

## GENERAL FINANCE LIMITED

### Key ratios and selected financial information as at 31 March 2019

#### KEY RATIOS

##### Capital Ratio

|   | 31 March 2019   | 31 March 2018<br>Restated <sup>3</sup>  | 31 March 2017<br>Restated <sup>3</sup>  |
|---|---|---|---|
| <b>Our capital ratio calculated in accordance with the 2010 Regulations<sup>1</sup></b>   | 34%   | 48%   | 50%   |
| <b>Minimum capital ratio required by our Trust Deed<sup>4</sup></b>   | 8% if we have a credit rating <sup>2</sup> , or 15% if we do not have a credit rating | 8% if we have a credit rating <sup>2</sup> , or 15% if we do not have a credit rating | 8% if we have a credit rating <sup>2</sup> , or 10% if we do not have a credit rating |
| <b>Minimum capital ratio that must be included in the trust deed under reg 8(2) of the 2010 Regulations<sup>1</sup></b>   | 8% if we have a credit rating <sup>2</sup> , or 10% if we do not have a credit rating | 8% if we have a credit rating <sup>2</sup> , or 10% if we do not have a credit rating | 8% if we have a credit rating <sup>2</sup> , or 10% if we do not have a credit rating |
| <p>The capital ratio is a measure of the extent to which General Finance is able to absorb losses without becoming insolvent. The lower the capital ratio, the fewer financial assets General Finance has to absorb unexpected losses arising out of its business activities.</p> |   |   |   |

<sup>1</sup>Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010

<sup>2</sup>General Finance is exempt from the requirement to have its creditworthiness assessed by an approved rating agency. This is because we operate under the Deposit Takers (Credit Ratings Minimum Threshold) Exemption Notice 2016, exempting us from the Non-bank Deposit Takers Act 2013 requirement to have a credit rating. The exemption applies because we have liabilities of less than \$20 million as at 1 October 2018, calculated as the average of General Finance's liabilities as at the end of each of the 12 months preceding that date, making it unduly onerous to comply with the requirement to have a credit rating, and because we maintain a capital ratio of at least 10% to qualify for the exemption (and at least 15% to comply with our Trust Deed). This means that General Finance has not received an independent opinion on its capability and willingness to repay its debts from an approved source.

The exemption applies until 29 February 2020 on the above basis. If General Finance's average liabilities as at 1 October 2019 reach \$20 million or more it will still qualify for the exemption on and from 1 March 2020 so long as it has liabilities of less than \$40 million and maintains a capital ratio of at least 12% to qualify for the exemption (and at least 15% to comply with our Trust Deed), and continues to meet the other terms and conditions of the exemption.

<sup>3</sup>Certain errors and reclassifications were made in the 31 March 2018 financial statements which impacted on the comparative financial statements for 31 March 2017. Furthermore, a new accounting standard, NZ IFRS 9 *Financial Instruments*, was adopted in the March 2019 financial year which required retrospective restatement of comparative financial statements. The capital ratio has been re-calculated based on the restated figures, but there has not been a significant change. Refer to audited financial statements for 31 March 2018 and 31 March 2019 for further information.

<sup>4</sup>An amendment to the Trust Deed was signed on 19 December 2017. This amendment increased the minimum capital ratio to 15% if we do not have a credit rating.

**Related Party Exposures**

|  | <b>31 March 2019</b> | <b>31 March 2017</b> | <b>31 March 2016</b> |
|--|----------------------|----------------------|----------------------|
| <b>Our aggregate exposures to related parties as calculated in accordance with the 2010 Regulations<sup>1</sup></b>  | 6%                   | \$nil                | \$nil                |
| <b>Maximum limit on aggregate exposures to related parties that we must not exceed that is included in our Trust Deed<sup>2</sup></b>  | 10% of capital       | 10% of capital       | 15% of capital       |
| <b>Maximum limit on aggregate exposures to related parties that we must not exceed that must be included in our Trust Deed under reg 23(3)(b) of the 2010 Regulations<sup>1</sup></b>  | 15% of capital       | 15% of capital       | 15% of capital       |
| <p>Related party exposures are financial exposures that General Finance has to related parties. A related party is an entity that is related to General Finance through common control or some other connection that may give the party influence over General Finance (or General Finance over the related party). As at 31 March 2018, these related parties include our directors, our parent company Corporate Holdings Limited and Investment Research Group Limited.</p> |                      |                      |                      |

<sup>1</sup>Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010

<sup>2</sup>An amendment to the Trust Deed was signed on 19 December 2017. This amendment decreased the maximum limit on aggregate exposures to related parties to 10% of capital.

## Liquidity

|   | 31 March 2019                         | 31 March 2018                         | 31 March 2017                         |
|---|---------------------------------------|---------------------------------------|---------------------------------------|
| <b>Our liquidity calculated in accordance with the quantitative liquidity requirements included in our Trust Deed *</b>   | 22.5 times                            | 7.1 times                             | 33.6 times                            |
| <b>The minimum liquidity requirements required by our Trust Deed</b>  | A liquidity cover ratio of 1.25 times | A liquidity cover ratio of 1.25 times | A liquidity cover ratio of 1.25 times |
| <p>Liquidity requirements help to ensure that General Finance has sufficient realisable assets on hand to pay its debts as they become due in the ordinary course of business. Failure to comply with liquidity requirements may mean that General Finance is unable to repay investors on time, and may indicate other financial problems in its business.</p> |                                       |                                       |                                       |

**SELECTED FINANCIAL INFORMATION**

|  | Year<br>Ended<br><b>31 Mar 19</b><br>(Audited)<br>\$ | Year<br>Ended<br><b>31 Mar 18</b><br>Restated <sup>2</sup><br>\$ | As At<br><b>1 Apr 2017</b><br>Restated <sup>2</sup><br>\$ | Year<br>Ended<br><b>31 Mar 17</b><br>Restated <sup>1</sup><br>\$ |
|--|--|--|---|--|
| <b>STATEMENT OF COMPREHENSIVE INCOME (EXTRACT)</b> |  |  |   |  |
| Total interest, fee and commission income          | 1,780,343  | 1,595,768  |   | 1,362,846  |
| Interest expense                                   | 592,791  | 535,602  |   | 494,460  |
| Profit before income tax                           | 159,470  | 378,238  |   | 440,562  |
| Net profit after tax                               | 124,765  | 272,181  |   | 316,684  |
| Total comprehensive income                         | <u>124,765</u>                                       | <u>272,181</u>   |   | <u>316,684</u>   |
| <b>STATEMENT OF CHANGES IN EQUITY (EXTRACT)</b>    |  |  |   |  |
| Total equity at start of year                      | 3,366,213  | 3,094,032  |   | 3,195,865  |
| Shares issued                                      | 1,600,000  | 250,000  |   | -  |
| Dividends paid                                     | -  | -250,000   |   | -400,000   |
| Profit for the period                              | 124,765  | 272,181  |   | 316,684  |
| Total equity at end of year                        | <u>5,090,978</u>                                     | <u>3,366,213</u>   |   | <u>3,112,549</u>   |
| <b>STATEMENT OF FINANCIAL POSITION (EXTRACT)</b>   |  |  |   |  |
| Cash and cash equivalents                          | 2,814,108  | 4,844,288  | 3,624,873   | 3,624,873  |
| Loan receivables                                   | 17,196,205   | 8,583,952  | 8,276,815   | 8,302,534  |
| Other assets                                       | 146,381  | 81,550   | 28,191  | 20,990   |
| <b>Total assets</b>                                | <b>20,156,694</b>                                    | <b>13,509,790</b>  | <b>11,929,879</b>   | <b>11,948,397</b>  |
| Term deposits                                      | 14,900,458   | 9,854,092  | 8,681,074   | 8,681,074  |
| Other liabilities                                  | 165,258  | 289,485  | 154,773   | 154,774  |
| <b>Total liabilities</b>                           | <b>15,065,716</b>                                    | <b>10,143,577</b>  | <b>8,835,847</b>  | <b>8,835,848</b>   |
| Share capital                                      | 4,650,000  | 3,050,000  | 2,800,000   | 2,800,000  |
| Retained earnings                                  | 440,978  | 316,213  | 294,032   | 312,549  |
| <b>Total equity</b>                                | <b>5,090,978</b>                                     | <b>3,366,213</b>   | <b>3,094,032</b>  | <b>3,112,549</b>   |
| <b>CAPITAL</b>                                     |  |  |   |  |
| less deferred tax asset and intangible assets      | -80,952  | -73,480  | -21,494   | -14,293  |
| Capital (per 2010 Regulations)                     | <u>5,010,026</u>                                     | <u>3,292,733</u>   | <u>3,072,538</u>  | <u>3,098,256</u>   |
| <b>STATEMENT OF CASH FLOWS (EXTRACT)</b>           |  |  |   |  |
| Net Cash Flows from Operating Activities           | -8,646,518   | 51,032   |   | -482,104   |
| Net Cash Flows from Investing Activities           | -42,136  | -33,107  |   | -  |
| Net Cash Flows from Financing Activities           | 6,658,474  | 1,201,490  |   | 38,816   |
| Net Cash Movement for the Year                     | <u>-2,030,180</u>                                    | <u>1,219,415</u>   |   | <u>-443,288</u>  |

<sup>1</sup>As disclosed as comparatives to the 31 March 2018 financial statements. Certain restatements were made for errors identified in the 31 March 2017 financial statements further details of which can be found in the 31 March 2018 Audited Financial Statements.

<sup>2</sup>A new accounting standard, NZ IFRS 9 *Financial Instruments*, was adopted in the year ended 31 March 2019 and required retrospective restatement of the 31 March 2018 comparative financial statements and the 1 April 2017 comparative statement of financial position. Further details can be found in the 31 March 2019 audited financial statements.

## HOW THE RATIOS HAVE BEEN CALCULATED

### Capital ratio

Position at 31 March 2019

#### Capital

|                 |                  |
|-----------------|------------------|
| Gross capital   | 5,090,978        |
| Less deductions | 80,952           |
| Total capital   | <u>5,010,026</u> |

| <b>Exposures</b>                         | Exposure      | Risk Weight | Risk Weighted Exposures |
|--|---------------|-------------|-------------------------|
| Cash                                     | 2,814,108     | 20%         | 562,822                 |
| Residential mortgages:                   |               |             |                         |
| LVR 70% and under                        | 12,059,087    | 35%         | 4,220,680               |
| LVR 70% - 80%                            | 926,038       | 50%         | 463,019                 |
| LVR 80% - 90%                            | -             | 100%        | -                       |
| LVR 90% - 100%                           | -             | 125%        | -                       |
| LVR over 100%                            | -             | 150%        | -                       |
| Second mortgages                         | 2,192,186     | 150%        | 3,288,279               |
| Property development loans:              |               |             |                         |
| LVR 60% and under                        | 1,416,483     | 150%        | 2,124,725               |
| LVR 60% - 100%                           | 602,411       | 200%        | 1,204,822               |
| Other assets (Unsecured)                 | -             | 200%        | -                       |
| Other assets                             | 65,429        | 350%        | 229,002                 |
| Investments                              | -             | 600%        | -                       |
| Deductions from capital                  | 80,952        |             | -                       |
| Total credit risk weighted exposures (A) |               |             | <u>12,093,349</u>       |
| Total assets (B)                         | 20,156,694    |             |                         |
| Operational and Market Exposures         | (A+B)/2x0.175 |             | 2,821,879               |
| Total Exposures                          |               |             | <u>14,915,228</u>       |

### Capital Ratio at 31 March 2019

(being Total Capital/Total Exposures)

**34%**

## Capital ratio

Position at 31 March 2018

### Capital

|                 |           |
|-----------------|-----------|
| Gross capital   | 3,366,213 |
| Less deductions | 73,480    |
| Total capital   | 3,292,733 |

| <b>Exposures</b>                             | Exposure       | Risk Weight | Risk Weighted Exposures |
|--|----------------|-------------|-------------------------|
| Cash   | 4,844,288      | 20%         | 968,858                 |
| Tax refund due                               | -              | 0%          | -                       |
| Residential mortgages:                       |                |             |                         |
| LVR 70% and under                            | 7,031,234      | 35%         | 2,460,932               |
| LVR 70% - 80%                                | 553,237        | 50%         | 276,619                 |
| LVR 80% - 90%                                | -              | 100%        | -                       |
| LVR 90% - 100%                               | -              | 125%        | -                       |
| LVR over 100%                                | -              | 150%        | -                       |
| Second mortgages                             | 999,480        | 150%        | 1,499,220               |
| Other assets (Unsecured)                     | -              | 200%        | -                       |
| Other assets                                 | 8,070          | 350%        | 28,245                  |
| Investments                                  | -              | 600%        | -                       |
| <br>Total credit risk weighted exposures (A) |                |             | <br>5,233,874           |
| <br>Total assets (B)                         | <br>13,509,790 |             |                         |
| Operational and Market Exposures             | (A+B)/2x0.175  |             | 1,640,071               |
| <br>Total Exposures                          |                |             | <br>6,873,945           |

### Capital Ratio at 31 March 2018

(being Total Capital/Total Exposures)

**48%**

## Capital ratio

Position at 31 March 2017

### Capital

|                 |           |
|-----------------|-----------|
| Gross capital   | 3,094,032 |
| Less deductions | 21,494    |
| Total capital   | 3,072,538 |

| <b>Exposures</b>                         | Exposure      | Risk Weight | Risk Weighted Exposures |
|--|---------------|-------------|-------------------------|
| Cash                                     | 3,624,873     | 20%         | 724,975                 |
| Tax refund due                           | -             | 0%          | -                       |
| Residential mortgages:                   |               |             |                         |
| LVR 70% and under                        | 6,277,828     | 35%         | 2,197,240               |
| LVR 70% - 80%                            | 1,276,407     | 50%         | 638,204                 |
| LVR 80% - 90%                            |               | 100%        | -                       |
| LVR 90% - 100%                           |               | 125%        | -                       |
| LVR over 100%                            |               | 150%        | -                       |
| Second mortgages                         | 713,876       | 150%        | 1,070,814               |
| Other assets (Unsecured)                 | 8,703         | 200%        | 17,406                  |
| Other assets                             | 6,697         | 350%        | 23,440                  |
| Investments                              | -             | 600%        | -                       |
| Total credit risk weighted exposures (A) |               |             | 4,672,079               |
| Total assets (B)                         | 11,929,879    |             |                         |
| Operational and Market Exposures         | (A+B)/2x0.175 |             | 1,452,671               |
| Total Exposures                          |               |             | 6,124,750               |

### Capital Ratio at 31 March 2017

(being Total Capital/Total Exposures)

**50%**

## AGGREGATE EXPOSURE TO RELATED

### PARTIES

|                                   | <b>31 March<br/>2019</b> | <b>31 March<br/>2018</b> | <b>31 March<br/>2019</b> |
|-----------------------------------|--------------------------|--------------------------|--------------------------|
| Loans to related parties (A)      | 307,254                  | \$nil                    | \$nil                    |
| Other related party exposures (B) | -                        |                          |                          |
| Capital                           | 5,010,026                |                          |                          |
| <b>(A + B) / C</b>                | <b>6%</b>                |                          |                          |

\*Related party exposures are calculated by dividing total related party exposures by Capital (per 2010 Regulations).

### HOW LIQUIDITY MEASURES HAVE BEEN CALCULATED

|  | <b>31 March<br/>2019</b> | <b>31 March<br/>2018</b> | <b>31 March<br/>2017</b> |
|--|--------------------------|--------------------------|--------------------------|
| Liquidity  | 2,814,108                | 4,844,288                | 4,209,873                |
| 3 month expected loan receivables                | 4,579,319                | 2,928,869                | 4,661,884                |
| 3 month gross deposit redemptions                | 328,080                  | 1,099,266                | 263,772                  |
| <b>Liquidity Cover Ratio (times)<sup>1</sup></b> | <b>22.5</b>              | <b>7.1</b>               | <b>33.6</b>              |

<sup>1</sup>The Liquidity Cover Ratio is calculated by dividing Liquidity plus the 3 month expected loan receivables, by the 3 month expected gross deposit redemptions.