

Prospectus #35

Secured Note Investment

RAC Finance Secured Note investments are only available to persons receiving this electronic or hard copy prospectus within Australia, and funds can only come from an Australian domiciled bank account. This prospectus does not constitute an offer or invitation to invest in any place outside Australia unless such offers or invitations are permitted in that jurisdiction. Applications for Secured Note investments need to be made on the basis of the application form issued with and forming part of this prospectus.

RAC Finance Limited ABN 77 009 066 862 Australian Credit Licence 387972



RAC Finance Investment Overview

Profile

RAC Finance Limited ("RAC Finance") has been providing a range of financial products for over 30 years. During this time it has never defaulted on a payment of principal or interest to an investor.

RAC Finance is a wholly owned subsidiary of RACWA Holdings Pty Ltd which in turn is wholly owned by the Royal Automobile Club of WA (Inc). The Royal Automobile Club of WA (Inc) and RACWA Holdings Pty Ltd do not guarantee your investment but they are committed to RAC Finance's role as a financier.

As at the date of this prospectus, the Directors do not believe that it is possible to accurately forecast likely profit results for the financial year ending 30 June 2019, although since 30 June 2018, RAC Finance has continued to trade profitably and expects to trade profitably for the year ending 30 June 2019.

Business Model

Funds raised are for the general lending requirements of RAC Finance which comprise consumer and property development loans. In general, we charge our borrowers a higher interest rate than the rates we offer to raise money from investors. As at 30 June 2018, loans and advances comprised real estate/property development lending 36.36% and consumer finance (predominantly motor vehicle finance) 63.64%.

Profits are dependent on the effective management of investment and lending portfolios and RAC Finance has been consistently profitable.

Your Secured Note investment provides a fixed rate of return. Interest rates offered under this prospectus are determined from time to time based on prevailing market conditions.

Risks

All investments contain elements of risk and there is a risk that you could lose some or all of your money. Before applying for an RAC Finance Secured Note investment you should consider the risks involved (outlined in more detail on pages 5 & 6 of this prospectus). These investments are not, and should not be confused with, bank deposit products.

Financial Information

RAC Finance has demonstrated a strong operating performance over recent financial years and the Company's current equity level is adequate for the nature of its business. Financial highlights for the past four years are detailed on page 8.

Directors and Key Management

The Directors and key management of RAC Finance bring relevant experience and skills, including industry and business knowledge, financial management and corporate governance experience:

Alden Halse (Chartered Accountant, MAICD) has been a Director of RAC Finance since October 2005 and has extensive experience as an official liquidator, bankruptcy trustee and registered company auditor. He has expertise in the insurance industry.

Andrew Crane (PhD Agriculture, Bachelor of Science Environmental Studies, FAICD) has been a Director of RAC Finance since April 2018 and has strong experience in executive and board roles with a focus on international trade, supply chains and manufacturing.

Dalton Gooding (Bachelor of Business, Fellow CPA) has been a Director of RAC Finance since August 2000 and has significant experience in chartered accounting and financial services. He has expertise in the insurance and aged care industries.

Dennis Banks (Bachelor of Science, Bachelor of Psychology, MBA, FAICD) has been a Director of RAC Finance since March 1996 and has extensive experience in the finance and e-commerce sectors.

Helen Cook (Bachelor of Science, Graduate Diploma Applied Finance, Honorary Member CPA, GAICD) has been a Director of RAC Finance since January 2014 and has a strong background in professional/financial services.

Jim Walker (GAICD) has been a Director of RAC Finance since November 2013 and has extensive experience in the resources industry and in apprenticeships and training.

Tim Shanahan (Bachelor of Laws, PSM, FAICD) has been a Director of RAC Finance since October 2014 and has strong experience in financial services including the superannuation and insurance industries. He also has extensive senior executive experience.

Terry Agnew (MSc, MBA, Bachelor of Engineering Hons, FAICD) has been a Director of RAC Finance since August 1998 and has had a range of executive and board roles with private and public companies, mutual and member organisations, government, and educational organisations.

Brian Darling (GAICD) has been the General Manager of RAC Finance since 2001 and has extensive executive management experience in financial services with a strong background in consumer and property development finance. Brian has held commercial practice board roles within private and government organisations relating to the real estate industry.

Benchmarks

The Australian Securities and Investments Commission ("ASIC") Regulatory Guide 69 sets out eight benchmarks for issuers to address in a prospectus on an "if not, why not" basis. These benchmarks are not mandatory and are designed to help investors understand the risks associated with these investments and decide whether to invest their money.

The various benchmark disclosures below are potentially important in the context of the risks set out on pages 5 & 6 and the making of an informed investment decision. Investors should consider all benchmarks and not rely on any particular benchmark in making their decision.

The following benchmark information is provided as at 30 June 2018 based on the statutory data and 31 August 2018 based on management data which has not been externally audited.

Benchmark 1 - Equity Ratio

ASIC states: If the issuer has less equity capital invested in the business, there might be no safety margin to tide things over if the business runs into financial difficulties. It could also mean that the issuer has less incentive to operate the business prudently and responsibly because less of its own money is at risk.

As at 30 June 2018, RAC Finance's equity ratio was 11.19% (12.29% as at 30 June 2017) and is defined as follows:

$$\frac{\text{Total Equity } \$32.552\text{m}}{\text{Total Liabilities } \$258.411\text{m} + \text{Total Equity } \$32.552\text{m}} = 11.19\%$$

As at 31 August 2018, RAC Finance's equity ratio was 11.16% and is defined as follows:

$$\frac{\text{Total Equity } \$33.151\text{m}}{\text{Total Liabilities } \$263.817\text{m} + \text{Total Equity } \$33.151\text{m}} = 11.16\%$$

This does not satisfy Benchmark 1 which states that a minimum equity of 20.00% should be held for issuers with more than 10.00% of its lending activity directly or indirectly for property development; the benchmark is 8.00% minimum in all other cases. From an investor risk perspective, this might be an insufficient safety margin if RAC Finance were to run into financial difficulties. However, RAC Finance considers that its level of equity is appropriate for the business model described in this prospectus.

In the financial year ending 30 June 2018, RAC Finance did not pay a dividend (2017 - \$1.400m) to its parent, RACWA Holdings Pty Ltd. Future dividends may be declared subject to regulatory and liquidity considerations.

Benchmark 2 - Liquidity

ASIC states: Liquidity is an important measure of the short-term financial health of an issuer or business. If the issuer has insufficient cash or liquid assets, it might be unable to meet its short-term obligations (eg. to run the business properly, pay interest, or pay investors their money back at the end of the term).

Benchmark 2 is satisfied. RAC Finance ensures that at all times it holds cash or cash equivalents sufficient to meet its projected cash needs over the next three months.

RAC Finance projects its cash flow for the next three months at each month end as part of its ongoing compliance management processes. The material assumptions underlying these projections include analysis of recent actual investment and loan movements, likely investment rollovers (but assuming no new investment funds), investment repayments including interest payments and loan transactions including contractual loan repayments.

RAC Finance does not have a policy of directly matching investment and loan maturities. RAC Finance considers that its maturity profile is reasonably matched. The majority of the investment funds are invested for a term of one year or less and the average rollover ratio over the six month period ending 31 August 2018 was 83.30%. Whilst the majority of loans have historically been for terms of one to five years, on average, these have been repaid within three years. RAC Finance uses its average three monthly re-investment rollover ratio to assess its future cash requirements and stress tests this ratio by 20.00% to allow for any adverse movement in liquidity.

Benchmark 3 - Rollovers/Maturities

ASIC states: An issuer should clearly disclose its approach to rollovers, including what process is followed at the end of the investment term; and how it informs those rolling over or making further investments of any current prospectus and continuous disclosure announcements.

Benchmark 3 is satisfied by RAC Finance disclosing its policy in relation to rollovers/reinvestments.

RAC Finance issues a notice of approaching maturity at least one week before the maturity date. At maturity, an investor can reinvest, add funds or redeem all or part of the maturity value.

On the maturity date, if no other instruction has been received, RAC Finance will automatically reinvest the maturing principal for the same term and interest payment option as the maturing investment, at the interest rate applicable at the date of maturity.

If an investor advises after the maturity date that they do not wish to reinvest then no interest is payable for that interim period after maturity.

Refer to Continuous Disclosure on page 7.

Benchmark 4 - Debt Maturity

ASIC states: An issuer should disclose an analysis of the maturity profile of interest-bearing liabilities (including notes on issue) by term and value; and the interest rates, or average interest rates, applicable to its debts.

Benchmark 4 is satisfied by RAC Finance disclosing the following analysis of its debt maturity profile as at 30 June 2018 and 31 August 2018:

Term	Amount as at 30 June 2018	Amount as at 31 August 2018
Within 3 months	\$60.886m	\$69.391m
Between 3 months & 1 year	\$161.296m	\$154.424m
Between 1 year & 5 years	\$31.633m	\$35.015m
Total	\$253.815m	\$258.830m
Weighted average effective interest rate	3.11% pa	3.10% pa

Benchmark 5 - Loan Portfolio

ASIC states: Is the issuer's loan portfolio heavily concentrated into a small number of loans, or loans to a small number of borrowers? If so, there is a higher risk that a single negative event affecting one loan will put the overall portfolio (and investors' money) at risk.

RAC Finance satisfies Benchmark 5 and discloses the following:

Loan profile	As at 30 June 2018			As at 31 August 2018		
	Consumer	Property	Total	Consumer	Property	Total
Number of Loans	9,549	93	9,642	9,819	98	9,917
In Western Australia	8,608	93	8,701	8,747	98	8,845
In South Australia	941	0	941	1,072	0	1,072
Secured loans	9,325 (97.65%)	93 (100.00%)	9,418 (97.68%)	9,600 (97.77%)	98 (100.00%)	9,698 (97.79%)
Largest borrower		1 (1.08%)	1 (0.01%)		1 (1.02%)	1 (0.01%)
10 largest borrowers		10 (10.75%)	10 (0.10%)		10 (10.20%)	10 (0.10%)
In default/arrears - 30 days and greater	169 (1.77%)	0 (0.00%)	169 (1.75%)	146 (1.49%)	0 (0.00%)	146 (1.47%)
Renegotiated within past 6 months that were greater than 30 days in default/arrears	11 (0.12%)	0 (0.00%)	11 (0.11%)	15 (0.15%)	0 (0.00%)	15 (0.15%)
Subject to legal proceedings	0 (0.00%)	0 (0.00%)	0 (0.00%)	0 (0.00%)	0 (0.00%)	0 (0.00%)
Value of Loans	\$166.009m	\$95.301m	\$261.310m	\$172.380m	\$99.870m	\$272.250m
In Western Australia	\$144.210m	\$95.301m	\$239.511m	\$147.421m	\$99.870m	\$247.291m
In South Australia	\$21.799m	\$0.000m	\$21.799m	\$24.959m	\$0.000m	\$24.959m
Secured loans	\$164.478m (99.08%)	\$95.301m (100.00%)	\$259.779m (99.41%)	\$170.940m (99.16%)	\$99.870m (100.00%)	\$270.810m (99.47%)
Largest borrower		\$4.407m (4.62%)	\$4.407m (1.69%)		\$4.528m (4.53%)	\$4.528m (1.66%)
10 largest borrowers		\$30.909m (32.43%)	\$30.909m (11.83%)		\$33.794m (33.84%)	\$33.794m (12.41%)
In default/arrears Principal amount and/or interest amount in default/arrears	\$2.690m (1.62%)	\$0.000m (0.00%)	\$2.690m (1.03%)	\$2.341m (1.36%)	\$0.000m (0.00%)	\$2.341m (0.86%)
- 30 days and greater	\$0.150m	\$0.000m	\$0.150m	\$0.124m	\$0.000m	\$0.124m
Renegotiated within past 6 months that were greater than 30 days in default/arrears	\$0.166m (0.10%)	\$0.000m (0.00%)	\$0.166m (0.06%)	\$0.256m (0.15%)	\$0.000m (0.00%)	\$0.256m (0.09%)
Subject to legal proceedings	\$0.000m (0.00%)	\$0.000m (0.00%)	\$0.000m (0.00%)	\$0.000m (0.00%)	\$0.000m (0.00%)	\$0.000m (0.00%)

RAC Finance generally restricts exposure to any single borrower to \$75m, although in certain circumstances particular borrowers may be approved for higher limits.

Where a loan is to be used to purchase property, a motor vehicle or other significant assets, these loans will predominantly be secured by way of a registered encumbrance, mortgage or charge.

RAC Finance considers a loan to be in default/arrears when a payment is 30 days overdue. This does not mean that RAC Finance takes no action prior to this point.

Loans in arrears are managed on an individual basis. For defaulting loans covered by the National Consumer Credit Protection Act 2009 (NCCP) and the Uniform Consumer Credit Code 1996 (UCCC), there is a legal requirement to give the debtor 30 days' prior notice of enforcement. For all other loans (eg. chattel mortgages, mortgages), seven days' notice of enforcement is required. Impaired loans are suspended and provisioned where there is doubt of full recovery.

RAC Finance also discloses the following analysis of its loan maturity profile as at 30 June and 31 August 2018:

Term	Amount as at 30 June 2018	Amount as at 31 August 2018
Within 3 months	\$30.944m	\$32.400m
Between 3 months & 1 year	\$85.677m	\$95.487m
Between 1 year & 5 years	\$144.689m	\$144.363m
Greater than 5 years	\$0.000m	\$0.000m
Total	\$261.310m	\$272.250m
Weighted average effective interest rate	7.47% pa	7.43% pa

Benchmark 6 - Related Party Transactions

ASIC states: The risk with related party transactions is that they might not be made with the same rigour and independence as transactions made on an arm's-length commercial basis. There is a greater risk of the loans defaulting and, therefore, investors' money is at greater risk if the issuer has a high number of loans to related parties; and the assessment and approval process for these loans is not independent.

Benchmark 6 is satisfied. RAC Finance's policy states that related entities requiring a loan must pass the same criteria and be subject to the same terms and conditions as third party applicants.

RAC Finance's parent company RACWA Holdings Pty Ltd holds a 17.88% shareholding in Watermark Enterprises Pty Ltd, a company that develops land and sells property in Western Australia. Watermark Enterprises Pty Ltd has a \$1m loan facility with RAC Finance. Dalton Gooding, a Director of RACWA Holdings Pty Ltd and RAC Finance, is a Director and shareholder of Watermark Enterprises Pty Ltd. The loan facility for Watermark Enterprises Pty Ltd of \$1m represents 0.38% of total loans as at 30 June 2018.

The Directors of RAC Finance currently receive directors' fees for acting in that capacity of less than \$100,000 per annum in aggregate, which also applied in the previous financial year.

Benchmark 7 - Valuations

ASIC states: If the issuer does not include information about valuations in the prospectus, it will be more difficult for investors

to assess how risky the investment is. Keeping valuations up to date and shared among a panel means they are more likely to be accurate and independent.

Benchmark 7 is satisfied. RAC Finance obtains valuations on all property loans on an "as is" and "on completion" basis. If a valuation is more than three months' old at the time of loan approval, RAC Finance management seek confirmation from the valuer that the value has not deteriorated, otherwise a new valuation is obtained.

RAC Finance has an established panel of valuers in Western Australia, appointed by its senior management based on their credentials and reputation. Annually each valuer must provide evidence of current professional indemnity insurance. The choice of a valuer is dependent on their area of expertise, with consideration to pricing and turnaround time, with no valuer conducting more than one third of RAC Finance's valuation work as at the time of loan approval.

As an exception, RAC Finance may, on occasion, choose to accept a valuation from a valuer not on its panel and generally from valuers accredited with other major lenders. RAC Finance has obtained the consent of the Trustee for its panel of valuers.

No loan secured by a property asset exceeds 5.00% of the total value of RAC Finance's loan book.

Benchmark 8 - Lending Principles - Loans to Valuations

ASIC states: A high loan-to-valuation ratio means that the investment is more vulnerable to changing market conditions, such as a downturn in the property market. Therefore, the risk of investors losing their money could be higher.

Benchmark 8 is satisfied. RAC Finance maintains a maximum 70.00% loan to valuation ratio on the basis of the latest "as if complete" valuation for property development loans. Loan funds are only provided to developers in stages, based on external evidence of the progress of the development. In all other property lending cases, RAC Finance maintains a maximum 80.00% loan to valuation ratio on the basis of the latest market valuation (refer to Benchmark 7 - Valuations as to the timing of valuations).

Investor Risk

All investments contain elements of risk and there is a risk that you could lose some or all of your money. Before applying for an RAC Finance Secured Note investment you should consider these risks which include, but are not limited to, the following:

Credit and Liquidity Risk

Investors in RAC Finance Secured Note investments should consider the creditworthiness of RAC Finance, including RAC Finance's capacity to repay principal and interest on the investments when due.

The risk that RAC Finance is unable to repay principal and interest to its investors is in part determined by RAC Finance's financial performance and its ability to collect loans advanced to individuals and other borrowers. Accordingly, these factors will be impacted by general economic conditions.

Credit risk and general economic conditions will also affect liquidity risk, ie. RAC Finance's ability to have access to cash resources to repay principal and pay interest when due. In view of the economic environment at the time of issuing this prospectus, please refer to Benchmark 2 - Liquidity on page 3.

The diversity of RAC Finance's portfolio across a number of borrowers who operate in a variety of industries helps reduce these risks.

Loan Default Risk

If there are defaults on loans, RAC Finance's ability to repay principal and interest is also dependent on its ability to realise the value of assets which are the subject of security. This risk increases in times of adverse economic conditions if there is a drop in the value of mortgaged property or motor vehicles in line with market movements.

You should have regard to the information set out in Benchmark 1 - Equity Ratio on page 3 whereby RAC Finance's equity ratio is less than the ASIC benchmark.

Movement in Interest Rates

The interest rate for an RAC Finance Secured Note is fixed for the term of the investment. The interest rate does not vary, for instance, with changes in market rates. If those rates fall, investors will still be entitled to the interest rate that RAC Finance has agreed to pay. If interest rates rise, RAC Finance is not obliged to increase the rate of interest that it will pay.

RAC Finance is subject to interest rate exposure having regard to market movements in interest rates from time to time. Any failure to properly manage this exposure may have a negative impact on RAC Finance. RAC Finance typically has fixed rate lending interest rates for consumer loans for longer maturity terms than its fixed borrowing interest rates. In the event of a fall in interest rates, this exposure is effectively covered. However, due to this maturity term mismatch, an increase in interest rates may result in a reduction in lending margin and subsequent reduction in revenue. RAC Finance manages this risk by adjusting its lending and borrowing rates on offer from time to time to preserve an appropriate lending margin. The property lending interest rates are variable and capable of being amended to respond to interest rate movement up or down.

No Secondary Market

You have the flexibility to transfer your RAC Finance Secured Note investment to another party under certain circumstances. The investments will not be listed and there will be no formal secondary market. Accordingly, you may not be able to locate any party willing to acquire your investment at an acceptable price or at all.

Regulations and Changes to Regulations

The lending activities undertaken by RAC Finance are primarily regulated by the Federal Government. Regulations are subject to change and RAC Finance has no control over the regulations that apply to its activities. Future changes in legislation, regulation or government policy may impact the way RAC Finance conducts its business and may negatively impact the performance of RAC Finance. For example, RAC Finance is reliant on its Australian Credit Licence (ACL) in order to conduct its business and must comply with relevant regulations and the conditions of its ACL. Any non-compliance could lead to a range of consequences which could negatively impact on its performance.

Privacy Disclosure Statement

Under the Privacy Act 1988, we are required to let you know that we may collect and share your personal information within RAC to help us provide you with a better customer service. We may pass your personal information outside of the RAC to our service providers, business partners or other third parties, for promotional purposes, or in the delivery of our products or services to you, or where able to do so under the Privacy Act. Those third parties may contact you or send you information about RAC or RAC branded third party products or services. Under the Privacy Act, you can request access to your personal information at any time. In some limited circumstances and in order to assist you, we may

need to collect sensitive information from you, such as information relating to your health, criminal or racial or ethnic origin. We will not collect sensitive information about you unless you consent to the collection and the information is directly related to our activities. If you would like to know more about our service providers, access to your personal information or RAC's Privacy Policy, please refer to our website by visiting rac.com.au or phone 13 17 03. A copy of the policy may be requested at any time during RAC office hours.

Trust Deed

Your investment is issued under a Trust Deed dated 8 February 1989 (as amended) made between RAC Finance and The Trust Company (Australia) Limited of 123 Pitt Street, Sydney, NSW 2000 as Trustee.

The Trust Deed contains terms upon which your investment is accepted and contains a number of provisions binding on RAC Finance for your protection. The Trustee supervises compliance by RAC Finance with these provisions. The Trust Deed may be amended by RAC Finance and the Trustee in certain circumstances. You may obtain a copy of the Trust Deed by contacting RAC Finance.

The Trustee has consented to be named as Trustee in this prospectus. The Trustee has not authorised or caused the issue of this prospectus. Other than the parts of this prospectus which directly refer to the Trustee, the Trustee has not made any representations as to the truth or accuracy of the contents of this prospectus; and regarding or accepting any responsibility for any statements or omissions in or from any other parts of this prospectus.

Other than the parts of this prospectus which refer directly to the Trustee or which refer to the provisions of the Trust Deed, the Trustee has relied upon the Company for the accuracy of the content of this prospectus.

The Trustee has no involvement in the approval of any related party loans. The Trustee does not make any representations as to the performance of the issuer, the compliance with benchmarks, the maintenance of capital or any particular rate of return.

Security

Your investment with RAC Finance is considered to take the form of Secured Notes for the purposes of ASIC Regulatory Guide 69.

The repayment of your investment is secured by a first ranking charge in favour of the Trustee over all of RAC Finance's assets.

RAC Finance's prime asset as at 30 June 2018 is a loan portfolio of \$261.310m - please refer to Benchmark 5 - Loan Portfolio on pages 4 & 5. These assets are sufficient and are reasonably likely to be sufficient to repay all investments and all other prior or equally ranking liabilities.

The investments offered under this prospectus rank equally with all other similar investments with RAC Finance.

The Trust Deed limits the amount RAC Finance may borrow by requiring the sum of Total Secured Liabilities and Issued Stock to not exceed the lesser of 15 times Shareholders Funds and 90.00% of Total Tangible Assets. As at 30 June 2018 these figures were 8.0:1 and 87.50%.

The Trust Deed further limits the amount RAC Finance may borrow by requiring Total External Liabilities to not exceed the lesser of 15 times Shareholders Funds and 95.00% of Total Tangible Assets. As at 30 June 2018 these figures were 8.16:1 and 89.08%.

Other Information

This Prospectus No 35 is dated 1 October 2018 and a copy has been lodged with ASIC. ASIC takes no responsibility as to its contents.

No investments will be allotted or issued on the basis of this prospectus later than 1 November 2019.

RAC Finance may refuse any application or to satisfy any application in part and may, without prior notice, close and reopen this issue or any part of it.

RAC Finance is not authorised under the Banking Act 1959 and is not supervised by the Australian Prudential Regulation Authority (APRA). Your investment will not be covered by the depositor protection provisions in section 13A of the Banking Act or by the financial claims scheme established under Division 2AA of the Banking Act.

RAC Finance may offer RAC Group rewards or benefits to particular persons or groups from time to time.

RAC Finance's registered address is 832 Wellington Street, West Perth, WA 6005.

Continuous Disclosure

We update our website, rac.com.au/financeinvestments, with current continuous disclosure announcements, including our quarterly report to the Trustee regarding various matters including compliance with benchmarks contained in ASIC Regulatory Guide 69 and copies of the Company's statutory full year and half year financial statements as lodged with ASIC.

Your Investment

Your Secured Note investment provides a fixed rate of return.

Interest Rates

Interest rates offered under this prospectus are determined from time to time based on prevailing market conditions.

Interest rates offered may vary at any time under this prospectus and such variations to rates will apply only to applications lodged on or after the date of variation. If no rate or an incorrect rate is inserted on your application form, you will be notified and you may request the repayment of your investment including interest, within one month of notification.

Interest rates, terms and conditions may differ for particular persons or groups.

To confirm our current interest rates for your investment, please visit our website rac.com.au/financeinvestments or call 08 6150 6246 during normal business hours. You should confirm the current interest rate applicable to your investment before completing an application form.

Interest Payment Frequencies

Interest payments on your investment are paid according to the payment frequency selected in your application instructions.

Interest Calculation

Interest is calculated on a daily basis from the date your funds are deposited with RAC Finance or its authorised agents.

The interest rate is fixed for the term of the investment. The interest rate does not vary, for instance, with changes in market rates.

Withholding Tax

RAC Finance reserves the right to deduct withholding tax and other taxation deductions where required to do so under any applicable taxation laws.

Payment of Interest

Your interest can be paid by cheque or directly into your bank account or added to your investment (i.e. capitalised).

Payment upon Maturity

Investments will be repaid upon maturity to an Australian domiciled account in the name of the investor.

Investment Confirmation

RAC Finance will send you confirmation of your investment within a few days of accepting your application.

Annual Statement

RAC Finance will send you a statement of interest earned for each taxation year ending each 30 June.

For tax purposes, capitalised interest is generally included in your assessable income as it is credited (added to your investment) during the investment term. However, the situation may vary depending on your particular tax position and you should consult your tax adviser.

Repayment Prior to Maturity

Investments will be repaid prior to maturity without interest adjustment to executors or administrators of deceased estates subject to written requests.

RAC Finance will consider any written request by an investor who wishes to withdraw part or all of an investment before maturity due to exceptional circumstances that may lead to hardship (being an unexpected need for funds not anticipated at the time the investment was made and which appropriately warrants the early release at RAC Finance's sole discretion). If RAC Finance agrees to an early repayment, an interest adjustment is likely to apply.

No Costs

RAC Finance does not impose any management fees and no brokerage is payable by you on new investments.

Statement by Directors

As at the date of this prospectus, the Directors do not believe that it is possible to accurately forecast likely profit results for the financial year ending 30 June 2019, although since 30 June 2018, RAC Finance has continued to trade profitably and expects to trade profitably for the year ending 30 June 2019.

Various risks in relation to an investment are set out on pages 5 & 6. Notwithstanding these, RAC Finance considers that the risks associated with an investment under this prospectus are minimal.

RAC Finance conducts an appropriate risk assessment of borrowers before lending to them. As at 30 June 2018, all real estate/property development lending was secured by mortgage and only 0.59% by value of total loans were unsecured.

The Directors are confident that RAC Finance will meet all interest and principal payments as they fall due.

The Directors have given their written consent to the issue of this prospectus and its lodgement with ASIC.

Signed on behalf of RAC Finance Limited

H A Cook, Director

Financial Details

Based on RAC Finance's 30 June 2018 audited Annual Report (available online at rac.com.au/financeinvestments)

Abbreviated balance sheet

Assets	June 2018 \$000	June 2017 \$000	Liabilities	June 2018 \$000	June 2017 \$000
Gross loans & advances	262,954	188,857	Secured notes	253,815	175,311
Specific provision for impairment	(236)	(182)	Other liabilities	4,596	3,477
Unearned income	(711)	(683)	Total liabilities	258,411	178,788
	262,007	187,992	Net assets	32,552	25,045
Collective provision for impairment	(697)	(447)			
Net loans & advances	261,310	187,545	Equity	June 2018 \$000	June 2017 \$000
Cash	28,218	15,372	Contributed equity	10,000	5,000
Other assets	1,435	916	Retained profits	22,552	20,045
Total assets	290,963	203,833	Total equity	32,552	25,045

Financial highlights

Based on RAC Finance's accounts

	June 2018 \$000	June 2017 \$000	June 2016 \$000	June 2015 \$000
Secured notes	253,815	175,311	162,743	138,705
Total assets	290,963	203,833	190,581	166,286
Total equity	32,552	25,045	24,434	24,489
Total revenue	19,610	16,776	15,919	16,352
Net profit after tax	2,507	2,010	1,841	1,894
Interest expense				
- related parties	-	-	-	-
- other	6,573	5,498	5,001	6,120
Bad/doubtful debts expense	693	912	615	518
Gross loans & advances				
- (net of collective & specific provision for impairment & unearned income)	261,310	187,545	178,656	153,134
Average loan balance				
- real estate/property development	1,025	958	907	829
- consumer	17	16	16	15
Number of loans in portfolio				
- real estate/property development	93	61	74	63
- consumer	9,549	7,858	7,008	6,636
% value of suspended loans/loans & advances	0.19	0.17	0.79	0.85
Gearing (liabilities/total equity)	79:1	7:1	6.8:1	5.8:1
Net interest cover (operating profit before interest & tax / interest expense)	1.55	1.52	1.53	1.44

Consolidated cash flow statement

Based on RAC Finance's accounts

	June 2018 \$000	June 2017 \$000	June 2016 \$000	June 2015 \$000
Net cash inflow (outflow) from operating activities after income tax	7,649	5,816	1,125	604
Net cash inflow (outflow) from investing activities	(10)	(107)	(18)	-
Net cash inflow (outflow) from financing activities	5,207	(1,427)	(1,975)	(2,047)
Net increase (decrease) in cash and cash equivalents	12,846	4,282	(868)	(1,443)
Cash and cash equivalents at the beginning of the financial year	15,372	11,090	11,958	13,401
Cash and cash equivalents at the end of the financial year	28,218	15,372	11,090	11,958



RAC Finance Prospectus #35

Secured Note Application Form

How to Invest

1. Confirm current interest rates

To confirm our current interest rates for your Investment

- » Visit rac.com.au/financeinvestments or
- » Call **08 6150 6246** during normal business hours of 8:30am - 5:00pm Monday to Friday (WST).

2. Complete your application form

To complete the application form fill out the details on the reverse side of this form.

Please note your application form must be signed by:

- » You, the individual investor
- » Each investor to a joint application (joint tenancy is presumed unless notified otherwise in writing by all parties)
- » The authorised representative of a company or a corporate trustee (please state capacity of signatory)
- » The trustee(s), and applications by trusts must be made in the full personal name(s) of the trustee(s)
- » The authorised attorney of an investor who states that no notice of revocation has been received (please provide a verified copy of the Power of Attorney).

Investment amount:

RAC Finance accepts a minimum amount of **\$5,000** and a maximum of **\$400,000** for all investments unless a prior arrangement has been made.

Investment options:

Please select your preferred term and interest payment option as detailed in the table below.

6 Months	1 Years	2 Years	3 Years	4 Years	Interest frequency	Interest payment method
n/a	✓	✓	✓	✓	Monthly	Electronic transfer
n/a	✓	✓	✓	✓	3 monthly	Electronic transfer
✓	n/a	n/a	n/a	n/a	6 monthly	Electronic transfer or capitalise
n/a	✓	✓	✓	✓	12 monthly	Electronic transfer or capitalise

3. Lodge your application and funds

You can lodge your application:

- » By email to racfinanceinvestments@rac.com.au
- » By mail to RAC Finance Limited
Reply Paid 1306, West Perth WA 6872
- » At any RAC Member Service Centre

Direct Debit To authorise us to direct debit your investment funds from your nominated bank account, please complete Section 3 - Payment Details on page 10. Please ensure that the details are clear and correct.

Payments will be transacted from the stated account in the name of the investor/s on the nominated date or upon receipt of this application if the nominated date has passed.

Direct Credit (EFT) You can pay online by using BSB 036 016. Account No: 148258 and as a reference use the last 7 digits of your phone number shown on the application form.

Cheques must be made payable to RAC Finance Limited, marked "not negotiable" and delivered to any RAC Member Service Centre, or mailed to the above Reply Paid address.

(NB: No cash accepted)

RAC Finance Prospectus #35

Secured Note Application Form

1. Investment Details (please complete A, B and C)

A) What amount would you like to invest?

Amount

What term would you like to invest your funds for?

6 months* 1 year 2 years 3 years 4 years

*6 month interest can only be paid at the end of the term by EFT or can be capitalised upon reinvestment

B) Interest rate?

Interest Rate For current interest rates, visit rac.com.au/financeinvestments.

C) Your interest can be paid directly into your bank account (EFT) OR added to your investment (capitalise).

Interest frequency: Monthly 3 monthly 6 monthly (for 6 month term only) 12 monthly

Interest payment method: EFT Capitalise* *Capitalisation is not available with monthly or 3 monthly interest frequency

If EFT is selected, please provide your bank account details: BSB Acc No.

2. Payment Details

How would you like to pay for your Investment? Please see section 3 of previous page for full instructions.

Cheque Direct Credit (EFT) Direct Debit on BSB Acc No.
Nominated Date

3. Personal Details

What type of investor are you? Individual/Joint Company Trust

Company/Trust name: Director/Trustee name:

INVESTOR 1	INVESTOR 2
Title <input type="text"/>	Title <input type="text"/>
Surname <input type="text"/>	Surname <input type="text"/>
Given name/s <input type="text"/>	Given name/s <input type="text"/>
Street No./Street name <input type="text"/>	Street No./Street name <input type="text"/>
Suburb <input type="text"/>	Suburb <input type="text"/>
State <input type="text"/>	State <input type="text"/>
Postcode <input type="text"/>	Postcode <input type="text"/>
Email <input type="text"/>	Email <input type="text"/>
Telephone number <input type="text"/>	Telephone number <input type="text"/>
Date of birth <input type="text"/>	Date of birth <input type="text"/>
RAC membership number <input type="text"/>	RAC membership number <input type="text"/>
TFN/ABN or specify *exemption if claimed <input type="text"/>	TFN/ABN or specify *exemption if claimed <input type="text"/>

Collection of tax file information is authorised by tax laws. Quotation is not compulsory, but withholding tax will be taken out of your interest if you do not quote. Please notify us if you do not authorise RAC Finance to use tax file information already on file with RAC Finance. *If applying for an exemption, please contact us for details of additional information you'll need to provide.

4. Signature/s

Please see section 2 of previous page for signing instructions to complete your application form.

I/We hereby apply to invest in RAC Finance Limited under the terms and conditions set out in Prospectus No 35 and in this Application Form.

Investor 1 Investor 2 Date

5. Lodge your application

> By email to racfinanceinvestments@rac.com.au

> By mail to RAC Finance limited, Reply Paid 1306, West Perth WA 6872

> At any RAC Member Service Centre

Contact RAC Finance

- » Online at rac.com.au/financeinvestments
 - » Email us racfinanceinvestments@rac.com.au
 - » Phone 08 6150 6246 during normal business hours WST
-

