Results for announcement to the market		
Name of issuer	General Capital Limited	
Reporting Period	6 months to 30 September 2022	
Previous Reporting Period	6 months to 30 September 2021	
Currency	New Zealand Dollars ($)	
	Amount (000s)	**Percentage change**
Revenue from continuing operations	$6,029	82%
Total Revenue	$6,029	82%
Net profit/(loss) from continuing operations	$1,039	191%
Total net profit/(loss)	$1,039	191%
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	$0.0547	$0.0430
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	Victor Pliev 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	29 November 2022	

Interim Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

General Capital Limited
Interim Condensed Consolidated Financial Statements
For the six months ended 30 September 2022

Contents

Directors’ Report

The Directors of General Capital Limited are pleased to present a very strong result for the six months ended 30 September 2022. General Capital's revenue was 82% higher than the prior 6-month period ended 30 September 2021 which resulted in net profit after tax of $1,038,687 for the 6-month period ended 30 September 2022, the strongest half year results since the group listed in 2018. This is also after Goodwill Impairment of $250,154 recognised in the period. The group's total assets grew by a further 22.8% since 31 March 2022.

1.0 Financial Performance

	6 month period ended 30 Sep 2022	**6 month period ended 30 Sep 2021**	**Movement %**
Revenue	$6,029,400	$3,306,236	*82.0%*
Net profit / (loss) after tax	$1,038,687	$357,436	*191%*
Earnings / (loss) per share*	0.49 cps	0.22 cps	*123%*

* Calculated as Net Profit after income tax expense divided by the weighted average number of ordinary shares

	30 Sep 2022	**31 Mar 2022**	**6-monthly increase**
Total assets	$126,336,125	$102,904,694	*22.8%*
Total liabilities	$111,810,149	$89,372,001	*25.1%*
Net assets	$14,525,976	$13,532,693	*7.3%*

	30 Sep 2022	**31 Mar 2022**	**6-monthly increase**
Net tangible assets (NTA) per share*	5.47 cps	4.93 cps	*11.0%*
Net assets (NA) per share**	6.83 cps	6.36 cps	*7.4%*

* 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 $1,038,687 for the six-month period ended 30 September 2022. This can be broken down as follows:

	30-Sep 2022	**30-Sep 2021**	**Var**	**% Change**
Finance Segment	$1,457,647	$541,588	$916,059	169%
Research and Advisory Segment	($247,504)	$51,204	($298,708)	-583%
Corporate and Other Segment	($113,453)	($263,062)	$149,609	57%
Group Eliminations	($58,003)	$27,706	($85,710)	-309%
Group	$1,038,687	$357,436	$681,250	191%

Directors’ Report (continued)

2.0 Segment Performance and Outlook

Finance Segment
General Finance Limited, the wholly owned subsidiary and non-bank deposit taker (NBDT) licensed by the RBNZ, has had a very strong six months. Secured term deposits grew by 25% between 31 March 2022 and 30 September 2022.

The growth in term deposit funding allowed General Finance to increase its loan book by 26% and still retain strong liquidity and cash available as at 30 September 2022. The growth in the loan book combined with an increase in the net interest margin across the period resulted in General Finance's achieving a record profit. The business is well placed for further growth in total assets and profitability.

Research and Advisory Segment
In the six months ended 30 September 2022 Investment Research Group ("IRG") has achieved its forecast cashflows, however due to higher interest rates and the changing market the Group has decided to test the carrying value of Goodwill and Licences as at 30 September 2022. Testing resulted in an impairment expense of $250,154 which pushed the segment into a loss. This is an accounting expense often called a "paper" non-cash expense.

Despite the above, the Group is excited about the future prospects of the segment, given the increasing demand of debt structuring engagements and market rationalisation which brings about opportunities for the advisory segment. The major influencers of revenue are Investment Bankers contracted to IRG. We are focusing on strategies to increase our resource in this sector from 1 April 2023.

Corporate and Other Segment
The corporate and other segment comprises the overheads of running the listed parent company. A management fee has been charged in the financial period to recover the greater corporate overheads caused by the increase in costs as the business grows and inflation impacts fees and costs.

Refer to the attached financial information for detailed segmental results.

2.1 General Finance Credit Rating

General Finance has had 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). Equifax has issued General Finance a credit rating of BB- with a positive outlook. According to Equifax's criteria, this rating is classified as "Near Prime". General Finance is very pleased with this rating as a number of participants in the financial services sector have been downgraded due to the impact of the COVID pandemic. This is a strong endorsement of General Finance's performance.

3.0 Staff and Directors

The 6 months have been challenging, but very positive for General Capital. The rapid changes in the market are causing all items of a loan book to be constantly reassessed. Our staff have performed well, given the challenges, and we are very pleased with the progress. With our growth we will need to increase staff numbers in the next 6 months. Our growth in assets has outpaced our growth in staff numbers.

4.0 General Capital in the Community

We operate in the fantastic community that New Zealand offers us all. Our duty is to run our businesses as well as we are able and to give our stakeholders, (Shareholders, investors and staff plus those less fortunate) a fair proportion of our success.

Directors' Report (continued)

5.0 The future

We have said in previous years that General Capital Group is extremely well placed to take advantage of opportunities in the finance sector over the next few years.

- We have reached agreement with 2 investors to introduce a total of $8.6million into the group. We will use the majority to increase the capital of General Finance so we can further develop our lending book.
- We will continue the hold a strong balance sheet with conservative ratios.
- We will make consistently strong returns on our capital.
- We will consider new lending niche opportunities to complement our current business.
- We will continue to seek ways we can build and develop our advisory business.
- We will take decisions that will enhance our share value.
- We will constantly review regulatory changes (e.g., The Deposit Taker's Bill) to find a way in which we can create a niche for us for the next decade.

6.0 Summary

We have 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. We do not rule out acquisitions as some of the pricing is becoming more appropriate.

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, sometimes in very challenging circumstances.

Rewi Hamid Bugo	Brent Douglas King
Chairman	Managing Director

GENERAL CAPITAL LIMITED

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

	Note	Unaudited Sep 2022 $	Unaudited Sep 2021 $
Interest income		4,604,177	2,323,644
Interest expense		(2,235,129)	(1,317,154)
Net interest income		2,369,048	1,006,490
Fee and commission income		1,407,775	757,224
Fee and commission expense		(343,309)	(196,024)
Net fee and commission income		1,064,466	561,200
Revenue from contracts with customers		2,234	206,823
Cost of sales		(185)	(20,456)
Gross profit from contracts with customers		2,049	186,367
Other income		15,214	18,545
Net revenue		3,450,777	1,772,602
(Increase) / release in allowance for expected credit losses	7	(183,658)	(22,401)
Personnel expenses		(550,406)	(511,611)
Depreciation		(77,107)	(75,282)
Amortisation and Impairment of intangible assets	8	(250,663)	(3,879)
Other expenses		(849,040)	(629,776)
		(1,910,874)	(1,242,949)
Net profit before income tax expense		1,539,903	529,653
Income tax (expense) / benefit		(501,216)	(172,217)
Net profit after income tax expense		1,038,687	357,436
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Changes in the fair value of equity investments at fair value through other comprehensive income		(37,205)	-
Other comprehensive income for the period (net of tax)		(37,205)	-
Total comprehensive income		1,001,482	357,436
Earnings per share (cents per share)	6	0.49	0.22
Diluted earnings per share (cents per share)	6	0.49	0.22

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 2022

		Unaudited Sep 2022 $	Audited Mar 2022 $	Unaudited Sep 2021 $
Equity				
Share capital		13,017,376	13,025,575	10,687,857
Accumulated (losses) / earnings		1,791,603	752,916	(237,215)
Reserves		(283,003)	(245,798)	(59,743)
Total equity		14,525,976	13,532,693	10,390,899
Assets				
Cash and cash equivalents		17,239,983	16,661,570	15,059,386
Accounts receivables		382	17,350	54,036
Related party receivables	10	68	-	-
Other current assets		338,674	229,725	258,993
Bank deposits		4,356,210	2,450,000	950,000
Loan receivables	7	101,156,540	80,027,661	62,732,808
Deferred tax asset		249,193	135,049	119,598
Property, plant and equipment		24,174	29,431	19,975
Right of use assets		73,375	146,750	220,125
Investments		250,909	288,442	401,086
Intangible assets and goodwill	8	2,646,617	2,918,716	2,902,200
Total assets		126,336,125	102,904,694	82,718,207
Liabilities				
Accounts payable and other payables		585,849	613,770	471,517
Related party payables	10	37,448	13,191	7,178
Term deposits	9	110,470,674	88,047,219	71,437,797
Lease liability		104,608	174,364	241,831
Income tax payable		611,570	523,457	168,985
Total liabilities		111,810,149	89,372,001	72,327,308
Net assets		14,525,976	13,532,693	10,390,899
Net tangible assets (NTA) per share (cents per share)		5.47	4.93	4.30
Net assets (NA) per share (cents per share)		6.83	6.36	6.07

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

The financial statements are signed on behalf of the Board.

Rewi Bugo
Chairman

Brent King
Managing Director

Authorised for issue on 29 November 2022.

GENERAL CAPITAL LIMITED

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

	Note	Share capital	Reserves	Accumulated (losses) / earnings	Total equity
		$	$	$	$
Total equity as at 1 April 2021		10,249,211	(129,267)	(594,651)	9,525,293
Profit for the period		-	-	357,436	357,436
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		-	-	357,436	357,436
Transactions with owners in their capacity as owners:					
Contributions of equity net of transaction costs		438,646			438,646
Issue of warrants to senior managers			69,524		69,524
Total transactions with owners in their capacity as owners		438,646	69,524	-	508,170
Balance at 30 September 2021 (Unaudited)		10,687,857	(59,743)	(237,215)	10,390,899
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
Transactions with owners in their capacity as owners:					
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

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 2022

	Unaudited Sep 2022 $	Unaudited Sep 2021 $
Cash flows from operating activities		
Interest received	4,377,840	2,148,381
Receipts from customers	920,201	966,627
Other income	1,910	2,345
Payments to suppliers and employees	(1,876,578)	(1,387,464)
Interest paid	(2,005,584)	(1,191,626)
Income tax paid	(527,247)	(51,484)
Net cash flows from operating activities before changes in operating assets and liabilities	886,895	486,779
Term deposits (net receipts)	22,212,584	13,457,059
Finance receivables (net advances) / net repayments	(20,538,426)	(8,785,633)
Net cash flows from operating activities	2,561,053	5,158,205
Cash flows from investing activities		
Proceeds from the sale of bonds	-	194,018
Investments in bank deposits	(1,906,210)	2,050,000
Purchase of property, plant and equipment	1,525	(8,374)
Net cash flows from / (applied to) investing activities	(1,904,685)	2,235,644
Cash flows from financing activities		
Issue of ordinary shares/ (Capital raising costs)	(8,199)	438,646
Lease payments	(69,756)	(65,376)
Net cash flows from financing activities	(77,955)	373,270
Reconciliation of cash and cash equivalents		
Cash and cash equivalents at beginning of the reporting period	16,661,570	7,292,267
Net (decrease) / increase in cash and cash equivalents held during the reporting period	578,413	7,767,119
Cash and cash equivalents at end of the reporting period	17,239,983	15,059,386

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

NOTE 1: REPORTING ENTITY

General Capital Limited ("the Company") is incorporated and domiciled in New Zealand. General Capital Limited is registered under the Companies Act 1993.

General Capital Limited is a FMC reporting entity for the purposes of the Financial Markets Conduct Act 2013. The interim condensed consolidated financial statements presented here are for General Capital Limited and its subsidiaries (together "the Group").

The Group is a for profit entity. The Group's principal activities are:
- Finance (deposit taking and mortgage lending);
- Research and advisory (listing and capital management).

NOTE 2: BASIS OF PREPARATION

The interim condensed consolidated financial statements have been prepared in accordance with the requirements of the Financial Markets Conduct Regulations 2014 and New Zealand Generally Accepted Accounting Practice (NZ GAAP). In accordance with the provisions of the Financial Reporting Act 2013 and the Financial Market Conducts Act 2013, the Group is an FMC Reporting Entity.

These interim condensed consolidated financial statements comply with NZ IAS 34 Interim Financial Reporting and IAS 34 Interim Financial Reporting and should be read in conjunction with the consolidated financial statements for the year ended 31 March 2022.

These interim condensed consolidated 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 Group is New Zealand dollars. In presenting amounts in the interim condensed consolidated financial statements these amounts have been rounded to the nearest dollar.

NOTE 3: CHANGES IN ACCOUNTING POLICIES

The accounting policies applied by the Group are consistent with those applied and disclosed in the previous full year consolidated financial statements and methods of computation.

NOTE 4: 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.

An explanation of the judgments and estimates made by the Group in the process of applying its accounting policies, that have the most significant effect on the amounts recognised in the condensed consolidated financial statements, are set out below.

4.1 Increased level of inherent uncertainty in the significant accounting estimates and judgments arising from the ongoing global pandemic of coronavirus disease 2019

The current global pandemic of the novel coronavirus disease 2019 ('COVID-19') is still an evolving situation, along with the cessation of COVID-19 related government support, rising interest rates, rapidly rising inflation, skills shortages, and challenging international conditions, global supply chain disruptions, and the flow on effects from the conflict between Ukraine and Russia and European geopolitical uncertainty, which is having a significant impact on energy prices, as well as financial markets across the globe. The ongoing COVID-19 pandemic, current adverse macro and micro economic conditions and adverse global events mentioned have lowered overall economic activity and confidence is resulting in significant volatility and instability in financial markets and economic uncertainty. Consequently, there has been an increase in the level of inherent uncertainty in the critical accounting estimates and judgements applied by Management in the preparation of these financial statements. As at the date of the signing of these financial statements, all reasonably known and available information with respect to the COVID-19 pandemic, 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 pandemic, the Group anticipates that lowered 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. However, currently the economic activity is considerably stronger than expected. 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 4.2 and 4.3).

These financial statements have been prepared based upon conditions existing as at 30 September 2022 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 outbreak of the COVID-19 pandemic occurred before 30 September 2022, its impacts are considered an event that is indicative of conditions that arose prior to reporting period. Accordingly, as at the date of signing these financial statements, all reasonably known and available information with respect to the ongoing COVID-19 pandemic, 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 (refer note 4.2 and 4.3 below) and all reasonably determinable adjustments have been made in preparing these financial statements.

4.2 Applicability of the going concern basis of accounting

Whilst the COVID-19 pandemic, Global Inflation, Supply Chain Disruption and Political instability and measures implemented have lowered overall economic activity and confidence (described above), 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 pandemic on its earnings, cash flow and financial position.
- Assessed the direct and indirect financial impacts of the pandemic on the carrying value of reported amounts of assets, liabilities, revenues and expenses.
- Implemented and enacted appropriate health and safety responses.

Cashflow forecast and going concern

When preparing the 31 March 2022 consolidated financial statements, the Group determined that based on the existing pandemic and economic conditions in New Zealand, the Group expected favourable trends to continue including:
1. Term deposit reinvestment rates to continue at the averages of 70-80%.
2. New term deposit investments to continue growing.
3. Loans will be repaid on or close to the maturity date (the exception of loans rolled over in line with the Group's lending policies).
4. No significant reduction in loan security values is anticipated, however Management recognises that given the current adverse macro and micro economic conditions and adverse global events, the resulting increases in interest rates and inflation, in particular could have an impact on loan security values. As a result, Management have performed sensitivity analysis, factoring in a 25% drop in property values (as described further in the note).
5. No significant reduction of the net interest margin (the difference between lending and term deposit liabilities) in the event of the Reserve Bank of New Zealand (RBNZ) increasing the official cash rate due to elevated inflation rates which could lead to a potential increase in cost of term deposit liabilities.
6. The research and advisory cash generating unit to continue generating positive cash flows.

NOTE 4: SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

The Group has performed consistently with the expected trends assumed in preparing the 31 March 2022 financial statements going concern consideration. This is detailed further below:

1) The Group expected term deposit reinvestment rates to continue at the average of 70-80%. Actual average reinvestment rate was 73% for the six months ended 30 September 2022.

2) The Group expected new term deposit investments to continue growing. Actual new term deposit investments were an average of $5.1m per month for the six months ended 30 September 2022 (Actual new term deposit investment was an average of $3.3m per month for the full year ended 31 March 2022).

3) The Group expected loans to be repaid on or close to their maturity date (except for loans rolled over in line with the Group's lending policies). The Group's lending activity has increased and accordingly the loan book has grown to a new record high level of $102.4m as at 30 September 2022 (31 March 2022: $80.9m). This increase in the loan book was funded by growth in term deposits. The growth in the loan book has resulted in increased profitability.

Loans in arrears increased to $10.5m as at 30 September 2022 from $2.6m million as at 31 March 2022. Of these, the arrears for $4.8m of loans were up to date within two weeks and $0.7m of loans were up to date within four weeks. At 30 September 2022 there were $2.9m of loans past due by greater than 90 days (up from $0.5m at 31 March 2022). There were no loan write-offs in the 6 months ended 30 September 2022 (March 2022: $Nil). Note that loan book has increased by 26.5% for the six months ended 30 September 2022.

4) The Group expected no significant reduction in loan security values. The September 2022 monthly property report dated 12 October 2022 published by the Real Estate Institute of New Zealand (REINZ) showed that the median price for residential property had increased by 2.0% nationally from September 2021 to September 2022, however the REINZ House Price Index dropped by 8.1% nationally year on year. As at 30 September 2022 Management have performed sensitivity analysis, factoring in a 25% drop in property values (as described further in the note).

5) The Group expected no significant reduction of the net interest margin. For the six months ended 30 September 2022 the Group experienced an increase in the net interest margin due to increases in interest rates earned on loans compared to the interest rates paid on term deposits.

6) The Group expected the Research and Advisory Cash Generating Unit to continue generating positive cash flows. For the six months ended 30 September 2022 Research and Advisory Cash Generating Unit has generated positive cash flows.

Based on the current economic conditions in New Zealand, the Company currently expects the following trends:
1. Term deposit reinvestment rates to be at a slightly lower rate of 65-75%.
2. Total term deposits to continue growing.
3. Loans will be repaid on or close to their maturity date (with the exception of loans rolled over in line with the General Finance Limited's lending policies).
4. Property values to continue to reduce. Management will target loans with lower loan to valuation ratio. Management have performed a sensitivity analysis, factoring in a 25% drop in property values (as described further in the note). Management will perform quarterly sensitivity analysis factoring in a 25% drop in property values.
5. A plateauing of the net interest margin (the difference between lending and term deposit liabilities) and a gradual reduction for the balance of the year.
6. The research and advisory cash generating unit to continue generating positive cashflows.

During the reporting period General Finance Limited (the subsidiary of the Company) has had an upgrade of its Credit Rating for BB- with a stable outlook to BB- with a positive 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.

Direct and indirect financial impacts of the pandemic on the carrying value of reported amounts of assets and liabilities

Consistent with 31 March 2022 disclosures, there have been no material direct or indirect impacts on the reported amount of assets and liabilities. Refer to note 4.3 below for further information on expected credit losses on loans receivable.

NOTE 4: SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

4.3 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 Company 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 Company also considers changes or forecast changes to macroeconomic factors including property prices, unemployment, interest rates, gross domestic product and inflation.

Calculation of loss allowance
When measuring ECL* the 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 (refer Note 7 Loan Receivables).

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 2022, the loss allowance on finance receivables would have been $197,412 higher/(lower) (March 2022: $158,258 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 2022, the loss allowance on finance receivables would have been $36,754 higher/(lower) (March 2022: $17,890 higher/(lower)).

Ongoing COVID-19 pandemic, current adverse macro and micro economic conditions and adverse global events on loan receivables / expected credit losses

Ongoing COVID-19 pandemic, current adverse macro and micro economic conditions and adverse global events 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)The availability of funding for potential purchasers of the properties the Group has security over.

*ECL - Expected Credit Losses
**LVR - Loan to Valuation Ratio

NOTE 4: SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

The highest loan to valuation ratio (LVR)** of the Group's loan book as at 30 September 2022 was 69.8% (March 2022: 70.6%) and the weighted average LVR of the loan book was 55.2% (March 2022: 55.3%), based on loan security valuations on origination of the loan.

According to a sensitivity analysis performed on the property security valuations underlying the Group's loan receivables as at 30 September 2022 (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 2022: $0 – $50,000).
2) A 25% drop in commercial property values would result in no loan losses (March 2022: $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.

Expected credit losses:
1) Based on the history of the Group's loan book over the last nine years, the average annual write-offs as a percentage of the average loan receivable balance over the same period was less than 0.10%. 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 Ongoing COVID-19 pandemic, current adverse macro and micro economic conditions and adverse global events as described above. As a result, the Group has concluded that the probability of default has increased. However due to the Company's well secured loan book (as described above), the loss given default and expected credit losses have increased but not by a material amount. As such, the Group has determined that 0.25% (March 2022: 0.25%) of the gross loan balance is a more appropriate expectation of losses 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 COVID-19 pandemic, current adverse macro and micro economic conditions and adverse global events.

4.4 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 CGU*** are highly reliant on the achievement of revenue forecasts from advisory projects.

Impact of ongoing COVID-19 pandemic, current adverse macro and micro economic conditions and adverse global events 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 ongoing COVID-19 pandemic, current adverse macro and micro economic conditions and adverse global events pandemic (as described in note 4.2).
Expected impact on cash-generating units
1. Finance CGU*** - The forecasted cash flows used in the impairment analysis done on CGU as at 31 March 2022 factored in the expected impacts of ongoing COVID-19 pandemic, current adverse macro and micro economic conditions and adverse global events. Notwithstanding the impacts of the above, 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 better than forecast for the six months ended 30 September 2022 and therefore the Group can rely on the result and does not need to impairment test as at 30 September 2022.

2. Research and Advisory CGU*** - The forecasted cash flows used in the impairment analysis done on CGU as at 31 March 2022 factored in the expected impacts on ongoing COVID-19 pandemic, current adverse macro and micro economic conditions and adverse global events on the probability of sourcing advisory projects, the project milestones and the impact on timing of cashflows. Notwithstanding the impacts of the above, the results of the model showed that there was still headroom in the unit. In the six months ended 30 September 2022, the CGU has achieved its forecast cashflows, however due to higher interest rates and the changing market the Group has decided to test the carrying value of Goodwill and Licences as at 30 September 2022. Testing resulted in an impairment of $250,154 to the CGU***. Further information on the impairment analysis, assumptions and sensitivity analysis can be found in note 8.

*ECL - Expected Credit Losses
**LVR - Loan to Valuation Ratio
***CGU - Cash Generating Unit

GENERAL CAPITAL LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

NOTE 5: 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 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 .

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	-	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	(279,136)	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)	(295,351)	(1,048,515)	199,474	(849,040)
Income tax (expense) /	(566,863)	(1,030)	45,018	(522,875)	21,659	(501,216)
Net profit / (loss) after tax	1,457,647	(247,504)	(113,453)	1,096,690	(58,003)	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

NOTE 5: SEGMENT REPORTING (CONTINUED)

Acquisition of property, plant and equipment, intangible assets, and other non-current assets*:

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

6 month period ended 30 September 2021	Finance	Research and Advisory	Corporate and Other	Total Segments	Eliminations	Consolidated
	$	$	$	$	$	$
Revenue - interest income	2,348,353	2	1	2,348,356	(24,712)	2,323,644
Revenue - fee income (finance receivables)	757,224	-	-	757,224	-	757,224
Revenue from contracts with customers						
- Advisory fee revenue	-	146,700	-	146,700	57,860	204,560
- Yearbook and research	-	2,263	-	2,263	-	2,263
Other income	2,345	-	62,951	65,296	(46,751)	18,545
Total revenue	3,107,922	148,965	62,952	3,319,839	(13,603)	3,306,236
Interest expense	(1,314,233)	-	(7,959)	(1,322,192)	5,038	(1,317,154)
Fee and commission expense (finance receivables)	(196,024)	-	-	(196,024)	-	(196,024)
Cost of sales	-	(14,670)	-	(14,670)	(5,786)	(20,456)
Net revenue	1,597,665	134,295	54,993	1,786,953	(14,351)	1,772,602
(Increase) / release in allowance for expected credit	(22,401)	-	-	(22,401)	-	(22,401)
Personnel expenses	(365,038)	(34,717)	(111,856)	(511,611)	-	(511,611)
Depreciation and amortisation	(50,636)	-	(74,973)	(125,609)	46,448	(79,161)
Impairment Expense - intangible assets	-	-	-	-	-	-
Other expenses	(407,385)	(27,899)	(200,876)	(636,160)	6,384	(629,776)
Income tax (expense) /	(210,617)	(20,475)	69,650	(161,442)	(10,775)	(172,217)
Net profit / (loss) after tax	541,588	51,204	(263,062)	329,730	27,706	357,436
Total Assets	80,567,015	1,330,455	1,205,486	83,102,956	(384,749)	82,718,207
Total Liabilities	72,098,576	49,617	551,442	72,699,635	(372,327)	72,327,308

Acquisition of property, plant and equipment, intangible assets, and other non-current assets*:

6 month period ended 30 September 2021	Finance	Research and Advisory	Corporate and Other	Total Segments	Eliminations	Consolidated
	$	$	$	$	$	$
Acquisitions	-	-	8,374	8,374	-	8,374

*excludes non-current financial instruments

NOTE 6: EARNINGS PER SHARE

	Sep 2022 Cents	Sep 2021 Cents
Basic earnings per share attributable to the ordinary equity holders	0.49	0.22
Diluted earnings per share attributable to the ordinary equity holders	0.49	0.22
Basic earnings per share	$	$
Profit / (loss) attributable to the ordinary equity holders of the Company used in calculating basic earnings per share:	1,038,687	357,436
Profit / (loss) attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share:	1,038,687	357,436
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	212,657,496	163,010,391
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	212,657,496	163,010,391

NOTE 7: LOAN RECEIVABLES

	Sep 2022 $	Mar 2022 $
First mortgage advances	102,381,393	80,918,034
Less deferred fee income and expenditure	(838,892)	(688,078)
Less impairment allowance	(385,961)	(202,295)
Net carrying value	101,156,540	80,027,661
Current portion	98,077,317	76,954,475
Non-current portion	3,079,223	3,073,186
	101,156,540	80,027,661
Primary loan security		
Residential housing	87,174,445	69,125,122
Residential bare land	12,106,119	8,691,870
Commercial property	3,100,829	3,101,042
	102,381,393	80,918,034

Loan receivables represent loans at commercial interest rates. Current loan receivables are contractually repayable within 12 months. Non-current loan receivables are contractually repayable within 12 months to 3 years.

At period end there was $1,085,441 in outstanding loan commitments including future capitalised interest (March 2022: $4,812,714).

NOTE 7: LOAN RECEIVABLES (CONTINUED)

Reconciliation of gross loan receivable balance movements through ECL* stages:

	12 month ECL* $	Lifetime ECL* not credit impaired $	Lifetime ECL* credit impaired $	Total $
Balance as at 31 March 2021	**53,156,615**	**1,302,341**	**-**	**54,458,956**
New loan advances	74,835,252	-	-	74,835,252
Repayments	(47,073,833)	(1,302,341)	-	(48,376,174)
Transfer to lifetime not credit impaired	(1,301,738)	1,301,738	-	-
Transfer to lifetime credit impaired	(487,279)	-	487,279	-
Balance as at 31 March 2022	79,129,017	1,301,738	487,279	80,918,034
New loan advances	47,997,373	-	-	47,997,373
Repayments	(24,744,998)	(1,301,738)	(487,279)	(26,534,014)
Transfer to lifetime not credit impaired	(728,987)	728,987	-	-
Transfer to lifetime credit impaired	(2,946,390)	-	2,946,390	-
Balance as at 30 September 2022	98,706,016	728,987	2,946,390	102,381,393

Reconciliation of movements in impairment allowance by stage:

	12 month ECL* $	Lifetime ECL* not credit impaired $	Lifetime ECL* credit impaired $	Total $
Impairment allowance as at 31 March 2021	**132,773**	**3,256**	**-**	**136,029**
New loan advances	231,071	-	-	231,071
Repayments	(145,351)	(3,256)	-	(148,607)
Transfer to lifetime not credit impaired	(3,254)	3,254	-	-
Transfer to lifetime credit impaired	(1,505)	-	1,505	-
Reduction in expected credit losses %	(16,198)	-	-	(16,198)
Impairment allowance as at 31 March 2022	197,536	3,254	1,505	202,295
New loan advances	119,993	-	-	119,993
Repayments	(61,568)	(3,254)	(1,505)	(66,327)
Transfer to lifetime not credit impaired	(1,822)	1,822	-	-
Transfer to lifetime credit impaired (collectively assessed)	(7,366)	-	7,366	-
Transfer to lifetime credit impaired (individually assessed)	-	-	130,000	130,000
Impairment allowance as at 30 September 2022	246,773	1,822	137,366	385,961

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.

The LVR** of loans with a significant increase in credit risk or in default was in a range of 19.1% - 66.0% as at 30 September 2022 (65.1% - 68.2% as at 31 March 2022), based on the security property valuation at origination.

$2.9m of Lifetime ECL* Credit Impaired loans are made up of 2 loans. Both have first mortgages. Enforcement actions are taken, full recovery is expected from either loan.

*ECL - Expected Credit Losses
**LVR - Loan to Valuation Ratio

NOTE 8: INTANGIBLE ASSETS

	Goodwill $	Licences $	Bartercard Trade Dollars $	Software $	Total $
Year ended 31 March 2022					
Opening net book amount	2,350,730	277,000	292,767	5,868	2,926,365
Additions	-	-	30,020	-	30,020
Disposals	-	-	(32,439)	-	(32,439)
Amortisation and Impairment charge	-	-	-	(5,230)	(5,230)
Closing net book amount	2,350,730	277,000	290,348	638	2,918,716
At 31 March 2022					
Cost	2,350,730	277,000	290,348	70,293	2,988,371
Accumulated amortisation and impairment	-	-	-	(69,655)	(69,655)
Net book amount	2,350,730	277,000	290,348	638	2,918,716

	Goodwill $	Licences $	Bartercard Trade Dollars $	Software $	Total $
Period ended 30 September 2022					
Opening net book amount	2,350,730	277,000	290,348	638	2,918,716
Additions	-	-	-	-	-
Disposals	-	-	(21,436)	-	(21,436)
Amortisation and Impairment charge	(250,154)	-	-	(509)	(250,663)
Closing net book amount	2,100,576	277,000	268,912	129	2,646,617
At 30 September 2022					
Cost	2,350,730	277,000	268,912	70,293	2,966,935
Accumulated amortisation and impairment	(250,154)	-	-	(70,164)	(320,318)
Net book amount	2,100,576	277,000	268,912	129	2,646,617

Impairment testing for cash-generating units (CGU)* containing Goodwill and Licences:

	Sep 2022 $	Mar 2022 $
Goodwill		
Allocated to the finance CGU*	1,323,729	1,323,729
Allocated to the research and advisory CGU*	776,847	1,027,001
	2,100,576	2,350,730
Licences with an indefinite useful life		
Allocated to the finance CGU*	247,000	247,000
Allocated to the research and advisory CGU*	30,000	30,000
	277,000	277,000

The aggregate carrying amounts of goodwill and indefinite life licenses are outlined above. Goodwill primarily relates to growth expectations, expected future profitability and the workforce of the CGU's*. The Group have assessed that there is no foreseeable limit to the period of time over which the goodwill and licenses are expected to generate net cash inflows for the Group and as such they have been assessed as having an indefinite useful life.

The Group's indefinite useful life intangible assets have been tested for impairment at least annually and were last done as at 31 March 2022. Impairment of goodwill cannot be reversed in subsequent years. No impairment had been recognised in the year ended 31 March 2022.

The Group has decided that given the performance of the Finance CGU* against the forecast in the period ended 30 September 2022 and the headroom available at the time last testing had been done, that there is no need for an extra testing as at 30 September 2022.

The Group has decided that the indefinite useful life intangible assets of the Research and Advisory CGU* have to be tested as at 30 September 2022 due to increases in the applicable interest rates, expectations of the cashflow forecast, unfolding changes in the market affecting Research and Advisory CGU* and the level of headroom that was available as at 31 March 2022.

*CGU - Cash Generating Unit

NOTE 8: INTANGIBLE ASSETS (CONTINUED)

	Sep 2022	Sept 2021
Impairment	$	$
Impairment expense - Goodwill	250,154	-

$250,154 of impairment has been recognised in the period ended 30 September 2022 for the Research and Advisory CGU* as its Carrying Amount of $1,304,471 was greater than the Recoverable Amount of $1,054,317 established via value-in-use methodology.

Research and Advisory CGU*
Key assumptions used in value-in-use calculations

The key assumptions used in the calculation of value-in-use for Research and Advisory CGU* are:
1) Net Revenue Expectations through the forecast period
2) Expenditure Expectations through the forecast period
3) Discount rates
4) Growth rates used to extrapolate cash flows beyond the forecast period

For the purposes of the forecast management believes that given the service based nature of the CGU*, impacts of Total Assets and Total Liabilities and Working Capital Movements would be immaterial on establishing pre-tax Free Cash flows to the Firm ("FCFF"). The table below sets out the key assumptions for Research and Advisory CGU*:

30 September Assumptions	Net Revenue	Net Revenue Growth Rate	Expenditure	Working Capital Movements	Pre-tax FCFF**
Actual 30 September 2022	263,024		(150,721)	9,800	122,103
Forecast 2023	319,206	21.4%	(146,548)	-	172,659
Forecast 2024	381,100	19.4%	(163,545)	-	217,555
Forecast 2025	393,485	3.2%	(168,860)	-	224,625
Forecast 2026	404,306	2.8%	(173,504)	-	230,803
Forecast 2027	415,828	2.8%	(177,237)	-	238,591
Terminal growth beyond year five	2.0%				
Pre-tax discount rate	23.3%				

31 March 2022 Assumptions	Net Revenue	Net Revenue Growth Rate	Expenditure	Working Capital Movements	Pre-tax FCFF**
Actual 31 March 2022 year[2]	356,395		(176,094)	39,362	219,663
Forecast 2023	285,300	-19.9%	(165,838)	-	119,462
Forecast 2024	404,100	41.6%	(161,250)	-	242,850
Forecast 2025	406,238	0.5%	(158,612)	-	247,626
Forecast 2026	412,331	1.5%	(155,992)	-	256,339
Forecast 2027	418,516	1.5%	(157,461)	-	261,055
Terminal growth beyond year five	1.5%				
Pre-tax discount rate	17.4%				

*CGU - Cash Generating Unit
**FCFF - Free Cash flows to the Firm

NOTE 8: INTANGIBLE ASSETS (CONTINUED)

Net Revenue

Net Revenue is calculated as a gross revenue less forecast 10% direct commission for the works done based on historic trends.

Forecast Revenue consists of :

1) Debt Restructuring Revenue - Group is anticipating that Capital Markets will need more professional advice on the structure, this is backed up by an increasing demand for the service. Group is expecting to perform 4 projects per annum in the forecast period based on the current trends.
2) Brokerage Revenue based on the existing signed mandate - management believes that spreading the revenue over 5 years is reasonable due to incidental nature of the project.
3) Capital Raising/Listing/Structuring Revenue - Group is forecasting to secure a project every 2 years, associated cashflows are spread out over 2 periods based on the most recent historic experience. With economic downturn the Group is anticipating more restructuring projects of the listed companies especially where listed businesses are exhausted. Furthermore, The Group believes that the economy is going through industry rationalisation which could lead to opportunities of acquisition and takeover.
4) Other Income/Commissions Revenue - incidental ad hoc income based on historic trends.

Net Revenue Growth

For the period ended 30 September 2022 the Group had experienced a lower level of activity due to staff turnover and allocation of resources away from IRG, especially towards Finance CGU* which is experiencing a significant growth. The Group is focused on getting more resources allocated to IRG projects from 1 April 2023. The Group is now bigger in size and has further secured additional funding via share placements. The funds are planned for an increase in senior staff across the Group. The Group now also has more directors which increases the referral pool that Group is planning to actively use for project work. Further to the above explanations The Group is focused on obtaining more Listing/Capital Raising/ Restructuring projects and is experiencing demand in debt structuring/brokerage type engagements. Inflationary factor has been allocated to Revenue at 5% for the Forecast 2023; 4% for the Forecast 2024; 3.25% for Forecast 2025; 2.75% for the Forecast 2026 and 2.5% for the Forecast 2027.

Expenditure

The Group is expecting expenditure to stay in line with historic trends, normalised for unusual/one off events. Most of these form part of the Group recharges based on resources allocated. Salaries and Wages are driven by the project revenue and labour allocations required. Inflationary factor has been allocated to Expenditures at 5% for the Forecast 2023; 4% for the Forecast 2024; 3.25% for Forecast 2025; 2.75% for the Forecast 2026 and 2.5% for the Forecast 2027. It is further estimated that staff will become more efficient with time due to project experience.

Pre-tax discount rate

The discount rates represent the current market assessment of the risks specific to the Research and Advisory CGU*. The discount rate calculation is based on the industry segment the CGU* is engaged in, and is derived from its weighted average cost of capital. The weighted average cost of capital takes into account both the cost of debt and equity, however for the purposes of September 2022 testing we put target Equity to Capital of 100%. The cost of equity is derived from the expected return on investment by the Group's investors using the capital asset pricing model allowing for unsystemic risk adjustments. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated based on publicly available market data at the time of testing. Adjustments to the discount rate are made in order to reflect a pre-tax discount rate.

The specific risk premium includes adjustments to the basic Capital Asset Pricing Model inputs to arrive at a risk adjusted cost of equity. These adjustments include current market factors (other than systemic risks) and asset specific risks. In arriving at specific risk premium management have considered factors such as:

1) Small Size Risk
2) Key Personnel Dependency Risk
3) Litigation and Regulatory Risk
4) Geographical/Concentration Risk
5) Forecast & Predictability Risk

The uncertainty in the cash flows for future periods has been built into discount rate.

*CGU - Cash Generating Unit

NOTE 8: INTANGIBLE ASSETS (CONTINUED)

Terminal growth beyond year five

Cash flows beyond the five year period are extrapolated using the estimated long term growth rate of 2% which is mid point of the Reserve Bank of New Zealand medium term Consumer Price Index Policy Target range (1% to 3%), with a focus on keeping future average inflation near the 2% target midpoint. The growth rate does not exceed the long term average for the products, industries or country in which the CGUs* operate.

Sensitivity to changes in key assumptions

The most sensitive assumptions in the calculation of value-in-use for the Research and Advisory CGU* is Revenue Growth; Expenses Growth; Discount rate and long term growth rate. The following summarises the impacts of the key assumptions change, with all other assumptions remaining constant:

Assumptions	Change by	Change To	Headroom/(Impairment)
Terminal growth beyond year five	-0.5%	1.5%	(11,178)
Terminal growth beyond year five	-1.0%	1.0%	(21,854)
Terminal growth beyond year five	0.5%	2.5%	11,716
Terminal growth beyond year five	1.0%	3.0%	24,011
Pre-tax discount rate	1.0%	24.3%	(44,933)
Pre-tax discount rate	2.0%	25.3%	(85,942)
Pre-tax discount rate	-1.0%	22.3%	49,447
Pre-tax discount rate	-2.0%	21.3%	104,118
Revenue Reduction	-10.0%		(153,256)
Revenue Reduction	-25.0%		(382,357)
Expenditure increase	5.0%		(40,163)
Expenditure increase	10.0%		(80,326)

Finance CGU*

Pre-tax free cash flows to equity holders (FCFE)** have been forecasted based on growth in the non-bank deposit taking / residential lending business within the current constraints of the licence / trust deed which prohibits the Capital Ratio to go below 8%. The forecasted growth in net cash flows is driven primarily by the net interest and fee margin from forecasted growth in deposit funding and the loan book. Significant expenditure has been incurred since the business was purchased by the Group to ensure that the business has the capacity and resources to allow for the growth.

Key assumptions used in value-in-use calculations

The key assumptions used in the calculation of value-in-use for Finance CGU* were:
1) Total Assets through the forecast period
2) Total Liabilities through the forecast period
3) Revenue Growth through the forecast period
4) Expenditure Growth through the forecast period
5) Discount rates
6) Growth rates used to extrapolate cash flows beyond the forecast period

The table below sets out the key assumptions for the Finance CGU* for testing done as at 31 March 2022:

31 March 2022 Assumptions	Total Assets	Total Liabilities	Revenue	Expenditure	FCFE**
Year one growth assumptions	40.0%	40.7%	72.2%	78.0%	56.5%
Year two growth assumptions	10.9%	8.2%	33.8%	29.4%	47.3%
Year three growth assumptions	9.9%	7.4%	9.7%	10.9%	6.6%
Year four growth assumptions	9.4%	7.1%	8.9%	7.8%	12.0%
Year five growth assumptions	8.7%	6.5%	8.2%	7.5%	10.1%
Terminal growth beyond year 5		2.0%			
Pre-tax discount rate		15.7%			

*CGU - Cash Generating Unit

**FCFE - Free Cash flows to Equity Holders

NOTE 8: INTANGIBLE ASSETS (CONTINUED)

Total Assets and Liabilities

Total Assets are materially made up of Cash & Cash Equivalents, Bank Deposits and Loan Receivables. Total Liabilities are materially made up of Term Deposits as part of the Non Bank Deposit Takers regime. The forecast was based on the Board Approved Budgets. Most recent historic data was reviewed for the term deposit withdrawals, top ups and new deposits to estimate trends of Term Deposits inflow which in turn funded the growth in Loan Receivables. A portion of Term Deposit inflow is kept as Cash/Bank Deposits as per the requirements of Reserve Bank. The 40% growth in Total Assets and 40.7% growth in Total Liabilities for the year ended 31 March 2023 was consistent with the most recent annual growth of 51% in Total Assets and 52% in Total Liabilities for the year ended 31 March 2022 due to the above stated reasons. From 1 April 2023 a flat increase of $13m per annum was assumed for Loan Receivable and $10m per annum for Term Deposits.

Revenue

Revenue is made up of Loan Interest & Penalty Interest, Bank Deposit Interests and Fee Revenue. The primary drivers of revenue are Loan Interest and Fee Revenue. Revenue in total has increased by 64% for the year ended 31 March 2022, the Group has followed the trend in its forecast for the year ended 31 March 2023. Interest Income for the year ended 31 March 2023 was taken from the existing loan contracts as at 31 March 2022 and extrapolated until the maturity of the loans. Interest rate on new loans in the forecast period ended 31 March 2023 was based on the weighted average lending interest as at 31 March 2022 incrementally increased on the monthly basis to account for the anticipated increases in Official Cash Rate set by the Reserve Bank. A flat interest rate of 10.29% was taken from 31 March 2024 until the end of the forecast period. Fee Revenue for the year ended 31 March 2023 was taken from the existing loan contracts as at 31 March 2022 and extrapolated until the maturity of the loans. Fee on new loans in the forecast period ended 31 March 2023 were taken over the weighted average loan term as at March 2022 at a flat rate of 2%. A flat fee rate of 1.5% was taken from 31 March 2024 until the end of the forecast period.

Expenditure

Expenditure is primarily driven by Interest Expense on Term Deposits and Personnel Expenses. Interest Expense on Term Deposits is driven by the total Term Deposits and the interest rate applicable. Interest rate was incrementally increased every month starting from the actual weighted average term deposit interest rate as at 31 March 2022 to 31 March 2023 to account for the anticipated increases in Official Cash Rate set by the Reserve Bank. A flat interest rate of 6.26% was taken from 31 March 2024 until the end of the forecast period. Personnel Expenses have been specifically calculated for the year ended 31 March 2023 in line with the anticipated Group structure and applicable salaries and wages. A year on year increase of 20% was assumed for the forecast period ended 31 March 2024 and 31 March 2025 and 10% year on year increase was assumed for the forecast period ended 31 March 2026 and 31 March 2027 for Salaries and Wages.

Pre-tax discount rate

The discount rates represented the market assessment of the risks specific to the Finance CGU*. The discount rate calculation is based on the industry segment the CGU* is engaged in with the target Equity to Capital of 100%. The cost of equity is derived from the expected return on investment by the Group's investors using the capital asset pricing model allowing for unsystemic risk adjustments. Segment-specific risk is incorporated by applying individual beta factors. The beta factors were evaluated based on publicly available market data and specifically available historic data. Adjustments to the discount rate are made in order to reflect a pre-tax discount rate. The specific risk premium includes adjustments to the basic Capital Asset Pricing Model inputs to arrive at a risk adjusted cost of equity. These adjustments include current market factors (other than systemic risks) and asset specific risks. In arriving at specific risk premium management have considered factors such as:

1) Small Size Risk
2) Key Personnel Dependency Risk
3) Litigation and Regulatory Risk
4) Geographical/Concentration Risk
5) Forecast & Predictability Risk

The uncertainty in the cash flows for future periods has been built into discount rate.

Terminal growth beyond year five

Cash flows beyond the five year period are extrapolated using the estimated long term growth rate of 2% which is mid point of the Reserve Bank of New Zealand medium term Consumer Price Index Policy Target range (1% to 3%), with a focus on keeping future average inflation near the 2% target midpoint. The growth rate does not exceed the long term average for the products, industries or country in which the CGUs* operate.

*CGU - Cash Generating Unit

NOTE 9: TERM DEPOSITS

	Sep 2022 $	Mar 2022 $
Gross term deposit liability	110,573,061	88,134,579
Less deferred commission expenditure	(102,387)	(87,360)
Net carrying value	110,470,674	88,047,219
Contractual repayment terms:		
On call	6,731	22,504
Within 12 months	84,820,569	66,407,557
Greater than 12 months	25,643,374	21,617,158
	110,470,674	88,047,219

Reconciliation of movement in term deposits

	6 months ended Sep 2022 $	12 months ended Mar 2022 $
Balance of term deposits at beginning of period	88,134,579	57,929,500
Additions	30,731,937	39,338,012
Withdrawals	(9,074,826)	(10,094,058)
Compound interest reinvested	781,371	961,125
Balance of term deposits at end of period	110,573,061	88,134,579

NOTE 10: RELATED PARTY BALANCES AND TRANSACTIONS

Major shareholders, directors, directors of subsidiaries and closely related persons or entities to them are considered related parties of the Group.

The Group had dealings with the following related parties during the reporting periods:

Related party	**Relationship**
Graeme Iain Brown	Director up to 24 March 2022
Donald Frederick Hattaway	Director of Subsidiary (General Finance Limited)
Gregory John Pearce	Director of Subsidiary (General Finance Limited)
Robert Garry Hart	Director of Subsidiary (General Finance Limited)
Rewi Hamid Bugo	Director
Gregory Stephen James	Director
Brent Douglas King	Managing Director
Huei Min Lim	Director
Simon John McCarley	Director
Paul William Zingel	Director
Michel Developments Limited	A Director is an ultimate beneficiary (shareholder is Bedford Trust)
Belian Holdings Limited	Common Director - up to 24 March 2022
Bedford Trust	A Director is an ultimate beneficiary
Casrom Trustee Company Limited	Common Director
Romana Benevolent Trust	Common Director of a trustee company
Barter Investments Limited	Common Director
Borneo Capital Limited	Common Director
Findex NZ Limited	Director is a Senior Partner
Greenfern Industries Limited	Common Director
Cannabis & Bioscience Corporation Limited	Common Director
Prospect Road Investments Limited	Common Director
Beaconsfield Nominees Limited	Common Director
Ellice Tanner Hart Limited	Common Director
Equity Investment Advisers Limited	Common Director
Moneyonline Limited	Common Director

NOTE 10: RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

Related party receivables:	Sep 2022 $	Mar 2022 $
Moneyonline Limited	68	-
	68	-

Related party payables:	Sep 2022 $	Mar 2022 $
Brent King	1,006	2,078
Equity Investment Advisers Limited	21,273	10,469
Rewi Bugo	15,000	
Donald Hattaway	169	
Moneyonline Limited	-	644
	37,448	13,191

The above amounts payable to related parties are unsecured, interest-free and repayable on demand.

Other related party balances:	Sep 2022 $	Mar 2022 $
Term deposits held by related parties[1]	4,997,105	6,943,400

[1]Includes term deposits held by Key Management Personnel, Directors, Directors of subsidiaries, their families and their controlled entities. As at 31 March 2022 $2,020,591 of the Term deposits held by related parties has been approved for early withdrawal on 1 April 2022 in compliance with the General Finance Limited's 'early repayment' terms of offer criteria included in the Company's Product Disclosure Statement.

Transactions with related parties

Related Party	*Type*	*Transaction*	Sep 2022 $	Sep 2021 $
Key Management Personnel (KMP)[1]	Expense	Short term Remuneration[2,3]	372,139	304,879
	Expense	Interest paid or capitalised on term deposits held by	109,257	75,108
	Expense	Recharge of expenses	36,992	15,804
	Fixed Assets	Recharge for the purchase of fixed assets	-	6,315
Ellice Tanner Hart Limited	Expense	Legal Fees	690	154
Equity Investment Advisers Limited	Expense	Recharge of salary costs	12,467	2,269
	Expense	Brokerage paid	72,661	44,798
	Expense	Recharge of expenses	-	246
	Contra expense	Recharge of salary costs	4,355	5,417
Moneyonline Limited	Expense	Recharge of expenses	23,832	16,381
	Revenue	Lease Income	10,800	16,200
Greenfern Industries Limited	Revenue	Advisory & Capital Raising fees	-	139,200
Michel Developments Limited	Expense	Recharge of expenses[3]	2,383	-

[1]Key Management Personnel (KMP) includes the Company directors, subsidiary company directors, and Chief Financial Officer.

[2]$22,300 (Sept 2021: $17,000) of the Managing Director's short term remuneration is paid to Moneyonline Limited on behalf of the Managing Director and accordingly is included in two related party categories above.

[3]$2,383 (Sept 2021: $Nil) of the Director's short term remuneration was paid to Michel Developments Limited on behalf of the Director and accordingly is included in two related party categories above.

NOTE 10: RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

Other related party transactions:

On 27 September 2021, the Company issued 8,333,333 shares at 6.0 cents per share under a placement to Borneo Capital Limited.

NOTE 11: EVENTS SUBSEQUENT TO REPORTING DATE

On 9 November 2022 the Company has signed a written subscription agreement with API No 1 Limited Partnership to issue new shares by way of two placements. The first placement is to API No 1 Limited Partnership of 86,956,522 new Ordinary Shares at an issue price of NZ $0.0575 per share. The second placement is to existing shareholder Borneo Capital Limited of 63,960,957 new Ordinary Shares at an issue price of NZ $0.0575 per share. Both agreements are subject to all necessary shareholder approvals under NZX Listing Rules and the Takeover Code and Completion of other procedural matters. The API No 1 Limited Partnership agreement is further conditional on the appointment of an additional non-executive director to the board of the Company and also to the board of General Finance Limited. Most of the capital raised will be used to increase capital of General Finance Limited. Prior to share placements a dividend is proposed to be issued from General Finance Limited to its parent company Corporate Holdings Limited, subject to all necessary approvals and procedural satisfactions (March 2022: Nil).