General Finance CORP
Form 10-Q
May 11, 2012
Table of Contents

U. S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the quarterly period ended March 31, 2012

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the transition period from to

Commission file number 001-32845

(Exact Name of Registrant as Specified in its Charter)

Delaware	**32-0163571**
(State or Other Jurisdiction of	**(I.R.S. Employer**
Incorporation or Organization)	**Identification No.)**

39 East Union Street

Pasadena, CA 91103

(Address of Principal Executive Offices)

(626) 584-9722

(Registrant s Telephone Number, Including Area Code)

Indicate by check whether the registrant: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes ¨ No x

State the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date: 22,013,299 shares outstanding as of May 4, 2012.

Table of Contents

GENERAL FINANCE CORPORATION

INDEX TO FORM 10-Q

Table of Contents

Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

GENERAL FINANCE CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

	June 30, 2011	March 31, 2012 (Unaudited)
Assets		
Cash and cash equivalents	$ 6,574	$ 7,832
Trade and other receivables, net of allowance for doubtful accounts of $2,381 and $2,429 at June 30, 2011 and March 31, 2012, respectively	30,498	35,103
Inventories	20,942	36,461
Prepaid expenses and other	4,503	5,342
Property, plant and equipment, net	12,652	12,032
Lease fleet, net	220,095	247,307
Goodwill	68,948	68,209
Other intangible assets, net	23,358	18,954
Total assets	$ 387,570	$ 431,240
Liabilities		
Trade payables and accrued liabilities	$ 32,522	$ 33,268
Income taxes payable	440	270
Unearned revenue and advance payments	10,292	10,970
Senior and other debt	136,589	171,713
Deferred tax liabilities	15,835	19,803
Total liabilities	195,678	236,024
Commitments and contingencies (Note 8)		
Equity		
Cumulative preferred stock, $.0001 par value: 1,000,000 shares authorized; 26,000 shares issued and outstanding (in series) and liquidation value of $1,438 at June 30, 2011 and March 31, 2012	1,395	1,395
Common stock, $.0001 par value: 100,000,000 shares authorized; 22,013,299 shares outstanding at June 30, 2011 and March 31, 2012	2	2
Additional paid-in capital	112,278	112,699
Accumulated other comprehensive income	4,904	7,304
Accumulated deficit	(25,490)	(23,085)
Total General Finance Corporation stockholders equity	93,089	98,315
Equity of noncontrolling interests	98,803	96,901
Total equity	191,892	195,216
Total liabilities and equity	$ 387,570	$ 431,240

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

3

Table of Contents

GENERAL FINANCE CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except share and per share data)

(Unaudited)

	Quarter Ended March 31, 2011	Quarter Ended March 31, 2012	Nine Months Ended March 31, 2011	Nine Months Ended March 31, 2012
Revenues				
Sales	$ 20,537	$ 28,762	$ 66,087	$ 79,906
Leasing	22,785	27,392	65,597	77,148
	43,322	56,154	131,684	157,054
Costs and expenses				
Cost of sales (exclusive of the items shown separately below)	15,829	21,664	50,085	58,897
Direct costs of leasing operations	8,193	10,148	24,160	28,880
Selling and general expenses	10,302	12,081	30,894	35,696
Depreciation and amortization	4,720	4,904	14,252	14,144
Operating income	4,278	7,357	12,293	19,437
Interest income	124	13	354	141
Interest expense	(4,822)	(2,610)	(13,454)	(8,900)
Foreign currency exchange gain and other	108	576	4,573	899
	(4,590)	(2,021)	(8,527)	(7,860)
Income (loss) before provision for income taxes	(312)	5,336	3,766	11,577
Provision (benefit) for income taxes	(116)	2,029	1,425	4,401
Net income (loss)	(196)	3,307	2,341	7,176
Preferred stock dividends	(45)	(44)	(132)	(133)
Noncontrolling interest	(2,298)	(2,095)	(3,444)	(4,771)
Net income (loss) attributable to common stockholders	$ (2,539)	$ 1,168	$ (1,235)	$ 2,272
Net income (loss) per common share:				
Basic	$ (0.12)	$ 0.05	$ (0.06)	$ 0.10
Diluted	(0.12)	0.05	(0.06)	0.10
Weighted average shares outstanding:				
Basic	22,013,299	22,013,299	22,013,299	22,013,299
Diluted	22,013,299	22,273,173	22,013,299	22,271,547

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

Table of Contents

GENERAL FINANCE CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

(In thousands, except share and share data)

(Unaudited)

	Cumulative Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Accumulated Deficit)	Total General Finance Corporation Stockholders Equity	Equity of Noncontrolling Interests	Total Equity
Balance at June 30, 2011	$ 1,395	$ 2	$ 112,278	$ 4,904	$ (25,490)	$ 93,089	$ 98,803	$ 191,892
Share-based compensation			554			554	100	654
Preferred stock dividends			(133)			(133)		(133)
Dividends on capital stock by subsidiary							(1,803)	(1,803)
Net income					2,405	2,405	4,771	7,176
Cumulative translation adjustment				2,400		2,400	(4,970)	(2,570)
Total comprehensive income						4,805	(199)	4,606
Balance at March 31, 2012	$ 1,395	$ 2	$ 112,699	$ 7,304	$ (23,085)	$ 98,315	$ 96,901	$ 195,216

Other comprehensive income:

Cumulative translation adjustments totaled $799 and $10,038, which resulted in Total Comprehensive Income of $(1,695) and $8,935 for the quarter and nine months ended March 31, 2011, respectively.

Cumulative translation adjustments for the quarter ended March 31, 2012 totaled $2,636, $170 and $2,806, which resulted in Total Comprehensive Income of $3,848, $2,265 and $6,113 for General Finance Corporation Stockholders Equity, Noncontrolling Interests and Total Equity, respectively.

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

5

Table of Contents

GENERAL FINANCE CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Nine Months Ended March 31, 2011	Nine Months Ended March 31, 2012
Net cash provided by operating activities (Note 9)	$ 22,465	$ 1,349
Cash flows from investing activities:		
Business acquisitions, net of cash acquired	(880)	
Proceeds from sales of property, plant and equipment	89	351
Purchases of property, plant and equipment	(2,618)	(2,114)
Proceeds from sales of lease fleet	16,996	20,775
Purchases of lease fleet	(32,252)	(52,466)
Other intangible assets		(169)
Net cash used in investing activities	(18,665)	(33,623)
Cash flows from financing activities:		
Proceeds from (repayments on) equipment financing activities	868	(411)
Proceeds from (repayments on) senior and other debt borrowings, net	(6,242)	37,017
Deferred financing costs	(1,290)	
Preferred stock dividends	(132)	(133)
Dividends on capital stock by subsidiary		(1,803)
Net cash provided by (used in) financing activities	(6,796)	34,670
Net increase (decrease) in cash	(2,996)	2,396
Cash and equivalents at beginning of period	4,786	6,574
The effect of foreign currency translation on cash	(1,128)	(1,138)
Cash and equivalents at end of period	$ 662	$ 7,832

Non-cash investing and financing activities:

On October 1, 2010, the Company issued redeemable preferred stock of $100 as part of the consideration for a business acquisition (see Note 1).

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

Table of Contents

GENERAL FINANCE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

Note 1. Organization and Business Operations

Organization

General Finance Corporation (GFN) was incorporated in Delaware in October 2005. References to the Company in these Notes are to GFN and its consolidated subsidiaries. These subsidiaries include GFN U.S. Australasia Holdings, Inc., a Delaware corporation (GFN U.S.); GFN North America Corp., a Delaware corporation (GFNNA); Royal Wolf Holdings Limited (formerly GFN Australasia Holdings Pty Ltd)., an Australian corporation publicly traded on the Australian Securities Exchange (RWH or GFN Holdings); and its Australian and New Zealand subsidiaries (collectively, Royal Wolf); and Pac-Van, Inc., an Indiana corporation (Pac-Van).

Acquisition of Royal Wolf

On September 13, 2007 (September 14 in Australia), the Company acquired Royal Wolf and paid the purchase price by a combination of cash, the issuance to Bison Capital Australia, L.P. (Bison Capital), one of the sellers, of shares of common stock of GFN U.S. and the issuance of a subordinated note to Bison Capital. As a result of this structure, the Company owned 86.2% of the outstanding capital stock of GFN U.S. and Bison Capital owned 13.8% of the outstanding capital stock of GFN U.S. at that time (see IPO of Royal Wolf below). Royal Wolf leases and sells storage containers, portable container buildings and freight containers in Australia and New Zealand, which is considered geographically by the Company to be the Asia-Pacific area.

Acquisition of Pac-Van

On October 1, 2008, the Company acquired Pac-Van through a merger with Mobile Office Acquisition Corp. (MOAC), the parent of Pac-Van, and the Company s wholly-owned subsidiary, GFNNA. The Company, in addition to assuming Pac-Van s senior and other debt, paid the purchase price to the stockholders of MOAC by a combination of cash, GFN restricted common stock and a 20-month subordinated promissory note. Pac-Van leases and sells modular buildings, mobile offices storage and office containers in the United States.

Acquisitions in the Current and Prior Fiscal Year

In two separate transactions, on October 1, 2010 and on January 14, 2011, the Company, through Pac-Van, purchased the business of Advanced Mobile Storage (AMS) for a total of $990,000; which included the issuance of 110 shares of redeemable preferred stock (see Note 3). The total purchase price has been allocated to tangible (lease fleet) and intangible (customer base and non-compete agreement) assets acquired, based on their estimated fair market values, and totaled $893,000 and $193,000, respectively, less trade payables and accrued liabilities assumed of $96,000.

IPO of Royal Wolf

On May 31, 2011, the Company completed an initial public offering (IPO) in Australia of a noncontrolling interest in RWH. A total of 50,000,000 shares of capital stock were issued to the Australian market at $1.96 (AUS$1.83) per share, resulting in gross proceeds of $97,850,000 (AUS$91,500,000). An additional total of 188,526 shares ($369,000 value) were issued to the non-employee members of the RWH Board of Directors, the RWH chief executive officer and the RWH chief financial officer. Previously, GFN U.S. owned the only capital stock outstanding of RWH. In conjunction with the IPO, RWH undertook a share split which resulted in GFN U.S. receiving 50,198,526 shares of the new capital stock. The Company used the proceeds of the RWH IPO to, among other things, pay offering costs of $5,443,000 (AUS$5,090,000), pay down borrowings at each of the senior credit facilities (see Note 4), as well as fully repay the subordinated debt to Bison Capital. Simultaneously, the Company also satisfied the Bison Capital put option to acquire the 13.8% of GFN U.S. previously owned by Bison Capital and now owns 100% of GFN U.S. At the IPO date and at March 31, 2012, RWH had a total of 100,387,052 shares of capital stock issued and outstanding, of which GFN U.S. owns a direct (and the Company an indirect) majority interest of 50.005%.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in conformity with United States generally accepted accounting principles (U.S. GAAP) applicable to interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (which include all significant normal and recurring adjustments) necessary to present fairly the financial position, results of operations

Table of Contents

GENERAL FINANCE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

and cash flows for all periods presented have been made. The accompanying results of operations are not necessarily indicative of the operating results that may be expected for the entire fiscal year ending June 30, 2012. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and accompanying notes thereto of the Company, which are included in the Company s Annual Report on Form 10-K for the fiscal year ended June 30, 2011 filed with the Securities and Exchange Commission (SEC).

Certain reclassifications have been made to conform to the current period presentation.

Unless otherwise indicated, references to FY 2011 and FY 2012 are to the nine months ended March 31, 2011 and 2012, respectively.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned and majority-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Foreign Currency Translation

The Company s functional currency for its operations in the Asia-Pacific area is the local currency, which is primarily the Australian (AUS) dollar. All adjustments resulting from the translation of the accompanying consolidated financial statements from the functional currency into reporting currency are recorded as a component of stockholders equity in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 830, *Foreign Currency Matters*. All assets and liabilities are translated at the rates in effect at the balance sheet dates; and revenues, expenses, gains and losses are translated using the average exchange rates during the periods. Transactions in foreign currencies are translated at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate prevailing at that date. Foreign exchange differences arising on translation are recognized in the statement of operations. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at foreign exchange rates prevailing at the dates the fair value was determined.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant changes include the assessment for impairment of goodwill, the assessment for impairment of other intangible assets, the allowance for doubtful accounts, share-based compensation expense, residual value of the lease fleet and deferred tax assets and liabilities. Assumptions and factors used in the estimates are evaluated on an annual basis or whenever events or changes in circumstances indicate that the previous assumptions and factors have changed. The results of the analysis could result in adjustments to estimates.

Inventories

Inventories are stated at the lower of cost or market (net realizable value). Net realizable value is the estimated selling price in the ordinary course of business. Expenses of marketing, selling and distribution to customers, as well as costs of completion are estimated and are deducted from the estimated selling price to establish net realizable value. Costs are assigned to individual items of inventory on the basis of specific identification and include expenditures incurred in acquiring the inventories and bringing them to their existing condition and location. Inventories consist primarily of containers, modular buildings and mobile offices held for sale or lease and are comprised of the following (in thousands):

	June 30, 2011	March 31, 2012
Finished goods	$ 20,661	$ 35,282
Work in progress	281	1,179
	$ 20,942	$ 36,461

Table of Contents

GENERAL FINANCE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

Property, Plant and Equipment

Property, plant and equipment consist of the following (in thousands):

	Estimated Useful Life	June 30, 2011	March 31, 2012
Land		$ 2,064	$ 2,070
Building	40 years	1,027	1,029
Transportation and plant equipment (including capital lease assets)	3 10 years	15,914	17,065
Furniture, fixtures and office equipment	3 10 years	3,273	3,440
		22,278	23,604
Less accumulated depreciation and amortization		(9,626)	(11,572)
		$ 12,652	$ 12,032

Lease Fleet

The Company has a fleet of storage, portable building and office containers, mobile offices, modular buildings and steps that it primarily leases to customers under operating lease agreements with varying terms. The value of the lease fleet (or lease or rental equipment) is recorded at cost and depreciated on the straight-line basis over the estimated useful life (5 20 years), after the date the units are put in service, and are depreciated down to their estimated residual values (up to 70% of cost). In the opinion of management, estimated residual values are at or below net realizable values. The Company periodically reviews these depreciation policies in light of various factors, including the practices of the larger competitors in the industry, and its own historical experience.

Units in the lease fleet are also available for sale. The cost of sales of a unit in the lease fleet is recognized at the carrying amount at the date of sale.

Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recorded for temporary differences between the financial reporting basis and income tax basis of assets and liabilities at the balance sheet date multiplied by the applicable tax rates. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is recorded for the amount of income tax payable or refundable for the period increased or decreased by the change in deferred tax assets and liabilities during the period.

The Company files U.S. Federal tax returns, multiple U.S. state (and state franchise) tax returns and Australian and New Zealand tax returns. For U.S. Federal tax purposes, all periods subsequent to June 30, 2008 are subject to examination by the U.S. Internal Revenue Service (IRS). The Company believes that its income tax filing positions and deductions would be sustained on audit and does not anticipate any adjustments that would result in a material change. Therefore, no reserves for uncertain income tax positions have been recorded. In addition, the Company does not anticipate that the total amount of unrecognized tax benefit related to any particular tax position will change significantly within the next 12 months.

The Company s policy for recording interest and penalties, if any, will be to record such items as a component of income taxes.

Net Income per Common Share

Basic net income per common share is computed by dividing net income attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the periods. Diluted net income per common share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company. The potential dilutive securities the Company has outstanding are warrants and stock options. The following is a reconciliation of weighted average shares outstanding used in calculating earnings per common share:

	Quarter Ended March 31,		Nine Months Ended March 31,	
	2011	**2012**	**2011**	**2012**
Basic	22,013,299	22,013,299	22,013,299	22,013,299
Assumed exercise of warrants				
Assumed exercise of stock options		259,874		258,248
Diluted	22,013,299	22,273,173	22,013,299	22,271,547

Table of Contents

GENERAL FINANCE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

Potential common stock equivalents (consisting of units, warrants and stock options) totaling 5,226,602 and 5,289,309 for the quarter ended March 31, 2011 and FY 2011 and 3,423,579 and 3,425,205 for the quarter ended March 31, 2012 and FY 2012, respectively, have been excluded from the computation of diluted earnings per share because the effect would be anti-dilutive.

Recently Issued Accounting Pronouncements

In August 2010, the FASB, as result of a joint project with the International Accounting Standards Board (IASB) to simplify lease accounting and improve the quality of and comparability of financial information for users, published a proposed standard that would change the accounting and financial reporting for both lessee and lessor under ASC Topic 840, *Leases*. The proposed standard would effectively eliminate off-balance sheet accounting for most of the operating leases of lessees and would require lessors to apply a receivable and residual accounting approach. The date of issuance of the final standards by the FASB and the effective date are to be determined. The Company believes that the final standards, if issued in substantially the same form as the published proposal, would have a material effect in the presentation of its consolidated financial position and results of operations. However, subsequent to June 30, 2011, the FASB and IASB announced their intention to re-expose the common leasing standard exposure draft for revised proposals since August 2010.

In May 2011, the FASB issued amendments to the existing guidance on fair value measurement. The amendments are intended to create consistency between GAAP and International Financial Reporting Standards on measuring fair value and disclosing information about fair value measurements. The amendments clarify the application of existing fair value measurement requirements including (i) the application of the highest and best use valuation premise concepts, (ii) measuring the fair value of an instrument classified in a reporting entity s equity and (iii) quantitative information required for fair value measurements categorized within Level 3. In addition, the amendments require additional disclosure for Level 3 measurements regarding the sensitivity of fair value to changes in unobservable inputs and any interrelationships between those inputs. These amendments are effective for interim and annual periods beginning after December 15, 2011. These changes are required to be applied prospectively and the adoption did not have a material impact on the consolidated financial position or results of operations.

In June 2011, the FASB issued an amendment to the existing guidance on the presentation of comprehensive income. Under the amended guidance, entities have the option to present the components of net income and other comprehensive income in either a single continuous statement of comprehensive income or in two separate but consecutive statements. Entities no longer have the option of presenting the components of other comprehensive income within the statement of changes in equity. This amendment was to be effective on a retrospective basis for fiscal years, and interim periods within those years, beginning after December 15, 2011. The adoption of this amendment will result in a change to the Company s current presentation of comprehensive income, but would not have any impact on the Company s consolidated financial position or results of operations.

In September 2011, the FASB issued an amendment to the existing guidance on goodwill impairment. The amendment allows entities to first assess qualitative factors to determine whether it is necessary to perform the current two-step quantitative goodwill impairment test under ASC Topic 350, *Intangibles Goodwill*. If an entity elects to use the option, it will no longer be required to calculate the fair value of a reporting unit unless a determination is made based on a qualitative assessment that it is more likely than not (i.e., greater than 50%) that the fair value of the reporting unit is less than its carrying amount. If the entity concludes that fair value is less than the carrying amount, the existing quantitative calculations in steps one and two under ASC Topic 350 continue to apply. However, if the entity concludes that fair value exceeds the carrying amount; neither of the two steps is required. The amendment allows entities to continue applying the existing two-step test and if an entity elects not to use the qualitative assessment in one period, it may resume performing the qualitative assessment in any subsequent period. The amendment is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, though early adoption is permitted. The Company has not yet determined if it will elect to use the new qualitative assessment of the amendment in any subsequent period after its effective date.

In December 2011, the FASB and IASB issued joint amendments to enhance disclosures with respect to offsetting and related arrangements for financial and derivative instruments presented in statements of financial position. These amendments to ASC Topic 210, *Balance Sheet*, require entities to provide both net and gross information about both instruments and transactions subject to an agreement similar to a master netting arrangement in order to enhance comparability between those entities that prepare their financial statements on the basis of U.S. GAAP and those entities that prepare their financial statements on the basis of International Financial Reporting Standards (IFRS). The amendments are effective for annual reporting periods beginning on or after January 1, 2013 and interim periods within those annual periods. These amendments are required to be applied prospectively and the Company does not expect that the adoption will have a material impact on its consolidated financial position or results of operations.

Table of Contents

GENERAL FINANCE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

Note 3. Equity Transactions

Cumulative Preferred Stock

The Company conducted private placements of Series A 12.5% Cumulative Preferred Stock, par value $0.0001 per share and liquidation preference of $50 per share (Series A Preferred Stock); and Series B 8% Cumulative Preferred Stock, par value of $0.0001 per share and liquidation value of $1,000 per share (Series B Preferred Stock). The Series B Preferred Stock is offered primarily in connection with business combinations. The Series A Preferred Stock and the Series B Preferred Stock are referred to collectively as the Cumulative Preferred Stock. Upon issuance of the Cumulative Preferred Stock, the Company records the liquidation value as the preferred equity in the consolidated balance sheet, with any issuance or offering costs as a reduction in additional paid-in capital. As of March 31, 2012, the Company had issued 25,900 shares and 100 shares of Series A Preferred Stock and Series B Preferred Stock for total proceeds of $1,295,000 and $100,000, respectively.

The Cumulative Preferred Stock is not convertible into GFN common stock, has no voting rights, except as required by Delaware law, and is not redeemable prior to February 1, 2014; at which time it may be redeemed at any time, in whole or in part, at the Company s option. Holders of the Cumulative Preferred Stock are entitled to receive, when declared by the Company s Board of Directors, annual dividends payable quarterly in arrears on the 31st day of January, July and October of each year and on the 30th day of April of each year. In the event of any liquidation or winding up of the Company, the holders of the Cumulative Preferred Stock will have preference to holders of common stock; with the holders of the Series A Preferred Stock having preference over holders of the Series B Preferred Stock.

In connection with the acquisition of Advanced Mobile Storage (see Note 1), the Company issued 110 shares of Series B Preferred Stock with a liquidation value of $110,000 that is redeemable in three annual installments from the dates of issuance. As a result, these issuances are classified as a liability in the consolidated balance sheet under the caption Senior and other debt.

As of March 31, 2012, since issuance, dividends paid or payable totaled $503,000 and $37,000 for the Series A Preferred Stock and Series B Preferred Stock, respectively. The characterization of dividends to the recipients for Federal income tax purposes is made based upon the earnings and profits of the Company, as defined by the Internal Revenue Code.

Royal Wolf Dividend

In February 2012, the Board of Directors of Royal Wolf declared a dividend of AUS$0.035 per RWH share payable to shareholders of record on March 20, 2012. The total dividend amount was transferred to Royal Wolf s registrar and transfer agent on behalf of all the Royal Wolf shareholders prior to March 31, 2012, and the consolidated financial statements reflect the amount of the dividend pertaining to the noncontrolling interest.

Note 4. Senior and Other Debt

Royal Wolf Senior Credit Facility and Bison Capital Notes

Royal Wolf has an approximately $114,257,000 (AUS$110,000,000) senior credit facility with Australia and New Zealand Banking Group Limited (ANZ), which is secured by substantially all of the assets of the Company s Australian and New Zealand subsidiaries and matures on June 30, 2014. The ANZ credit facility, as amended, is comprised of two sub-facilities, a $15,580,000 (AUS$15,000,000) working capital sub-facility, primarily for receivable financing and a $98,677,000 (AUS$95,000,000) revolving sub-facility, primarily for lease fleet purchases and acquisitions. As of March 31, 2012, based upon the exchange rate of one Australian dollar to $1.0387 U.S. dollar and one New Zealand dollar to $0.7894 Australian dollar, borrowings and availability under the ANZ credit facility totaled $92,660,000 (AUS$89,208,000) and $21,597,000 (AUS$20,792,000), respectively. At March 31, 2012, borrowings under the working capital sub-facility totaled $9,071,000 (AUS$8,733,000) and bear interest at ANZ s prime rate (4.25% at March 31, 2012) plus 1.85% per annum, and borrowings under the revolving sub-facility totaled $83,589,000 (AUS$80,475,000) and bear interest at ANZ s prime rate plus 2.05% per annum.

Royal Wolf also has a $3,116,000 (AUS$3,000,000) sub-facility with ANZ to, among other things, facilitate direct and global payments using electronic banking services.

The ANZ senior credit facility, as amended, is subject to certain financial and other customary covenants, including, among other things, compliance with specified consolidated interest coverage and total debt ratios based on earnings before interest, income taxes, amortization and depreciation and other non-operating costs (EBITDA) and the payment of dividends are not to exceed 60% of net profits (adding back amortization), plus any dividend surplus from the previous year, as defined.

GENERAL FINANCE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

Pac-Van Senior Credit Facility

Pac-Van has an $85,000,000 senior secured revolving credit facility with a syndicate led by PNC Bank, National Association (PNC) that includes Wells Fargo Bank, National Association (Wells Fargo) and Union Bank, N.A. (UB) (the PNC Credit Facility). Under the terms of the PNC Credit Facility, as amended, Pac-Van may borrow up to $85,000,000, subject to the terms of a borrowing base and certain borrowing restrictions based on senior leverage, as defined, and will accrue interest, at Pac-Van s option, either at the prime rate (3.25% at March 31, 2012) plus 2.75%, or the Eurodollar rate (0.24125%, 0.34880% and 0.46815% at March 31, 2012 for the one-month, two-month and three-month LIBOR, respectively) plus 3.75%. The PNC Credit Facility also provides for the issuance of irrevocable standby letters of credit in amounts totaling up to $5,000,000, contains certain financial covenants, including fixed charge coverage and senior leverage ratios based on EBITDA, as defined, and a lease fleet utilization ratio. The PNC Credit Facility also includes customary negative and other covenants, including events of default relating to a change of control, as defined, at GFN, GFNNA (which has guaranteed the repayment of all outstanding borrowings and obligations of the PNC Credit Facility) and Pac-Van or upon the cessation of involvement of Ronald F. Valenta as a director or officer in the operations and management of GFN, GFNNA or Pac-Van.

The PNC Credit Facility matures on January 16, 2013, at which time all amounts borrowed must be repaid, but Pac-Van has the right to prepay loans in whole or in part at any time, provided that Pac-Van will be required to pay PNC a prepayment fee of $350,000 if it prepays the loans in full after July 16, 2011 but prior to July 16, 2012. At March 31, 2012, borrowings and availability under the PNC Credit Facility totaled $62,754,000 and $15,048,000, respectively.

The repayment of borrowings under the PNC Credit Facility is secured by substantially all of the assets of Pac-Van and by a limited guaranty by Ronald F. Valenta and Lydia D. Valenta (the Valenta Limited Guaranty). Pursuant to the Valenta Limited Guaranty, the Valentas guaranteed $10,000,000 of borrowings from July 16, 2010 until June 30, 2011, $8,000,000 of borrowings from July 1, 2011 until June 30, 2012 and $6,000,000 of borrowings from July 1, 2012 until January 16, 2013. The amounts guaranteed by the Valentas will only be reduced if no event of default has occurred under the PNC Credit Facility and if Pac-Van has delivered to PNC the certificates necessary to demonstrate compliance by Pac-Van with the financial covenants at the date of each scheduled reduction. In consideration for entering into the Valenta Limited Guaranty, Pac-Van will pay the Valentas a fee equal to 1.2% of the lower of outstanding borrowings or the guaranty amount. A guarantee fee of $120,000 for the first year was paid at or near the closing of the PNC Credit Facility and, commencing with the first anniversary from the closing date, the guaranty fee will be paid in advance at a rate of 0.3% per quarter, so long as Pac-Van remains in compliance with the covenants of the PNC Credit Facility. In addition, the Valentas entered into a pledge and security agreement for the benefit of PNC whereby the Valentas pledged a deposit account maintained by PNC, and all interest accrued thereon, to secure the repayment of all loans and the performance of all obligations under the PNC Credit Facility.

Laminar Note

The Company has a $15,000,000 senior subordinated note with Laminar Direct Capital, L.L.C. (Laminar) issued by GFN (the Laminar Note). The Laminar Note accrues interest at the floating rate of LIBOR plus 10.0% per annum, provided that LIBOR shall be not less than 3.0%, and is payable monthly in arrears commencing on August 1, 2010. The Laminar Note matures on July 16, 2013, at which time all amounts borrowed must be repaid; but it may be prepaid by GFN in part or in full at any time before the maturity date without penalty and by Pac-Van, upon prior written notice, subject to the terms of the intercreditor agreement among Pac-Van, GFNNA, PNC and Laminar.

The Laminar Note contains certain financial covenants, including a consolidated funded indebtedness-to-consolidated EBITDA, as defined, leverage ratio, a minimum consolidated EBITDA covenant for the four most recently completed calendar quarters of not less than $28,000,000; and customary covenants, including events of default relating to a change of control, as defined, at GFN, GFNNA and Pac-Van (both of which have guaranteed the repayment of all outstanding borrowings and obligations of the Laminar Note) and covenants which limit the ability of GFNNA and Pac-Van to sell assets, enter into acquisitions and incur additional indebtedness. In addition, the terms of the Laminar Note prohibit GFNNA and Pac-Van from extending the maturity of the PNC Credit Facility to a date later than April 16, 2013, increasing the maximum indebtedness above $93,500,000 without the prior written consent of Laminar, entering into interest rate increases for indebtedness and from undertaking certain other actions.

12

GENERAL FINANCE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

Other

The Company had a credit agreement at GFN, as amended, with UB for a $1,000,000 credit facility. Borrowings or advances under this facility bore interest at UB s Reference Rate (which approximates the prime rate), plus 2.0%, and were due and payable at the earlier of 60 days from the advance date or the facility maturity date of April 2, 2012. At March 31, 2012, there were no borrowings outstanding under this facility.

Other debt (including redeemable preferred stock see Note 3) totaled $1,299,000 at March 31, 2012.

The weighted-average interest rate in the Asia-Pacific area was 11.0% and 8.0% in FY 2011 and FY 2012, respectively; which does not include the effect of translation, interest rate swap contracts and options and the amortization of deferred financing costs. The weighted-average interest rate in the United States was 6.1% and 6.3% in FY 2011 and FY 2012, respectively; which does not include the effect of the amortization of deferred financing costs.

Loan Covenant Compliance

At March 31, 2012, the Company was in compliance with the financial covenants under its senior credit facilities and the Laminar Note.

Note 5. Financial Instruments

Fair Value Measurements

FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, FASB ASC Topic 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value, as follows:

Level 1 Observable inputs such as quoted prices in active markets for identical assets or liabilities;

Level 2 Observable inputs, other than Level 1 inputs in active markets, that are observable either directly or indirectly; and

Level 3 Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The Company s swap contracts and options (caps) and forward-exchange contracts are not traded on a market exchange; therefore, the fair values are determined using valuation models that include assumptions about yield curve at the reporting dates as well as counter-party credit risk. The assumptions are generally derived from market-observable data. The Company has consistently applied these calculation techniques to all periods presented, which are considered Level 2.

Derivative instruments measured at fair value and their classification on the consolidated balances sheets and consolidated statements of operations are as follows (in thousands):

		Derivative - Fair Value (Level 2)	
Type of Derivative	**Balance Sheet Classification**	**June 30, 2011**	**March 31, 2012**

Contract			
Swap Contracts and Options (Caps and Collars)	Trade payables and accrued liabilities	$ (743)	$ (1,091)
Forward-Exchange Contracts	Trade and other receivables		6
Forward-Exchange Contracts	Trade payables and accrued liabilities	(401)	

13

Table of Contents

GENERAL FINANCE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

Type of Derivative - Contract	Statement of Operations Classification	Quarter Ended March 31, 2011	Quarter Ended March 31, 2012	Nine Months Ended March 31, 2011	Nine Months Ended March 31, 2012
Swap Contracts and Options (Caps and Collars)	Unrealized gain (loss) included in interest expense	$ 67	259	$ 545	(344)
Forward-Exchange Contracts	Unrealized foreign currency exchange gain (loss) and other	(37)	136	(373)	291

Fair Value of Financial Instruments

Under the provisions of FASB ASC Topic 825, *Financial Instruments,* the carrying value of the Company s financial instruments, which include cash and cash equivalents, net receivables, trade payables and accrued liabilities, borrowings under the senior credit facilities and other debt, interest rate swap and forward exchange contracts; approximate fair value due to current market conditions, maturity dates and other factors.

Interest Rate Swap Contracts

The Company s exposure to market risk for changes in interest rates relates primarily to its long-term debt obligations. The Company s policy is to manage its interest expense by using a mix of fixed and variable rate debt.

To manage its exposure to variable interest rates in a cost-efficient manner, the Company enters into interest rate swaps and interest rate options, in which the Company agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps and options are designated to hedge changes in the interest rate of a portion of the ANZ outstanding borrowings. The Company believes that financial instruments designated as interest rate hedges are highly effective. However, documentation of such, as required by FASB ASC Topic 815*, Derivatives and Hedging,* does not exist. Therefore, all movements in the fair values of these hedges are reported in the statement of operations in the period in which fair values change.

The Company s interest rate swap and option (cap) contracts are not traded on a market exchange; therefore, the fair values are determined using valuation models which include assumptions about the interest rate yield curve at the reporting dates (Level 2 fair value measurement). As of June 30, 2011, there were three open interest rate swap contracts and two open interest rate option (cap) contracts; and, as of March 31, 2012, there was one open interest rate swap contract and one open interest rate option (collar) contract that mature in June 2014, as follows (dollars in thousands):

	June 30, 2011 Swap	June 30, 2011 Option (Cap)	March 31, 2012 Swap	March 31, 2012 Option (Collar)
Notional amounts	$ 23,543	$ 14,161	$ 14,441	$ 24,069
Fixed/Strike Rates	7.19% - 8.22%	7.19% - 7.98%	6.25%	6.25%
Floating Rates	7.01%	7.01%	6.21%	6.21%
Fair Value of Combined Contracts	$ (743)	$	$ (797)	$ (294)

Foreign Currency Risk

The Company has transactional currency exposures. Such exposure arises from sales or purchases in currencies other than the functional currency. The currency giving rise to this risk is primarily U.S. dollars. Royal Wolf has a bank account denominated in U.S. dollars into which a small number of customers pay their debts. This is a natural hedge against fluctuations in the exchange rate. The funds are then used to pay suppliers, avoiding the need to convert to Australian dollars. Royal Wolf uses forward currency contracts and options to eliminate the currency exposures on the majority of its transactions denominated in foreign currencies, either by transaction if the amount is significant, or on a general cash flow hedge basis. The forward currency contracts and options are always in the same currency as the hedged item. The Company believes that financial instruments designated as foreign currency hedges are

GENERAL FINANCE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

highly effective. However documentation of such as required by ASC Topic 815 does not exist. Therefore, all movements in the fair values of these hedges are reported in the statement of operations in the period in which fair values change. As of June 30, 2011, there were 25 open forward exchange contracts; and, as of March 31, 2012, there were 12 open forward exchange contracts that mature between May 2012 and April 2013, as follows (dollars in thousands):

	June 30, 2011		March 31, 2012	
	Forward Exchange	**Currency Option**	**Forward Exchange**	**Currency Option**
Notional amounts	$ 11,452	$	$ 5,841	$
Exchange/Strike Rates (AUD to USD)	0.9973 1.0465		0.9973 1.0654	
Fair Value of Combined Contracts	$ (401)	$	$ 6	$

In FY 2011 and FY 2012, the Company also had certain U.S. dollar-denominated debt at Royal Wolf, including intercompany borrowings, which are remeasured at each financial reporting date with the impact of the remeasurement being recorded in our consolidated statements of operations. Prior to FY 2012, unrealized gains and losses resulting from such remeasurement due to changes in the Australian exchange rate to the U.S. dollar had a significant impact in the Company s reported results of operations, as well as any realized gains and losses from the payments on such U.S. dollar-denominated debt and intercompany borrowings. In FY 2011 and FY 2012, net unrealized and realized foreign exchange gains (losses) totaled $4,498,000 and $450,000, and $(384,000) and $866,000, respectively. For the quarter ended March 31, 2011 and 2012, net unrealized and realized foreign exchange gains (losses) totaled $(16,000) and $326,000, and $(756,000) and $109,000, respectively.

Note 6. Related-Party Transactions

Effective January 31, 2008, the Company entered into a lease with an affiliate of Ronald F. Valenta, a director and the chief executive officer of the Company, for its new corporate headquarters in Pasadena, California. The rent is $7,393 per month, effective March 1, 2009, plus allocated charges for common area maintenance, real property taxes and insurance, for approximately 3,000 square feet of office space. The term of the lease is five years, with two five-year renewal options, and the rent is adjusted yearly based on the consumer price index. Rental payments were $83,000 in both FY 2011 and FY 2012.

Effective October 1, 2008, the Company entered into a services agreement with an affiliate of Mr. Valenta for certain accounting, administrative and secretarial services to be provided at the corporate offices and for certain operational, technical, sales and marketing services to be provided directly to the Company s operating subsidiaries. Charges for services rendered at the corporate offices will be, until further notice, at $7,000 per month and charges for services rendered to the Company s subsidiaries will vary depending on the scope of services provided. The services agreement provides for, among other things, mutual modifications to the scope of services and rates charged and automatically renews for successive one-year terms, unless terminated in writing by either party not less than 30 days prior to the fiscal year end. Total charges to the Company for services rendered under this agreement totaled $163,000 ($63,000 at the corporate office and $100,000 at the operating subsidiaries) in FY 2011 and $144,000 ($63,000 at the corporate office and $81,000 at the operating subsidiaries) in FY 2012.

Revenues at Pac-Van from affiliates of Mr. Valenta totaled $20,000 and $30,000 in FY 2011 and FY 2012, respectively.

Note 7. Stock Option Plans

On August 29, 2006, the Board of Directors of the Company adopted the General Finance Corporation 2006 Stock Option Plan (2006 Plan), which was approved and amended by stockholders on June 14, 2007 and December 11, 2008, respectively. Options granted and outstanding under the 2006 Plan are either incentive stock options under Section 422 of the Internal Revenue Code of 1986, as amended, or so-called non-qualified options that are not intended to meet incentive stock option requirements. All options granted do not have a term in excess of ten years, and the exercise price of any option is not less than the fair market value of the Company s common stock on the date of grant. After the adoption by the Board of Directors and upon the approval of the 2009 Stock Incentive Plan by the stockholders (see below), the Company suspended any further grants under the 2006 Plan.

On September 21, 2009, the Board of Directors of the Company adopted the 2009 Stock Incentive Plan (2009 Plan), which was approved by the stockholders at the Company s annual meeting on December 10, 2009. The 2009 Plan is an omnibus incentive plan permitting a variety of equity programs designed to provide flexibility in implementing equity and cash awards, including incentive stock options, nonqualified stock options, restricted stock grants, restricted stock units, stock appreciation rights, performance stock, performance units and other stock-based awards. Participants in the 2009 Plan may be granted any one of the equity awards or any combination of them, as determined by the Board of Directors or the Compensation Committee. Upon the

Table of Contents

GENERAL FINANCE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

approval of the 2009 Plan by the stockholders, the Company suspended further grants under the 2006 Plan (see above). Any stock options which are forfeited under the 2006 Plan will become available for grant under the 2009 Plan, but the total number of shares available under the 2006 Plan and the 2009 Plan will not exceed the 2,500,000 shares reserved for grant under the 2006 Plan. Unless terminated earlier at the discretion of the Board of Directors, the 2009 Plan will terminate September 21, 2019.

The 2006 Plan and the 2009 Plan are referred to collectively as the Stock Incentive Plan.

There have been no grants or awards of restricted stock, restricted stock units, stock appreciation rights, performance stock or performance units under the Stock Incentive Plan. All grants to-date consist of incentive and non-qualified stock options that vest over a period of up to five years (time-based options) and non-qualified stock options that vest over varying periods that are dependent on the attainment of certain defined EBITDA and other targets (performance-based options).

On August 25, 2011 (August 2011 Grant), the Company granted options to an officer of GFN for 80,000 shares of common stock at an exercise price of $3.11, which was equal to the closing market price of the Company s common stock as of that date. The options under the August 2011 Grant vest over 40 months, subject to performance conditions based on achieving cumulative EBITDA targets for the fiscal years ending June 30, 2012 2014.

On December 6, 2011 (December 2011 Grant), the Company granted options to three members of its Board of Directors to purchase 27,000 shares of common stock at an exercise price equal to the closing market price of the Company s common stock as of that date, or $2.58 per share, with a vesting period of three years.

In FY 2012, the weighted-average fair value of the stock options granted was $2.27, determined using the Black-Scholes option-pricing model using the following assumptions: a risk-free interest rate of 1.51% 1.61%, an expected life of 7.5 years, an expected volatility of 80.5% 84.6% and no expected dividend. Since inception, the range of the fair value of the stock options granted (other than to non-employee consultants) and the assumptions used are as follows:

Fair value of stock option	$ 0.81 - $3.94
Assumptions used:	
Risk-free interest rate	1.51% - 4.8%
Expected life (in years)	7.5
Expected volatility	26.5% - 84.6%
Expected dividends	

At March 31, 2012, the weighted-average fair value of the stock options granted to non-employee consultants was $2.50, determined using the Black-Scholes option-pricing model using the following assumptions: a risk-free interest rate of 1.81% 2.03%, an expected life of 8.3 9.2 years an expected volatility of 78.8%, and no expected dividend.

A summary of the Company s stock option activity and related information as of and for FY 2012 follows:

	Number of Options	Weighted-Average	Weighted-Average

	(Shares)		Exercise Price	Remaining Contractual Term (Years)
Outstanding at June 30, 2011	1,540,570	$	5.47	
Granted	107,000		2.98	
Exercised				
Forfeited or expired	(57,740)		7.05	
Outstanding at March 31, 2012	1,589,830	$	5.25	7.0
Vested and expected to vest at March 31, 2012	1,589,830	$	5.25	7.0
Exercisable at March 31, 2012	793,347	$	7.21	5.8

GENERAL FINANCE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

At March 31, 2012, outstanding time-based options and performance-based options totaled 902,050 and 687,780, respectively. Also at that date, the Company s market price for its common stock was $2.88 per share, which was at or below the exercise prices of the majority of the outstanding stock options. As a result, the intrinsic value of the outstanding stock options at that date was $748,000.

Share-based compensation of $3,406,000 related to stock options has been recognized in the statement of operations, with a corresponding benefit to equity, from inception through March 31, 2012. At that date, there remains $1,094,000 of unrecognized compensation expense to be recorded on a straight-line basis over the remaining weighted-average vesting period of 1.9 years.

A deduction is not allowed for U.S. income tax purposes with respect to non-qualified options granted in the United States until the stock options are exercised or, with respect to incentive stock options issued in the United States, unless the optionee makes a disqualifying disposition of the underlying shares. The amount of any deduction will be the difference between the fair value of the Company s common stock and the exercise price at the date of exercise. Accordingly, there is a deferred tax asset recorded for the U.S. tax effect of the financial statement expense recorded related to stock option grants in the United States. The tax effect of the U.S. income tax deduction in excess of the financial statement expense, if any, will be recorded as an increase to additional paid-in capital.

Royal Wolf Long Term Incentive Plan

In FY 2011, in conjunction with the RWH IPO, Royal Wolf established the Royal Wolf Long Term Incentive Plan (the LTI Plan). Under the LTI Plan, the RWH Board of Directors may grant, at its discretion, options, performance rights and/or restricted shares of RWH capital stock to Royal Wolf employees and executive directors. Vesting terms and conditions may be up to four years and, generally, will be subject to performance criteria based primarily on enhancing shareholder returns using a number of key financial benchmarks, including EBITDA. In addition, unless the RWH Board determines otherwise, if an option, performance right or restricted share has not lapsed or been forfeited earlier, it will terminate at the seventh anniversary from the date of grant.

It is intended that up to one percent of RWH s outstanding capital stock will be reserved for grant under the LTI Plan and a trust will be established to hold RWH shares for this purpose. However, so long as the Company holds more than 50% of the outstanding shares of RWH capital stock, RWH shares reserved for grant under the LTI Plan are required to be purchased in the open market; unless the Company agrees otherwise.

The LTI Plan, among other provisions, does not permit the transfer, sale, mortgage or encumbering of options, performance rights and restricted shares without the prior approval of the RWH Board. In the event of a change of control, the RWH Board, at its discretion, will determine whether, and how many, unvested options, performance rights and restricted shares will vest. In addition, if, in the RWH Board s opinion, a participant acts fraudulently or dishonestly or is in breach of their obligations to Royal Wolf, the RWH Board may deem any options, performance rights and restricted shares held by or reserved for the participant to have lapsed or been forfeited.

As of March 31, 2012, the Royal Wolf Board of Directors granted 375,000 performance rights in FY 2012 to key management personnel under the LTI Plan. In FY 2012, share-based compensation of $92,000 related to the LTI Plan has been recognized in the statement of operations, with a corresponding benefit to equity.

Note 8. Commitments and Contingencies

Preferred Supply Agreement

In connection with a Business Sale Agreement dated November 14, 2007, as amended, with GE SeaCo Australia Pty Ltd. and GE SeaCo SRL (collectively GE SeaCo), Royal Wolf entered in a preferred supply agreement with GE SeaCo. Under the preferred supply agreement, GE SeaCo agreed to sell to Royal Wolf, and Royal Wolf has agreed to purchase, all of GE SeaCo s containers that GE SeaCo determines to sell, up to a maximum of 2,500 containers each year. The purchase price for the containers will be based on their condition and is specified in the agreement, subject to annual adjustment. In addition, Royal Wolf received a right of first refusal to purchase any additional containers that GE SeaCo desires to sell in Australia, New Zealand and Papua New Guinea. Either party may terminate the agreement upon no less than 90 days prior notice at any time after November 15, 2012.

Other Matters

The Company is not involved in any material lawsuits or claims arising out of the normal course of business. The nature of its business is such that disputes can occasionally arise with employees, vendors (including suppliers and subcontractors) and customers

GENERAL FINANCE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

over warranties, contract specifications and contract interpretations among other things. The Company assesses these matters on a case-by-case basis as they arise. Reserves are established, as required, based on its assessment of its exposure. The Company has insurance policies to cover general liability and workers compensation related claims. In the opinion of management, the ultimate amount of liability not covered by insurance under pending litigation and claims, if any, will not have a material adverse effect on our financial position, operating results or cash flows.

Note 9. Cash Flows from Operating Activities and Other Financial Information

The following table provides a detail of cash flows from operating activities (in thousands):

	Nine Months Ended March 31, 2011	2012
Cash flows from operating activities		
Net income	$ 2,341	$ 7,176
Adjustments to reconcile net income to cash flows from operating activities:		
Gain on sales and disposals of property, plant and equipment	(13)	(141)
Gain on sales of lease fleet	(3,928)	(5,696)
Unrealized foreign exchange loss (gain)	(4,498)	384
Unrealized loss (gain) on forward exchange contracts	373	(291)
Unrealized loss (gain) on interest rate swaps and options	(545)	344
Depreciation and amortization	14,252	14,144
Amortization of deferred financing costs	854	518
Accretion of interest	180	
Share-based compensation expense	581	654
Deferred income taxes	1,108	3,858
Changes in operating assets and liabilities:		
Trade, subscription and other receivables, net	5,541	(9,325)
Inventories	1,786	(15,874)
Prepaid expenses and other	(169)	(136)
Trade payables, accrued liabilities and other deferred credits	4,479	5,857
Income taxes	123	(123)
Net cash provided by operating activities	$ 22,465	$ 1,349

Table of Contents

GENERAL FINANCE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

Note 10. Segment Reporting

The tables below represent the Company s revenues from external customers, operating income, interest income and expense, share-based compensation expense, depreciation and amortization, expenditures for additions to long-lived assets (consisting of lease fleet and property, plant and equipment) and long-lived assets; as attributed to its two geographic (and operating) segments (in thousands):

	Quarter Ended March 31, 2011	Quarter Ended March 31, 2012	Nine Months Ended March 31, 2011	Nine Months Ended March 31, 2012
Revenues from external customers				
North America:				
Sales	$ 2,315	$ 10,721	$ 13,413	$ 21,789
Leasing	9,009	10,305	27,700	30,676
	11,324	21,026	41,113	52,465
Asia-Pacific:				
Sales	18,222	18,041	52,674	58,117
Leasing	13,776	17,087	37,897	46,472
	31,998	35,128	90,571	104,589
Total	$ 43,322	$ 56,154	$ 131,684	$ 157,054
Operating income				
North America	$ 15	$ 852	$ 1,614	$ 2,283
Asia-Pacific	4,263	6,505	10,679	17,154
Total	$ 4,278	$ 7,357	$ 12,293	$ 19,437
Interest income				
North America	$	$ 2	$	$ 6
Asia-Pacific	124	11	354	135
Total	$ 124	$ 13	$ 354	$ 141
Interest expense				
North America	$ 1,417	$ 1,375	$ 4,432	$ 3,988
Asia-Pacific	3,405	1,235	9,022	4,912
Total	$ 4,822	$ 2,610	$ 13,454	$ 8,900

Share-based compensation				
North America	$ 176	$ 148	$ 476	$ 454
Asia-Pacific	36	86	105	200
Total	$ 212	$ 234	$ 581	$ 654
Depreciation and amortization				
North America	$ 1,479	$ 1,446	$ 4,392	$ 4,319
Asia-Pacific	3,241	3,458	9,860	9,825
Total	$ 4,720	$ 4,904	$ 14,252	$ 14,144
Additions to long-lived assets				
North America			$ 4,971	$ 7,371
Asia-Pacific			29,899	47,209
Total			$ 34,870	$ 54,580

	At	
	June 30, 2011	March 31, 2012
Long-lived assets		
North America	$ 108,212	$ 109,215
Asia-Pacific	124,535	150,124
Total	$ 232,747	$ 259,339
Goodwill		
North America	$ 33,303	$ 33,303
Asia-Pacific	35,645	34,906
Total	$ 68,948	$ 68,209

Intersegment net revenues totaled $690,000 and $3,000 during the quarter ended March 31, 2011 and 2012, respectively, and $1,988,000 and $75,000 during FY 2011 and FY 2012, respectively.

Note 10. Subsequent Event

On April 30, 2012, the Company, through Pac-Van, purchased the business of Container King for approximately $2,200,000; subject to certain working capital and fixed asset adjustments, as defined in the share purchase agreement.

Table of Contents

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of our financial condition and results of operations should be read together with the consolidated financial statements and the accompanying notes thereto, which are included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2011 filed with the Securities and Exchange Commission (SEC), as well as the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q. This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions about us that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as may, should, could, would, expect, plan, anticipate, estimate, continue or the negative of such terms or other similar expressions. Risk factors that might cause or contribute to such discrepancies include, but are not limited to, those described in our Annual Report on Form 10-K for the year ended June 30, 2011 and other SEC filings. We maintain a web site at *www.generalfinance.com* that makes available, through a link to the SEC s EDGAR system website, our SEC filings.

References to we, us, our or the Company refer to General Finance Corporation, a Delaware corporation (GFN), and its consolidated subsidiaries. These subsidiaries include GFN U.S. Australasia Holdings, Inc., a Delaware corporation (GFN U.S.); GFN North America Corp., a Delaware corporation (GFNNA); Royal Wolf Holdings Limited (formerly GFN Australasia Holdings Pty Ltd)., an Australian corporation publicly traded on the Australian Securities Exchange (RWH or GFN Holdings); and its Australian and New Zealand subsidiaries (collectively, Royal Wolf); and Pac-Van, Inc., an Indiana corporation (Pac-Van).

Background and Overview

We incorporated in Delaware on October 14, 2005 and completed our initial public offering (IPO) in April 2006. Our long-term strategy and business plan are to acquire and operate rental services and specialty finance businesses in North and South America, Europe and the Asia-Pacific (or Pan-Pacific) area.

On September 13, 2007 (September 14 in Australia), we acquired Royal Wolf and paid the purchase price by a combination of cash, the issuance to Bison Capital Australia, L.P. (Bison Capital), one of the sellers, of shares of common stock of GFN U.S. and the issuance of a note to Bison Capital. As a result of this structure, we owned 86.2% of the outstanding capital stock of GFN U.S. and Bison Capital owned 13.8% of the outstanding capital stock of GFN U.S. at that time. On May 31, 2011, we completed an IPO in Australia of a noncontrolling interest in RWH and, simultaneously, acquired the 13.8% of GFN U.S. previously owned by Bison Capital. At the IPO date and at March 31, 2012, RWH had a total of 100,387,052 shares of capital stock issued and outstanding, of which GFN U.S. owns a direct (and we an indirect) majority interest of 50.005%. Royal Wolf leases and sells storage containers, portable container buildings and freight containers in Australia and New Zealand, which we consider geographically to be the Asia-Pacific area.

On October 1, 2008, we acquired Pac-Van through a merger with Mobile Office Acquisition Corp. (MOAC), the parent of Pac-Van, and our wholly-owned subsidiary, GFNNA. In addition to assuming Pac-Van s senior and other debt, we paid the stockholders of MOAC a combination of cash, GFN restricted common stock and issued a 20-month subordinated promissory note. Pac-Van leases and sells storage and office containers, modular buildings and mobile offices in the United States.

We do business in two distinct, but related industries, mobile storage and modular space; which we collectively refer to as the portable services industry. Our two operating subsidiaries, Royal Wolf and Pac-Van, lease and sell their products through seventeen customer service centers (CSCs) in Australia, six CSCs in New Zealand and twenty-six branch locations across eighteen states in the United States. As of March 31, 2012, we had 240 and 190 employees and 35,340 and 11,981 lease fleet units in the Asia-Pacific area and United States, respectively.

Our products primarily consist of the following:

Mobile Storage

Storage Containers. Storage containers consist of new and used shipping containers that provide a flexible, low cost alternative to warehousing, while offering greater security, convenience and immediate accessibility. Our storage products include general purpose dry storage containers, refrigerated containers and specialty containers in a range of standard and modified sizes, designs and storage capacities. Specialty containers include blast-resistant units, hoarding units and hazardous-waste units. We also offer storage vans, also known as storage trailers or dock-height trailers.

Freight Containers. Freight containers are specifically designed for transport of products by road and rail. Our freight container products include curtain-side, refrigerated and bulk cargo containers, together with a range of standard and industry-specific dry freight containers.

Modular Space

Modular Buildings. Also known as manufactured buildings, modular buildings provide customers with additional space and are often modified to customer specifications. Modular buildings range in size from 1,000 to more than 30,000 square feet and may be highly customized.

Mobile Offices. Also known as trailers or construction trailers, mobile offices are re-locatable units with aluminum or wood exteriors on wood (or steel) frames on a steel carriage fitted with axles, allowing for an assortment of add-ons to provide comfortable and convenient temporary space solutions.

Portable Container Buildings and Office Containers. Portable container buildings and office containers are either modified or specifically-manufactured containers that provide self-contained office space with maximum design flexibility. Office containers in the U.S. are oftentimes referred to as ground level offices (GLOs).

Results of Operations

Quarter Ended March 31, 2012 (QE FY 2012) Compared to Quarter Ended March 31, 2011 (QE FY 2011)

The following compares our QE FY 2012 results of operations with our QE FY 2011 results of operations.

Revenues. Revenues increased approximately 30% to $56.2 million in QE FY 2012 from $43.3 million in QE FY 2011. This consisted of an increase of $3.2 million, or 10%, in revenues at Royal Wolf and a $9.7 million increase, or approximately 86%, in revenues at Pac-Van. The translation effect of the average currency exchange rate, driven by the strengthening in the Australian dollar relative to the U.S. dollar in QE FY 2012 versus QE FY 2011, caused a portion of the increase in total revenues at Royal Wolf which showed an increase of 5% locally in Australian dollars. The average currency exchange rate of one Australian dollar during QE FY 2012 was $1.05524 U.S. dollar compared to $1.00562 U.S. dollar during QE FY 2011. The revenue increase at Royal Wolf was reflected in most of the sectors in which we do business in the Asia-Pacific area, but most significantly in the government, manufacturing and transportation sectors where revenues increased by approximately $2.6 million in QE FY 2012 from QE FY 2011. However, the mining sector experienced a reduction of approximately $2.3 million in sales revenues at Royal Wolf in QE FY 2012 because QE FY 2011 included the sales of 198 mining container units for $3.9 million to one customer.

In QE FY 2012, revenues in the construction-related, commercial, industrial and services sectors at Pac-Van increased by a total of $4.0 million from QE FY 2011. In addition, the increase in QE FY 2012 revenues was substantially enhanced by the recognition of $5.5 million in revenues to one customer in the government-related sector pursuant to a $6.7 million contract for modular units.

Sales and leasing revenues represented 51% and 49% of total revenues in QE FY 2012 and 47% and 53% of total revenues in QE FY 2011, respectively.

Sales during QE FY 2012 amounted to $28.8 million, compared to $20.5 million during QE FY 2011; representing an increase of $8.3 million, or 40%. This was primarily due to a significant increase of $8.4 million in sales at Pac-Van, offset slightly by a decrease of $0.1 million at Royal Wolf. The translation effect of the average currency exchange rate, driven by the strengthening in the Australian dollar relative to the U.S. dollar in QE FY 2012 versus QE FY 2011, caused this decrease in sales revenues to be smaller at Royal Wolf, which showed a decrease of 6% locally in Australian dollars. Sales increases of $2.3 million (primarily from higher average prices of $2.9 million and favorable foreign exchange translation effect of $0.9 million, offset somewhat by a decrease in unit sales of $1.5 million) in our CSC retail operations in QE FY 2012 versus QE FY 2011 were more than offset by a $2.4 million sales decrease in our national accounts group resulting from the reduction in mining revenues discussed above. In addition to the $5.5 million of sales revenues recognized from one customer for modular units in the government-related sector discussed above, sales across all product lines and services in most of our business sectors contributed to the remaining $2.9 million increase in sales revenues at Pac-Van in QE FY 2012 over QE FY 2011.

Leasing revenues during QE FY 2012 totaled $27.4 million, as compared to $22.8 million during QE FY 2011, representing an increase of $4.6 million, or 20%. Leasing revenues increased by $3.3 million, or 24%, at Royal Wolf and by $1.3 million, or 14%, at Pac-Van. The translation effect of the average currency exchange rate, driven by the strengthening in the Australian dollar relative to the U.S. dollar in QE FY 2012 versus QE FY 2011, caused a portion of the increase in total revenues at Royal Wolf which showed an increase of 18% locally in Australian dollars.

Table of Contents

At Royal Wolf, average utilization in the retail operations was 86% during QE FY 2012 and QE FY 2011; and average utilization in the national accounts group operations was 84% during QE FY 2012, as compared to 87% during QE FY 2011. Overall average utilization at Royal Wolf was 85% during QE FY 2012 and 87% during QE FY 2011; and the average monthly lease rate of containers was AUS$151 in QE FY 2012, as compared to AUS$154 in QE FY 2011. Leasing revenues in QE FY 2012 increased primarily due to the average number of units on lease being over 3,700 higher in QE FY 2012 as compared to QE FY 2011 driven by, among other things, demand for storage and accomodation units in New Zealand as a result of the Christchurch, New Zealand earthquake in June 2011. However, we believe the primary reasons we re generally able to maintain high overall average utilization rates and increase average units on lease between periods at Royal Wolf are the strong economy in the Asia-Pacific area and our position as the only company with a national footprint in the mobile storage industry in Australia and New Zealand. This increase in volume more than offset the decline in our overall average lease rate at Royal Wolf, which was due to, among other things, increased competitive pressures in certain regions in Australia; particularly in Queensland, where the floods of the previous year intensified local competition and made that retail market more cost conscious. We continually review each local market in which we do business to determine if local factors justify increases or decreases in lease rates and the effect these changes would have on utilization and revenues.

At Pac-Van, average utilization rates were 82%, 84%, 65% and 76% and monthly lease rates were $101, $254, $225 and $792 for storage containers, office containers, mobile offices and modular units, respectively, during QE FY 2012; as compared to 88%, 75%, 60% and 76% and $91, $231, $216 and $809 for storage containers, office containers, mobile offices and modular units in QE FY 2011, respectively. The average composite utilization rate in QE FY 2012 was 75%, as compared to 73% in QE FY 2011, and the composite average number of units on lease was over 700 higher in QE FY 2012 as compared to QE FY 2011. The generally higher utilization and monthly lease rates resulted primarily from improved demand in the construction, industrial and commercial sectors.

Cost of Sales. Cost of sales (which is the cost related to our sales revenues only and exclusive of the line items discussed below) increased by $5.9 million to $21.7 million during QE FY 2012 from $15.8 million during QE FY 2011 as a result of the higher sales revenues discussed above; but we were more profitable primarily because of certain higher margin sales activities in our national accounts group in Australia and in our retail operations in New Zealand, as well as procurement cost improvements at both operating segments. Our gross profit percentage from sales revenues was 25% in QE FY 2012 versus 23% in QE FY 2011.

Direct Costs of Leasing Operations and Selling and General Expenses. Direct costs of leasing operations (which excludes depreciation and amortization) and selling and general expenses aggregately increased by $3.7 million to $22.2 million during QE FY 2012 from $18.5 million during QE FY 2011 to support the increased business activity, but decreased as a percentage of revenues to 40% in QE FY 2012 from 43% in QE FY 2011.

Depreciation and Amortization. Depreciation and amortization increased slightly by $0.2 million to $4.9 million in QE FY 2012 from $4.7 million in QE FY 2011.

Interest Expense. Interest expense of $2.6 million in QE FY 2012 was $2.2 million lower than the $4.8 million in QE FY 2011. This was comprised of a decrease of $2.2 million at Royal Wolf, primarily because of the lower average borrowings in QE FY 2012 as compared to QE FY 2011 and the weighted-average interest rate (which does not include the effect of translation, interest rate swap contracts and options and the amortization of deferred financing costs) of 6.8% in QE FY 2012 being lower than the 11.3% in QE FY 2011. However, in the United States the lower average borrowings in QE FY 2012 as compared to QE FY 2011 was offset by the higher weighted-average interest rate (which does not include the effect of the amortization of deferred financing costs) of 6.4% in QE FY 2012 being higher than the 6.1% in QE FY 2011.

Foreign Currency Exchange. Prior to May 31, 2011, we had certain U.S. dollar-denominated debt at Royal Wolf, including intercompany borrowings, which were remeasured at each financial reporting date with the impact of the remeasurement being recorded in our consolidated statements of operations. Unrealized gains and losses resulting from such remeasurement due to changes in the Australian exchange rate to the U.S. dollar had a significant impact in our reported results of operations, as well as any realized gains and losses from payments on such U.S. dollar-denominated debt and intercompany borrowings. At May 31, 2011, the U.S. dollar-denominated debt, including intercompany borrowings, at Royal Wolf was fully repaid in conjunction with the Royal Wolf IPO. The currency exchange rate of one Australian dollar at December 31, 2010 was $1.0163 U.S. dollar compared to $1.0311 U.S. dollar at March 31, 2011. In QE FY 2011, net unrealized and realized foreign exchange gains (losses) totaled under $(0.1) million and $0.3 million, respectively, and net unrealized losses on forward currency exchange contracts totaled under $0.1 million. The currency exchange rate of one Australian dollar at December 31, 2011 was $1.0176 U.S. dollar compared to $1.0387 U.S. dollar at March 31, 2012. In QE FY 2012, net unrealized and realized gains (losses) on foreign exchange totaled $(0.8 million) and $0.1 million, respectively, and net unrealized gains on forward currency exchange contracts totaled $0.1 million.

Income Taxes. Our effective income tax rate was 38.0% in QE FY 2012, comparable to the effective tax rate of 37.2% in QE FY 2011. The effective rate in both periods is greater than the U.S. federal rate of 34% (the Australian statutory tax rate is 30%) primarily because of state income taxes from the filing of tax returns in multiple U.S. states and because a portion of the depreciation and amortization on the fixed and intangible assets recorded in the Pac-Van acquisition is not deductible for U.S. federal income tax purposes. In QE FY 2011, this was offset somewhat by the favorable income tax impact of the amortization of goodwill acquired in acquisitions made in the Asia-Pacific area; which, until the date of the Royal Wolf IPO, was deductible for U.S. income tax reporting purposes. In QE FY 2012, as a result of the Royal Wolf IPO, the tax status of Royal Wolf changed from an over 80% subsidiary treated as a disregarded entity (which effectively considered Royal Wolf a domestic subsidiary that was included in our consolidated income tax returns) to a majority-owned foreign corporation (which effectively excludes it from our consolidated income tax returns).

Noncontrolling Interest. Noncontrolling interest represented Bison Capital s 13.8% interest in Royal Wolf until the Royal Wolf IPO at May 31, 2011. Effective June 1, 2011, noncontrolling interest represents the pro rata share in the Royal Wolf results of operations of the shareholders of the RWH capital stock, other than us. In QE FY 2012, noncontrolling interest was a charge of $2.1 million, reflecting the profitability of Royal Wolf in QE FY 2012, as compared to a $2.3 million charge in QE FY 2011. In QE FY 2011, the noncontrolling interest reflected the accretion of the redemption value of the Bison Capital put option and reference is made to the Liquidity and Financial Condition section and Note 1 of Notes to Condensed Consolidated Financial Statements for further discussion of the satisfaction of the Bison Capital put option in conjunction with the Royal Wolf IPO.

Net Income Attributable to Common Stockholders. We had net income attributable to common stockholders of $1.1 million QE FY 2012, as compared to a net loss of $2.5 million in QE FY2011, an increase of $3.6 million, primarily as a result of increased profitability in both operating segments and lower interest expense in the Asia-Pacific area, net of the related tax effects.

Nine Months Ended March 31, 2012 (FY 2012) Compared to Nine Months Ended March 31, 2011 (FY 2011)

The following compares our FY 2012 results of operations with our FY 2011 results of operations.

Revenues. Revenues increased 19% to $157.1 million in FY 2012 from $131.7 million in FY 2011. This consisted of an increase of $14.0 million, or 15%, in revenues at Royal Wolf and an $11.4 million increase, or 28%, in revenues at Pac-Van. The translation effect of the average currency exchange rate, driven by the strengthening in the Australian dollar relative to the U.S. dollar in FY 2012 versus FY 2011, caused a portion of the increase in total revenues at Royal Wolf which showed an increase of 7% locally in Australian dollars. The average currency exchange rate of one Australian dollar during FY 2012 was $1.04003 U.S. dollar compared to $0.96510 U.S. dollar during FY 2011. The revenue increase at Royal Wolf was reflected in most of the sectors in which we do business in the Asia-Pacific area, but most significantly in the building and construction, manufacturing, government and moving and storage sectors where revenues increased by approximately $7.8 million in FY 2012 from FY 2011. The mining sector, which reported increases in revenues during the first six months of FY 2011, experienced a slight reduction of $0.3 million in sales revenues at Royal Wolf in FY 2012 because QE FY 2011 included the sales of 198 mining container units for $3.9 million to one customer.

Since the second half of our fiscal year ended June 30, 2009, the economic downturn, particularly in the construction-related industries, resulted in a significant reduction in our overall business in United States. However, in FY 2012, revenues in this sector increased by $2.5 million from FY 2011. In addition, increases in FY 2012 over FY 2011 in the industrial, commercial, retail and services sectors totaling $4.9 million and the recognition of $5.5 million in revenues to one customer in the government-related sector, pursuant to a $6.7 million contract for modular units, more than offset a decrease in the education sector of $2.2 million. We believe these results are an indication that the U.S. markets where we conduct our business are generally stabilizing.

Sales and leasing revenues represented 51% and 49%, respectively, of total revenues in FY 2012 and 50% each of total revenues in FY 2011.

Sales during FY 2012 amounted to $79.9 million, compared to $66.1 million during FY 2011; representing an increase of $13.8 million, or 21%. This included an increase of $5.4 million (primarily in the CSC retail operations), or 10%, in sales at Royal Wolf and an $8.4 million increase, or 63%, at Pac-Van. The translation effect of the average currency exchange rate, driven by the strengthening in the Australian dollar relative to the U.S. dollar in FY 2012 versus FY 2011, caused a portion of the increase in sales revenues at Royal Wolf which showed an increase of 2% locally in Australian dollars. Sales increases of $7.8 million (primarily from higher average prices of $10.4 million and favorable foreign exchange translation effect of $3.7 million, offset somewhat by a decrease in unit sales of $6.3 million) in our CSC retail operations in FY 2012 versus FY 2011 were offset somewhat by a sales decrease of $2.4 million in our national accounts group resulting from the reduction in mining revenues discussed above. In addition to the $5.5 million

23

of sales revenues recognized from one customer for modular units in the government-related sector discussed above, the higher sales of $2.9 million at Pac-Van in FY 2012 from FY 2011 resulted primarily from storage containers, mobile offices and modular units in most sectors totaling $3.6 million, which more than offset a reduction of $0.9 million in sales of container offices and services.

Leasing revenues during FY 2012 totaled $77.2 million, as compared to $65.6 million during FY 2011, representing an increase of $11.6 million, or 18%. Leasing revenues increased at Royal Wolf by $8.6 million, or 23%, and increased $3.0 million, or 11%, at Pac-Van. The translation effect of the average currency exchange rate, driven by the strengthening in the Australian dollar relative to the U.S. dollar in FY 2012 versus FY 2011, caused a portion of the increase in total revenues at Royal Wolf which showed an increase of 14% locally in Australian dollars.

At Royal Wolf, average utilization in the retail operations was 88% during FY 2012 and 86 % during FY 2011; and average utilization in the national accounts group operations was 81% during both FY 2012 and FY 2011. In both FY 2012 and FY 2011, the overall average utilization was 85%; and the average monthly lease rate of containers was AUS$150 in FY 2012 and AUS$155 in FY 2011. Leasing revenues in FY 2012 increased primarily due to the average number of units on lease being over 3,600 higher in FY 2012 as compared to FY 2011 driven by, among other things, demand for storage and accomodation units in New Zealand as a result of the Christchurch, New Zealand earthquake in June 2011. However, we believe the primary reasons we re generally able to maintain high average utilization rates and increase our average units on lease between periods at Royal Wolf are the stronger economy in the Asia-Pacific area and our position as the only company with a national footprint in the mobile storage industry in Australia and New Zealand. This increase in volume more than offset the decline in our overall average lease rate at Royal Wolf, which was primarily due to, among other things, increased competitive pressures in certain regions in Australia; particularly in Queensland, where the floods of the previous year intensified local competition and made that retail market more cost conscious. We continually review each local market in which we do business to determine if local factors justify increases or decreases in lease rates and the effect these changes would have on utilization and revenues.

At Pac-Van, average utilization rates were 86%, 84%, 65% and 77% and monthly lease rates were $102, $254, $224 and $767 for storage containers, office containers, mobile offices and modular units, respectively, during FY 2012; as compared to 86%, 74%, 62% and 73% and $95, $232, $220 and $835 for storage containers, office containers, mobile offices and modular units in FY 2011, respectively. The average composite utilization rate in FY 2012 was 76%, as compared to 73% in FY 2011, and the composite average number of units on lease was over 800 higher in FY 2012 as compared to FY 2011. The generally higher utilization and monthly lease rates resulted primarily from improved demand in the construction, industrial, commercial and retail sectors.

Cost of Sales. Cost of sales (which is the cost related to our sales revenues only and exclusive of the line items discussed below) increased by $8.8 million to $58.9 million during FY 2012 from $50.1 million during FY 2011 as a result of the higher sales revenues discussed above; but we were more profitable primarily because of certain higher margin sales activities in our national accounts group in Australia and in our retail operations in New Zealand, as well as procurement cost improvements at both operating segments. Our gross profit percentage from sales revenues was 26% in FY 2012 versus 24% in FY 2011.

Direct Costs of Leasing Operations and Selling and General Expenses. Direct costs of leasing operations (which excludes depreciation and amortization) and selling and general expenses aggregately increased by $9.5 million to $64.6 million during FY 2012 from $55.1 million during FY 2011 to support the increased business activity, but decreased slightly as a percentage of revenues to 41% in FY 2012 from 42% in FY 2011.

Depreciation and Amortization. Depreciation and amortization decreased slightly by $0.2 million to $14.1 million in FY 2012 from $14.3 million in FY 2011.

Interest Expense. Interest expense of $8.9 million in FY 2012 was $4.6 million lower than the $13.5 million in FY 2011. This was comprised of a decrease of $4.1 million at Royal Wolf and $0.5 million in the United States, primarily because of the lower average borrowings in FY 2012 as compared to FY 2011. In addition, the weighted-average interest rate (which does not include the effect of translation, interest rate swap contracts and options and the amortization of deferred financing costs) at Royal Wolf of 8.0% in FY 2012 was lower than the 11.0% in FY 2011. However, in the United States the lower average borrowings in FY 2012 as compared to FY 2011 was offset somewhat by the weighted-average interest rate (which does not include the effect of the amortization of deferred financing costs) of 6.3% in FY 2012 being higher than the 6.1% in FY 2011.

Foreign Currency Exchange. Prior to May 31, 2011, we had certain U.S. dollar-denominated debt at Royal Wolf, including intercompany borrowings, which were remeasured at each financial reporting date with the impact of the remeasurement being recorded in our consolidated statements of operations. Unrealized gains and losses resulting from such remeasurement due to changes in the Australian exchange rate to the U.S. dollar had a significant impact in our reported results of operations, as well as any realized gains and losses from payments on such U.S. dollar-denominated

Table of Contents

debt and intercompany borrowings. At May 31, 2011, the U.S. dollar-denominated debt, including intercompany borrowings, at Royal Wolf was fully repaid in conjunction with the Royal Wolf IPO. The currency exchange rate of one Australian dollar at June 30, 2010 was $0.8567 U.S. dollar compared to $1.0311 U.S. dollar at March 31, 2011. As a result, in FY 2011, net unrealized and realized foreign exchange gains totaled $4.5 million and $0.5 million, respectively. In addition, net unrealized losses on forward currency exchange contracts totaled $0.4 million. The currency exchange rate of one Australian dollar at June 30, 2011 was $1.0597 U.S. dollar compared to $1.0387 U.S. dollar at March 31, 2012. In FY 2012, net unrealized and realized gains (losses) on foreign exchange totaled $(0.4 million) and $0.9 million, respectively, and net unrealized gains on forward currency exchange contracts totaled $0.3 million.

Income Taxes. Our effective income tax rate was 38.0% in FY 2012, comparable to the effective tax rate of 37.8% in FY 2011. The effective rate in both periods is greater than the U.S. federal rate of 34% (the Australian statutory tax rate is 30%) primarily because of state income taxes from the filing of tax returns in multiple U.S. states and because a portion of the depreciation and amortization on the fixed and intangible assets recorded in the Pac-Van acquisition is not deductible for U.S. federal income tax purposes. In FY 2011, this was offset somewhat by the favorable income tax impact of the amortization of goodwill acquired in acquisitions made in the Asia-Pacific area; which, until the date of the Royal Wolf IPO, was deductible for U.S. income tax reporting purposes. In FY 2012, as a result of the Royal Wolf IPO, the tax status of Royal Wolf changed from an over 80% subsidiary treated as a disregarded entity (which effectively considered Royal Wolf a domestic subsidiary that was included in our consolidated income tax returns) to a majority-owned foreign corporation (which effectively excludes it from our consolidated income tax returns).

Noncontrolling Interest. Noncontrolling interest represented Bison Capital s 13.8% interest in Royal Wolf until the Royal Wolf IPO at May 31, 2011. Effective June 1, 2011, noncontrolling interest represents the pro rata share in the Royal Wolf results of operations of the shareholders of the RWH capital stock, other than us. In FY 2012, noncontrolling interest was a charge of $4.8 million, reflecting the profitability of Royal Wolf in FY 2012, as compared to a $3.4 million charge in FY 2011. In FY 2011, the noncontrolling interest reflected the accretion of the redemption value of the Bison Capital put option and reference is made to the Liquidity and Financial Condition section and Note 1 of Notes to Condensed Consolidated Financial Statements for further discussion of the satisfaction of the Bison Capital put option in conjunction with the Royal Wolf IPO.

Net Income Attributable to Common Stockholders. We had net income attributable to common stockholders of $2.3 million FY 2012, as compared to a net loss of $1.2 million in FY 2011, an increase of $3.5 million, primarily the result of increased profitability in both operating segments and lower interest expense, net of the related tax effects, offset somewhat by the recognition of a lower foreign currency exchange gain, net of related tax effect, and a higher noncontrolling interest charge in FY 2012 versus FY 2011.

Measures not in Accordance with Generally Accepted Accounting Principles in the United States (U.S. GAAP)

Earnings before interest, income taxes, impairment, depreciation and amortization and other non-operating costs and income (EBITDA) and adjusted EBITDA are supplemental measures of our performance that are not required by, or presented in accordance with U.S. GAAP. These measures are not measurements of our financial performance under U.S. GAAP and should not be considered as alternatives to net income, income from operations or any other performance measures derived in accordance with U.S. GAAP or as an alternative to cash flow from operating, investing or financing activities as a measure of liquidity.

Adjusted EBITDA is a non-U.S. GAAP measure. We calculate adjusted EBITDA to eliminate the impact of certain items we do not consider to be indicative of the performance of our ongoing operations. You are encouraged to evaluate each adjustment and whether you consider each to be appropriate. In addition, in evaluating adjusted EBITDA, you should be aware that in the future, we may incur expenses similar to the adjustments in the presentation of adjusted EBITDA. Our presentation of adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. We present adjusted EBITDA because we consider it to be an important supplemental measure of our performance and because we believe it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry, many of which present EBITDA and a form of our adjusted EBITDA when reporting their results. Adjusted EBITDA has limitations as an analytical tool, and should not be considered in isolation, or as a substitute for analysis of our results as reported under U.S. GAAP. Because of these limitations, adjusted EBITDA should not be considered as a measure of discretionary cash available to us to invest in the growth of our business or to reduce our indebtedness. We compensate for these limitations by relying primarily on our U.S. GAAP results and using adjusted EBITDA only supplementally. The following table shows our adjusted EBITDA and the reconciliation from net income (loss) (in thousands):

	Quarter Ended March 31,		Nine Months Ended March 31,	
	2011	2012	2011	2012

Net income (loss)	$ (196)	$ 3,307	$ 2,341	$ 7,176
Add (deduct) -				
Provision for income taxes	(116)	2,029	1,425	4,401
Foreign currency exchange gain and other	(108)	(576)	(4,573)	(899)
Interest expense	4,822	2,610	13,454	8,900
Interest income	(124)	(13)	(354)	(141)
Depreciation and amortization	4,720	4,904	14,252	14,144
Share-based compensation expense	212	234	581	654
Adjusted EBITDA	$ 9,210	$ 12,495	$ 27,126	$ 34,235

Our business is capital intensive, so from an operating level we focus primarily on EBITDA and adjusted EBITDA to measure our results. These measures provide us with a means to track internally generated cash from which we can fund our interest expense and fleet growth objectives. In managing our business, we regularly compare our adjusted EBITDA margins on a monthly basis. As capital is invested in our established branch locations, we achieve higher adjusted EBITDA margins on that capital than we achieve on capital invested to establish a new branch (or CSC), because our fixed costs are already in place in connection with the established branches. The fixed costs are those associated with yard and delivery equipment, as well as advertising, sales, marketing and office expenses. With a new market or branch, we must first fund and absorb the start-up costs for setting up the new branch facility, hiring and developing the management and sales team and developing our marketing and advertising programs. A new branch will have low adjusted EBITDA margins in its early years until the number of units on rent increases. Because of our higher operating margins on incremental lease revenue, which we realize on a branch-by-branch basis, when the branch achieves leasing revenues sufficient to cover the branch s fixed costs, leasing revenues in excess of the break-even amount produce large increases in profitability and adjusted EBITDA margins. Conversely, absent significant growth in leasing revenues, the adjusted EBITDA margin at a branch will remain relatively flat on a period by period comparative basis.

Liquidity and Financial Condition

Each of our two operating units, Royal Wolf and Pac Van, substantially fund their operations through secured bank credit facilities that require compliance with various covenants. These covenants require them to, among other things, maintain certain levels of interest coverage, EBITDA (as defined), utilization rate and overall leverage. In addition, at GFN, we have a subordinated note payable to Laminar Direct Capital, L.L.C. (Laminar) and had a credit facility with Union Bank that expired in April 2012.

The economic downturn in the United States during our fiscal year ended June 30, 2009, particularly in the construction-related industries (where Pac-Van has currently over 30% of its business and historically has had over 40%), has had an adverse impact on our operating results. To offset this adverse effect, we undertook cost-reduction and other measures to reduce our indebtedness and to strive to comply with financial loan covenants.

Over the two fiscal years prior to FY 2012, we undertook various capital events to improve our liquidity and leverage, the most significant of which are as follows:

1. On June 25, 2010, we completed a rights offering for the issuance and sale of units at $1.50 each (with each unit consisting of one share of GFN common stock and a three-year warrant to purchase 0.5 additional shares of GFN common stock at an exercise price of $4.00 per share). We utilized $4,800,000 of the approximately $5,900,000 net proceeds from the rights offering in the refinancing at Pac-Van (see below).

2. Prior to July 16, 2010, Pac-Van had a senior credit facility, as amended, with a syndicate of four financial institutions led by Bank of America, N.A. (BOA), as administrative and collateral agent, and a $25,000,000 senior subordinated secured note payable to SPV Capital Funding, L.L.C. (SPV). On July 16, 2010, we entered into several agreements relating to: (a) an $85,000,000 senior secured revolving credit facility at Pac-Van with a syndicate led by PNC Bank, National Association (PNC) that included Wells Fargo Bank, National Association and Union Bank (the PNC Credit Facility); and (b) a $15,000,000 senior subordinated note issued by GFN to Laminar (the Laminar Note). Borrowings under the PNC Credit Facility and proceeds from both the issuance of the Laminar Note and our rights offering (see above) were used to, among other things, prepay in full all borrowings under the BOA credit facility and the $25,000,000 senior subordinated secured note payable to SPV.

3. On May 31, 2011, we completed an IPO in Australia of a noncontrolling interest in RWH. A total of 50,000,000 shares of capital stock were issued to the Australian market at $1.96 (AUS$1.83) per share, resulting in gross proceeds of $97,850,000 (AUS$91,500,000). An additional total of 188,526 shares ($369,000 value) were issued to the

non-employee members of the RWH Board of Directors, the RWH chief executive officer and the RWH chief financial officer. As a result of the IPO, GFN U.S. received 50,198,526 of the 100,387,052 shares of new capital stock, thereby retaining a controlling interest. We used the proceeds of the RWH IPO to, among other things, pay offering costs of $5,443,000 (AUS$5,090,000), pay down borrowings at each of the senior credit facilities, as well as fully repay the subordinated notes held by Bison Capital. Simultaneously, we also satisfied the Bison Capital put option to acquire the 13.8% of GFN U.S. previously owned by Bison Capital. We own 100% of GFN U.S. and, thereby, a majority of Royal Wolf.

Royal Wolf has an approximately $114,257,000 (AUS$110,000,000) senior credit facility with Australia and New Zealand Banking Group Limited (ANZ and the ANZ Credit Facility). The ANZ Credit Facility, as amended, matures on June 30, 2014 and is comprised of, among other things, a working capital sub-facility (primarily for receivable financing) and a revolving sub-facility (primarily for lease fleet purchases and acquisitions).

Reference is made to Note 4 of Notes to Condensed Consolidated Financial Statements for further discussion of our senior and other debt.

As of March 31, 2012, our required principal and other obligations payments for the twelve months ending March 31, 2013 and the subsequent three fiscal years are as follows (in thousands):

	Twelve Months Ending March 31,			
	2013	**2014**	**2015**	**2016**
ANZ Credit Facility (a)	$ 7,766	$ 939	$ 83,580	$ 210
PNC Credit Facility (b)	62,754			
Laminar Note (c)		15,000		
Other	505	738	56	
	$ 71,025	$ 16,677	$ 83,636	$ 210

(a) Reflects primarily the working capital sub-facilities as due within the next twelve months. These should continually roll over and would be fully repaid at the maturity of the ANZ Credit Facility in June 2014.
(b) Scheduled to mature in January 2013; but we believe that we will be able to, at least, extend the maturity date.
(c) Scheduled to mature in July 2013.

As a result of our actions, we have significantly improved our financial position, particularly in the Asia-Pacific area, and intend to continue utilizing our operating cash flow and borrowing capacity in that region to expanding our sale inventory and lease fleet through both capital expenditures and acquisitions. In the U.S., we intend to prudently expand our existing container lease fleet, explore investments in other container products and seek accretive acquisition opportunities.

We currently do not pay a dividend on our common stock and do not intend on doing so in the foreseeable future.

Cash Flow for FY 2012 Compared to FY 2011

Our leasing business is capital intensive, and we acquire leasing assets before they generate revenues, cash flow and earnings. These leasing assets have long useful lives and require relatively minimal maintenance expenditures. Most of the capital we deploy into our leasing business historically has been used to expand our operations geographically, to increase the number of units available for lease at our branch and CSC locations and to add to the breadth of our product mix. Our operations have generated annual cash flow that exceeds our reported earnings, which would include, even in profitable periods, the deferral of income taxes caused by accelerated depreciation that is used for tax accounting.

As we discussed above, our principal source of capital for operations consists of funds available from the senior secured credit facilities at our operating units, Royal Wolf and Pac-Van. We also finance a smaller portion of capital requirements through finance leases and lease-purchase contracts and have an outstanding subordinated note with Laminar. Supplemental information pertaining to our consolidated sources and uses of cash is presented in the table below (in thousands):

	Nine Months Ended March 31, 2011	2012
Net cash provided by operating activities	$ 22,465	$ 1,349
Net cash used in investing activities	$ (18,665)	$ (33,623)
Net cash provided by (used in) financing activities	$ (6,796)	$ 34,670

Operating activities. Our operations provided net cash flow of $1.3 million during FY 2012, a decrease of $21.2 million from the $22.5 million provided during FY 2011. Though the net income of $7.2 million in FY 2012 was higher by $4.9 million from net income of $2.3 million in FY 2011, our operating cash flows were reduced by $19.6 million from the management of operating assets and liabilities in FY 2012, as compared to increasing by $11.8 million in FY 2011, primarily as a result of increased investments in container sale inventory in the Asia-Pacific area and higher levels of trade and other receivables due to the significantly increased revenues at both operating segments in FY 2012 versus FY 2011. In both periods, operating cash flows benefitted from the deferral of income taxes, $3.9 million in FY 2012 and $1.1 million in FY 2011. Historically, operating cash flows are typically enhanced by the deferral of most income taxes due to the rapid tax depreciation rate of our fixed assets and available net operating loss carryforwards. Additionally, in both FY 2012 and FY 2011, operating cash flows were enhanced by non-cash adjustments of depreciation and amortization on fixed and intangible assets of over $14.1 million. In FY 2011, however, these items were substantially offset by reductions to operating cash flows of $4.5 million for net unrealized gains from foreign exchange and derivative instruments (see Note 5 of Notes to Condensed Consolidated Financial Statements). In addition, operating cash flows were reduced by gains on the sales of lease fleet totaling $5.7 million in FY 2012 and $3.9 million in FY 2011.

Investing Activities. Net cash used by investing activities was $33.6 million during FY 2012, as compared to $18.7 million being used during FY 2011. Purchases of property, plant and equipment, or rolling stock, were approximately $2.1 million in FY 2012 and $2.6 million in FY 2011; and net capital expenditures of lease fleet (purchases, net of proceeds from sales of lease fleet) were $31.7 million in FY 2012 and $15.3 million in FY 2011. Although the increase in FY 2012 capital expenditures from FY 2011 was primarily for the container lease fleet in the Asia-Pacific area as a result of additional business from its strong economy, we also increased container capital expenditures in the United States in order to diversify our domestic lease fleet from mobile offices and modular units, which sales and leasing activities are significantly influenced by the cyclical construction-related industries. However, the amount of cash that we use during any period in investing activities is almost entirely within management s discretion and, other than a preferred supply agreement which requires us to purchase yearly up to a certain amount of containers, if offered to us (see Note 8 of Notes to Condensed Consolidated Financial Statements), we have no significant long-term contracts or other arrangements pursuant to which we may be required to purchase at a certain price or a minimum amount of goods or services.

Financing Activities. Net cash provided by financing activities was $34.7 million during FY 2012, as compared to $6.8 million being used during FY 2011. In FY 2012, we borrowed a net $37.0 million on our existing credit facilities, as compared to reducing our outstanding borrowings in FY 2011 by a net $6.2 million, in order to fund our increasing investment in container sale inventory and lease fleet. Also in FY 2012, the Board of Directors of Royal Wolf declared a dividend of AUS$0.035 per RWH share payable to shareholders of record on March 20, 2012. The total dividend amount was transferred to Royal Wolf s registrar and transfer agent on behalf of all the Royal Wolf shareholders prior to March 31, 2012, with $1.8 million representing the amount of the dividend pertaining to the noncontrolling interest. In FY 2011, we incurred deferred financing costs of $1.3 million during the July 2010 refinancing at Pac-Van (see Liquidity and Financial Condition above).

Asset Management

Receivables and inventories (including foreign translation effect) were $35.1 million and $36.5 million at March 31, 2012 and $30.5 million and $20.9 million at June 30, 2011, respectively. Inventory levels have increased primarily in the Asia-Pacific area to meet the increasing demand there and the higher levels of trade and other receivables reflect the significantly increased revenues at both operating segments. Effective asset management remains a significant focus as we strive to continue to apply appropriate credit and collection controls and maintain proper inventory levels to enhance cash flow and profitability. At March 31, 2012, days sales outstanding (DSO) in trade receivables were 42 days and 56 days for Royal Wolf and Pac-Van, as compared to 42 days and 49 days at June 30, 2011, respectively.

The net book value of our total lease fleet increased (including foreign translation effect) from $220.1 million at June 30, 2011 to $247.3 million at March 31, 2012. At March 31, 2012, we had 47,321 units (18,546 units in retail operations in Australia, 9,475 units in national account group operations in Australia, 7,319 units in New Zealand, which are considered retail; and 11,981 units in the United States) in our lease fleet, as compared to 41,346 units (16,668 units in retail operations in Australia, 7,675 units in national account group operations in Australia, 5,827 units in New Zealand, which are considered retail; and 11,176 units in the United States) at June 30, 2011. At those dates, 37,866 units (15,257 units in retail operations in Australia, 7,181 units in national account group operations in Australia, 6,506 units in New Zealand, which are considered retail; and 8,922 units in the United States) and 33,876 units (14,030 units in retail operations in Australia, 5,814 units in national account group operations in Australia, 5,481 units in New Zealand, which are considered retail; and 8,551 units in the United States) were on lease, respectively.

In the United States, the lease fleet was comprised of 4,888 storage containers, 1,256 office containers, 4,848 mobile offices and 989 modular units at March 31, 2012; and 4,072 storage containers, 1,228 office containers, 4,885

Table of Contents

mobile offices and 991 modular units at June 30, 2011. At those dates, in the United States, units on lease were comprised of 3,972 storage containers, 1,040 office containers, 3,163 mobile offices and 747 modular units; and 3,661 storage containers, 993 office containers, 3,095 mobile offices and 802 modular units, respectively

Off-Balance Sheet Arrangements

We do not maintain any off-balance sheet transactions, arrangements, obligations or other relationships with unconsolidated entities or others that are reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Seasonality

Although demand from certain customer segments can be seasonal, our operations as a whole are not seasonal to any significant extent. We experience a reduction in sales volumes at Royal Wolf during Australia s summer holiday break from mid-December to the end of January, followed by February being a short working day month. However, this reduction in sales typically is counterbalanced by the increased lease revenues derived from the removals or moving and storage industry, which experiences its seasonal peak of personnel relocations during this same summer holiday break. Demand from some of Pac-Van s customers can be seasonal, such as in the construction industry, which tends to increase leasing activity in the first and fourth quarters; while customers in the retail industry tend to lease more units in the second quarter.

Impact of Inflation

We believe that inflation has not had a material effect on our business. However, during periods of rising prices and, in particular when the prices increase rapidly or to levels significantly higher than normal, we may incur significant increases in our operating costs and may not be able to pass price increases through to our customers in a timely manner, which could harm our future results of operations.

Critical Accounting Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. On an ongoing basis, we re-evaluate all of our estimates. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may materially differ from these estimates under different assumptions or conditions as additional information becomes available in future periods. We believe the following are the more significant judgments and estimates used in the preparation of our consolidated financial statements.

We are required to estimate the collectability of our trade receivables. Accordingly, we maintain allowances for doubtful accounts for estimated losses that may result from the inability of our customers to make required payments. On a recurring basis, we evaluate a variety of factors in assessing the ultimate realization of these receivables, including the current credit-worthiness of our customers, days sales outstanding trends, a review of historical collection results and a review of specific past due receivables. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required, resulting in decreased net income. To date, uncollectible accounts have been within the range of our expectations.

We lease and sell storage, building and office containers, modular buildings and mobile offices to our customers. Leases to customers generally qualify as operating leases unless there is a bargain purchase option at the end of the lease term. Revenue is recognized as earned in accordance with the lease terms established by the lease agreements and when collectability is reasonably assured. Revenue is recognized as earned in accordance with the lease terms established by the lease agreements and when collectability is reasonably assured. Revenue from sales of equipment is recognized upon delivery and when collectability is reasonably assured.

We have a fleet of storage, portable building and office containers, mobile offices, modular buildings and steps that we lease to customers under operating lease agreements with varying terms. The lease fleet (or lease or rental equipment) is recorded at cost and depreciated on the straight-line basis over the estimated useful life (5 20 years), after the date the units are put in service, down to their estimated residual values (up to 70% of cost). In our opinion, estimated residual values are at or below net realizable values. We periodically review these depreciation policies in light of various factors, including the practices of the larger competitors in the industry, and our own historical experience.

29

Table of Contents

For the issuances of stock options, we follow the fair value provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 718, *Compensation Stock Compensation.* FASB ASC Topic 718 requires recognition of employee share-based compensation expense in the statements of income over the vesting period based on the fair value of the stock option at the grant date. The pricing model we use for determining fair values of the purchase option is the Black-Scholes Pricing Model. Valuations derived from this model are subject to ongoing internal and external verification and review. The model uses market-sourced inputs such as interest rates, market prices and volatilities. Selection of these inputs involves management s judgment and may impact net income. In particular, prior to July 1, 2009, we used volatility rates based upon a sample of comparable companies our industry and we now use a volatility rate based on the performance of our common stock; which yields a higher rate. In addition we use a risk-free interest rate, which is the rate on U.S. Treasury instruments, for a security with a maturity that approximates the estimated remaining expected term of the stock option.

We account for goodwill in accordance with FASB ASC Topic 350, *Intangibles Goodwill and Other.* FASB ASC Topic 350 prohibits the amortization of goodwill and intangible assets with indefinite lives and requires these assets be reviewed for impairment at least annually. We operate two reportable and operating segments (Pac-Van and Royal Wolf). All of our goodwill was allocated between these two reporting units. We perform an annual impairment test on goodwill at June 30 using the two-step process required under FASB ASC Topic 350. The first step is a screen for potential impairment, while the second step measures the amount of the impairment, if any. We would also consider performing impairment tests during an interim reporting period in which significant events or changes in circumstances indicate that a permanent impairment may have occurred. Some factors we consider important which could trigger such an impairment review include (1) significant underperformance relative to historical, expected or projected future operating results; (2) significant changes in the manner of our use of the acquired assets or the strategy for our overall business; (3) significant changes during the period in our market capitalization relative to net book value; and (4) significant negative industry or general economic trends. At March 31, 2012, there were no significant changes in events or circumstances that were not existing or considered at Royal Wolf or Pac-Van since the annual test at June 30, 2011.

At June 30, 2010 and 2011, we performed the first step of the two-step impairment test and compared the fair value of each reporting unit to its carrying value. In assessing the fair value of the reporting units, we considered both the market approach and the income approach. Under the market approach, the fair value of the reporting unit was determined on a weighted-average range of multiples to adjusted EBITDA. Under the income approach, the fair value of the reporting unit was based on the present value of estimated cash flows. The income approach was dependent on a number of significant management assumptions, including estimated future revenue growth rates, gross margins on sales, operating margins, capital expenditures and discount rates. Each approach was given equal weight in arriving at the fair value of the reporting unit. If the carrying value of the net assets of any reporting unit would have exceeded its fair value, a step-two impairment test would have been performed. In a step-two test, we would be required to determine the implied fair value of the goodwill and compare it to the carrying value of the goodwill. Generally, this would involve allocating the fair value of the reporting unit to the respective assets and liabilities (as if the reporting unit had been acquired in separate and individual business combination and the fair value was the price paid to acquire it) with the excess of the fair value of the reporting unit over the amounts assigned to their respective assets and liabilities being the implied fair value of goodwill. It was determined that the fair value of the Royal Wolf reporting unit exceeded the carrying values of the net assets at June 30, 2010 and 2011. However, the fair value of the Pac-Van reporting unit was less than the carrying values the net assets at June 30, 2010 and 2011; therefore, we performed a step-two impairment test for Pac-Van. In the step-two test for Pac-Van, the implied value of its goodwill was less than the carrying value of goodwill, resulting in an impairment charge of $7,633,000 and $5,858,000 at June 30, 2010 and 2011, respectively. The Company had not recorded an impairment charge to goodwill prior to June 30, 2010.

Intangible assets include those with indefinite (trademark and trade name) and finite (primarily customer base and lists, non-compete agreements and deferred financing costs) useful lives. Customer base and lists and non-compete agreements are amortized on the straight-line basis over the expected period of benefit which range from one to ten years. Costs to obtaining long-term financing are deferred and amortized over the term of the related debt using the straight-line method. Amortizing the deferred financing costs using the straight-line method does not produce significantly different results than that of the effective interest method. We review intangibles (those assets resulting from acquisitions) at least annually for impairment or when events or circumstances indicate these assets might be impaired. We test impairment using historical cash flows and other relevant facts and circumstances as the primary basis for its estimates of future cash flows. This process requires the use of estimates and assumptions, which are subject to a high degree of judgment.

At June 30, 2010 and 2011, we, pursuant to an evaluation that determined that the respective fair values were less than the carrying values, recognized impairment charges of $190,000 and $250,000, respectively, to the trade name and, at June 30, 2010, $329,000 to the customer base acquired in the Pac-Van acquisition. These impairment charges were recorded as a part of depreciation and amortization in the consolidated statements of operations.

Table of Contents

In preparing our consolidated financial statements, we recognize income taxes in each of the jurisdictions in which we operate. For each jurisdiction, we estimate the actual amount of taxes currently payable or receivable as well as deferred tax assets and liabilities attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance would be provided for those deferred tax assets for which it is more likely than not that the related benefits will not be realized. In determining the amount of the valuation allowance, we consider estimated future taxable income as well as feasible tax planning strategies in each jurisdiction. If we determine that we will not realize all or a portion of our deferred tax assets, we would increase our valuation allowance with a charge to income tax expense or offset goodwill if the deferred tax asset was acquired in a business combination. Conversely, if we determine that we will ultimately be able to realize all or a portion of the related benefits for which a valuation allowance has been provided, all or a portion of the related valuation allowance would be reduced with a credit to income tax expense except if the valuation allowance was created in conjunction with a tax asset in a business combination.

Reference is made to Note 2 of Notes to Condensed Consolidated Financial Statements for a further discussion of our significant accounting policies.

Impact of Recently Issued Accounting Pronouncements

Reference is made to Note 2 of Notes to Condensed Consolidated Financial Statements for a discussion of recently issued accounting pronouncements that could potentially impact us.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market risk is the sensitivity of income to changes in interest rates, foreign exchanges and other market-driven rates or prices. Exposure to interest rates and currency risks arises in the normal course of our business and we may use derivative financial instruments to hedge exposure to fluctuations in foreign exchange rates and interest rates. We believe we have no material market risks to our operations, financial position or liquidity as a result of derivative activities, including forward-exchange contracts.

Reference is made to Note 5 of Notes to Condensed Consolidated Financial Statements for a discussion of financial instruments.

Item 4. Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in reports we file and submit under the Securities Exchange Act of 1934, as amended (Exchange Act), is recorded, processed, summarized and reported within the time periods specified in accordance with SEC guidelines and that such information is communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure based on the definition of disclosure controls and procedures in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. In designing and evaluating our disclosure controls and procedures, we recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and that our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures in reaching that level of reasonable assurance.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of our disclosure controls and procedures, as required by Exchange Act Rule 13a-15(b), as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level. There were no changes in our internal control over financial reporting during the quarter ended March 31, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

In evaluating our forward-looking statements, readers should specifically consider risk factors that may cause actual results to vary from those contained in the forward-looking statements. Risk factors associated with our business are included, but not limited to, our Annual Report on Form 10-K for the year ended June 30, 2011, as filed with the SEC on September 23, 2011 (Annual Report). There have been no material changes to the risk factors disclosed in our Annual Report and other subsequent filings with the SEC.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item. 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

See Exhibit Index Attached.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: May 11, 2012	GENERAL FINANCE CORPORATION
	By: /s/ Ronald F. Valenta Ronald F. Valenta Chief Executive Officer
	By: /s/ Charles E. Barrantes Charles E. Barrantes Chief Financial Officer

Table of Contents

EXHIBIT INDEX

Exhibit Number	Exhibit Description
10.1	Letter of Offer executed on March 15, 2012 by Australia and New Zealand Banking Group Limited, Royal Wolf Trading Australia Pty Limited, Royal Wolf Est Pty Ltd., Royal Wolf Holdings Limited, Royalwolf NZ Acquisition Co. Limited and Royalwolf Trading New Zealand Limited (incorporated by reference to Registrant s Form 8-K filed March 20, 2012)
31.1	Certification of Chief Executive Officer Pursuant to SEC Rule 13a-14(a)/15d-14(a)
31.2	Certification of Chief Financial Officer Pursuant to SEC Rule 13a-14(a)/15d-14(a)
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. §1350
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. §1350
101*	The following materials from the Registrant s Quarterly report on Form 10-Q for the quarter ended March 31, 2012, formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations, (iii) the Condensed Consolidated Statements of Equity, (iv) the Condensed Consolidated Statements of Cash Flows and (v) Notes to Condensed Consolidated Financial Statements.

* Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Section 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for the purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.