

Results for announcement to the market	
Name of issuer	General Capital Limited
Reporting Period	12 months to 31 March 2021
Previous Reporting Period	12 months to 31 March 2020
Currency	New Zealand Dollars (\$)

	Amount (000s)	Percentage change
Revenue from continuing operations	\$4,880	34%
Total Revenue	\$4,880	34%
Net profit/(loss) from continuing operations	\$82	-37%
Total net profit/(loss)	\$82	-37%

Interim/Final Dividend	
Amount per Quoted Equity Security	It is not proposed to pay dividends.
Imputed amount per Quoted Equity Security	Not applicable
Record Date	Not applicable
Dividend Payment Date	Not applicable

	Current period	Prior comparable period
Net tangible assets per Quoted Equity Security	\$0.0397	\$0.0386
A brief explanation of any of the figures above necessary to enable the figures to be understood	Refer to Directors' Report	

Authority for this announcement	
Name of person authorised to make this announcement	Jonathan Clark Chief Financial Officer
Contact person for this announcement	Brent King Managing Director
Contact phone number	+64 21 632 660
Contact email address	Brent.King@gencap.co.nz
Date of release through MAP	31/05/2021

DIRECTORS' REPORT

BACKGROUND

The Directors are pleased to present a strong result for the year ended 31 March 2021 despite the challenges faced in the economic environment which was impacted by the Covid-19 pandemic. General Capital's total assets have grown by a further 33% since 31 March 2020 and revenue has grown by 34% compared to the year ended 31 March 2020.

As explained to shareholders during the annual meeting in September 2020, revenue, profitability and balance sheet growth were all impacted by Covid-19 and the conservative responses made by the Group which included holding very high cash reserves. Further commentary on segment performance is included below.

AUDIT

The attached financial information has been audited and has been qualified by the auditor (Baker Tilly Staples Rodway) with respect to the following item:

- The carrying value of goodwill and other indefinite life intangible assets allocated to the research and advisory cash generating unit totalling \$1.1 million at 31 March 2021.

Baker Tilly Staples Rodway was unable to obtain sufficient evidence to support the forecasted cash flows and other assumptions that underly the impairment testing done by the Group for the research and advisory CGU.

The Group's Annual Report for the year ended 31 March 2021 is in the process of being completed and audited.

FINANCIAL PERFORMANCE

	Year ended 31 Mar 2021	Year ended 31 Mar 2020	Var	% Change
Revenue	\$4,880,304	\$3,640,601	\$1,239,703	34%
Net profit / (loss) after tax	\$81,766	\$129,556	(\$47,790)	-37%
Earnings / (loss) per share	0.05	0.08	(0.03)	-38%

	31 Mar 2021	31 Mar 2020	Var	% Change
Total assets	\$68,164,239	\$51,163,507	\$17,000,732	33%
Total liabilities	\$58,638,946	\$41,781,500	\$16,857,446	40%
Total equity	\$9,525,293	\$9,382,007	\$143,286	2%
Net tangible assets (NTA) per share (cents per share)	3.97	3.86	0.11	3%
Net assets (NA) per share (cents per share)	5.85	5.80	0.04	1%

DIRECTORS' REPORT (CONTINUED)

The Group made a profit before tax of \$81,766 for the year ended 31 March 2021. This can be broken down as follows:

	31 Mar 2021	31 Mar 2020	Var	% Change
Finance Segment	\$223,429	\$441,716	(\$218,287)	-49%
Research and Advisory Segment	\$191,879	(\$15,903)	\$207,782	1307%
Corporate and Other Segment	(\$284,738)	(\$296,257)	\$11,519	4%
Group Eliminations ¹	(\$48,804)	\$0	(\$48,804)	100%
Group	\$81,766	\$129,556	(\$47,790)	-37%

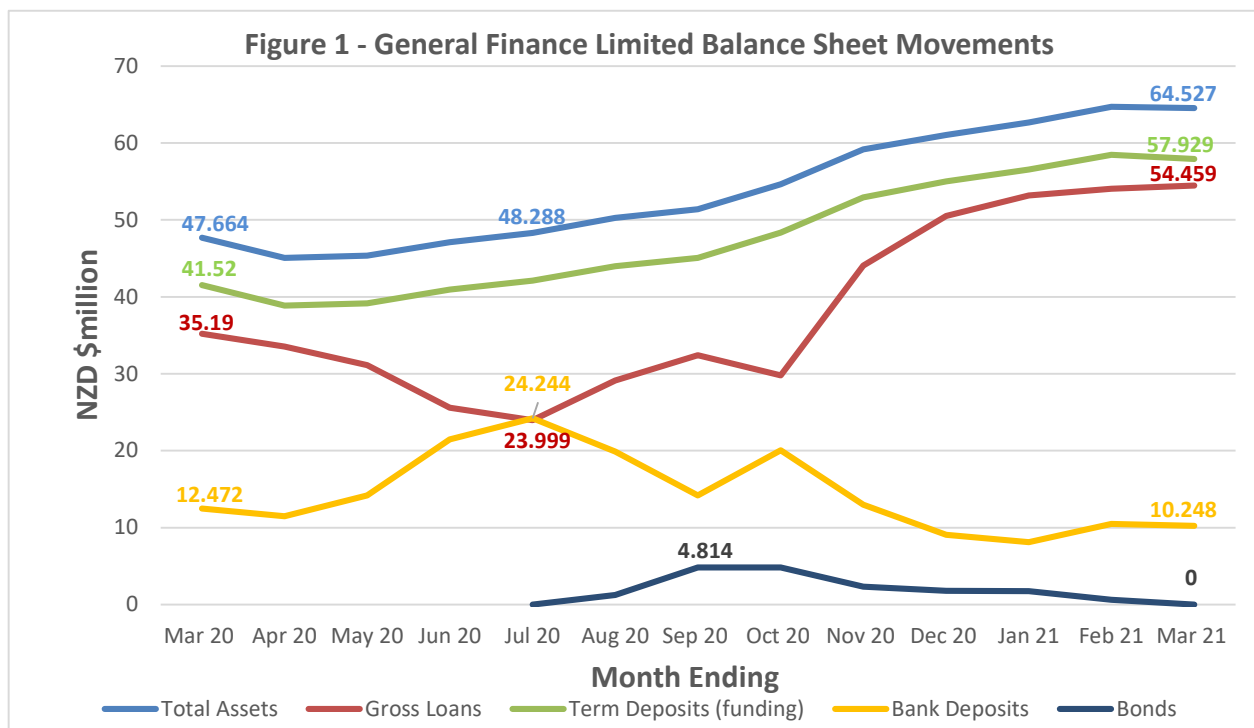
¹Refer to notes on consolidation adjustments in the Research and Advisory Segment section below.

Refer to the attached financial information for detailed segmental results.

Finance Segment

It has been a good year in the finance segment with a year on year growth of 54% in loan receivables and 40% in term deposit funding despite the headwinds from the Covid-19 pandemic and lockdowns. The interest income and net interest income were impacted during the year due to a risk management response made by General Finance Limited to move a higher proportion of its total assets into bank deposits ("cash"). As illustrated in figure 1 below, General Finance's cash holding reached its maximum point of \$24.2m at the end of July 2020, representing approximately 50% of its total assets at that time. In addition to this, due to a falling interest rate environment, General Finance diversified its liquid assets into longer term fixed interest investments, including \$4.7m in listed bonds. When worldwide inflation expectations and long term interest rates started to turn (increase), General Finance then determined to divest from these investments. A loss of \$161,687 was realised from the bonds (net of interest income) during the 2021 Financial Year due to the bond value movements. The bonds were all sold by 31 March 2021.

To illustrate the impact of the high cash and bond holding, management have estimated that an additional \$667,000 revenue (\$480,000 net profit after tax) would have been made by General Finance if it had held only 13% of its total assets in cash and bonds (a 3% buffer above its optimum holding of 10% of total assets), and the excess was instead invested in loan receivables in the normal course of General Finance's business, all other factors being equal.



DIRECTORS' REPORT (CONTINUED)

Research and Advisory Segment

The research and advisory segment has had a good year with net profit after tax of \$191,879 compared to a net loss after tax of \$15,903 in the prior year. Revenue of \$441,324 was up from \$165,098 in the prior year and was the key reason for the increase in profitability. Advisory fees of \$256,485 were earned in relation to structuring of General Finance Limited loans. At the group level a consolidation adjustment is made to recognise the income on these loans (including fees earned by the research and advisory segment) in accordance with NZ IFRS 9. The impact on the group consolidation is a reduction in net profit after tax of \$48,804 for the year ended 31 March 2021 which will be recognised in the Group results for the year ending 31 March 2022. Additional advisory fees of \$95,920 were also recognised in relation to the two mandates that were in place at 31 March 2020. There have been some progress delays in relation to those mandates during the 2021 financial year, in part due to the Covid-19 lockdowns. Progress is being made on one of these mandates and the project milestones are expected to be completed in the first half of the 31 March 2022 financial year.

Corporate and Other Segment

The corporate and other segment comprises the overheads of running the listed parent company. There have been no significant movements in the segment compared to the year ended 31 March 2020.

GENERAL CAPITAL LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2021

	2021	2020
Note	\$	\$
Interest income	3,533,401	2,846,439
Interest expense	(2,246,097)	(1,441,213)
Net interest income	1,287,304	1,405,226
Fee and commission income	933,176	553,686
Fee and commission expense	(247,997)	(128,699)
Net fee and commission income	685,179	424,987
Revenue from contracts with customers	279,045	227,715
Cost of sales	(37,696)	(32,545)
Gross profit from contracts with customers	241,349	195,170
Modification gain on loan receivables	86,489	-
Other income	48,193	12,761
Net revenue	2,348,514	2,038,144
Release / (increase) in allowance for expected credit losses	(27,372)	(54,999)
Personnel expenses	(781,919)	(746,680)
Occupancy expenses	(89,485)	(117,373)
Depreciation	(17,085)	(4,444)
Amortisation of intangible assets	(23,431)	(22,793)
Realised losses on bonds sold	(190,085)	-
Other expenses	(1,098,404)	(901,392)
	(2,227,781)	(1,847,681)
Profit before income tax expense	120,733	190,463
Income tax (expense) / benefit	(38,967)	(60,907)
Net profit after income tax expense	81,766	129,556
Other comprehensive income		
<i>Items that will not be reclassified to profit or loss</i>		
Changes in the fair value of equity investments at fair value through other comprehensive income	(11,487)	(153,094)
Income tax on these items	-	43,273
Other comprehensive income / (loss) for the year, net of tax	(11,487)	(109,821)
Total comprehensive income	70,279	19,735
Earnings per share (cents per share)	0.05	0.08
Diluted earnings per share (cents per share)	0.05	0.08

The accompanying notes are an integral part of these financial statements.

GENERAL CAPITAL LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021

	Note	2021 \$	2020 \$
Equity			
Share capital		10,249,211	10,176,204
Accumulated losses		(594,651)	(676,417)
Reserves		(129,267)	(117,780)
Total equity		<u>9,525,293</u>	<u>9,382,007</u>
Assets			
Cash and cash equivalents		7,292,267	12,562,241
Accounts receivables		194,727	10,859
Related party receivables		110,868	79,823
Other current assets		94,215	266,523
Bank deposits		3,000,000	-
Loan receivables		53,710,781	34,855,849
Deferred tax asset		126,922	96,004
Property, plant and equipment		13,508	8,008
Right of use assets		293,500	-
Investments		401,086	237,389
Intangible assets and goodwill		2,926,365	3,046,811
Total assets		<u>68,164,239</u>	<u>51,163,507</u>
Liabilities			
Accounts payable and other payables		402,750	319,381
Related party payables		10,229	2,925
Income tax payable		55,576	8,697
Lease liability		307,207	-
Term deposits		57,863,184	41,450,497
Total liabilities		<u>58,638,946</u>	<u>41,781,500</u>
Net assets		<u>9,525,293</u>	<u>9,382,007</u>
Net tangible assets (NTA) per share (cents per share)		3.97	3.86
Net assets (NA) per share (cents per share)		5.85	5.80

GENERAL CAPITAL LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2021

	Share capital	Reserves	Accumulated losses	Total equity
Note	\$	\$	\$	\$
Balance at 1 April 2019	9,573,495	(14,862)	(805,973)	8,752,660
Profit for the year	-	-	129,556	129,556
Other comprehensive income for the year	-	(109,821)	-	(109,821)
Total comprehensive income for the year	-	(109,821)	129,556	19,735
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity net of transaction costs	602,709	-	-	602,709
Issue of warrants to directors and senior managers	-	6,903	-	6,903
Total transactions with owners in their capacity as owners	602,709	6,903	-	609,612
Balance at 31 March 2020	10,176,204	(117,780)	(676,417)	9,382,007
Profit for the year	-	-	81,766	81,766
Other comprehensive income for the year	-	(11,487)	-	(11,487)
Total comprehensive income for the year	-	(11,487)	81,766	70,279
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity net of transaction costs	73,007	-	-	73,007
Total transactions with owners in their capacity as owners	73,007	-	-	73,007
Balance at 31 March 2021	10,249,211	(129,267)	(594,651)	9,525,293

GENERAL CAPITAL LIMITED
CONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 MARCH 2021

	Note	2021 \$	2020 \$
Cash flow from operating activities			
Interest received		3,329,027	2,520,543
Receipts from customers		1,055,068	491,332
Other income		7,961	12,761
Payments to suppliers and employees		(2,046,491)	(2,041,737)
Interest paid		(2,155,363)	(1,242,655)
Income tax paid		(23,006)	(21,083)
Finance receivables (net advances)		(18,407,676)	(17,091,608)
Net cash (used in) / provided by operating activities		(18,240,480)	(17,372,447)
Cash flow from investing activities			
Proceeds from the sale of bonds		4,334,514	-
Purchase of property, plant and equipment		(10,356)	(6,276)
Purchase of software		-	(4,444)
Investment in bank deposits		(3,000,000)	-
Investment in bonds		(4,718,617)	-
Investment in equities		(28,184)	-
Net cash provided by / (used in) investing activities		(3,422,643)	(10,720)
Cash flow from financing activities			
Issue of ordinary shares		73,007	602,709
Term deposits (net receipts)		16,320,142	26,393,382
Net cash provided by financing activities		16,393,149	26,996,091
Reconciliation of cash and cash equivalents			
Cash and cash equivalents at beginning of the reporting period		12,562,241	2,949,317
Net (decrease) / increase in cash and cash equivalents held during the reporting period		(5,269,974)	9,612,924
Cash and cash equivalents at end of the reporting period		7,292,267	12,562,241

GENERAL CAPITAL LIMITED

SEGMENT REPORTING

Management has determined the operating segments based on the components of the Group that engage in business activities, which have discrete financial information available and whose operating results are regularly reviewed by the Group's chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors. The Board of Directors makes decisions about how resources are allocated to the segments and assesses their performance.

Three reportable segments have been identified as follows:

- Finance

Deposit taking and short term property mortgage lending.

- Research and Advisory

Provides investment advisory services and produces and sells investment research and publications.

- Corporate and Other

Corporate function and investment activities.

Year ended 31 Mar 2021	Finance \$	Research and Advisory \$	Corporate and Other \$	Total Segments \$	Eliminations \$	Consolidated \$
Revenue - interest income	3,535,620	3	3	3,535,626	(2,225)	3,533,401
Revenue - fee income (finance receivables)	933,176	-	-	933,176	-	933,176
Revenue from contracts with customers						
- Advisory fee revenue	-	357,642	-	357,642	(119,894)	237,748
- Yearbook and research sales	-	41,297	-	41,297	-	41,297
- Other fee income	-	-	-	-	-	-
Modification gain on loan receivables	49,770	-	-	49,770	36,719	86,489
Other income	39,996	42,382	107,819	190,197	(142,004)	48,193
Total revenue	4,558,562	441,324	107,822	5,107,708	(227,404)	4,880,304
Interest expense	(2,245,554)	-	(543)	(2,246,097)	-	(2,246,097)
Fee and commission expense	(257,997)	-	-	(257,997)	10,000	(247,997)
Cost of sales	-	(48,686)	-	(48,686)	10,989	(37,697)
Net revenue	2,055,011	392,638	107,279	2,554,928	(206,415)	2,348,513
Release / (increase) in allowance for expected credit losses	(27,372)	-	-	(27,372)	-	(27,372)
Realised losses on bonds sold	(190,085)	-	-	(190,085)	-	(190,085)
Personnel expenses	(649,118)	(57,519)	(75,282)	(781,919)	-	(781,919)
Depreciation and amortisation	(33,529)	-	(6,987)	(40,516)	-	(40,516)
Income tax (expense) / benefit	(59,587)	105	4,910	(54,572)	15,605	(38,967)
Net Profit After Tax	223,429	191,879	(284,738)	130,570	(48,804)	81,766
Total Assets	66,073,514	1,318,154	1,030,284	68,421,952	(257,713)	68,164,239
Total Liabilities	58,446,662	132,059	269,134	58,847,855	(208,909)	58,638,946

Acquisition of property, plant and equipment, intangible assets, and other non-current assets (excluding non-current finance receivables):

Year ended 31 Mar 2021	Finance \$	Research and Advisory \$	Corporate and Other \$	Total Segments \$	Eliminations \$	Consolidated \$
Acquired through settlement of transactions / balances	-	107,762	-	107,762	-	107,762
Recognition of right of use assets on new leases	193,535	-	112,194	305,729	-	305,729
Other	-	-	85,356	85,356	-	85,356
Transfers / reallocations between segments	-	(107,762)	107,762	-	-	-
	193,535	-	305,312	498,847	-	498,847

GENERAL CAPITAL LIMITED

SEGMENT REPORTING (CONTINUED)

Year ended 31 Mar 2020	Finance	Research and Advisory	Corporate and Other	Total Segments	Eliminations	Consolidated
	\$	\$	\$	\$	\$	\$
Revenue - interest income	2,842,352	4,025	62	2,846,439	-	2,846,439
Revenue - fee income (finance receivables)	552,225	1,461	-	553,686	-	553,686
Revenue from contracts with customers						
- Advisory fee revenue	-	91,151	-	91,151	-	91,151
- Yearbook and research sales	-	50,633	-	50,633	-	50,633
- Other fee income	85,931	15,579	-	101,510	(15,579)	85,931
Other income	12,761	2,249	111,091	126,101	(113,340)	12,761
Total revenue	3,493,269	165,098	111,153	3,769,520	(128,919)	3,640,601
Interest expense	(1,440,704)	(491)	(18)	(1,441,213)	-	(1,441,213)
Fee and commission expense	(128,699)	-	-	(128,699)	-	(128,699)
Cost of sales	-	(32,545)	-	(32,545)	-	(32,545)
Net revenue	1,923,866	132,062	111,135	2,167,063	(128,919)	2,038,144
Release / (increase) in allowance for expected credit	(54,999)	-	-	(54,999)	-	(54,999)
Personnel expenses	(603,058)	(71,444)	(72,178)	(746,680)	-	(746,680)
Depreciation and amortisation	(26,303)	-	(934)	(27,237)	-	(27,237)
Income tax (expense) / benefit	(60,892)	2,372	(2,387)	(60,907)	-	(60,907)
Net Profit After Tax	441,716	(15,903)	(296,257)	129,556	-	129,556
Total Assets	49,138,302	1,301,131	989,136	51,428,569	(265,062)	51,163,507
Total Liabilities	41,734,879	199,152	112,531	42,046,562	(265,062)	41,781,500

Acquisition of property, plant and equipment, intangible assets, and other non-current assets (excluding non-current finance receivables):

Year ended 31 Mar 2020	Finance	Research and Advisory	Corporate and Other	Total Segments	Eliminations	Consolidated
	\$	\$	\$	\$	\$	\$
Acquired through settlement of transactions / balances	-	13,108	-	13,108	-	13,108
Other	4,444	-	206,276	210,720	-	210,720
Transfers / reallocations between segments	-	(13,108)	13,108	-	-	-
	4,444	-	219,384	223,828	-	223,828