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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 2020 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 15 February 2021. 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 2020.

### Directors in office

The directors in office during the six months ended 31 December 2020 and up to the date of this report are as follows:

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

### Review of operations and results

The operating profit after tax for the six months ended 31 December 2020 was \$4,794,723 (31 December 2019: \$2,920,754) which included additional provision charge of \$100,391 (31 December 2019: \$nil) for the expected credit loss as a result of COVID-19. Given the uncertainty around COVID-19 and its future impact, the situation and the potential impact this could have on the receivables book will continue to be monitored.

The number of loan and lease portfolios totalled 23,094 as at 31 December 2020 (30 June 2020: 25,512).

### Dividends

The Company paid an unfranked dividend of \$15 million on 7 September 2020 from retained earnings at 30 June 2020 (31 December 2019: \$nil).

### 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 15 February 2021.

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 2020 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, 15 February 2021



## *Auditor's Independence Declaration*

As lead auditor for the audit of R.A.C.V. Finance Limited for the half-year ended 31 December 2020, 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  
15 February 2021

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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**

1. Basis of preparation of six months report
2. Receivables
3. Trade creditors and accruals
4. Interest bearing liabilities
5. Commitments
6. Subsequent events

INTERIM FINANCIAL REPORT  
R.A.C.V. FINANCE LIMITED  
STATEMENT OF COMPREHENSIVE INCOME  
For the six months ended 31 December 2020

	6 months ended 31 December 2020 \$'000	6 months ended 31 December 2019 \$'000
Interest on loans	13,762	14,582
Interest on leases	693	1,519
Interest received from cash at bank	17	18
Interest revenue	14,472	16,119
Interest expense	(4,404)	(6,169)
<b>Net interest revenue</b>	<b>10,068</b>	<b>9,950</b>
<b>Non-interest revenue</b>	<b>653</b>	<b>561</b>
Employee benefits expense	(1,886)	(2,483)
Depreciation and amortisation expense	(7)	(20)
Impairment losses on loans and leases	(134)	(369)
Computer and telecommunications expense	(772)	(707)
Advertising expense	(115)	(1,049)
External fees expense	(229)	(337)
Property expense	(26)	(93)
Finance expense	(343)	(516)
Internal management charges	(165)	(525)
Other expenses	(195)	(300)
<b>Profit before income tax expense</b>	<b>6,849</b>	<b>4,112</b>
Income tax expense	(2,055)	(1,192)
<b>Profit for the six month period attributable to the parent entity</b>	<b>4,794</b>	<b>2,920</b>
<b>Total comprehensive income for the six month period</b>	<b>4,794</b>	<b>2,920</b>

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 2020

	Notes	31 December 2020 \$'000	30 June 2020 \$'000
<b>Assets</b>			
Cash and cash equivalents		6,786	7,291
Receivables	2	399,192	446,259
Prepayments		402	195
Intangible assets		67	1,623
Deferred tax assets		529	1,092
<b>Total assets</b>		<b>406,976</b>	<b>456,460</b>
<b>Liabilities</b>			
Trade creditors and accruals	3	1,396	5,142
Amounts payable to related entities		1,396	2,978
Interest bearing liabilities	4	334,087	368,070
Employee benefits		884	851
<b>Total liabilities</b>		<b>337,763</b>	<b>377,041</b>
<b>Net assets</b>		<b>69,213</b>	<b>79,419</b>
<b>Equity</b>			
Contributed equity		15,000	15,000
Retained earnings		54,213	64,419
<b>Total equity</b>		<b>69,213</b>	<b>79,419</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 2020

	6 months ended 31 December 2020 \$'000	6 months ended 31 December 2019 \$'000
<b>Cash flows from operating activities</b>		
Interest received	15,269	17,381
Fees, commission and other income received	614	1,045
Tax payments to related entity	(3,847)	(3,857)
Net cash inflow/(outflow) from loans	36,363	(44,485)
Net cash inflow from leases	9,812	14,398
Payments to suppliers and employees	(6,767)	(6,550)
Interest and other costs of finance paid	(4,811)	(5,992)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>46,633</b>	<b>(28,060)</b>
<b>Cash flows from investing activities</b>		
Payments for purchase of software	-	(1,353)
Transactions with related entity	1,549	-
<b>Net cash outflow from investing activities</b>	<b>1,549</b>	<b>(1,353)</b>
<b>Cash flows from financing activities</b>		
Net (repayment)/proceeds (of)/from secured notes	(11,687)	15,055
Net (repayment)/proceeds (of)/from subscription agreement	(22,000)	18,000
Dividend paid	(15,000)	-
<b>Net cash (outflow)/inflow from financing activities</b>	<b>(48,687)</b>	<b>33,055</b>
<b>Net (decrease)/increase in cash held</b>	<b>(505)</b>	<b>3,642</b>
Cash and cash equivalents at the beginning of the six month period	7,291	1,981
<b>Cash and cash equivalents at end of six month period</b>	<b>6,786</b>	<b>5,623</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 2020

	Contributed equity \$'000	Retained profits \$'000	Total equity \$'000
<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>
<b>Six months ended 31 December 2019</b>			
Balance at 1 July 2019	15,000	62,073	77,073
Total comprehensive income for the six month period	-	2,920	2,920
<b>Balance at 31 December 2019</b>	<b>15,000</b>	<b>64,993</b>	<b>79,993</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 2020 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 2020 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 2020</b>				
Gross receivables	385,970	16,224	56	402,250
Deferred income	-	(753)	-	(753)
Provision for impairment	(2,028)	(277)	-	(2,305)
Total	383,942	15,194	56	399,192
<b>30 June 2020</b>				
Gross receivables	423,100	26,958	14	450,072
Deferred income	-	(1,507)	-	(1,507)
Provision for impairment	(1,984)	(322)	-	(2,306)
Total	421,116	25,129	14	446,259

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 were 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 2020 \$'000
<b>(a) Movement in provision for impairment</b>	
Opening balance	2,306
Provision for impairment charged during the period	134
Bad debts written off during the period	(135)
Closing balance	2,305

## 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. In light of COVID-19, an additional assessment of hardship applications with respect of receivables with balances more than 30 days past due was completed and formed part of the Management overlay outlined below.

#### *Management overlay*

At 31 December 2020 approximately 5.20% (30 June 2020: 4.27%) 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. However, given uncertainty around the full impact of the COVID-19 pandemic as at the balance date, Management specifically considered the increase in the estimated probability of default for these loan accounts. As a result, a management overlay provision of \$1,010,086 (30 June 2020: \$909,677) was raised in addition to the standard modelled provision.

The modelled performance of these receivables will evolve as the situation unfolds and more data is available to model or understand the credit risk and loss implications from the COVID-19 pandemic and the mitigating impact of government stimulus. Over time, as the impact is more understood and reflected in the data, management will continue to assess the adequacy of this overlay.

	31 December 2020 \$'000	30 June 2020 \$'000
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## 3. TRADE CREDITORS AND ACCRUALS

Trade creditors and accruals	1,396	1,243
Provision for remediation payments	-	3,899
	<u>1,396</u>	<u>5,142</u>

In view of ASIC's Auto Lending Industry Review, the Company has undertaken a review of the loan book to identify affected customers. A comprehensive review is completed by the Company and no additional provision is expected.

## 4. INTEREST BEARING LIABILITIES

### **Secured**

Secured notes	191,391	203,046
Subscription agreement	140,876	162,767
	<u>332,267</u>	<u>365,813</u>
Accrued interest payable	1,820	2,257
	<u>334,087</u>	<u>368,070</u>

### *Maturity analysis – secured notes, subscription agreement and unsecured notes*

Up to 1 month	25,389	20,212
Longer than 1 and not longer than 3 months	110,480	30,201
Longer than 3 months and not longer than 12 months	98,648	184,185
Longer than 1 year and not longer than 5 years	99,570	133,472
	<u>334,087</u>	<u>368,070</u>

#### 4. INTEREST BEARING LIABILITIES (continued)

##### (a) Secured notes

Secured notes were 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.

##### (b) Subscription agreement

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

On 28 February 2019, a facility with National Australia Bank Limited ("NAB") was established for \$350 million, consisting of Tranche A \$175 million and Tranche B \$175 million, and can be drawn for periods up to 24 and 36 calendar months respectively. The Tranche A facility and Tranche B facility expire on 28 February 2021 and 2022 respectively.

As at 31 December 2020, \$141 million of the \$350 million facility was drawn (30 June 2020: \$163 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
<b>31 December 2020</b>	66,000,000	1.67	26 February 2021
	66,000,000	1.97	26 February 2021
	2,000,000	1.67	26 February 2021
	2,000,000	1.97	26 February 2021
	5,000,000	1.96	17 March 2021
<b>30 June 2020</b>	77,000,000	1.75	26 August 2020
	77,000,000	2.05	26 August 2020
	4,500,000	1.75	11 September 2020
	4,500,000	2.05	11 September 2020

	31 December 2020 \$'000	30 June 2020 \$'000
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## 5. COMMITMENTS

### Credit related commitments

Customer loans and leases approved but undrawn at reporting date	7,432	3,090
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## 6. 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 15 February 2021.

In the opinion of the directors, there are no other matters or circumstances which have arisen between 31 December 2020 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 2020 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, 15 February 2021



## *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 2020 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 2020
- 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 2020, 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.

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**PricewaterhouseCoopers, ABN 52 780 433 757**  
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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 cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in cursive script that reads 'Anton Linschoten'.

Anton Linschoten  
Partner

Melbourne  
15 February 2021