

# **R.A.C.V. FINANCE LIMITED**

ABN 82 004 292 291

## **Interim financial report for the half-year 31 December 2021**

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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 2021 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 8 March 2022. The Company has the power to amend and reissue the financial 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 2021.

#### **Directors in office**

The directors in office during the six months ended 31 December 2021 and up to the date of this report are as follows:

Mr G. Robinson, Chairman  
Mr N. Taylor  
Mr G. D. Willis  
Ms J. Stanley

#### **Review of operations and results**

The operating profit after tax for the six months ended 31 December 2021 was \$2,795,560 (31 December 2020: \$4,794,723). Decrease in operating profit after tax reflects lower interest revenue due to lower portfolio and increased operation costs.

The number of loan and lease accounts totalled 20,248 as at 31 December 2021 (30 June 2021: 21,872).

#### **Dividends**

The Company paid an unfranked dividend of \$4.0 million on 20 September 2021 from retained earnings at 30 June 2021 (31 December 2020: \$15.0 million on 7 September 2020).

#### **Subsequent events**

The Royal Automobile Club of Victoria (RACV) Ltd and the Company are parties to a letter of Financial Support under which the directors of RACV Ltd have undertaken to provide sufficient financial assistance to the Company as and when it is needed to enable the Company to continue its operations and fulfil all of its financial obligations now and in the future. An existing undertaking expires on 1 September 2022. Another undertaking is provided for a minimum period of twelve months from 8 March 2022.

In the opinion of the directors, other than the matters noted above, there are no other matters or circumstances which have arisen between 31 December 2021 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.



Mr G. Robinson  
Chairman

Melbourne  
8 March 2022



## Auditor's Independence Declaration

As lead auditor for the audit of R.A.C.V. Finance Limited for the half-year ended 31 December 2021, 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 black ink, appearing to read 'A. Linschoten', written in a cursive style.

Anton Linschoten  
Partner  
PricewaterhouseCoopers

Melbourne  
8 March 2022

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**Contents of Financial Statements**

Statement of Comprehensive Income  
Balance Sheet  
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**NOTES TO THE FINANCIAL STATEMENTS**

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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 2021

	<b>6 months ended 31 December 2021 \$'000</b>	6 months ended 31 December 2020 \$'000
.		
Interest on loans	11,003	13,762
Interest on leases	208	693
Interest received from cash at bank	16	17
Interest revenue	11,227	14,472
Interest expense	(2,314)	(4,404)
<b>Net interest revenue</b>	<b>8,913</b>	10,068
Non-interest revenue	704	653
<b>Total revenue</b>	<b>9,617</b>	10,721
Employee benefits expense	(2,623)	(1,886)
Advertising expense	(460)	(115)
Computer and telecommunication expense	(990)	(772)
Internal management charges	(244)	(165)
External fees expense	(371)	(229)
Finance expense	(436)	(343)
Impairment losses on loans and leases	(103)	(134)
Property expense	(37)	(26)
Depreciation and amortisation expense	(7)	(7)
Other expenses	(381)	(195)
<b>Total expenses</b>	<b>(5,652)</b>	(3,872)
<b>Profit before income tax expense</b>	<b>3,965</b>	6,849
Income tax expense	(1,169)	(2,055)
<b>Profit for the six month period attributable to the parent entity</b>	<b>2,796</b>	4,794
<b>Total comprehensive income for the six month period</b>	<b>2,796</b>	4,794

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  
31 DECEMBER 2021

	Notes	31 December 2021 \$'000	30 June 2021 \$'000
<b>Assets</b>			
Cash and cash equivalents		6,727	15,507
Receivables	2	374,797	384,375
Prepayments		80	64
Intangible assets		54	60
<b>Total assets</b>		<b>381,658</b>	<b>400,006</b>
<b>Liabilities</b>			
Trade creditors and accruals		1,375	1,306
Amounts payable to related entities		1,062	3,894
Interest bearing liabilities	3	310,690	325,075
Employee benefits		870	866
<b>Total liabilities</b>		<b>313,997</b>	<b>331,141</b>
<b>Net assets</b>		<b>67,661</b>	<b>68,865</b>
<b>Equity</b>			
Contributed equity		15,000	15,000
Retained earnings		52,661	53,865
<b>Total equity</b>		<b>67,661</b>	<b>68,865</b>

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 2021

	<b>6 months ended 31 December 2021 \$'000</b>	6 months ended 31 December 2020 \$'000
<b>Cash flows from operating activities</b>		
Interest received	12,546	15,269
Fees, commission and other income received	695	614
Tax payments to related entity	(2,563)	(3,847)
Net cash inflow from loans	3,947	36,363
Net cash inflow from leases	4,218	9,812
Payments to suppliers and employees	(6,843)	(6,767)
Interest and other costs of finance paid	(3,065)	(4,811)
<b>Net cash inflow from operating activities</b>	<b>8,935</b>	<b>46,633</b>
<b>Cash flows from investing activities</b>		
Transactions with related party	-	1,549
<b>Net cash inflow from investing activities</b>	<b>-</b>	<b>1,549</b>
<b>Cash flows from financing activities</b>		
Net repayment of secured notes	(145,715)	(11,687)
Net proceeds/(repayment) from subscription agreement	132,000	(22,000)
Dividends paid	(4,000)	(15,000)
<b>Net cash outflow from financing activities</b>	<b>(17,715)</b>	<b>(48,687)</b>
<b>Net decrease in cash held</b>	<b>(8,780)</b>	<b>(505)</b>
Cash and cash equivalents at the beginning of the six month period	15,507	7,291
<b>Cash and cash equivalents at end of six month period</b>	<b>6,727</b>	<b>6,786</b>

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 2021

	<b>Contributed equity \$'000</b>	<b>Retained earnings \$'000</b>	<b>Total equity \$'000</b>
<b>Six months ended 31 December 2021</b>			
Balance at 1 July 2021	15,000	53,865	68,865
Total comprehensive income for the six month period	-	2,796	2,796
Dividends paid	-	(4,000)	(4,000)
<b>Balance at 31 December 2021</b>	<b>15,000</b>	<b>52,661</b>	<b>67,661</b>
<b>Six months ended 31 December 2020</b>			
Balance at 1 July 2020	15,000	64,419	79,419
Total comprehensive income for the six month period	-	4,794	4,794
Dividends paid	-	(15,000)	(15,000)
<b>Balance at 31 December 2020</b>	<b>15,000</b>	<b>54,213</b>	<b>69,213</b>

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 2021 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 2021 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
<b>31 December 2021</b>				
Gross receivables	372,541	4,011	54	376,606
Deferred income	-	(107)	-	(107)
Provision for impairment	(1,536)	(166)	-	(1,702)
<b>Total</b>	<b>371,005</b>	<b>3,738</b>	<b>54</b>	<b>374,797</b>

<b>30 June 2021</b>				
Gross receivables	377,924	8,606	46	386,576
Deferred income	-	(320)	-	(320)
Provision for impairment	(1,673)	(208)	-	(1,881)
<b>Total</b>	<b>376,251</b>	<b>8,078</b>	<b>46</b>	<b>384,375</b>

### *Maturity analysis*

Up to 1 month	10,170	11,684
Longer than 1 month and not longer than 3 months	18,949	20,527
Longer than 3 months and not longer than 12 months	80,705	85,385
Longer than 1 year and not longer than 5 years	243,711	248,524
Longer than 5 years	23,071	20,456
	<b>376,606</b>	<b>386,576</b>

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.

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

## 2 Receivables (continued)

### (a) Movement in provision for impairment

	6 months ended 31 December 2021 \$'000
Opening balance	1,881
Provision raised during the period	103
Bad debts written off during the period	(282)
<b>Closing balance</b>	<b>1,702</b>

### (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.

#### *Management overlay*

At 31 December 2021 approximately 6.67% (30 June 2021: 5.98%) of the Company's customers have requested a payment holiday. In the current ECL model, loan accounts with a payment holiday are moved from Stage 1 to Stage 2 despite no arrears trigger being present. Management assessed that overall COVID-19 risk remains relatively stable, thus no change in the estimated probability of default for these loan accounts relative to 30 June 2021.

The full impact of the COVID-19 pandemic is uncertain and has not yet materialised over the past 18 months, primarily as a result of the national and local government stimulus, measures taken to support the economy and customer behaviour during lockdown. The modelled performance of these receivables continues to evolve as the situation unfolds with potential new COVID-19 strains, booster shot requirements and further potential restrictions.

## 3 Interest bearing liabilities

	31 December 2021 \$'000	30 June 2021 \$'000
<b>Secured</b>		
Secured notes	2,453	148,168
Subscription agreement	307,973	175,892
	310,426	324,060
Accrued interest payable	264	1,015
	<b>310,690</b>	<b>325,075</b>
<i>Maturity analysis</i>		
Up to 1 month	708	25,192
Longer than 1 month and not longer than 3 months	970	43,543
Longer than 3 months and not longer than 12 months	308,537	246,798
Longer than 1 year and not longer than 5 years	475	9,542
	<b>310,690</b>	<b>325,075</b>

### 3 Interest bearing liabilities (continued)

#### (a) Secured notes

Under the prospectus issued on 8 November 2019, secured notes are issued at a fixed rate for periods between 6 months and 2 years (prior to 8 November 2019: at a fixed rate for periods between 6 months and 4 years). This prospectus was closed on 2 November 2020 and no new prospectus was issued. Existing secured notes can only be rolled over for 6 months upon maturity from 10 December 2020 and cannot be rolled over upon maturity from 1 July 2021. 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.

The Company is expecting to repay all retail noteholders by March 2022 with a view to establishing an alternate form of funding. The timing of closing its secured notes program and winding up of Trust Deed is yet to be determined.

#### (b) Subscription agreement

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

On 31 August 2021, an amendment to the existing facility was established with National Australia Bank Limited ("NAB") to extend the expiry date of Tranche B to 31 August 2022.

As at 31 December 2021, \$308.0 million of the \$400.0 million facility was drawn (30 June 2021: \$176.0 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	Interest rate (payable at rollover)	Rollover date
	\$	% p.a.	
<b>31 December 2021</b>	20,000,000	0.82	14 January 2022
	15,000,000	0.87	28 January 2022
	18,000,000	0.84	15 February 2022
	162,000,000	0.85	25 February 2022
	8,000,000	0.86	3 March 2022
	26,000,000	0.86	15 March 2022
	34,000,000	0.87	21 March 2022
	25,000,000	0.87	30 March 2022

### 3 Interest bearing liabilities (continued)

#### (b) Subscription agreement (continued)

	Principal amount	Interest rate (payable at rollover)	Rollover date
	\$	% p.a.	
<b>30 June 2021</b>	2,000,000	1.24	20 August 2021
	1,500,000	1.24	25 August 2021
	147,500,000	1.24	27 August 2021
	10,000,000	1.22	17 September 2021
	15,000,000	1.23	30 September 2021

### 4 Commitments

	31 December 2021 \$'000	30 June 2021 \$'000
<b>Credit related commitments</b>		
Customer loans and leases approved but undrawn at reporting date	<b>9,661</b>	14,232

### 5 Subsequent events

The Royal Automobile Club of Victoria (RACV) Ltd and the Company are parties to a letter of Financial Support under which the directors of RACV Ltd have undertaken to provide sufficient financial assistance to the Company as and when it is needed to enable the Company to continue its operations and fulfil all of its financial obligations now and in the future. This undertaking is provided for a minimum period of twelve months from 8 March 2022.

In the opinion of the directors, there are no other matters or circumstances which have arisen between 31 December 2021 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 5 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 2021 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 directors.

**On behalf of the Board**



Mr G. Robinson  
Chairman

Melbourne  
8 March 2022



## Independent auditor's report

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

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### 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 2021 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 2021
- 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 significant accounting policies and other explanatory information
- the directors' declaration.

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### 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 & 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.

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### 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 2021, but does not include the half-year financial report and our auditor's report thereon.

PricewaterhouseCoopers, ABN 52 780 433 757  
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001  
T: 61 3 8603 1000, F: 61 3 8603 1999

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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.

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### **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.

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### **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](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This description forms part of our auditor's report.

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

PricewaterhouseCoopers

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

Anton Linschoten  
Partner

Melbourne  
8 March 2022