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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:

Level 7, 485 Bourke Street

Melbourne, VIC, 3000

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 2019 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 17 February 2020. The Company has the power to amend and reissue the financial report.

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 2019.

Directors in office

The directors in office during the six months ended 31 December 2019 and up to the date of this report are as follows:

Mr G. Robinson (Chairman)
Mr N. Taylor
Ms J. Green

Review of operations and results

From October 2017, the Company made a decision to cease the provision of loans in respect of novated leases.

The operating profit after tax for the six months ended 31 December 2019 was \$2,920,754 (31 December 2018: \$3,234,977).

The loan and lease portfolios totalled 26,587 loans and leases as at 31 December 2019 (30 June 2019: 25,158).

Dividends

The Company did not pay any dividend during the six months ended 31 December 2019 (31 December 2018: \$nil).

Subsequent events

In the opinion of the directors, there are no other matters or circumstances which have arisen between 31 December 2019 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.

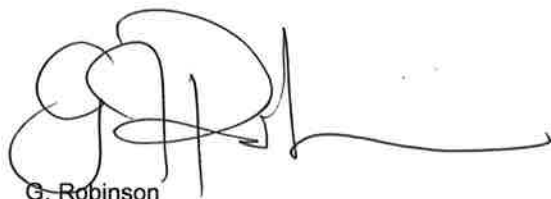
Auditor's independence declaration

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 ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016 issued by the Australian Securities and Investments Commission. Amounts in this Directors' report and the Financial Statements, unless otherwise indicated, have been rounded to the nearest thousand dollars in accordance with that Instrument.

This Director's report is signed in accordance with a resolution of the Board of directors.



G. Robinson
Chairman
Melbourne, 27 February 2020



Auditor's Independence Declaration

As lead auditor for the audit of R.A.C.V. Finance Limited for the half-year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

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Anton Linschoten
Partner
PricewaterhouseCoopers

Melbourne
27 February 2020

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Contents of Financial Statements

- Statement of Comprehensive Income
- Balance Sheet
- Statement of Cash Flows
- Statement of Changes in Equity

Notes to Financial Statements

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2. Receivables
3. Interest bearing liabilities
4. Commitments
5. Subsequent events

INTERIM FINANCIAL REPORT
R.A.C.V. FINANCE LIMITED
STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 31 December 2019

	6 months ended 31 December 2019 \$'000	6 months ended 31 December 2018 \$'000
Interest on loans	14,582	12,983
Interest on leases	1,519	2,659
Interest received from cash at bank	18	20
Interest revenue	16,119	15,662
Interest expense	(6,169)	(5,601)
Net interest revenue	9,950	10,061
Non-interest revenue	561	574
Employee benefits expense	(2,483)	(2,594)
Depreciation and amortisation expense	(20)	(30)
Impairment losses on loans and leases	(369)	(291)
Computer and telecommunications expense	(707)	(805)
Advertising expense	(1,049)	(802)
External fees expense	(337)	(433)
Property expense	(93)	(38)
Finance expense	(516)	(361)
Internal management charges	(525)	(472)
Other expenses	(300)	(102)
Profit before income tax expense	4,112	4,707
Income tax expense	(1,192)	(1,472)
Profit for the six month period attributable to the parent entity	2,920	3,235
Total comprehensive income for the six month period	2,920	3,235

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 2019

	Notes	31 December 2019 \$'000	30 June 2019 \$'000
Assets			
Cash and cash equivalents		5,623	1,981
Receivables	2	476,217	448,214
Prepayments		128	184
Intangible assets		1,416	83
Total assets		483,384	450,462
Liabilities			
Trade creditors and accruals		1,851	1,664
Amounts payable to related entities		1,523	4,686
Interest bearing liabilities	3	397,967	364,627
Employee benefits		807	927
Deferred tax liabilities		1,243	1,485
Total liabilities		403,391	373,389
Net assets		79,993	77,073
Equity			
Contributed equity		15,000	15,000
Retained earnings		64,993	62,073
Total equity		79,993	77,073

The above balance sheet 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 2019

	6 months ended 31 December 2019 \$'000	6 months ended 31 December 2018 \$'000
Cash flows from operating activities		
Interest received	17,381	16,791
Fees, commission and other income received	1,045	803
Tax payments to related entity	(3,857)	-
Net cash outflow from loans	(44,485)	(26,958)
Net cash inflow from leases	14,398	20,188
Payments to suppliers and employees	(6,550)	(1,835)
Interest and other costs of finance paid	(5,992)	(5,950)
Net cash (outflow)/inflow from operating activities	(28,060)	3,039
Cash flows from investing activities		
Payments for purchase of software	(1,353)	(9)
Net cash outflow from investing activities	(1,353)	(9)
Cash flows from financing activities		
Net proceeds/(repayment) from/(of) secured notes	15,055	(8,302)
Net proceeds from subscription agreement	18,000	8,000
Net cash inflow/(outflow) from financing activities	33,055	(302)
Net increase in cash held	3,642	2,728
Cash and cash equivalents at the beginning of the six month period	1,981	1,978
Cash and cash equivalents at end of six month period	5,623	4,706

The above statement of cash flows 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 2019

	Contributed equity \$'000	Retained profits \$'000	Total equity \$'000
Six months ended 31 December 2019			
Balance at 1 July 2019	15,000	62,073	77,073
Total comprehensive income for the six month period	-	2,920	2,920
Balance at 31 December 2019	15,000	64,993	79,993
Six months ended 31 December 2018			
Balance at 1 July 2018	15,000	56,590	71,590
Total comprehensive income for the six month period	-	3,235	3,235
Balance at 31 December 2018	15,000	59,825	74,825

The above statement of changes in equity 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 2019 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 2019 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. RECEIVABLES

	Loan receivables \$'000	Lease receivables \$'000	Other receivables \$'000	Total \$'000
31 December 2019				
Gross receivables	439,767	40,393	91	480,251
Deferred income	-	(2,699)	-	(2,699)
Provision for impairment	(1,168)	(167)	-	(1,335)
Total	438,599	37,527	91	476,217

	Loan receivables \$'000	Lease receivables \$'000	Other receivables \$'000	Total \$'000
30 June 2019				
Gross receivables	397,338	56,510	23	453,871
Deferred income	-	(4,337)	-	(4,337)
Provision for impairment	(1,072)	(248)	-	(1,320)
Total	396,266	51,925	23	448,214

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.

Leases are provided for periods between 6 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.

	6 months ended 31 December 2019 \$'000
(a) Movement in provision for impairment	
Opening balance	1,320
Provision for impairment charged during the period	369
Bad debts written off during the period	(354)
Closing balance	1,335

2. RECEIVABLES (continued)

(b) Accounting estimates, assumptions and judgements: Provision for impairment of loan and lease receivables

Loan and lease receivables are carried at amortised cost less a provision for impairment. The provision for impairment is measured based on an expected credit loss model. In calculating the provision for impairment, the Company has made assumptions about the indicators of credit risk deterioration and write off rates. To mitigate the estimation uncertainty, expected credit losses are reviewed at each reporting period. In addition, all loans and leases are subject to regular management review.

31 December 2019 \$'000	30 June 2019 \$'000
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3. INTEREST BEARING LIABILITIES

Secured

Secured notes	213,758	198,649
Subscription agreement	181,657	163,550
	<u>395,415</u>	<u>362,199</u>
Accrued interest payable	2,552	2,428
	<u>397,967</u>	<u>364,627</u>

Maturity analysis – secured notes, subscription agreement and unsecured notes

Up to 1 month	16,127	20,610
Longer than 1 and not longer than 3 months	28,941	27,232
Longer than 3 months and not longer than 12 months	109,793	98,722
Longer than 1 year and not longer than 5 years	243,106	218,063
	<u>397,967</u>	<u>364,627</u>

(a) Secured notes

Secured notes are issued at a fixed rate for periods between six months and four years. Under the new prospectus issued on 8 November 2019, secured notes are issued at a fixed rate for periods between six months and two years. Existing secured notes with more than two years maturity can only be rolled over for two years upon maturity. 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, semi-annual 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 ("Trust Deed") dated 4 May 2000. On 9 June 2015, the Trust Company (Australia) Limited replaced the original Trustee under and for the purposes 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.

DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the half-year financial reports and notes set out on pages 4 to 12 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 2019 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. Robinson
Chairman

Melbourne, 27 February 2020



Independent auditor's report

To the members of R.A.C.V. Finance Limited

Our opinion

In our opinion:

The accompanying half-year financial report of R.A.C.V. Finance Limited (the Company) 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 2019 and of its financial performance for the half-year then ended
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

What we have audited

The half-year financial report comprises:

- the balance sheet as at 31 December 2019
- the statement of comprehensive income for the half-year then ended
- the statement of changes in equity for the half-year then ended
- the statement of cash flows for the half-year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the half-year financial report* section of our report.

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

Independence

We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the half-year financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.



Other information

The directors are responsible for the other information. The other information comprises the information included in the interim report for the half-year ended 31 December 2019, but does not include the half-year financial report and our auditor's report thereon.

Our opinion on the half-year financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the half-year financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the half-year financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Accounting Standard AASB 134 *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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the half-year financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the half-year financial report

Our objectives are to obtain reasonable assurance about whether the half-year financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the half-year financial report.



A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:
http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

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PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Anton Linschoten', written in a cursive style.

Anton Linschoten
Partner

Melbourne
27 February 2020