

Contents

	Page
Directors' report	1
Interim financial report – 31 December 2015	
Statement of comprehensive income	3
Balance sheet	4
Statement of changes in equity	5
Statement of cash flows	6
Notes to the financial statements	7
Directors' declaration	12
Independent auditor's report	13

This interim financial report covers R.A.C.V. Finance Limited (ABN: 82 004 292 291) as an individual entity. R.A.C.V. Finance Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

550 Princes Hwy

Noble Park, VIC 3174

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by R.A.C.V. Finance Limited during the interim period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The interim financial report was authorised for issue by the directors on 23 February 2016. The Company has the power to amend and reissue the financial report.

INTERIM FINANCIAL REPORT
R.A.C.V. FINANCE LIMITED
DIRECTORS' REPORT
31 December 2015

DIRECTORS' REPORT

The directors of R.A.C.V. Finance Limited ("the Company") present their report together with the financial report of R.A.C.V. Finance Limited for the six months ended 31 December 2015.

Directors in office

The directors in office during the six months ended 31 December 2015 and up to the date of this report are as follows:

Mr G. D. Willis (Chairman)	Mr P. C. Turnbull
Mr C. L. Jordan	Mr K. W. White
Ms P. M. Kelly	

Review of operations and results

The operating profit after tax for the six months ended 31 December 2015 was \$2,156,696 (31 December 2014: \$2,425,620).

The loan and lease portfolios totalled 18,475 loans and leases as at 31 December 2015 (30 June 2015: 18,297).

Dividends

The Company paid an unfranked dividend of \$4.2 million on 15 September 2015 from retained profits at 30 June 2015 (31 December 2014: \$10 million).

Subsequent events

In the opinion of the directors, there are no other matters or circumstances which have arisen between 31 December 2015 and the date of this report that have significantly affected or may significantly affect the operations of the Company, the results of those operations and the state of affairs of the Company in subsequent financial periods.


Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 2.

Rounding of amounts

The Company is of a kind referred to in the Australian Securities and Investments Commission Class Order 98/100 relating to the rounding of amounts in the Directors' Report and Financial Report. Amounts in the Directors' Report and Financial Report have been rounded to the nearest thousand dollars except where otherwise indicated.

This report is made in accordance with a resolution of directors.


G. Willis
Director
Melbourne, 23 February 2016

INTERIM FINANCIAL REPORT
R.A.C.V. FINANCE LIMITED
STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 31 December 2015

	6 months ended 31 December 2015 \$'000	6 months ended 31 December 2014 \$'000
Interest revenue	12,945	13,416
Interest expense	(4,822)	(5,188)
Net interest revenue	8,123	8,228
Non-interest revenue	735	731
Employee benefits expense	(2,419)	(2,345)
Depreciation and amortisation expense	(58)	(58)
Impairment losses on loans and leases	(394)	(381)
Computer and telecommunications expense	(702)	(624)
Advertising expense	(687)	(688)
External fees expense	(124)	(129)
Property expense	(233)	(176)
Finance expense	(345)	(311)
Internal management charges	(718)	(695)
Other expenses	(113)	(86)
Profit before income tax expense	3,065	3,466
Income tax expense	(908)	(1,040)
Profit for the six month period attributable to the parent entity	2,157	2,426
Total comprehensive income for the six month period	2,157	2,426

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

INTERIM FINANCIAL REPORT
R.A.C.V. FINANCE LIMITED
BALANCE SHEET
As at 31 December 2015

	Notes	31 December 2015 \$'000	30 June 2015 \$'000
Assets			
Cash and cash equivalents		2,902	3,509
Loan receivables	2	218,101	207,740
Lease receivables	3	96,237	91,783
Other assets		1,110	258
Plant and equipment		2	2
Intangible assets		217	331
Total assets		318,569	303,623
Liabilities			
Payables and other liabilities		1,850	3,521
Interest bearing liabilities	5	264,382	246,337
Employee benefits		1,031	1,083
Deferred tax liabilities		2,267	1,592
Total liabilities		269,530	252,533
Net assets		49,039	51,090
Equity			
Contributed equity		5,000	5,000
Retained profits		44,039	46,090
Total equity		49,039	51,090

The above balance sheet should be read in conjunction with the accompanying notes.

INTERIM FINANCIAL REPORT
R.A.C.V. FINANCE LIMITED
STATEMENT OF CHANGES IN EQUITY
For the six months ended 31 December 2015

	Contributed equity \$'000	Retained profits \$'000	Total equity \$'000
Six months ended 31 December 2015			
Balance at 1 July 2015	5,000	46,090	51,090
Total comprehensive income for the six month period	-	2,157	2,157
Transactions with owners in their capacity as owners: Dividends paid	-	(4,208)	(4,208)
Balance at 31 December 2015	5,000	44,039	49,039
Six months ended 31 December 2014			
Balance at 1 July 2014	5,000	51,415	56,415
Total comprehensive income for the six month period	-	2,426	2,426
Transactions with owners in their capacity as owners: Dividends paid	-	(10,000)	(10,000)
Balance at 31 December 2014	5,000	43,841	48,841

The above statement of changes in equity should be read in conjunction with the accompanying notes.

INTERIM FINANCIAL REPORT
R.A.C.V. FINANCE LIMITED
STATEMENT OF CASH FLOWS
For the six months ended 31 December 2015

	6 months ended 31 December 2015 \$'000	6 months ended 31 December 2014 \$'000
Cash flows from operating activities		
Interest received	13,510	13,700
Fees, commission and other income received	717	730
Tax payments to related entity	(2,569)	(2,260)
Net cash outflow from loans	(11,393)	(9,340)
Net cash outflow from leases	(4,456)	(4,030)
Payments to suppliers and employees	(5,487)	(5,108)
Interest and other costs of finance paid	(4,530)	(5,431)
Net cash outflow from operating activities	(14,208)	(11,739)
Cash flows from investing activities		
Proceeds from the sale of software	60	-
Payments for purchase of software	(3)	-
Net cash inflow from investing activities	57	-
Cash flows from financing activities		
Proceeds from issue of secured notes	39,961	12,130
Repayment of secured notes	(12,909)	(12,330)
Proceeds from subscription agreement	14,700	23,500
Repayment of subscription agreement	(24,000)	-
Dividend paid	(4,208)	(10,000)
Net cash inflow from financing activities	13,544	13,300
Net (decrease)/increase in cash held	(607)	1,561
Cash and cash equivalents at the beginning of the six month period	3,509	7
Cash and cash equivalents at end of six month period	2,902	1,568

The above statement of cash flows should be read in conjunction with the accompanying notes.

1. BASIS OF PREPARATION OF SIX MONTHS REPORT

This interim financial report for the six months reporting period ended 31 December 2015 has been prepared on a liquidity basis and in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual financial report for the year ended 30 June 2015 and any public announcements made by R.A.C.V. Finance Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

2. LOAN RECEIVABLES

	31 December 2015 \$'000	30 June 2015 \$'000
Loans	219,123	208,685
Less: Provision for impairment (refer note 4)	(1,022)	(945)
	<u>218,101</u>	<u>207,740</u>
<i>Maturity analysis</i>		
Up to 1 month	5,870	5,850
Longer than 1 and not longer than 3 months	11,505	10,960
Longer than 3 months and not longer than 12 months	49,661	47,883
Longer than 1 year and not longer than 5 years	148,486	141,276
Longer than 5 years	3,601	2,716
	<u>219,123</u>	<u>208,685</u>

Loans are granted at a fixed interest rate for periods between 12 and 84 months with most loans secured by a goods mortgage over a motor vehicle. The mortgaged property must be insured for its full insurable value. Loans can be repaid before their full term, however early termination fees may apply.

The carrying amount of loan receivables approximates their fair value.

INTERIM FINANCIAL REPORT
R.A.C.V. FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 December 2015

	31 December 2015 \$'000	30 June 2015 \$'000
3. LEASE RECEIVABLES		
Gross lease receivables	108,251	103,486
Less: Deferred income on lease receivables	(11,962)	(11,645)
Less: Provision for impairment (refer note 4)	(52)	(58)
Net lease receivables	<u>96,237</u>	<u>91,783</u>
<i>Maturity analysis</i>		
Less than 1 year	40,381	39,800
Longer than 1 year and not longer than 5 years	67,870	63,686
	<u>108,251</u>	<u>103,486</u>
Less: Deferred income	(11,962)	(11,645)
	<u>96,289</u>	<u>91,841</u>
<i>Present value of minimum lease receivables</i>		
Less than 1 year	35,919	35,322
Longer than 1 year and not longer than 5 years	60,370	56,519
	<u>96,289</u>	<u>91,841</u>

Leasing arrangements

Leases are provided for periods between six and 60 months and are subject to a fixed interest rate. The leased property is owned by the Company until all lease payments and the residual are repaid. Finance leases transfer all the risks and benefits incidental to ownership of the leased property from the lessor to the lessee. It is a requirement of the lease agreement that the property must be insured for its full insurable value. A lease can be terminated early only with the consent of the Company.

The carrying amount of lease receivables approximates their fair value.

	31 December 2015 \$'000	30 June 2015 \$'000
4. PROVISION FOR IMPAIRMENT		
Loan receivables (refer note 2)	1,022	945
Lease receivables (refer note 3)	52	58
	<u>1,074</u>	<u>1,003</u>
<i>Movements</i>		
	6 months ended 31 December 2015 \$'000	12 months ended 30 June 2015 \$'000
Opening balance	1,003	846
Provision for impairment charged during the period	394	721
Bad debts written off during the period	(323)	(564)
Closing balance	<u>1,074</u>	<u>1,003</u>

Impairment is applied to the receivable balance when objective evidence is available that a loss event has occurred and as a consequence the Company will not likely receive all amounts owed to it. Impairment is calculated as the difference between the carrying amount of the loans and leases, and the present value of future expected cash flows associated with the loans and leases discounted at the original effective interest rate. Loans and leases are tested for impairment in portfolios based upon similar risk profiles.

All loans and leases are subject to continuous management review.

	31 December 2015 \$'000	30 June 2015 \$'000
5. INTEREST BEARING LIABILITIES		
Secured		
Secured notes	206,569	179,497
Subscription agreement	54,900	64,200
Unsecured		
Unsecured notes	-	-
	261,469	243,697
Accrued interest payable	2,913	2,640
	264,382	246,337
<i>Maturity analysis – secured notes, subscription agreement and unsecured notes</i>		
Up to 1 month	12,350	16,622
Longer than 1 and not longer than 3 months	32,354	29,683
Longer than 3 months and not longer than 12 months	110,320	83,431
Longer than 1 year and not longer than 5 years	109,358	116,601
	264,382	246,337

The carrying amount of interest bearing liabilities approximates their fair value.

(a) Secured notes

Secured notes are issued at a fixed rate for periods between six and 48 months. Secured notes are initially recorded at their fair value and subsequently measured at amortised cost. Interest expense is recognised using the effective interest method and is payable on a quarterly, six monthly or annual basis depending upon the notes selected.

Secured notes are secured by a first floating charge over the Company's assets under a Debenture Stock and Unsecured Notes Supplemental and Consolidated Trust Deed dated 4 May 2000 ("Trust Deed") made between the Company and Perpetual Trustees Victoria Limited. On 9 June 2015, Perpetual Trustees Victoria Limited retired as Trustee and the Trust Company (Australia) Limited became the new Trustee under and for the purpose of the Trust Deed. All other terms of the Trust Deed remain unchanged.

Under the terms of the Trust Deed, the Company may in certain circumstances give charges over its assets wherever situated, ranking equally with or in priority to the security constituted by the charges under the Trust Deed, subject to borrowing limits which require:

- (i) secured liabilities to not exceed 85% of the tangible assets of the Company and any guarantor bodies;
- (ii) prior secured liabilities to not exceed 10% of the tangible assets of the Company and any guarantor bodies; and
- (iii) external liabilities to not exceed 93.75% of the tangible assets of the Company and any guarantor bodies.

5. INTEREST BEARING LIABILITIES (continued)

(b) Subscription agreement

The subscription agreement is a secured borrowing facility carried at amortised cost and bears interest at market rates.

On 7 June 2012, an existing facility with the National Bank of Australia (NAB) was varied with an Amendment Deed to reduce the funding limit to \$45 million. All other terms and conditions remain unchanged. The facility can be drawn for periods between one and six calendar months.

Effective 31 March 2014, this facility was renewed with a Second Amendment Deed to increase the funding limit to \$100 million with a number of changes to terms and conditions. The facility can be drawn for periods up to six calendar months and expires on 31 March 2017.

As at 31 December 2015, \$54.9 million of the \$100 million facility was drawn (30 June 2015: \$64.2 million). This facility has been secured by secured notes. The individual drawdown amounts bear fixed interest rates with rollover date and interest rate as shown below:

	Principal amount \$'000	Interest rate (payable at rollover) % p.a.	Rollover date
31 December 2015			
	1,500,000	3.05	8 January 2016
	45,900,000	3.05	8 January 2016
	1,500,000	3.06	8 January 2016
	6,000,000	3.07	18 January 2016
30 June 2015			
	1,400,000	3.26	10 July 2015
	58,300,000	3.05	17 July 2015
	3,000,000	3.04	29 July 2015
	1,500,000	3.11	25 August 2015

(c) Unsecured notes

Unsecured notes were issued up to 30 June 2011 at a fixed term and fixed rate for periods between one and four years. Unsecured notes are recorded at their fair value and subsequently measured at amortised cost. Interest is charged as an expense as it accrues and is payable on a quarterly basis. From Prospectus 30 onwards, unsecured notes are no longer offered as an investment alternative.

	31 December 2015 \$'000	30 June 2015 \$'000
--	-------------------------------	---------------------------

6. COMMITMENTS

Credit related commitments

Customer loans and leases approved but undrawn at reporting date	9,277	8,507
--	-------	-------

7. SUBSEQUENT EVENTS

In the opinion of the directors, there are no other matters or circumstances which have arisen between 31 December 2015 and the date of this report that have significantly affected or may significantly affect the operations of the Company, the results of those operations and the state of affairs of the Company in subsequent financial periods.

DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the half-year financial reports and notes set out on pages 3 to 11 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Company's financial position as at 31 December 2015 and of its performance for the six months ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

On behalf of the R.A.C.V. Finance Company Board



G. Willis
Director
Melbourne, 23 February 2016



Independent auditor's report to the members of R.A.C.V. Finance Limited

Report on the financial report

We have audited the accompanying half-year financial report of R.A.C.V. Finance Limited (the company), which comprises the balance sheet as at 31 December 2015, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards (including *AASB134 Interim Financial Reporting*) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the half-year financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the half-year financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the half-year financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the half-year financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the half-year financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

PricewaterhouseCoopers, ABN 52 780 433 757

Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.



Auditor's opinion

In our opinion, the half-year financial report of R.A.C.V. Finance Limited is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standards (including *AASB134 Interim Financial Reporting*) and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

JF Power
Partner

Melbourne
23 February 2016