

# Interim financial report

**RAC Finance Limited - for the half year ended  
31 December 2023**

RAC Finance Limited  
ABN 77 009 066 862  
Australian Credit Licence 387972 <sup>1</sup>



# **RAC Finance Limited**

ABN 77 009 066 862

## **Interim report for the half-year ended 31 December 2023**

**RAC Finance Limited** ABN 77 009 066 862  
**Interim report - 31 December 2023**

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## Directors' report

Your Directors present their report on the company for the half-year ended 31 December 2023.

### Directors

The following persons held office as Directors of RAC Finance Limited during the financial period and up to the date of this report unless otherwise stated:

Jim Walker (Chair)  
Andrew Crane  
Vicki Robinson  
Jacqueline Ronchi  
Yasmin Broughton  
Dalton Gooding  
Robert Slocombe (Executive Director, Group Chief Executive Officer)  
Timothy Shanahan

### Review of operations

The entity's profit after tax for the half-year ended 31 December 2023 was \$2,299,092 (2022: \$3,229,274).

Market and economic conditions for the car loan and property development finance markets were stable during the half-year, with the company's focus to maintain liquidity and a conservative credit risk profile. The company made a profit before income tax of \$3,284,417 (2022: \$4,613,250), decreasing from the prior half-year mainly driven by higher cost of funds.

### Auditor's independence declaration

Ernst & Young Australia, our auditors, have provided a written independence declaration to the Directors in relation to their review of the financial report for the half-year ended 31 December 2023. The independence declaration can be found on page 16, and forms part of this report.

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



Jim Walker  
Chair

Perth, W.A.  
20 February 2024

**RAC Finance Limited** ABN 77 009 066 862  
**Interim report - 31 December 2023**

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**RAC Finance Limited**  
**Income statement**  
**For the half-year 31 December 2023**

		31 December 2023	31 December 2022
	Notes	\$	\$
<b>Revenue</b>			
Interest revenue		16,359,716	13,536,375
Interest expense		<u>(6,998,627)</u>	<u>(3,464,139)</u>
<b>Net interest income</b>		<b>9,361,089</b>	<b>10,072,236</b>
Other income	2	265,640	268,105
<b>Expenses</b>			
Management fees		(1,567,450)	(1,240,453)
Depreciation and amortisation expense	3	(29,615)	(19,097)
Other operating expenses		(987,931)	(892,121)
Advertising and promotional expenses		(695,395)	(731,532)
Employee benefits expense	3	(2,675,120)	(2,494,069)
Credit loss expense	3	(19,983)	(27,188)
Expected credit loss expense	7(a)	(7,365)	30,102
Commissions and fees		(252,407)	(212,993)
Borrowing costs	3	<u>(107,046)</u>	<u>(139,740)</u>
<b>Profit before income tax</b>		<b>3,284,417</b>	<b>4,613,250</b>
Income tax expense		<u>(985,325)</u>	<u>(1,383,976)</u>
<b>Profit for the period</b>		<b>2,299,092</b>	<b>3,229,274</b>
Profit is attributable to:			
Owner of RAC Finance Limited		2,299,092	3,229,274

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

**RAC Finance Limited**  
**Statement of comprehensive income**  
**For the half-year 31 December 2023**

	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>\$</b>	<b>\$</b>
<b>Profit for the period</b>	<u><b>2,299,092</b></u>	<u><b>3,229,274</b></u>
Total comprehensive income for the period is attributable to:		
Owner of RAC Finance Limited	<u><b>2,299,092</b></u>	<u><b>3,229,274</b></u>
	<u><b>2,299,092</b></u>	<u><b>3,229,274</b></u>

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

**RAC Finance Limited**  
**Balance sheet**  
**As at 31 December 2023**

	31 December 2023	30 June 2023
Notes	\$	\$
<b>ASSETS</b>		
Cash and cash equivalents	5 <b>11,385,529</b>	27,414,563
Other financial assets	6 <b>5,071,969</b>	11,049,213
Trade and other receivables	<b>3,904</b>	5,671
Loans and advances	7 <b>391,081,674</b>	384,610,887
Deferred tax assets	<b>723,954</b>	687,087
Property, plant and equipment	<b>32,811</b>	37,977
Intangible assets	<b>84,612</b>	97,641
Other assets	<b>42,618</b>	124,480
<b>Total assets</b>	<b><u>408,427,071</u></b>	<b><u>424,027,519</u></b>
<b>LIABILITIES</b>		
Trade and other payables	8 <b>7,613,786</b>	7,209,862
Interest bearing loans and borrowings	9 <b>336,207,214</b>	349,529,613
Provisions	<b>583,138</b>	564,203
<b>Total liabilities</b>	<b><u>344,404,138</u></b>	<b><u>357,303,678</u></b>
<b>Net assets</b>	<b><u>64,022,933</u></b>	<b><u>66,723,841</u></b>
<b>EQUITY</b>		
Contributed equity	10 <b>30,000,000</b>	30,000,000
Retained earnings	11 <b>34,022,933</b>	36,723,841
<b>Total equity</b>	<b><u>64,022,933</u></b>	<b><u>66,723,841</u></b>

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



**RAC Finance Limited**  
**Statement of changes in equity**  
**For the half-year 31 December 2023**

	Contributed equity \$	Retained earnings \$	Total equity \$
<b>Balance at 1 July 2022</b>	20,000,000	30,474,399	50,474,399
Profit for the period	-	3,229,274	3,229,274
Contributions of equity, net of transaction costs and tax	10,000,000	-	10,000,000
	<u>10,000,000</u>	<u>3,229,274</u>	<u>13,229,274</u>
<b>Balance at 31 December 2022</b>	<b>30,000,000</b>	<b>33,703,673</b>	<b>63,703,673</b>
<b>Balance at 1 July 2023</b>	30,000,000	36,723,841	66,723,841
Profit for the period	-	2,299,092	2,299,092
Dividends provided for or paid	-	(5,000,000)	(5,000,000)
	-	(2,700,908)	(2,700,908)
	<u>30,000,000</u>	<u>34,022,933</u>	<u>64,022,933</u>
<b>Balance at 31 December 2023</b>	<b>30,000,000</b>	<b>34,022,933</b>	<b>64,022,933</b>

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

**RAC Finance Limited**  
**Statement of cash flows**  
**For the half-year 31 December 2023**

	31 December 2023	31 December 2022
Notes	\$	\$
<b>Cash flows from operating activities</b>		
Interest and other operating income from customers	15,940,896	13,323,509
Interest received from deposits	745,725	486,431
Interest payments	(6,930,229)	(1,819,490)
Recoveries on loans previously written off	24,069	41,357
Cash payments to employees and suppliers	(5,675,291)	(5,681,808)
Customer loans advanced	(127,315,436)	(116,320,701)
Customer loan repayments received	120,540,486	90,189,944
Proceeds from borrowings	30,555,769	87,787,986
Repayment of borrowings	(43,878,167)	(34,601,771)
Income taxes paid	(1,002,678)	(1,414,495)
<b>Net cash (outflow)/inflow from operating activities</b>	15 <u>(16,994,856)</u>	<u>31,990,962</u>
<b>Cash flows from investing activities</b>		
Payments for intangible assets	(4,756)	(15,096)
Payments for property, plant and equipment	(6,665)	(3,757)
Proceeds from other financial assets	5,977,243	-
<b>Net cash inflow/(outflow) from investing activities</b>	<u>5,965,822</u>	<u>(18,853)</u>
<b>Cash flows from financing activities</b>		
Dividends paid to parent entity	12 <u>(5,000,000)</u>	-
<b>Net cash outflow from financing activities</b>	<u>(5,000,000)</u>	-
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(16,029,034)</b>	31,972,109
Cash and cash equivalents at the beginning of the financial period	<u>27,414,563</u>	<u>18,283,136</u>
<b>Cash and cash equivalents at end of period</b>	<u><b>11,385,529</b></u>	<u><b>50,255,245</b></u>

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

## 1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these interim financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The interim financial statements are for the entity RAC Finance Limited ("the company").

### (a) General Information

RAC Finance Limited provides financial services to members of The Royal Automobile Club of W.A. (Incorporated) and the public through a distribution network in Australia. RACWA Holdings Pty Ltd is the immediate parent of RAC Finance Limited.

The registered office of RAC Finance Limited is located at:

832 Wellington Street  
 West Perth W.A. 6005

### (b) Basis of preparation (interim report)

This condensed interim report for the half-year reporting period ended 31 December 2023 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting*.

This condensed interim report does not include all the notes of the type normally included in an annual financial report, and should be read in conjunction with the 30 June annual report.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period. Some prior year numbers have been reclassified to ensure consistency with current year presentation.

### (c) Changes in Accounting Policy

Since 1 July 2023, the company has adopted all applicable new Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2023. The adoption of these Standards and Interpretations had no material effect on the financial position or performance of the company.

## 2 Other income

	<b>31 December 2023</b>	<b>31 December 2022</b>
	\$	\$
Fees and commissions	<b>241,571</b>	226,748
Bad debts recovered	<b>24,069</b>	41,357
	<b>265,640</b>	<b>268,105</b>

### 3 Expenses

	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>\$</b>	<b>\$</b>
<b>Profit before income tax includes the following specific expenses:</b>		
<i>Depreciation</i>		
Office machines and equipment	8,215	7,669
Motor vehicles	3,615	3,615
Total depreciation	<b>11,830</b>	<b>11,284</b>
<i>Amortisation</i>		
Intangibles	17,785	7,813
<i>Finance costs</i>		
Borrowing and finance charges paid / payable	<b>107,046</b>	139,740
<i>Employee benefits expenses</i>		
Wages and salaries	2,309,768	2,142,633
Workers' compensation costs	13,930	9,537
Defined contribution superannuation expense	222,598	208,141
Payroll tax	128,824	133,758
Total employee benefits expenses	<b>2,675,120</b>	<b>2,494,069</b>
<i>Credit loss expense</i>		
Credit loss	<b>19,983</b>	27,188

#### 4 Fair Values

The fair values and carrying values of financial assets of the company are as follows:

	31 December 2023		30 June 2023	
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair value \$
Cash	11,385,529	11,385,529	27,414,563	27,414,563
Other financial assets	5,071,969	5,071,969	11,049,213	11,049,213
Other receivables	3,904	3,904	5,671	5,671
Loans and advances - Real estate	90,197,946	90,194,149	91,920,356	91,851,621
Loans and advances - Consumer	300,943,012	280,815,036	292,700,945	274,023,360

The carrying amounts for cash and other receivables approximate fair value. The fair values of loans and advances are estimated using a discounted cash flow analysis, based on current lending rates for similar types of lending arrangements ranging from 10.23% to 10.90%.

For the purpose of fair value disclosure under AASB 13 *Fair Value Measurement*, the loans would be categorised as a level 2 asset where the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

#### 5 Assets - Cash and cash equivalents

	31 December 2023 \$	30 June 2023 \$
Cash at bank and in hand	<u>11,385,529</u>	<u>27,414,563</u>
Balance as per cash flow statement	<u>11,385,529</u>	<u>27,414,563</u>

#### 6 Assets - Other financial assets

	31 December 2023 \$	30 June 2023 \$
Other financial assets	<u>5,071,969</u>	<u>11,049,213</u>

Other financial assets consist of term deposits held to their maturity within three to six months and carry an average fixed interest rate of 4.80%. The deposits are carried at amortised cost. Due to the short term nature of the other financial assets, their carrying amount is considered to be the same as their fair value.

## 7 Assets - Loans and Advances

	<b>31 December 2023</b>	<b>30 June 2023</b>
	<b>\$</b>	<b>\$</b>
Term Loans	<b>392,307,975</b>	385,829,072
Unearned Income	<b>(785,637)</b>	(784,886)
Allowance for expected credit losses	<b>(440,664)</b>	(433,299)
Net loans and advances	<b><u>391,081,674</u></b>	<u>384,610,887</u>

### (a) Allowance for expected credit losses

	<b>31 December 2023</b>	<b>30 June 2023</b>
	<b>\$</b>	<b>\$</b>
Opening balance	<b>(433,299)</b>	(367,902)
Expected credit losses	<b>(7,365)</b>	(65,397)
	<b><u>(440,664)</u></b>	<u>(433,299)</u>

Allowance for expected credit loss has increased in the current period as a result of an increase in hardship loans.

## 8 Liabilities - Trade and other payables

	<b>31 December 2023</b>	<b>30 June 2023</b>
	<b>\$</b>	<b>\$</b>
Trade payables	<b>104,129</b>	29,125
Accrued Interest	<b>5,411,945</b>	5,343,547
Amounts due to related parties	<b>1,067,561</b>	787,386
Accrued expenses	<b>714,924</b>	754,091
Payable to controlling entity under tax funding agreement	<b>315,227</b>	295,713
	<b><u>7,613,786</u></b>	<u>7,209,862</u>

The carrying amount of trade and other payables excluding amount due to related parties approximates its fair value and is non interest bearing. Repayment is expected to occur within 30 days, except for amounts due to related parties which is at call, and payable to the controlling entity under the tax funding agreement, which is 12 months.

## 9 Liabilities - Interest bearing loans and borrowings

	At 31 December 2023		At 30 June 2023	
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair value \$
Investment Notes	<b>336,207,214</b>	<b>333,900,822</b>	349,529,613	346,731,513

None of the classes are readily traded on organised markets in standardised form.

The fair values of investment notes are estimated using discounted cash flow analysis, based on current borrowing rates for similar types of borrowing arrangements ranging from 4.60% to 5.00%.

For the purposes of fair value disclosure under AASB 13 *Fair Value Measurement*, the investment notes would be categorised as a level 2 liability where the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

## 10 Contributed equity

	31 December 2023 Shares	30 June 2023 Shares	31 December 2023 \$	30 June 2023 \$
Ordinary shares Issued and paid up capital	<b>60,000,000</b>	60,000,000	<b>30,000,000</b>	30,000,000

## 11 Retained earnings

Movements in retained earnings were as follows:

	Notes	31 December 2023 \$	30 June 2023 \$
Opening balance		<b>36,723,841</b>	30,474,399
Net profit for the period		<b>2,299,092</b>	6,249,442
Dividends paid	12	<b>(5,000,000)</b>	-
Closing balance		<b>34,022,933</b>	36,723,841

## **12 Dividends**

### **(a) Ordinary shares**

\$5,000,000 of dividends were paid during the half-year ended 31 December 2023 (2022: nil).

## **13 Contingencies**

### **(a) Contingent liabilities**

The company had no contingent liabilities at 31 December 2023 (2022: nil).

## **14 Events occurring after the reporting period**

No matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the company, the results of those operations or the state of affairs of the company or economic entity in subsequent financial periods.



**15 Reconciliation of profit after income tax to net cash inflow/(outflow) from operating activities**

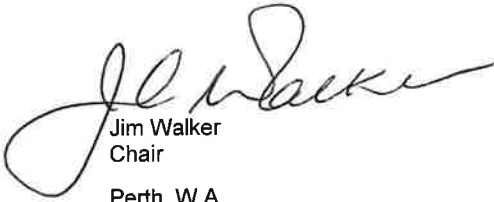
	31 December 2023	31 December 2022
	\$	\$
Profit for the period	2,299,092	3,229,274
Depreciation and amortisation	29,615	19,097
Allowance for expected credit losses	7,365	(30,102)
Credit loss expense	19,983	27,188
Change in operating assets and liabilities:		
Increase/(decrease) in employee entitlements	18,935	(44,836)
Decrease in other assets	83,629	59,288
Increase in accrued interest payable	68,398	1,644,648
Increase/(decrease) in trade and other payables	316,016	(44,390)
Increase/(decrease) in amount payable to head entity under tax funding agreement	19,514	(111,418)
Increase in loans and advances	(6,498,137)	(26,024,901)
(Decrease)/increase in borrowings	(13,322,399)	53,186,215
(Increase)/decrease in deferred tax assets	(36,867)	80,899
Net cash (outflow)/inflow from operating activities	<u>(16,994,856)</u>	<u>31,990,962</u>

**RAC Finance Limited  
Directors' declaration  
31 December 2023**

In the Directors' opinion:

- (a) the interim financial statements and notes set out on pages 2 to 14 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 entity's financial position as at 31 December 2023 and of its performance for the half-year 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.



Jim Walker  
Chair

Perth, W.A.  
20 February 2024



**Building a better  
working world**

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## **Auditor's independence declaration to the directors of RAC Finance Limited**

As lead auditor for the review of the half-year financial report of RAC Finance Limited for the half-year ended 31 December 2023, I declare 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 review;
- b. No contraventions of any applicable code of professional conduct in relation to the review; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

A handwritten signature in black ink that reads 'Ernst &amp; Young' in a cursive style.

Ernst & Young

A handwritten signature in black ink that reads 'J K Newton' in a cursive style.

J K Newton  
Partner  
20 February 2024



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## **Independent auditor's review report to the members of RAC Finance Limited**

### **Conclusion**

We have reviewed the accompanying half-year financial report of RAC Finance Limited (the Company), which comprises the balance sheet as at 31 December 2023, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Company does not comply with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the Company's financial position as at 31 December 2023 and of its financial performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### **Basis for conclusion**

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

### **Directors' responsibilities 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 Australian Accounting Standards 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.

### **Auditor's responsibilities for the review of the half-year financial report**

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Ernst & Young



J K Newton  
Partner  
Perth  
20 February 2024