>18,888</u>	<u>174,683</u>

Balance of restructured assets at beginning of year	52,613	58,663
Repayments	(24,200)	(6,050)
Bad Debts Written Off	(9,525)	-
Balance of restructured assets at end of year	<u>18,888</u>	<u>52,613</u>

General Finance Limited

Notes to and forming part of the financial statements For the year ended 31 March 2017

9. Income Tax

	2017 \$	2016 \$
Profit Reconciliation		
Operating Surplus / (Deficit) before Income Tax	431,980	321,008
Temporary Differences / Permanent Differences	3,019	(289)
Imputation Credits Attached to Dividends	141	141
Non Taxable Income	(8)	(7)
Taxable Income / (Loss)	<u>435,132</u>	<u>320,853</u>
Prima Facie Tax – 28% (2016: 28%)	121,837	89,839
Less Imputation Credits Attached to Dividends	<u>(141)</u>	<u>(141)</u>
	<u>121,696</u>	<u>89,698</u>
Current Tax	99,653	92,204
Deferred Tax	<u>22,043</u>	<u>(2,506)</u>
Income Tax Expense	<u>121,696</u>	<u>89,698</u>
Current Tax @ 28%	99,653	92,204
Resident Withholding Tax Paid	(25)	(25)
Provisional Tax Payments	<u>(37,334)</u>	<u>(86,866)</u>
Income Tax Payable for current year	62,294	5,313
Prior Year tax payable	-	-
Income Tax Payable	<u>62,294</u>	<u>5,313</u>

Imputation Credits

As at balance date imputation credits totalled \$6,911 (March 2016: \$119,653). 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:

	2017 \$	2016 \$
Balance at beginning of year	119,653	64,540
Income tax payments / (refunds)	42,647	152,169
Resident Withholding Tax Credits received	25	25
Credits attached to dividends received	141	141
Credits attached to dividends paid	<u>(155,555)</u>	<u>(97,222)</u>
Balance at end of year	<u>6,911</u>	<u>119,653</u>

Deferred Tax Reconciliation

	2017 \$	2016 \$
Balance at beginning of year	27,332	24,826
Increase / (Decrease) in impairment loss provision	<u>(22,043)</u>	<u>2,506</u>
Balance at end of year	<u>5,289</u>	<u>27,332</u>

Deferred Tax attributed to:

Impairment Loss Provision	<u>18,888</u>	<u>27,332</u>
	<u>18,888</u>	<u>27,332</u>

General Finance Limited

Notes to and forming part of the financial statements For the year ended 31 March 2017

10. Debenture Stock

	2017 \$	2016 \$
Contractual repayment terms:		
Current – On Call	136,226	84,738
– Within 12 months	2,760,295	3,384,278
Non-Current	5,788,035	4,746,867
	<u>8,684,556</u>	<u>8,215,883</u>

Repayment Terms: On call up to 5 years

Interest Rate: 4.00% - 7.00% and 2.00% on call (March 2016: 3.50% - 8.00% and 2.00% on call)

Effective Interest Rate: 4.07% - 7.23% and 2.02% on call (March 2016: 3.56% - 8.30% and 2.02% 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 149 depositors as at 31 March 2017 (March 2016: 144). As at balance date, the largest deposit the Company has is \$300,000. This represents 3.45% of total deposits.

Further analysis of debenture funding is as follows:

a) Concentration of funding

	2017 \$	2016 \$
Debenture Stock - Auckland	4,342,734	3,877,133
Debenture Stock - Wellington	808,951	614,913
Debenture Stock - Other North Island	2,505,710	2,287,564
Debenture Stock - South Island	857,025	1,275,954
Debenture Stock - Overseas	170,136	160,319
Total Debenture Stock	<u>8,684,556</u>	<u>8,215,883</u>

b) Maturity of funding

	2017 \$	2016 \$
Maturing in 0 - 6 months	1,381,792	2,047,768
Maturing in 7 - 12 months	1,514,729	1,421,248
Maturing in 13 - 24 months	3,777,700	2,522,520
Maturing after 24 months	2,010,335	2,224,347
Total Debenture Stock	<u>8,684,556</u>	<u>8,215,883</u>

c) Profile of debenture holders

	2017	2017 \$	2016	2016 \$
Debentures over \$200,001	8	2,930,819	8	2,674,592
Debentures \$100,001 - \$200,000	10	1,379,568	11	1,717,460
Debentures \$50,001 - \$100,000	25	1,870,230	21	1,523,421
Debentures \$20,001 - \$50,000	53	1,762,635	47	1,558,628
Debentures \$10,001 - \$20,000	38	612,239	39	603,436
Debentures under \$10,000	17	129,064	18	138,346
Total Debenture Stock	<u>151</u>	<u>8,684,556</u>	<u>144</u>	<u>8,215,883</u>

General Finance Limited

Notes to and forming part of the financial statements For the year ended 31 March 2017

11. Share Capital

	2017 \$	2016 \$
Issued and Paid Up Capital		
2,800,000 Ordinary Shares	<u>2,800,000</u>	<u>2,800,000</u>

All ordinary shares rank pari passu (equally) in all respects. An ordinary share confers on the holder the right to one vote on a poll.

12. Lease Commitments

The Company leases its premises under a lease agreement which commenced on 1 July 2015. The lease term is for three years with one right of renewal for a further three years (March 2016: \$63,115).

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2017 \$	2016 \$
No later than 1 year	28,051	28,051
Later than 1 year and no later than 5 years	<u>7,013</u>	<u>35,064</u>
Total	<u>35,064</u>	<u>63,115</u>

13. Unrecognised Assets and Liabilities

The Company has not entered into any contractual arrangements which would lead to off Statement of Financial Position assets or liabilities. (March 2016: Nil)

14. Capital Commitments

There were no material commitments for capital expenditure outstanding at balance date. (March 2016: Nil)

15. Contingencies

There were no material contingent assets or liabilities at balance date. (March 2016: Nil)

16. Related Party Transactions and Balances

General Finance Limited ("the Company") is 100% owned by General Finance Holdings Limited ("the parent entity"). W A A Cairns and J R Lockie are the directors of both the Company and of the parent entity. The latter company is under the ultimate control of the Ilam Trust (in which W A A Cairns is a trustee) and Forthbank Trustees Limited (a corporate trustee for the James Lockie Family Trust and Debra Lockie Family Trust and of which J R Lockie is a director).

During the year the Company paid a total of \$20,000 (March 2016: \$20,000) in Directors Fees to non-executive directors. The Chairperson received \$12,000 and the other non-executive Director received \$8,000. The Executive Directors also received remuneration for the executive services that they provide to the company of \$96,000 (March 2016: \$96,000). All remuneration paid to executive and non-executive directors is considered to be short-term remuneration in accordance with NZ IAS 24.

Parties related to the Directors, including family members, have invested in aggregate \$290,969 (March 2016: \$529,025) in debenture stocks of the Company on normal terms and conditions and at arms length. Total interest paid to related parties on their debenture stocks during the period was \$30,220 (March 2016: \$38,477).

Emortgage Limited (a related company with common directorship), has agreed to provide a standby credit facility to the Company up to a level of \$585,000. The facility can be drawn on notice by the Company and interest is payable at normal commercial rates. At 31 March 2017 drawings under this facility were Nil (March 2016: Nil).

General Finance Limited

Notes to and forming part of the financial statements For the year ended 31 March 2017

During the period, the Company sold one loan to related party entity Home Loans Ltd. The loan had a balance outstanding of \$56,145 and was settled for \$56,145 resulting in a gain/loss to the company of \$Nil. (March 2016: Nil).

On 15 March 2017 the Company declared a full imputed final dividend of \$400,000 (\$0.14286 per share) (March 2016: \$250,000, \$0.08929 per share).

17. Lending Industry Segments and Concentration of Credit

Credit exposures are concentrated in the residential property sector, particularly in the North Island and the Auckland Market. As at 31 March 2017, advances by General Finance in the North Island residential property sector represented 92% of its total exposure, with 39% being in the Auckland market. The geographical profile of loan receivables is analysed further as follows:

Credit risk concentration

	2017 \$	2016 \$
Northland	749,922	227,921
Auckland	3,255,136	3,049,345
Waikato	685,324	888,239
Wellington	1,808,192	1,521,382
Other North Island	1,174,848	773,816
Christchurch	215,772	87,085
Other South Island	396,613	870,837
Unsecured	27,569	70,032
Total	<u>8,313,376</u>	<u>7,488,657</u>

As at 31 March 2017 the Company's loan advances are secured as follows: first mortgages 91.1% (March 2016: 90.6%); second mortgages 8.6% (March 2016: 8.4%); and unsecured 0.3% (March 2016: 0.9%).

The company is also exposed to credit risk from deposits held with banks. As at balance date, the Company's cash and cash equivalents are held in Bank of New Zealand (representing 78.59% of total equity of the company at 31 March 2017) and Westpac (representing 39.6% of total equity of the company at 31 March 2017) who both have AA- credit ratings from Standard & Poor's.

The maximum credit exposure of the Company, assuming a zero value for collateral is \$11,944,946 (March 2016: \$11,566,731). Of this exposure, 69.37% is covered by collateral as disclosed in Note 8 (March 2016: 64.1%).

The company has no foreign exchange exposure.

As at 31 March 2017 the Company had the following concentration of credit exposures on loan advances as a percentage of equity.

Equity Percentage	2017 No of Loans	2017 Average Loan Size \$	2016 No of Loans	2016 Average Loan Size \$
0% to 5%	15	98,639	21	79,924
5% to 10%	8	207,862	4	252,785
10% to 15%	7	385,660	6	413,042
15% to 20%	2	569,180	4	580,215
20% to 25%	2	666,456	-	-
Total No. of Loans	<u>34</u>		<u>35</u>	

The concentration of the credit exposure to the six largest loans is 39.7% (March 2016: 43.2%) of the total loan portfolio. The company has elected to disclose the largest six balances as this is considered to provide a meaningful indication of concentration of credit risk.

General Finance Limited

Notes to and forming part of the financial statements For the year ended 31 March 2017

General Finance Limited has only one operating segment and operates only within New Zealand therefore all revenues and assets relate to New Zealand. There are no major customers that the Company is reliant on.

18. Asset Quality

Gross past due loan receivables total \$1,766,933 (March 2016: \$2,599,850) which equates to 21.2% (March 2016: 34.7%) of total loan receivables. This balance comprises:

Past due but not impaired assets total \$1,748,045 (March 2016: \$2,425,167) which equates to 21.0% (March 2016: 32.4%) of total loan receivables.

Impaired assets total \$18,888 (March 2016: \$174,683) which equates to 0.2% (March 2016: 2.3%) of total loan receivables. Any interest accrued or capitalised on impaired assets has been provided for in the period it was accrued.

As at 31 March 2017 the total provision for impairment was \$18,888 (March 2016: \$97,613) assessed on an individual loan basis. As the Company has security over all but 2 of its loans, the level of the impairment provision represents only those cases where the security value (if any) is not expected to cover the outstanding loan balance.

Security held over the past due assets is by way of first or second mortgage over residential properties. Loans now unsecured and impaired as a result of security enforcement total \$18,888 (March 2016: \$52,613) which equates to 0.2% (March 2016: 0.7%) of total loan receivables.

As at balance date, the Company has a total of \$283,742 in over 90-day past due assets (March 2016: \$1,158,918). Of the \$283,742 (March 2016: \$1,158,918) which is past due, as disclosed in Note 8, only \$18,888 (March 2016: \$174,683) is considered to be impaired.

Aging Analysis – Past Due but Not Impaired

	Mar 17 \$	Mar 16 \$
Up to 30 Days	882,201	391,460
31 - 60 Days	252,991	653,143
61 - 90 Days	347,999	396,329
91 - 120 Days	249,110	-
120+ Days	15,744	984,235
Total	<u>1,748,045</u>	<u>2,425,167</u>

Expected Cashflows – March 2017	Total	0 - 6 Months	7 - 12 Months	13 - 24 Months	24+ Months
Past Due Assets (Not Impaired)	\$	\$	\$	\$	\$
Restructured Loan Receivables	-	-	-	-	-
Otherwise Past Due Loan Receivables	<u>1,852,054</u>	<u>1,278,231</u>	<u>34,953</u>	<u>538,870</u>	-
Totals	<u>1,852,054</u>	<u>1,278,231</u>	<u>34,953</u>	<u>538,870</u>	-
Impaired Assets					
Restructured Loan Receivables	10,400	2,600	2,600	5,200	-
Other Impaired Loan Receivables	-	-	-	-	-
Totals	<u>10,400</u>	<u>2,600</u>	<u>2,600</u>	<u>5,200</u>	-
Total Past Due Assets	<u>1,862,454</u>	<u>1,280,831</u>	<u>37,553</u>	<u>544,070</u>	-

General Finance Limited

Notes to and forming part of the financial statements For the year ended 31 March 2017

Expected Cashflows – March 2016	Total	0 - 6 Months	7 - 12 Months	13 - 24 Months	24+ Months
Past Due Assets (Not Impaired)	\$	\$	\$	\$	\$
Restructured Loan Receivables	-	-	-	-	-
Otherwise Past Due Loan Receivables	2,587,043	1,667,778	106,307	812,958	-
Totals	2,587,043	1,667,778	106,307	812,958	-
Impaired Assets					
Restructured Loan Receivables	22,400	5,600	5,600	11,200	-
Other Impaired Loan Receivables	77,070	-	-	-	77,070
Totals	99,470	5,600	5,600	11,200	77,070
Total Past Due Assets	2,686,513	1,673,378	111,907	824,158	77,070

Of the impaired assets, management expects to recover \$18,888. The impaired assets are valued at nil, comprising the loan value of \$18,888, less specific provisions for impairment of \$18,888 (March 2016: \$77,070, comprising the loan value of \$174,683, less specific provisions for impairment of \$97,613). In determining whether an asset is impaired management takes into consideration the amount of time the loan is overdue, expected repayments, the estimated resale value of the secured properties, and the value of any security ranking above that held by the Company. There were no real estate assets acquired through the enforcement of security held at year end (March 2016: Nil).

19. 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. Refer Notes 7, 8 and 10 for respective interest rates. No other monetary assets and liabilities are interest bearing.

March 2017	Weighted Average Int. Rate	Total \$	Contractual Cash Flows			
			0 – 6 Months \$	7 - 12 Months \$	13 - 24 Months \$	24+ Months \$
Financial Assets						
Bank Deposits	1.13%	3,624,873	3,624,873	-	-	-
Other Monetary Assets	0%	6,697	6,697	-	-	-
Loan Receivables	11.67%	8,532,791	7,511,586	1,021,205	-	-
Totals		12,164,361	11,143,156	1,021,205	-	-
Financial Liabilities						
Debenture Stock	5.79%	9,368,037	1,617,699	1,700,138	3,984,318	2,065,882
Totals		9,368,037	1,617,699	1,700,138	3,984,318	2,065,882
Net Cashflow		2,796,324	9,525,457	(678,933)	(3,984,318)	(2,065,882)

General Finance Limited

Notes to and forming part of the financial statements For the year ended 31 March 2017

March 2016	Weighted Average Int. Rate	Total \$	Contractual Cash Flows			
			0 – 6 Months \$	7 - 12 Months \$	13 - 24 Months \$	24+ Months \$
Financial Assets						
Bank Deposits	2.24%	4,068,161	4,068,161	-	-	-
Other Monetary Assets	0%	9,913	9,913	-	-	-
Loan Receivables	11.52%	7,734,740	6,579,036	1,155,704	-	-
Totals		11,812,814	10,657,110	1,155,704	-	-
Financial Liabilities						
Debenture Stock	6.29%	8,895,216	2,276,455	1,596,456	2,741,626	2,280,679
Totals		8,895,216	2,276,455	1,596,456	2,741,626	2,280,679
Net Cashflow		2,917,598	8,380,655	(440,752)	(2,741,626)	(2,280,679)

March 2017	Total	Expected Cash Flows			
		0 - 6	7 - 12	13 - 24	24+
		Months	Months	Months	Months
	\$	\$	\$	\$	\$
Financial Assets					
Bank Deposits	3,645,402	3,645,402	-	-	-
Other Monetary Assets	6,697	6,697	-	-	-
Loan Receivables	9,070,276	4,424,732	766,404	3,879,140	-
Totals	12,722,375	8,076,831	766,404	3,879,140	-
Financial Liabilities					
Debenture Stock	9,889,110	809,351	834,748	1,917,925	6,327,086
Totals	9,889,110	809,351	834,748	1,917,925	6,327,086
Net Cashflow	2,833,265	7,267,480	(68,344)	1,961,215	(6,327,086)

March 2016	Total	Expected Cash Flows			
		0 - 6	7 - 12	13 - 24	24+
		Months	Months	Months	Months
	\$	\$	\$	\$	\$
Financial Assets					
Bank Deposits	4,113,781	4,113,781	-	-	-
Other Monetary Assets	9,913	9,913	-	-	-
Loan Receivables	8,151,194	3,918,477	817,738	3,337,909	77,070
Totals	12,274,888	8,042,171	817,738	3,337,909	77,070
Financial Liabilities					
Debenture Stock	9,358,169	1,137,011	1,028,243	1,392,860	5,800,055
Totals	9,358,169	1,137,011	1,028,243	1,392,860	5,800,055
Net Cashflow	2,916,719	6,905,160	(210,505)	1,945,049	(5,722,985)

General Finance Limited

Notes to and forming part of the financial statements For the year ended 31 March 2017

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 current market conditions and past experience:

- 60% of maturing debenture holders reinvest (March 2016: 60%)
- Reinvestments are made for a weighted average 24 month term (March 2016: 24 months)
- 50% of loans not past due repay on existing contractual maturity date, with the balance rolled over and repaid after a further 12 months.

20. 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.

Fair value of liabilities

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

21. 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.

In December 2015 the Company revised its Risk Management Programme pursuant to the requirements of the Reserve Bank of New Zealand Act 1989. 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 non-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 strong and stable net interest income over time.

At 31 March 2017 bank deposits attracted a weighted average interest rate of 1.13% (see Note 7 for interest rates). A 1% decrease in the weighted average interest rate would reduce the annual interest income from \$41,059 to \$4,810 (based on bank deposits held at 31 March 2017). As at 31 March 2017 the weighted average interest rate on debenture stock was 5.79% (March 2016: 6.29%). All debentures have fixed interest rates for their terms, as do loan receivables, so the Company is not exposed to interest rate cash flow risk on these items.

General Finance Limited

Notes to and forming part of the financial statements For the year ended 31 March 2017

* *Liquidity risk* is the risk that under certain conditions, cash outflows can exceed cash inflows in a given period. The Company closely monitors and forecasts its liquidity, and ensures that sufficient funds are available to meet the repayment requirements for debentures as they fall due, by both holding cash on hand and by collections of loan receivables. The Company also has a standby credit facility available from Emortgage Limited (a related party as disclosed in Note 16) of \$585,000 (March 2016: \$585,000). Refer to Note 19.

* *Other 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 70% (first mortgages) or 65% (second mortgages) of market value. As at 31 March 2017 the weighted average loan to asset ratio was 53.89% (March 2016: 56.08%). Based on sensitivity testing of the loan portfolio at 31 March 2017 the Company estimates it has a \$Nil (31 March 2016: \$24,570) exposure on secured mortgages to a property downturn of up to 25% (including the cost of realisation) from most recent valuations. Of this exposure, \$Nil (March 2016: \$45,000) has been provided for in impairment losses in the financial statements.

Other material business risks to which the Company is exposed consist of operating risks that are inherent in day to day operations. These risks include natural disaster, criminal activity including fraud and forgery, systems failure, personnel failure and non-compliance with legislation and regulations. In accordance with Company Policy, operating risks are managed as part of the day to day running of all business activities. Operating risks are managed by setting standards and policies, providing advisory and investigation services, and monitoring compliance.

21. Post Balance Date Events

There have been no material post balance date events (March 2016: Nil).

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

	2017 \$	2016 \$
Reported Profit after Tax	310,284	231,310
Add/(Deduct) non-cash items		
Bad Debts Written Off - Principal	64,507	-
Movement in Impairment Loss Provision - Principal	(78,725)	8,950
Deferred Tax Movement	22,043	(2,506)
	<u>7,825</u>	<u>6,444</u>
Movements in Other Working Capital Items		
(Increase) / Decrease in Loan Receivables (net advances)	(935,521)	1,914,969
(Increase) / Decrease in Accrued Interest on Loan Receivables	26,052	7,962
(Increase) / Decrease in Capitalised Loan Fees	26,370	(554)
(Increase) / Decrease in Accounts Receivable	(2,911)	755
Increase / (Decrease) in Income Tax Payable	56,981	(59,990)
Increase / (Decrease) in Income Received in Advance	9,461	(47,421)
Increase / (Decrease) in Interest Payable	29,858	39,503
Increase / (Decrease) in Accounts Payable	(10,503)	(110)
	<u>(800,213)</u>	<u>1,855,114</u>
Total Movement – Inflow / (Outflow)	(792,388)	1,861,558
Net Cash Inflow / (Outflow) from Operating Activities	<u>(482,104)</u>	<u>2,092,868</u>

General Finance Limited

Notes to and forming part of the financial statements For the year ended 31 March 2017

23. Standards and Interpretations to Published Standards that are Not Yet Effective

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 April 2015, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the company, except the following set out below:

NZ IFRS 9 *Financial Instruments*

NZ IFRS 9 is applicable for annual periods beginning on or after 1 January 2018. Earlier application is permitted. NZ IFRS 9 is part of the International Accounting Standards Board's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. The standard introduces amended requirements for classifying and measuring financial assets and liabilities and also incorporates amendments to hedge accounting. The company has performed a review against the requirements of the revised standards and do not expect any change in their provision levels

NZ IFRS 15 *Revenue from Contracts with Customers*

NZ IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as revised disclosures. The standard is applicable to periods beginning on or after 1 January 2018.

NZ IFRS 16 *Leases*

NZ IFRS 16, 'Leases', replaces NZ IAS 17. Under NZ IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under NZ IAS 17, a lessee was required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). NZ IFRS 16 now requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Lessors will also be affected by the new standard. The standard is effective for accounting periods beginning on or after 1 January 2019. General Finance Limited intends to adopt NZ IFRS 16 on its effective date and has yet to assess its full impact. Whilst the impact of NZ IFRS 16 has not yet been quantified, General Finance Limited currently have operating leases with a value of \$40,323 which are expected to be brought onto the statement of financial position.

24. New and amended standards adopted by the company

All mandatory Standards, Amendments and Interpretations have been adopted in the current year. None had a material impact on these financial statements.