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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 2017 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 28 February 2018. 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 2017.

Directors in office

The directors in office during the six months ended 31 December 2017 and up to the date of this report are as follows:

Mr G. D. Willis (Chairman)
Mr N. Taylor
Mr A. Downie

Mr P. C. Turnbull
Mr K. W. White

Review of operations and results

During the reporting period, the Company made a decision to cease the provision of loans in respect of novated leases and discontinued the provision of loans through its Queensland broker channel.

The operating profit after tax for the six months ended 31 December 2017 was \$3,483,118 (31 December 2016: \$1,555,393).

The loan and lease portfolios totalled 23,559 loans and leases as at 31 December 2017 (30 June 2017: 20,274).

Dividends

The Company did not pay any dividend during the six months ended 31 December 2017 (31 December 2016: \$nil).

Subsequent events

In the opinion of the directors, there are no other matters or circumstances which have arisen between 31 December 2017 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 2016/191 dated 24 March 2016. Amounts in the Directors' report and Financial Statements, unless otherwise indicated, have been rounded to the nearest thousand dollars in accordance with that Class Order.

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



G. Willis
Director
Melbourne, 28 February 2018



Auditor's Independence Declaration

As lead auditor for the audit of R.A.C.V. Finance Limited for the half-year ended 31 December 2017, 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.

A handwritten signature in blue ink that reads 'JF Power'.

JF Power
Partner
PricewaterhouseCoopers

Melbourne
28 February 2018

INTERIM FINANCIAL REPORT
R.A.C.V. FINANCE LIMITED
CONTENTS OF FINANCIAL STATEMENTS
For the six months ended 31 December 2017

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4. Provision for impairment
5. Interest bearing liabilities
6. Commitments and contingencies
7. Subsequent events

INTERIM FINANCIAL REPORT
R.A.C.V. FINANCE LIMITED
STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 31 December 2017

	6 months ended 31 December 2017 \$'000	6 months ended 31 December 2016 \$'000
Interest on loans	12,261	9,436
Interest on leases	4,033	3,951
Interest received from cash at bank	18	18
Interest revenue	16,312	13,405
Interest expense	(6,110)	(5,035)
Net interest revenue	10,202	8,370
Non-interest revenue	701	814
Employee benefits expense	(2,261)	(3,134)
Depreciation and amortisation expense	(21)	(57)
Impairment losses on loans and leases	(322)	(519)
Computer and telecommunications expense	(788)	(636)
Advertising expense	(818)	(1,039)
External fees expense	(398)	(130)
Property expense	(97)	(226)
Finance expense	(353)	(375)
Internal management charges	(804)	(768)
Other expenses	(54)	(78)
Profit before income tax expense	4,987	2,222
Income tax expense	(1,504)	(667)
Profit for the six month period attributable to the parent entity	3,483	1,555
Total comprehensive income for the six month period	3,483	1,555

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 2017

	Notes	31 December 2017 \$'000	30 June 2017 \$'000
Assets			
Cash and cash equivalents		2,220	2,297
Loan receivables	2	323,357	308,177
Lease receivables	3	110,725	117,156
Other assets		422	215
Intangible assets		434	456
Total assets		437,158	428,301
Liabilities			
Trade and other payables		3,570	2,827
Interest bearing liabilities	5	360,837	357,005
Employee entitlement liabilities		790	709
Deferred tax liabilities		3,633	2,915
Total liabilities		368,830	363,456
Net assets		68,328	64,845
Equity			
Contributed equity		15,000	15,000
Retained earnings		53,328	49,845
Total equity		68,328	64,845

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 2017

	6 months ended 31 December 2017 \$'000	6 months ended 31 December 2016 \$'000
Cash flows from operating activities		
Interest received	17,258	14,038
Fees, commission and other income received	583	693
Tax payments to related entity	(1,266)	-
Net cash outflow from loans	(16,292)	(31,252)
Net cash inflow/(outflow) from leases	6,275	(6,335)
Payments to suppliers and employees	(4,357)	(4,877)
Interest and other costs of finance paid	(6,004)	(5,269)
Net cash outflow from operating activities	(3,803)	(33,002)
Cash flows from investing activities		
Payments for purchase of software	-	(189)
Net cash outflow from investing activities	-	(189)
Cash flows from financing activities		
Net proceeds/(repayment) from/(of) secured notes	12,726	(4,828)
Net (repayment)/proceeds (of)/from subscription agreement	(9,000)	34,000
Issue of share capital	-	5,000
Net cash inflow from financing activities	3,726	34,172
Net (decrease)/increase in cash held	(77)	981
Cash and cash equivalents at the beginning of the six month period	2,297	2,320
Cash and cash equivalents at end of six month period	2,220	3,301

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 2017

	Contributed equity \$'000	Retained profits \$'000	Total equity \$'000
Six months ended 31 December 2017			
Balance at 1 July 2017	15,000	49,845	64,845
Total comprehensive income for the six month period	-	3,483	3,483
Balance at 31 December 2017	15,000	53,328	68,328
Six months ended 31 December 2016			
Balance at 1 July 2016	5,000	45,878	50,878
Total comprehensive income for the six month period	-	1,555	1,555
Transactions with owners in their capacity as owners: Issued capital	5,000	-	5,000
Balance at 31 December 2016	10,000	47,433	57,433

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 2017 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 2017 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 2017 \$'000	30 June 2017 \$'000
Loans	324,948	309,726
Less: Provision for impairment (refer note 4)	(1,591)	(1,549)
	<u>323,357</u>	<u>308,177</u>
<i>Maturity analysis</i>		
Up to 1 month	7,949	6,799
Longer than 1 and not longer than 3 months	15,058	14,554
Longer than 3 months and not longer than 12 months	67,039	63,311
Longer than 1 year and not longer than 5 years	222,143	212,007
Longer than 5 years	12,759	13,055
	<u>324,948</u>	<u>309,726</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.

	31 December 2017 \$'000	30 June 2017 \$'000
3. LEASE RECEIVABLES		
Gross lease receivables	123,819	131,766
Less: Deferred income on lease receivables	(12,904)	(14,421)
Less: Provision for impairment (refer note 4)	(190)	(189)
Net lease receivables	<u>110,725</u>	<u>117,156</u>
<i>Maturity analysis</i>		
Less than 1 year	43,432	44,856
Longer than 1 year and not longer than 5 years	80,388	86,910
	<u>123,820</u>	<u>131,766</u>
Less: Deferred income	(12,904)	(14,421)
	<u>110,916</u>	<u>117,345</u>
<i>Present value of minimum lease receivables</i>		
Less than 1 year	38,906	39,947
Longer than 1 year and not longer than 5 years	72,010	77,398
	<u>110,916</u>	<u>117,345</u>

Leasing arrangements

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.

The carrying amount of lease receivables approximates their fair value.

	31 December 2017 \$'000	30 June 2017 \$'000
4. PROVISION FOR IMPAIRMENT		
Loan receivables (refer note 2)	1,591	1,549
Lease receivables (refer note 3)	190	189
	<u>1,781</u>	<u>1,738</u>
	6 months ended 31 December 2017 \$'000	12 months ended 30 June 2017 \$'000
Movements		
Opening balance	1,738	1,207
Provision for impairment charged during the period	322	1,067
Bad debts written off during the period	(279)	(536)
Closing balance	<u>1,781</u>	<u>1,738</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 2017 \$'000	30 June 2017 \$'000
5. INTEREST BEARING LIABILITIES		
Secured		
Secured notes	209,051	196,285
Subscription agreement	149,000	158,000
	<u>358,051</u>	<u>354,285</u>
Accrued interest payable	2,786	2,720
	<u>360,837</u>	<u>357,005</u>
<i>Maturity analysis – secured notes, subscription agreement and unsecured notes</i>		
Up to 1 month	36,381	148,118
Longer than 1 and not longer than 3 months	166,560	49,665
Longer than 3 months and not longer than 12 months	124,074	110,720
Longer than 1 year and not longer than 5 years	33,822	48,502
	<u>360,837</u>	<u>357,005</u>

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 months and four years. 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 ("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.

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 1 March 2017, an existing facility with National Australia Bank (NAB) was renewed with a Fourth Amendment Deed to increase the funding limit to \$180 million (previously \$130 million). The facility can be drawn for periods up to six calendar months and expires on 16 September 2018.

As at 31 December 2017, \$149 million of the \$180 million facility was drawn (30 June 2017: \$158 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 2017	18,500,000	2.42	23 January 2018	
	9,000,000	2.45	13 February 2018	
	2,000,000	2.52	2 March 2018	
	119,500,000	2.53	2 March 2018	
30 June 2017	8,500,000	2.47	10 July 2017	
	1,500,000	2.47	10 July 2017	
	111,900,000	2.46	31 July 2017	
	11,600,000	2.46	31 July 2017	
	22,500,000	2.42	4 September 2017	
	2,000,000	2.42	4 September 2017	
			31 December 2017 \$'000	30 June 2017 \$'000

6. COMMITMENTS

Credit related commitments

Customer loans and leases approved but undrawn at reporting date	6,444	9,552
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7. SUBSEQUENT EVENTS

In the opinion of the directors, there are no other matters or circumstances which have arisen between 31 December 2017 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 4 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 2017 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, 28 February 2018



Independent auditor's report

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

Our opinion

In our opinion:

The accompanying 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 2017 and of its financial performance for the half-year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

- the balance sheet as at 31 December 2017
- 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 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* (the Code) that are relevant to our audit of the 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 Company's annual report for the half-year ended 31 December 2017, including directors' report, but does not include the financial report and our auditor's report thereon.

Our opinion on the 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 financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the 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 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 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 and *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the 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 financial report

Our objectives are to obtain reasonable assurance about whether the 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 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.

A handwritten signature in blue ink, appearing to read 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'JF Power'.

JF Power
Partner

Melbourne
28 February 2018