



GENERAL CAPITAL

Results for announcement to the market		
Name of issuer	General Capital Limited	
Reporting Period	6 months to 30 September 2023	
Previous Reporting Period	6 months to 30 September 2022	
Currency	New Zealand Dollars (\$)	
	Amount (000s)	Percentage change
Revenue from continuing operations	\$7,821	30%
Total Revenue	\$7,821	30%
Net profit/(loss) from continuing operations	\$1,203	16%
Total net profit/(loss)	\$1,203	16%
Interim/Final Dividend		
Amount per Quoted Equity Security	It is not proposed to pay a dividend for this period.	
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	\$0.0625	\$0.0547
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	Brent King Managing Director	
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	28 November 2023	

Unaudited financial statements accompany this announcement.

Directors' Report

The Directors of General Capital Limited ("General Capital") are pleased to present a record result for the six months ended 30 September 2023. General Capital's revenue was 30% higher than the prior 6-month period ended 30 September 2022 which resulted in net profit after tax of \$1,202,779 for the 6-month period ended 30 September 2023, the strongest half year results since the group listed in 2018. Total assets of General Capital and its subsidiaries ("the Group") grew by a further 4% since 31 March 2023. The Group is especially pleased with the outcome considering the challenges faced by the market during the period.

1.0 Financial Performance

	6 month period ended 30 Sep 2023	6 month period ended 30 Sep 2022	Movement %
Revenue	\$7,820,720	\$6,029,400	30%
Net profit / (loss) after tax	\$1,202,779	\$1,038,687	16%
Earnings / (loss) per share*	0.33 cps	0.49 cps	-33%

* Calculated as Net Profit after income tax expense divided by the weighted average number of ordinary shares 363,574,975 for September 2023 and 212,657,496 for September 2022.

	30 Sep 2023	31 Mar 2023	30 Sep 2022	6-monthly increase	12-monthly increase
Total assets	\$141,542,941	\$136,087,859	\$126,336,125	4%	12%
Total liabilities	\$116,144,562	\$111,835,089	\$111,810,149	4%	4%
Net assets	\$25,398,379	\$24,252,770	\$14,525,976	5%	75%

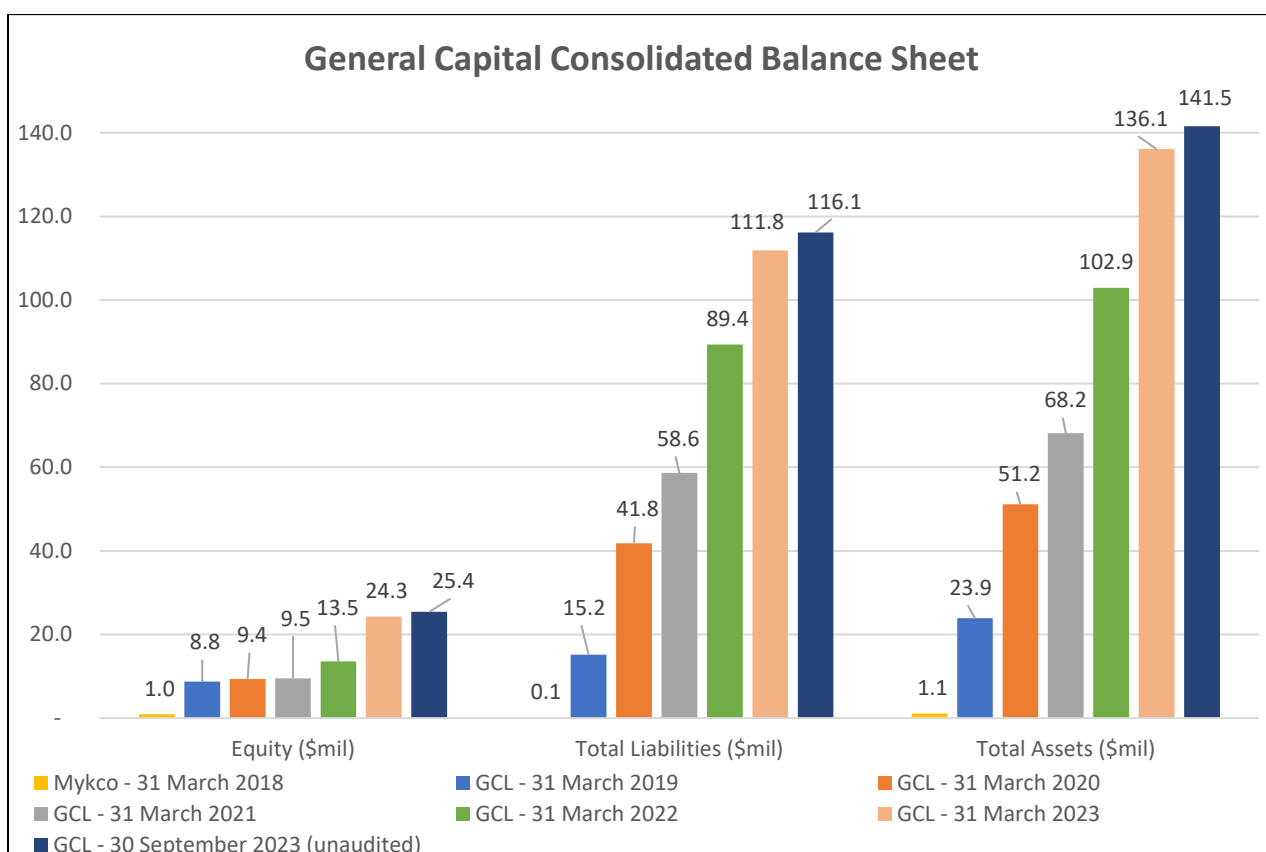
	30 Sep 2023	31 Mar 2023	30 Sep 2022	6-monthly increase	12-monthly increase
Net tangible assets (NTA) per share*	6.25 cps	5.94 cps	5.47 cps	5%	14%
Net assets (NA) per share**	6.99 cps	6.67 cps	6.83 cps	5%	2%

* Calculated as Net Assets less deferred tax, goodwill and other intangible assets divided by the total shares on issue as at balance date.

** Calculated as Net Assets divided by the total shares on issue as at balance date.

The Group made a profit after tax of \$1,202,779 for the six-month period ended 30 September 2023. This can be broken down as follows:

	30-Sep 2023	30-Sep 2022	Var	% Change
Finance Segment	\$1,225,132	\$1,457,647	(\$232,515)	-16%
Research and Advisory Segment	\$93,884	(\$247,504)	\$341,388	138%
Corporate and Other Segment	(\$137,094)	(\$113,453)	(\$23,641)	-21%
Group Eliminations	\$20,857	(\$58,003)	\$78,860	136%
Group	\$1,202,779	\$1,038,687	\$164,092	16%



2.0 Segment Performance and Outlook

Finance Segment

General Finance Limited (“General Finance”), a wholly owned subsidiary of General Capital and a non-bank deposit taker licensed by the Reserve Bank of New Zealand, had a healthy six months despite market challenges. Secured term deposits grew by 4% during the period. This growth is partially attributed to the Group’s active investing in advertising & marketing as well as updated Product Disclosure Statement in August 2023 introducing shorter term deposits, starting at 3 months. During the period General Finance also saw growth in investors from non-Auckland regions, as well as increasing diversity of the age of the investors.

New lending was stagnant throughout most of the period in a depressed property market environment, which together with repayments on loan maturities reduced the loan book size from 31 March 2023, however General Finance experienced strong growth in the month of September 2023 as the property market stabilised. General Finance is pleased with the current confidence of the market and will carry on focusing on quality lending with prudent loan-to-value ratios to limit loan write off risk.

General Finance found it difficult to pass on increasing costs, driven by inflation and the higher Official Cash Rate, to borrowers in a competitive market. As a result, General Finance experienced pressure on net interest margin which required active management of overheads to sustain earnings.

Research and Advisory Segment (“IRG”)

During the six months ended 30 September 2023 IRG outperformed the prior comparative period primarily due to the inclusion of goodwill impairment expense of \$250,154 in the September 2022 period which pushed the segment into a loss.

IRG cash generating unit exceeded its forecast cashflows for the six months ended 30 September 2023. The General Capital Board (“the Board”) has reviewed the assumptions made for the 31 March 2023 Annual Report

impairment analysis and have compared it with the segment performance to date and any expected changes to the forecast cashflows or discount rate. The Board's assessment is that the recoverable amount continues to support the existing carrying value of goodwill.

Corporate and Other Segment

The corporate and other segment comprises the overheads of running the listed parent company. The increase in overheads is primarily driven by the Group's growth and inflation.

A material amount of funding has been retained at the parent company level from the last capital raise completed on 17 February 2023. These funds remain available for any potential acquisitions. This contributes towards lower earnings per share in September 2023 compared to the September 2022 period.

Refer to the attached financial information for detailed segmental results.

3.0 General Finance Credit Rating

General Finance has a credit rating from Equifax Australasia Credit Rating Pty Ltd ("Equifax"). Equifax gives ratings from AAA through to C (excluding ratings attaching to entities in default). General Finance has maintained its credit rating of BB with a Stable Outlook during the period. According to Equifax's criteria, this rating is classified as "Near Prime" and has a low to moderate risk level. General Finance is pleased to maintain its rating while the sector overall was downgraded. This is a strong endorsement of General Finance's performance.

4.0 Staff and Directors

During the six months ended 30 September 2023 two Directors resigned. Huei Min (Lyn) Lim as a non-executive director of the General Capital Board effective 31 May 2023 and Simon McArley as a non-executive director of General Capital Board effective 17 July 2023. Both Lyn and Simon have made significant contribution over the years. The Board is in the process of reviewing the Board composition and considering possible candidates.

The Group has increased staff numbers and experience in line with its growth requirements. Staff have performed well, and the Board is very pleased with the progress and outcomes.

5.0 Deposit Taker Act ("the Act")

The Act was given Royal assent in July 2023. This has the potential to be very positive for General Finance, our 100% owned RBNZ licenced Non-Bank Deposit Taker. This may include being part of the Deposit Compensation Scheme. There is considerable work to be completed, however we are focused on this legislation and opportunities that it offers. We will update investors as matters develop.

6.0 Summary

We have had another record 6-month period for the Group. We currently expect the remainder of the financial year to be strong and profitable with continued balance sheet growth. The Group is in a strong position to take advantage of opportunities in the market as they arise, including acquisitions.

The Directors thank General Capital's shareholders and General Finance's secured term deposit investors for their support of the Group. We also thank our staff for their significant contributions. We look forward to the opportunities that this market will offer.



Rewi Hamid Bugo
Chairman



Brent Douglas King
Managing Director

GENERAL CAPITAL LIMITED

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

	Unaudited Sep 2023 \$	Unaudited Sep 2022 \$
Interest income	6,279,766	4,604,177
Interest expense	(3,594,408)	(2,235,129)
Net interest income	<u>2,685,358</u>	<u>2,369,048</u>
Fee and commission income	1,427,927	1,407,775
Fee and commission expense	(372,795)	(343,309)
Net fee and commission income	<u>1,055,132</u>	<u>1,064,466</u>
Revenue from contracts with customers	92,682	2,234
Cost of sales	(11,321)	(185)
Gross profit from contracts with customers	<u>81,361</u>	<u>2,049</u>
Other income	20,345	15,214
Net revenue	<u>3,842,196</u>	<u>3,450,777</u>
(Increase) / release in allowance for expected credit losses	11,977	(183,658)
Personnel expenses	(789,685)	(550,406)
Occupancy expenses	(60,000)	-
Depreciation	(5,249)	(77,107)
Amortisation and Impairment of intangible assets	-	(250,663)
Other expenses	(1,435,382)	(849,040)
	<u>(2,278,339)</u>	<u>(1,910,874)</u>
Net profit before income tax expense	1,563,857	1,539,903
Income tax (expense) / benefit	(361,078)	(501,216)
Net profit after income tax expense	<u>1,202,779</u>	<u>1,038,687</u>
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	(14,227)	(37,205)
Income tax on these items	(43,273)	-
Other comprehensive income for the period (net of tax)	<u>(57,500)</u>	<u>(37,205)</u>
Total comprehensive income	<u>1,145,279</u>	<u>1,001,482</u>
Earnings per share (cents per share)	0.33	0.49
Diluted earnings per share (cents per share)	0.33	0.49

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

GENERAL CAPITAL LIMITED

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2023**

	Unaudited Sep 2023 \$	Audited Mar 2023 \$	Unaudited Sep 2022 \$
Equity			
Share capital	21,561,120	21,561,120	13,017,376
Accumulated (losses) / earnings	3,951,014	3,011,160	1,791,603
Reserves	(113,755)	(319,510)	(283,003)
Total equity	25,398,379	24,252,770	14,525,976
Assets			
Cash and cash equivalents	21,491,409	14,072,194	17,239,983
Accounts receivables	7,171	46,213	382
Related party receivables	17,464	725	68
Other current assets	487,419	347,467	338,674
Bank deposits	12,373,503	9,937,974	4,356,210
Loan receivables	104,272,597	108,771,965	101,156,540
Property, plant and equipment	40,209	33,732	24,174
Right of use assets	-	-	73,375
Investments	143,637	214,730	250,909
Income tax receivable	40,330	-	-
Deferred tax asset	168,444	313,454	249,193
Intangible assets and goodwill	2,500,758	2,349,405	2,646,617
Total assets	141,542,941	136,087,859	126,336,125
Liabilities			
Accounts payable and other payables	1,187,109	816,766	585,849
Related party payables	219,965	117,410	37,448
Term deposits	114,737,488	109,886,032	110,470,674
Lease liability	-	-	104,608
Income tax payable	-	1,014,881	611,570
Total liabilities	116,144,562	111,835,089	111,810,149
Net assets	25,398,379	24,252,770	14,525,976
Net tangible assets (NTA) per share (cents per share)	6.25	5.94	5.47
Net assets (NA) per share (cents per share)	6.99	6.67	6.83

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

GENERAL CAPITAL LIMITED

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

	Share capital	Reserves	Accumulated (losses) / earnings	Total equity
Note	\$	\$	\$	\$
Total equity as at 1 April 2022	13,025,575	(245,798)	752,916	13,532,693
Profit for the period	-	-	1,038,687	1,038,687
Other comprehensive income for the period	-	(37,205)	-	(37,205)
Total comprehensive income for the period	-	(37,205)	1,038,687	1,001,482
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity net of transaction costs	(8,199)	-	-	(8,199)
Total transactions with owners in their capacity as owners	(8,199)	-	-	(8,199)
Balance at 30 September 2022 (Unaudited)	13,017,376	(283,003)	1,791,603	14,525,976
Total equity as at 1 April 2023	21,561,120	(319,510)	3,011,160	24,252,770
Profit for the period	-	-	1,202,779	1,202,779
Other comprehensive income for the period	-	(57,500)	-	(57,500)
Total comprehensive income for the period	-	(57,500)	1,202,779	1,145,279
<i>Transactions with owners in their capacity as owners:</i>				
Share based payments	-	(16,908)	17,238	330
Total transactions with owners in their capacity as owners	-	(16,908)	17,238	330
Fair Value of Equity Investments Released to Retained Earnings	-	280,163	(280,163)	-
Balance at 30 September 2023 (Unaudited)	21,561,120	(113,755)	3,951,014	25,398,379

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

GENERAL CAPITAL LIMITED

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023**

	Unaudited Sep 2023 \$	Unaudited Sep 2022 \$
Cash flows from operating activities		
Interest received	6,624,594	4,377,840
Receipts from customers	1,789,954	920,201
Other income	2,345	1,910
Payments to suppliers and employees	(2,595,723)	(1,876,578)
Interest paid	(3,154,218)	(2,005,584)
Interest paid - lease	-	(3,647)
Income tax paid	(1,271,279)	(527,247)
Net cash flows from operating activities before changes in operating assets and liabilities	1,395,673	886,895
Term deposits (net receipts)	4,427,467	22,212,584
Finance receivables (net advances) / net repayments	4,035,737	(20,538,426)
Net cash flows from operating activities	9,858,877	2,561,053
Cash flows from investing activities		
Purchase of intangible assets	(6,000)	-
Investments in bank deposits	(2,435,529)	(1,906,210)
Proceeds from the sale of equity investments	13,593	-
Purchase of property, plant and equipment	(11,726)	1,525
Net cash flows from / (applied to) investing activities	(2,439,662)	(1,904,685)
Cash flows from financing activities		
Issue of ordinary shares/ (Capital raising costs)	-	(8,199)
Lease payments	-	(69,756)
Net cash flows from financing activities	-	(77,955)
Reconciliation of cash and cash equivalents		
Cash and cash equivalents at beginning of the reporting period	14,072,194	16,661,570
Net (decrease) / increase in cash and cash equivalents held during the reporting period	7,419,215	578,413
Cash and cash equivalents at end of the reporting period	21,491,409	17,239,983

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

GENERAL CAPITAL LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

NOTE 1: ABOUT THESE CONSOLIDATED FINANCIAL STATEMENTS

The notes to the financial statements include information that is considered relevant and material to assist the reader in understanding changes in General Capital Limited ("the Company") and its subsidiaries (together "the Group") financial position or performance.

The financial statements have been prepared on the same basis and should be read in conjunction with the consolidated financial statements for the year ended 31 March 2023.

NOTE 2: SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

There are a number of significant accounting treatments which include complex or subjective judgments and estimates that may affect the reported amounts of assets in these interim condensed consolidated 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.

2.1 Increased level of inherent uncertainty

International economies are being strongly influenced by significant geopolitical events including conflicts between Russia and Ukraine and in the Middle East as well as uncertainty in the South China sea. These events have caused impacts on markets, particularly commodities including oil, grain etc. These pressures have contributed to cost tensions and an increase in inflation. The New Zealand market has been affected by inflation in costs and the RBNZ's response was to increase interest rates. High interest rates played a significant part in a slowing down of the New Zealand property market. In September 2023 there were signs of a property market recovery, however the future of property values is still uncertain. There are continuing signs that the level of economic activity is under pressure, and it is likely that some sectors will face business failure and staff will face layoffs. As a result of international and domestic economic environments there has been an increase of inherent uncertainty in the critical accounting estimates and judgements applied by management in the preparation of these financial statements

All reasonably known and available information with respect to the current adverse macro and micro economic conditions and adverse global events has been taken into consideration in the critical accounting estimates and judgements applied by Management, and all reasonably determinable adjustments have been made in preparing these financial statements.

As a result of the above, the Group anticipates that lower levels of economic activity and confidence will continue for at least the short to medium term and may result in increased business failures and unemployment levels in New Zealand.

Consequently, the Group has concluded that there has been an increase in the level of inherent uncertainty in the significant accounting estimates and judgements applied by Management in the preparation of these financial statements (refer note 2.2 and 2.3).

These financial statements have been prepared based upon conditions existing as at 30 September 2023 and consider those events occurring subsequent to that date that provide evidence of conditions that existed at the end of the reporting period. As the above events occurred before 30 September 2023, its impacts are considered an event that is indicative of conditions that arose prior to reporting period. Accordingly, as at the date of the release of these financial statements with the six monthly announcement, all reasonably known and available information with respect to the current adverse macro and micro economic conditions, adverse global events, recovery of the property market, high interest rates have been taken into consideration in the critical accounting estimates and judgements applied by Management (refer note 2.2 and 2.3 below) and all reasonably determinable adjustments have been made in preparing these financial statements.

2.2 Applicability of the going concern basis of accounting

Whilst the above-stated factors have lowered overall economic activity and confidence, Management have assessed and determined that the Group's application of the going concern basis of accounting remains appropriate.

The Group has responded to the above economic conditions in the following ways:

- Undertook an analysis of its forecast cashflows to evaluate of the appropriateness of the Group's continued application of the going concern basis of accounting. This forecast cashflows took into consideration the Group's expectation of the impact of the above-stated factors on its earnings, cash flow and financial position.
- Assessed the direct and indirect financial impacts on the carrying value of reported amounts of assets, liabilities, revenues and expenses.
- Implemented and enacted appropriate health and safety responses.

GENERAL CAPITAL LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

NOTE 2: SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

Cashflow forecast and going concern

The Group has performed consistently with the expected trends assumed in preparing the 31 March 2023 financial statements going concern consideration. These are detailed further below:

- 1) The Group expected term deposit reinvestment rates to be at a rate of 65-75%. The actual average reinvestment rate was marginally higher, at 76% for the six months ended 30 September 2023.
- 2) The Group expected total term deposit investments to continue growing. Total term deposits increased by \$4.9m during the period. Actual new term deposit investments were at an average of \$2.4m per month for the six months ended 30 September 2023 (March 23 full year: \$4.2m per month).
- 3) The Group expected that some loans would take longer to collect. Management have increased default penalty interest rates and will target loans with lower loan to valuation ratios.

Loans in arrears decreased to \$6.5m as at 30 September 2023 from \$13.5m as at 31 March 2023. These loan arrears include \$2.7m of loans past due greater than 90 days (March 2023: \$4.1m). A total of \$2.5m of arrears has been cleared after 30 September 2023. There was one loan write-off of \$330k in the 6 months ended 30 September 2023 (March 2023: \$Nil), recovery actions are continuing to collect some or all of the write off.

- 4) The Group expected property values to continue to reduce. The September 2023 monthly property report dated 11 October 2023 published by the Real Estate Institute of New Zealand (REINZ) showed that the median price for residential property had reduced by 3.1% nationally from September 2022 to September 2023, and the REINZ House Price Index dropped by 3.3% nationally year on year. As at 30 September 2023 Management have performed sensitivity analysis, factoring in a 25% drop in property values (as described further in the note).
- 5) The Group expected gradual reduction of the net interest margin (the difference between loan and deposit interest rates) plateauing in the second half the financial year ended 31 March 2024. For the six months ended 30 September 2023 the company experienced a gradual decrease in the net interest margin due to a higher level of increases in interest rates paid on term deposits compared to the interest rates earned from loans.
- 6) The Group expected the research and advisory cash generating unit ("CGU") to continue generating positive cash flows. For the six months ended 30 September 2023 the research and advisory CGU has generated positive cash flows.

Based on the current economic conditions in New Zealand, the Group currently expects the following trends:

1. Term deposit reinvestment rates to improve to an average rate of 70-80%.
2. Total term deposits to continue growing.
3. Property values to remain stable. Management will continue to consider loans up to historic loan to valuation ratios. Management have performed a sensitivity analysis, factoring in a 25% drop in property values described further in note 2.3.
4. A gradual reduction of the net interest margin (the difference between loan and deposit interest rates) plateauing in the first half of the 2024 calendar year.
5. The research and advisory CGU to continue generating positive cashflows.

During the reporting period General Finance Limited (the subsidiary of the Company) has maintained its Credit Rating for BB with a stable outlook.

Accordingly, Management have assessed and determined based on forecasts prepared for greater than 12 months from the date of signing, that the Group's application of the going concern basis of accounting remains appropriate.

2.3 Allowance for expected credit losses

Significant increase in credit risk

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

GENERAL CAPITAL LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

NOTE 2: SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

Calculation of loss allowance

When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

The ECL is calculated on an individual loan basis though a combination of the assessed lifetime credit default and probability default (referred to as expected loss factor) to the loan balance. The expected loss factor is determined from the Group historical loss experience data. Historical loss experience data is reviewed by management and adjustments made to reflect current and forward looking economic and credit conditions. In addition, management recognise that a certain level of imprecision exists in any model used to generate risk grading and provisioning levels. As such an adjustment is applied for model risk.

In instances where the probability of default has increased significantly (a significant increase in credit risk), or where the loan is in default, the expected credit loss (or loss given default) may not increase significantly due to the Group's lending criteria which prohibits lending when the loan to valuation ratio (LVR) exceeds 75%. This means in general that the Group expects that the present value of expected cash flows from a loan in default to approximate the carrying value of the loan prior to the default event, except in cases where the LVR has increased considerably due to a reduction in the security property valuation or a significant increase in the loan balance.

Management regularly reviews and adjusts its ECL estimates, judgements, assumptions, and methodologies as data becomes available. Changes in these estimates, judgements, assumptions, and methodologies could have a direct impact on the level of credit provision and credit impairment charge recorded in the financial statements.

If the 12-month ECL rate for loans without a significant increase in credit risk increased/(decreased) by 0.2% higher/(lower) as at 30 September 2023, the loss allowance on loan receivables would have been \$198,529 higher/(lower) (March 2023: \$202,057 higher/(lower)).

If the lifetime ECL rate for loans with a significant increase in credit risk and credit impaired loans increased/(decreased) by 1.0% higher/(lower) as at 30 September 2023, the loss allowance on loan receivables would have been \$64,508 higher/(lower) (March 2023: \$94,777 higher/(lower)).

The events described in note 2.1 have impacted negatively on some borrowers' ability to make their payments as they fell due, this included:

- 1) Lending institutions increasing their processing times
- 2) Difficulties in marketing properties
- 3) Difficulties in proving borrowers future income
- 4) Delays in supply chains
- 5) Delays in the council approvals
- 6) Difficulties in transferring funds from overseas jurisdictions to New Zealand (primarily China)
- 7) The availability of funding for potential purchasers of the properties the Group has security over

The highest loan to valuation ratio (LVR) of the Group's loan book as at 30 September 2023 was 66.1% (March 2023: 67.2%) and the weighted average LVR of the loan book was 53.3% (March 2023: 54.2%), based on loan security valuations on origination of the loan (the 30 September 2023 LVR calculation excludes 1 loan for \$235,257 secured by caveat).

According to a sensitivity analysis performed on the property security valuations underlying the Group's loan receivables as at 30 September 2023 (factoring in selling costs and time value of money):

- 1) A 25% drop in residential property values would result in losses of \$0 – \$50,000 (March 2023: \$Nil).
- 2) A 25% drop in commercial property values would result in no loan losses (March 2023: \$Nil).

The above sensitivity analysis factors in the expected selling costs of the property as well as the time value of money over the expected time to sell (or to refinance) the property (expected to be no greater than six-months based on the Group's experience). The sensitivity analysis does not factor in potential increases in underlying security value since the origination of the loan (The sensitivity analysis calculation for 30 September 2023 excludes 1 loan secured by caveat).

GENERAL CAPITAL LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

NOTE 2: SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

Expected credit losses:

1) Based on the history of the Group's loan book over the last three years, the average annual write-offs as a percentage of the average loan receivable balance over the same period was 0.15%. This would be an appropriate basis for 12-month expected credit losses in normal economic conditions.

2) The Group recognises that New Zealand's economic forecast for the next 12 months is uncertain due to the impacts of the events described in note 2.1 above. As a result, the Group has concluded that the probability of default has increased. However, due to the Group's well-secured loan book (as described above), the expected credit losses have increased but not by a material amount. As such, the Group has determined that 0.25% (March 2023: 0.25%) of the gross loan balance is a more appropriate expectation of losses than 0.15% for the next 12 months.

3) Lifetime ECL's for loans with a significant increase in credit risk and for loans in default have been calculated based on the Group's expectations for discounted net cash flows from the respective loan receivables over the expected remaining life of the loans in light of ongoing events as described in note 2.1.

2.4 Impairment analysis of goodwill and other indefinite life intangible assets

The carrying value of goodwill and indefinite life intangible assets (including licences) are assessed at least annually to ensure that it is not impaired. With regard to Goodwill and Licences, performing this analysis requires management to estimate future cash flows to be generated by the cash-generating unit, which entails making judgements, including the expected rate of growth of revenues and expenditures, assets and liabilities, and the resulting cashflows. Judgements also need to be made about the appropriate discount rate to apply when valuing future cash flows.

A sensitivity analysis performed by the Group has highlighted that the carrying value of the Goodwill and other assets in the research and advisory Cash Generating Unit are highly reliant on the achievement of revenue forecasts projects.

Impact of increased level of inherent uncertainty, as described in note 2.1, on impairment analysis of goodwill and other indefinite life intangible assets

When completing the impairment analysis of goodwill and other indefinite life intangible assets, the Group has taken into consideration all reasonably known and available information with respect to the increased level of inherent uncertainty (as described in notes 2.1 and 2.2).

Expected impact on cash-generating units ("CGU")

1. Finance CGU - The forecasted cash flows used in the impairment analysis done on CGU as at 31 March 2023 factored in events that gave rise to an increased level of inherent uncertainty. The results of the model showed that there was still significant headroom in the unit. The Group believes that this remains true for Finance CGU as it performed materially inline with the forecast for the six months ended 30 September 2023 and therefore the Group can rely on the result and does not need to impairment test as at 30 September 2023.

2. Research and Advisory CGU - For the year ended 31 March 2023 the Group has not achieved its forecast cashflows. This together with the increased level of inherent uncertainty has resulted in the Group performing an impairment test as at 30 September 2022 and 31 March 2023 which has resulted in a total impairment of \$537,141 for the year ended 31 March 2023.

For the six months ended 30 September 2023 Research and Advisory CGU has achieved its forecast cashflows used in the impairment analysis done on CGU as at 31 March 2023. The Group has reviewed the forecasts and believes it to be appropriate. The Group has further updated the model for an increase in interest rate. The model showed that there is still headroom in the unit.

GENERAL CAPITAL LIMITED

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023**

NOTE 3: 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 lending.

- Research and Advisory

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

- Corporate and Other

Corporate function and investment activities .

6 month period ended 30 September 2023	Finance \$	Research and Advisory \$	Corporate and Other \$	Total Segments \$	Eliminations \$	Consolidated \$
Revenue - interest income	6,134,723	8,109	136,934	6,279,766	-	6,279,766
Revenue - fee income (finance receivables)	1,427,927	-	-	1,427,927	-	1,427,927
Revenue from contracts with customers						
- Advisory fee revenue	-	61,395	-	61,395	31,081	92,476
- Yearbook and research sales	-	206	-	206	-	206
Other income	2,345	-	345,834	348,179	(327,834)	20,345
Total revenue	7,564,995	69,710	482,768	8,117,473	(296,753)	7,820,720
Interest expense	(3,594,408)	-	-	(3,594,408)	-	(3,594,408)
Fee and commission expense (finance receivables)	(372,795)	-	-	(372,795)	-	(372,795)
Cost of sales	-	(9,209)	-	(9,209)	(2,112)	(11,321)
Net revenue	3,597,792	60,501	482,768	4,141,061	(298,865)	3,842,196
(Increase) / release in allowance for expected credit losses	11,977	-	-	11,977	-	11,977
Personnel expenses	(687,408)	(10,937)	(105,118)	(803,463)	13,778	(789,685)
Occupancy expenses	(44,417)	(1,800)	(60,000)	(106,217)	46,217	(60,000)
Depreciation and amortisation	(968)	-	(4,281)	(5,249)	-	(5,249)
Other expenses	(1,174,713)	(26,240)	(502,267)	(1,703,220)	267,838	(1,435,382)
Income tax (expense) / benefit	(477,131)	72,360	51,804	(352,967)	(8,111)	(361,078)
Net profit / (loss) after tax	1,225,132	93,884	(137,094)	1,181,922	20,857	1,202,779
Total Assets	134,788,486	1,039,827	5,807,666	141,635,979	(93,038)	141,542,941
Total Liabilities	116,004,303	57,164	176,300	116,237,767	(93,205)	116,144,562

GENERAL CAPITAL LIMITED

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023**

NOTE 3: SEGMENT REPORTING (CONTINUED)

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

6 month period ended 30 September 2023	Finance	Research and Advisory	Corporate and Other	Total Segments	Eliminations	Consolidated
	\$	\$	\$	\$	\$	\$
Acquisitions	213,913	-	3,813	217,726	-	217,726

6 month period ended 30 September 2022	Finance	Research and Advisory	Corporate and Other	Total Segments	Eliminations	Consolidated
	\$	\$	\$	\$	\$	\$
Revenue - interest income	4,603,120	38	1,019	4,604,177	-	4,604,177
Revenue - fee income (finance receivables)	1,407,775	-	-	1,407,775	-	1,407,775
Revenue from contracts with customers						
- Advisory fee revenue	-	45,000	-	45,000	(43,151)	1,849
- Yearbook and research sales	-	385	-	385	-	385
Other income	4,414	-	251,101	255,515	(240,301)	15,214
Total revenue	6,015,309	45,423	252,120	6,312,852	(283,452)	6,029,400
Interest expense	(2,233,808)	-	(1,321)	(2,235,129)	-	(2,235,129)
Fee and commission expense (finance receivables)	(343,309)	-	-	(343,309)	-	(343,309)
Cost of sales	-	(4,500)	-	(4,500)	4,315	(185)
Net revenue	3,438,192	40,923	250,799	3,729,914	(279,137)	3,450,777
(Increase) / release in allowance for expected credit	(183,658)	-	-	(183,658)	-	(183,658)
Personnel expenses	(467,145)	-	(83,261)	(550,406)	-	(550,406)
Depreciation and amortisation	(46,958)	-	(30,658)	(77,616)	-	(77,616)
Impairment Expense - intangible assets	-	(250,154)	-	(250,154)	-	(250,154)
Other expenses	(715,921)	(37,243)	(295,350)	(1,048,514)	199,474	(849,040)
Income tax (expense) / benefit	(566,863)	(1,030)	45,018	(522,875)	21,659	(501,216)
Net profit / (loss) after tax	1,457,647	(247,504)	(113,452)	1,096,691	(58,004)	1,038,687
Total Assets	124,439,496	1,057,886	1,007,109	126,504,491	(168,366)	126,336,125
Total Liabilities	111,668,118	3,569	282,359	111,954,046	(143,897)	111,810,149

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

6 month period ended 30 September 2022	Finance	Research and Advisory	Corporate and Other	Total Segments	Eliminations	Consolidated
	\$	\$	\$	\$	\$	\$
Acquisitions	-	-	-	-	-	-

NOTE 4: EVENTS SUBSEQUENT TO REPORTING DATE

\$1,032,712 of the Term deposits held by related parties have been approved for early withdrawal on 2 October 2023 in compliance with the General Finance 'early repayment' terms of offer criteria included in the General Finance Product Disclosure Statement.

Robert Hart resigned as a Director of General Finance Limited effective 31 October 2023.

Anton Douglas resigned as a Director of General Finance Limited effective 8 November 2023.