Annual Financial Report

RAC Finance Limited

For the year ended 30 June 2024

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

For the better

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Annual financial report for the year ended 30 June 2024

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Directors' report

Your Directors present their report on RAC Finance Limited ("the company") for the year ended 30 June 2024.

Directors

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

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

All of the above persons were Directors during the year ended 30 June 2023 unless otherwise stated.

Principal activities

During the period the principal activity of the company was the provision of finance in the form of consumer and property development loans. Examples of consumer loans include car, personal, travel and debt consolidation loans. The company also provides a fixed term investment product.

The company employed 35 (2023: 38) employees as at 30 June 2024.

Review of operations

The company made a profit before income tax of $7,188,901 (2023: $8,954,780), decreasing from the prior financial year due to margin pressure. The profit from ordinary activities after income tax amounted to $5,014,104 (2023: $6,249,442).

Market and economic conditions for the car loan and property development finance markets were stable during most of the financial year. The company continues to focus on maintaining liquidity and a conservative credit risk profile. The company managed liquidity by restricting lending to borrowers with a high credit worthiness, factoring in employment in certain industries, length of employment and historical experience. The company continued to raise new investment notes by maintaining competitive interest rates. Cash and cash equivalents at the end of the year was $21,800,872 (2023: $27,414,563) decreasing from prior year and total equity was $61,737,945 (2023: $66,723,841), decreasing from the previous period.

Loans settled during the year increased to $246,155,017 (2023: $220,870,098).

Revenue and other income totalled $34,524,441 (2023: $29,562,558).

Average loans and advances for the year were $390,253,903 (2023: $375,208,813).

Dividends

Unfranked dividends of $10,000,000 were paid to RACWA Holdings Pty Ltd during the financial year.

No dividends from retained earnings for the year ended 30 June 2023 were paid to RACWA Holdings Pty Ltd.

Significant changes in the state of affairs

During the financial year there were no significant changes in the state of affairs of the company.

Matters subsequent to the end of the financial year

There has been no matter or circumstance that has occurred subsequent to year 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 in subsequent financial years.

Likely developments and expected results of operations

There are no likely developments which will significantly impact the expected results of the operations of the economic entity.

Environmental regulation

The company is not affected by any significant environmental regulation in respect of its operations.

Directors' and executives' emoluments

During or since the financial year no director of the company has received, or become entitled to receive, a benefit other than a benefit included in the accounts, by reason of a contract entered into by the company or by a body corporate that was related to the company with:

- a director, or
- a firm of which a director is a member, or
- a company in which a director has a substantial financial interest.

Indemnification and insurance of officers

The company indemnifies the directors and executive officers for liability. A related body corporate has obtained insurance cover in respect of the above indemnity. The contract prohibits disclosure of the nature of the liabilities and the amount of the premium.

Indemnification of auditors

To the extent permitted by law, the company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young Australia during or since the financial year.

Corporate governance

Corporate governance refers to the way a company is organised, managed and controlled. The Company is committed to meeting appropriate standards of corporate governance in its operations. Compliance with this principle means the upholding of appropriate legal, regulatory and ethical standards. The composition of the Board reflects a balance of skills, experience, and diversity, ensuring that a range of perspectives is represented. To enhance oversight and effectiveness, the Board utilises a number of committees established by the shareholder, RACWA Holdings Pty Ltd, including the Group Audit and Risk Committee, to assist with the discharge of its responsibilities.

The Company has a code of conduct that expresses the Company's core principles and values and provides guidance on their application in all business conduct, stipulating the behavioural requirements expected of everyone in the Group, including directors and employees and additional governance policies in place. The Board is responsible for ensuring that a robust risk management framework is in place. We regularly review and assess the Company's risk exposure and effectiveness of our risk mitigation strategies.

Staff

The directors wish to record their appreciation of the commitment and dedication of all staff.

Auditor's independence declaration

Ernst & Young Australia, the company's auditors, have provided a written independence declaration to the Directors in relation to their audit of the financial report for the year ended 30 June 2024. The independence declaration can be found on page 49, and forms part of this report.

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

Jim Walker
Chair

Perth, W.A.
2 September 2024

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The financial report covers RAC Finance Limited as an individual entity. The financial report is presented in Australian dollars.

RAC Finance Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

RAC Finance Limited
832 Wellington Street
West Perth W.A. 6005

A description of the nature of the company's operations and its principal activities is included in the Directors' report on page 1, which is not part of this financial report.

The financial report of RAC Finance Limited for the year ended 30 June 2024 was authorised for issue in accordance with a resolution of the directors on 2 September 2024. The directors have the power to amend and reissue the financial report.

RAC Finance Limited
Income statement
For the year ended 30 June 2024

	Notes	**2024 $**	2023 $
Revenue			
Interest revenue		**33,983,299**	29,022,751
Interest expense		**(15,124,710)**	(9,062,709)
Net interest income		**18,858,589**	19,960,042
Other income	1	**541,142**	539,807
Expenses			
Management fees		**(2,989,986)**	(1,773,090)
Depreciation and amortisation expense	2	**(57,324)**	(39,893)
Other operating expenses		**(1,878,005)**	(2,365,599)
Advertising and promotional expenses		**(1,374,265)**	(1,475,804)
Employee benefits expense	2	**(5,172,571)**	(5,037,431)
Credit loss expense		**(50,457)**	(106,191)
Expected credit loss expense movement		**52,199**	(65,397)
Commissions and fees		**(558,569)**	(462,864)
Borrowing costs	2	**(181,852)**	(218,800)
Profit before income tax		**7,188,901**	8,954,780
Income tax expense	3	**(2,174,797)**	(2,705,338)
Profit from continuing operations		**5,014,104**	6,249,442
Profit for the year		**5,014,104**	6,249,442

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

	2024 $	2023 $
Profit for the year	**5,014,104**	6,249,442
Total comprehensive income for the year is attributable to:		
Owner of RAC Finance Limited	**5,014,104**	6,249,442

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

	Notes	**30 June 2024 $**	30 June 2023 $
ASSETS			
Cash and cash equivalents	4	**21,800,872**	27,414,563
Other financial assets	8	**2,008,860**	11,049,213
Trade and other receivables	5	**3,078**	5,671
Loans and advances	7	**401,056,894**	384,610,887
Deferred tax assets	3(c)	**711,470**	687,087
Property, plant and equipment	9	**21,480**	37,977
Intangible assets	10	**68,235**	97,641
Other assets		**118,256**	124,480
Total assets		**425,789,145**	424,027,519
LIABILITIES			
Trade and other payables	6	**10,102,520**	7,209,862
Interest bearing loans and borrowings	11	**353,448,692**	349,529,613
Provisions		**499,988**	564,203
Total liabilities		**364,051,200**	357,303,678
Net assets		**61,737,945**	66,723,841
EQUITY			
Contributed equity	12	**30,000,000**	30,000,000
Retained earnings	13	**31,737,945**	36,723,841
Total equity		**61,737,945**	66,723,841

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

	Notes	Contributed Equity $	Retained earnings $	Total equity $
Balance at 1 July 2022		20,000,000	30,474,399	50,474,399
Profit for the year		-	6,249,442	6,249,442
Contributions of equity, net of transaction costs and tax	12(b)(i)	10,000,000	-	10,000,000
		10,000,000	6,249,442	16,249,442
Balance at 30 June 2023		**30,000,000**	**36,723,841**	**66,723,841**

	Notes	Contributed Equity $	Retained earnings $	Total equity $
Balance at 1 July 2023		30,000,000	36,723,841	66,723,841
Profit for the year		-	5,014,104	5,014,104
Dividends provided for or paid	14	-	(10,000,000)	(10,000,000)
		-	(4,985,896)	(4,985,896)
Balance at 30 June 2024		**30,000,000**	**31,737,945**	**61,737,945**

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 year ended 30 June 2024

	Notes	2024 $	2023 $
Cash flows from operating activities			
Interest and other operating income from customers		**33,071,340**	28,324,784
Interest received from deposits		**1,377,667**	1,179,281
Proceeds from borrowings		**67,590,142**	118,925,507
Repayment of borrowings		**(63,671,063)**	(71,675,497)
Interest payments		**(13,373,069)**	(4,914,583)
Recoveries on loans previously written off		**50,072**	86,942
Cash payments to employees and suppliers		**(11,368,348)**	(11,811,152)
Customer loans advanced		**(246,155,017)**	(220,870,098)
Customer loan repayments received		**229,516,896**	183,891,450
Income taxes paid		**(1,681,242)**	(2,852,504)
Net cash (outflow)/inflow from operating activities	4(b)	**(4,642,622)**	20,284,130
Cash flows from investing activities			
Payments for property, plant and equipment		**(6,665)**	(16,127)
Payments for intangible assets		**(4,756)**	(87,364)
Proceeds/(payments) from other financial assets		**9,040,352**	(11,049,212)
Net cash inflow/(outflow) from investing activities		**9,028,931**	(11,152,703)
Cash flows from financing activities			
Dividends paid to parent entity	14	**(10,000,000)**	-
Net cash outflow from financing activities		**(10,000,000)**	-
Net (decrease)/increase in cash and cash equivalents		**(5,613,691)**	9,131,427
Cash and cash equivalents at the beginning of the financial year		**27,414,563**	18,283,136
Cash and cash equivalents at end of year	4	**21,800,872**	27,414,563

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

Notes to the financial statements

About this report

(a) General information

The company 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 Royal Automobile Club of W.A. (Incorporated) is an association incorporated in Australia under the Western Australian Associations Incorporation Act 2015. The Club was formed in 1905 and incorporated on 24 September 1917 and is the ultimate parent of the group.

The registered office of RAC Finance Limited is located at:

832 Wellington Street
West Perth W.A. 6005

(b) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. RAC Finance Limited is a for-profit entity for the purpose of preparing the financial report.

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

(i) Compliance with IFRS

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) Historical cost convention

This financial report has been prepared under the historical cost convention other than financial assets and liabilities at fair value through profit or loss.

(iii) New and amended standards adopted by the company

In the current year, the company has adopted all new standards and amendments to standards issued by the AASB that are effective for the current annual reporting period. The following new standards and amendments are relevant to the company's operations:

- *AASB 2021-2 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates (Operative date: 1 January 2023)*
- *AASB 2021-5 Amendments to Australian Accounting Standards - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Operative date: 1 January 2023)*

The adoption of new standards, amendments and interpretation to standards has had minimal impact on the financial results or the position of the company. Disclosures have been changed where required. All other accounting policies adopted are consistent with those of the previous financial year.

About this report (continued)

(b) Basis of preparation (continued)

(iv) Critical accounting estimates

The preparation of the financial report in conformity with Australian International Financial Reporting Standards (AIFRS) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statement, are disclosed in the following notes:

- Tax (note 3);
- Loans and Advances (note 7);
- Property, plant and equipment (note 9);
- Intangible assets (note 10)

(c) Other accounting policies

Significant and other accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

Contents of the notes to the financial statements

Performance

This section provides additional information about the individual line items in the company statement of profit or loss that the directors considers most relevant in the context of the operations of the company.

1 Other income

	2024	2023
	$	$
Fees and commissions	**491,070**	452,865
Bad debts recovered	**50,072**	86,942
	541,142	539,807

(a) Recognition and measurement

(i) Fees and commission income

Fees and commission income is brought to account on an accruals basis. Non refundable front end fees are recognised as income when the loan is disbursed. If material, front end fees which are risk or yield related are deferred and amortised to interest income over the life of the loan using the effective interest method. Fees and direct costs relating to loan origination, financing or restructuring and to loan commitments are deferred and amortised to interest over the life of the loan using the effective interest rate method. Fees received for commitments which are not expected to result in a loan are included in fees and commissions and amortised on a straight line basis over the commitment period. Where fees are received on an ongoing basis and represent the recoupment of the costs of maintaining and administering existing loans, these fees are taken to income on an accruals basis.

(ii) Interest income

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset. Any yield adjusting fee income is recognised within loans and advances and is earned in the income statement as interest income over the expected term of the loan, using the effective interest method.

Loan origination fees and costs are amortised over the expected life of the loan. The company has adopted a loan pool basis amortisation with an expected life of loan rather than an effective interest rate approach applied individually to each loan.

2 Expenses

	Notes	2024 $	2023 $
Profit before income tax includes the following specific expenses:			
Depreciation			
Motor vehicles		**7,230**	7,230
Computer, office machines and equipment		**15,932**	16,252
Total depreciation		**23,162**	23,482
Amortisation			
Intangibles		**34,162**	16,411
Total depreciation and amortisation		**57,324**	39,893
Finance costs			
Borrowing and finance charges paid/payable		**181,852**	218,800
Employee benefits expenses			
Defined contribution superannuation expense		**412,091**	395,859
Payroll tax		**235,762**	248,056
Wages and salaries		**4,499,055**	4,372,244
Workers' compensation costs		**25,663**	21,272
Total employee benefits expenses		**5,172,571**	5,037,431

(a) Employee benefits

(i) Defined contribution obligations

The company participates in a defined contribution fund. Employees can elect to adopt a fund of their choice. All employees who elect the Superannuation fund that the company participates in, are entitled to benefits on retirement, disability or death from this plan. The defined contribution fund receives fixed contributions from the company and the company's legal or constructive obligation is limited to these contributions.

Contributions to the defined contribution fund are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(ii) Incentive plans

The company recognises a liability and an expense for incentives. The company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2 Expenses (continued)

(a) Employee benefits (continued)

(iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The company recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(b) Borrowing costs

Borrowing costs and other expenses associated with the raising of finance but which are not directly attributable to any individual investment note are expensed in the period in which they are incurred.

Interest expense on notes is recognised as it accrues, using the effective interest method.

3 Income tax expense

(a) Income tax expense

	2024 $	2023 $
Current tax	**2,153,533**	2,676,491
Deferred tax	**21,264**	28,847
	2,174,797	2,705,338

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2024 $	2023 $
Profit from continuing operations before income tax expense	**7,188,901**	8,954,780
Tax at the Australian tax rate of 30.0% (2023: 30.0%)	**2,156,671**	2,686,435
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Expenditure not allowable for income tax purposes	**18,126**	18,903
Income tax expense	**2,174,797**	2,705,338

3 Income tax expense (continued)

(c) Deferred tax assets

Deferred tax balances are reflected in the statement of financial position as follows:

	2024 $	2023 $
The balance comprises temporary differences attributable to:		
Employee benefits	**264,759**	270,970
Taxed future revenue for accounting purposes	**360,803**	369,189
Property, plant and equipment	**41,045**	4,915
Prepaid tax deductible expenditure	**(69,467)**	(87,977)
Provision for doubtful debts	**114,330**	129,990
	711,470	687,087

Movements:

	2024 $	2023 $
Charged/credited:		
Opening balance	**687,087**	710,063
Credited to income statement	**(21,264)**	(28,847)
Adjustments for current tax of prior periods	**45,647**	5,871
Closing balance at 30 June	**711,470**	687,087

Net deferred tax:

	2024 $	2023 $
Deferred tax asset	**824,592**	821,110
Deferred tax liability	**(113,122)**	(134,023)
Net deferred tax asset	**711,470**	687,087

Tax losses

The company does not have any carry forward tax losses in current year or prior year. Where tax losses are available, giving rise to a deferred tax asset, any deferred tax asset is recognised for offset against future taxable profits and capital gains of the company.

Deferred tax assets have been offset against the deferred tax liabilities on the balance sheet.

Unrecognised temporary differences

The company has no unrecognised temporary differences.

3 Income tax expense (continued)

(d) Tax consolidation legislation

The Royal Automobile Club of W.A. (Inc.) and its 100% owned Australian resident subsidiaries formed a tax consolidated group with effect from 1 July 2003. The Royal Automobile Club of W.A. (Inc.) is the head entity of the tax consolidated group. RAC Finance Limited is a member of the group and has entered into a tax sharing agreement that provides for the allocation of income tax liabilities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statement in respect of this agreement on the basis that the possibility of default is remote.

(e) Tax effect accounting by members of the tax consolidation group

Members of the tax consolidated group have entered into a tax funding agreement. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated group in accordance with their taxable income for the period on a group allocation taxpayer approach for each entity. Deferred taxes are allocated to members of the tax consolidated group in accordance with the principles of *AASB 112 Income Taxes.* Allocations under the tax funding agreement are made at the end of each financial year.

The allocation of taxes under the tax funding arrangement is recognised as an increase/decrease in the subsidiaries' intercompany accounts with the tax consolidated group head entity, The Royal Automobile Club of W.A. (Inc.).

Any difference between the amounts assumed and the amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

The amounts receivable or payable under the tax funding agreement are settled through the settlement bank account, subsequent to year end.

(f) Recognition and measurement

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statement, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of goodwill or of assets and liabilities if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Key estimate: Deferred tax assets are recognised for all deductible temporary differences as at 30 June 2024 because management considers it probable that future taxable amounts will be available to utilise those temporary differences.

3 Income tax expense (continued)

(f) Recognition and measurement (continued)

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised in other comprehensive income or directly in equity are also recognised in other comprehensive income or directly in equity.

(g) Tax risk management

The Royal Automobile Club of W.A. (Inc.) tax consolidated group is committed to ensuring that it maintains the highest standards of corporate tax governance for managing its tax affairs. It has established a tax risk management framework in order to ensure that it has an effective framework in place that will allow it to manage its tax obligations in line with its low tax risk appetite and the latest Australian Taxation Office guidelines.

Liquidity, working capital, and other operating balances

This section provides information about the working capital and other operating balances of the company and the ability of the company to convert its operating performance into cashflows.

4 Assets - Cash and Cash Equivalents

	2024 **$**	2023 $
Cash at bank and in hand	**21,800,872**	27,414,563
Balance as per cash flow statement	**21,800,872**	27,414,563

(a) Cash and cash equivalents

The carrying amount for cash and cash equivalent approximates fair value. Cash at bank earns interest at floating rates and on daily bank deposit rates.

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

	2024 **$**	2023 $
Profit for the year	**5,014,104**	6,249,442
Depreciation and amortisation	**57,324**	39,893
Write down of assets	**-**	2,320
Allowance for expected credit losses	**(52,199)**	65,397
Credit loss expense	**50,457**	106,191
Decrease in employee entitlements	**(64,215)**	(60,144)
Increase in other assets	**(19,139)**	(12,195)
Increase in accrued interest payable	**1,751,642**	4,148,127
Increase/(decrease) in trade and other payables	**623,075**	(484,665)
Increase/(decrease) in amount payable to head entity under tax funding agreement	**517,938**	(170,143)
Increase in loans and advances	**(16,416,308)**	(36,873,082)
Increase in borrowings	**3,919,082**	47,250,012
(Increase)/decrease in deferred tax assets	**(24,383)**	22,977
Net cash (outflow)/inflow from operating activities	**(4,642,622)**	20,284,130

(c) Recognition and measurement

For balance sheet and the statement of cash flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

5 Assets - Trade and other receivables

	2024 **$**	2023 $
Trade receivables	**3,078**	5,671

(a) Recognition and measurement

Trade receivables, which generally have 30 day terms, are recognised and carried at original invoice amount less any allowance for any uncollectible amounts.

These amounts generally arise from transactions outside the usual operating activities of the company. Interest may be charged at commercial rates where the terms of repayment exceed six months. Collateral is not normally obtained. Refer to note 16(a)(ii) for information concerning effective interest rate risk relating to receivables and note 16(b) for information on the receivables credit risk policy.

(i) Related party receivables

Receivables from related parties are initially recognised at fair value plus transaction costs and are subsequently measured at amortised cost using the effective interest method.

Further information on related party receivables is set out in note 23.

(ii) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(b) Impairment

For trade and other receivables at amortised cost, the company applies the low credit risk simplification. At every reporting date, the company evaluates whether the trade and other receivables are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the company reassesses the internal credit rating of the trade and other receivable. In addition, the company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

6 Liabilities - Trade and other payables

	2024 $	2023 $
Payables		
Trade payables	**394,527**	29,125
Accrued interest	**7,095,189**	5,343,547
Accrued expenses	**843,349**	754,091
Amounts due to related parties	**955,804**	787,386
Payable to controlling entity under tax funding agreement	**813,651**	295,713
	10,102,520	7,209,862

(a) Recognition and measurement

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. Further information relating to loans from related parties is set out in note 23.

Accrued interest represents payment of interest in accordance with each type of borrowing. All interest is remitted within 12 months from accrual.

Liabilities for incentives and salary and wages including non-monetary benefits due to be settled within 12 months of the reporting date are recognised in accrued expenses in respect of employees' services up to the reporting date and are measured at the amounts due to be paid when the liabilities are settled. Accrued expense includes commissions prior to the end of the financial year which are unpaid. These amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings from the parent entity are initially recognised at cost, being the fair value of consideration received. After the initial recognition, the borrowings are subsequently measured at amortised cost using the effective interest method. The amount is unsecured and is repayable within 45 days of recognition, with the opportunity of being rolled over. Any gain or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

The carrying amount of all the other amounts approximate to their fair value and are non interest bearing.

Investments

This section provides information about the assets used to generate the revenues and other income of the company.

7 Assets - Loans and advances

	2024 **$**	2023 $
Term loans	**402,228,276**	385,829,072
Unearned income	**(790,283)**	(784,886)
Allowance for expected credit losses	**(381,099)**	(433,299)
Net loans and advances	**401,056,894**	384,610,887

(a) Maturity Analysis

	2024 **$**	2023 $
Not longer than 3 months	**39,387,311**	40,662,009
Longer than 3 and not longer than 12 months	**111,556,140**	111,427,158
Longer than 1 and not longer than 5 years	**250,113,443**	232,521,720
	401,056,894	384,610,887

(b) Recognition, measurement and derecognition

Financial assets are initially recognised at fair value and subsequently measured at amortised cost. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the company's business model for managing them.

In order for financial assets to be classified and measured at amortised cost, it needs to be held within the company's business model with the objective to collect contractual cash flows from financial assets. The contractual terms of the financial assets must also give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the company commits to purchase or sell the asset.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gain and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the right to receive cash flows from the asset have expired;
- the company retains the right to receive the cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass through" arrangement; or
- the company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risk and rewards of the asset, but has transferred control of the asset.

7 Assets - Loans and advances (continued)

(b) Recognition, measurement and derecognition (continued)

When the company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of the consideration received that the company could be required to pay.

Loan and advances are recognised as financial assets and are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the loans and advances.

The company's loans and advances represent loans made to members of The Royal Automobile Club of W.A. (Incorporated) and to the public. They are subsequently measured at amortised cost using the effective interest rate method and are subject to impairment.

(c) Impairment of loans and advances

As at 30 June 2024, receivables with a nominal value of $352,512 (2023: $144,343) were impaired. It is expected that a portion of the nominal value will not be recovered and the amount of the provision was $172,473 (2023: $60,485).

The ageing of these impaired loans and advances is as follows:

	2024 **$**	2023 $
1 to 3 months	**-**	900
3 to 6 months	**169,128**	47,540
Over 6 months	**3,345**	12,045
	172,473	60,485

Past due but not impaired

As at 30 June 2024, receivables of $1,270,954 (2023: $1,121,620) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The ageing analysis of these receivables is as follows:

	2024 **$**	2023 $
Up to 3 months	**1,270,954**	1,121,620

The carrying amounts of financial assets that would otherwise be past due or impaired at 30 June 2024 if their terms were not negotiated was $1,815,808 (2023: $1,369,358). Collateral held as security for receivables past due or impaired were in the form of motor vehicles, motorcycles, boats, caravans and land. At 30 June 2024, the fair value of security was estimated to be sufficient to cover the remaining loan balance of $1,270,954 (2023: $1,115,388). In addition, assets that had been repossessed and were in possession at 30 June 2024 were estimated to have a value of $59,180 (2023: $0).

7 Assets - Loans and advances (continued)

(c) Impairment of loans and advances (continued)

	2024	2023
	$	$
Stage 1 and 2 allowance for expected credit losses		
Opening balance	**372,814**	252,811
New and increased provision (net of releases)	**(164,187)**	120,003
	208,627	372,814
Stage 3 allowance for expected credit losses		
Opening balance	**60,485**	115,091
New and increased provision (net of releases)	**162,445**	51,585
Credit loss expense	**(50,457)**	(106,191)
	172,473	60,485
Expected credit loss expense movement		
Stage 1 and 2 collectively assessed	**164,187**	(120,003)
Stage 3 individually assessed	**(162,445)**	(51,585)
Credit loss expense	**50,457**	106,191
	52,199	(65,397)

Key estimate: The company recognises an allowance for expected credit losses (ECLs) for all loans and advances. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). When estimating the ECLs, the company considers three scenarios (a base case, an upside and a downside).

Stage 1 credit losses are assessed over a 12-month basis and consist of those loans with the highest credit rating. Stage 2 credit losses assessed are over a lifetime basis and consists of loans that are over 30 days past due, but under 90 days. Stage 1 and Stage 2 allowances are assessed collectively. Stage 3 credit losses are those loans that are over 90 days past due, with the allowances assessed individually.

The company uses a provision matrix to calculate ECLs for loans and advances. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (such as by geography, product type, and customer type and rating). The provision matrix is initially based on the company's historical observed default rates. The company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (such as consumer confidence) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. Forward looking information does not have a significant impact on the ECL provision for the company.

7 Assets - Loans and advances (continued)

(c) Impairment of loans and advances (continued)

The company considers loans and advances in default when contractual payments are 90 days past due. However, in certain cases, the company may also consider loan and advances to be in default when internal or external information indicates that the company is unlikely to receive the outstanding contractual amounts in full before taking into consideration any credit enhancements held by the company. Loan and advances are written off when there is no reasonable expectation of recovering the contractual cash flows.

All loans and advances are reviewed and graded according to the anticipated level of credit risk. The classification adopted is described as follows:

	2024 **$**	2023 $
Non-accrual loans		
With allowances	**352,512**	144,343
Stage 3 allowance for expected credit losses	**(172,473)**	(60,485)
	180,039	83,858
Interest foregone on non-accrual loans	**790,817**	785,257

"Non-accrual loans" are loans and advances where the debt has been written down to recoverable value. The company is of the view that the recovery of the principal only will occur on these loans. Once classified as a non-accrual loan, interest accruing on the loan is not brought to account as income.

8 Assets - Other financial assets

	2024 **$**	2023 $
Other financial assets	**2,008,860**	11,049,213

(a) Recognition, measurement and derecognition

Please refer note 7(b) for more information on recognition, measurement and derecognition of financial assets.

The fair value of other financial assets is initially recognised at fair value determined by reference to ruling deposit rates at inception and the remaining terms to maturity.

Other financial assets consist of term deposits held to their maturity within three to six months and carry an average fixed interest rate of 4.90% (2023: 4.73%). Due to the short term nature of the other financial assets, their carrying amount is considered to approximate their fair value.

9 Assets - Property, plant and equipment

	Computer equipment $	Fixtures and fittings $	Motor vehicles $	Office machines & equipment $	Total $
At 1 July 2022					
Cost	56,349	2,630	59,971	4,524	123,474
Accumulated depreciation	(30,725)	(2,630)	(39,487)	(2,981)	(75,823)
Net book amount	25,624	-	20,484	1,543	47,651
Year ended 30 June 2023					
Opening net book amount	25,624	-	20,484	1,543	47,651
Additions	16,127	-	-	-	16,127
Depreciation charge	(15,942)	-	(7,229)	(310)	(23,481)
Disposals	(1,087)	-	-	(1,233)	(2,320)
Closing net book value	24,722	-	13,255	-	37,977
At 30 June 2023					
Cost	59,529	2,630	59,971	1,199	123,329
Accumulated depreciation	(34,807)	(2,630)	(46,716)	(1,199)	(85,352)
Net book amount	24,722	-	13,255	-	37,977

	Computer equipment $	Fixtures and fittings $	Motor vehicles $	Office machines & equipment $	Total $
Year ended 30 June 2024					
Opening net book value	24,722	-	13,255	-	37,977
Additions	6,665	-	-	-	6,665
Depreciation charge	(15,932)	-	(7,230)	-	(23,162)
Closing net book amount	15,455	-	6,025	-	21,480
At 30 June 2024					
Cost	53,628	2,630	59,971	1,199	117,428
Accumulated depreciation	(38,173)	(2,630)	(53,946)	(1,199)	(95,948)
Net book amount	15,455	-	6,025	-	21,480

9 Assets - Property, plant and equipment (continued)

(a) Recognition and measurement

All property, plant and equipment are stated at historical cost less depreciation and any accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives. The estimated useful life of plant and equipment is between 3 to 13.3 years.

	2024	2023
- Motor Vehicles	5 - 8 years	5 - 8 years
- Fixtures and fittings	5 - 13.3 years	5 - 13.3 years
- Office machines and equipment	5 - 7.5 years	5 - 7.5 years
- Computer equipment	3 - 4 years	3 - 4 years

Key estimate: The estimations of useful lives, residual value and depreciation methods require management judgement and are reviewed at each balance sheet date. If they need to be modified, the change is accounted for prospectively resulting in the net written down value of the asset being depreciated from the date of the change in accordance with the new estimates.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is company policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

(b) Impairment

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or group of assets (cash generating units).

10 Assets - Intangible assets

	Intangibles $
Year ended 30 June 2023	
Opening net book amount	26,689
Additions - acquisition	87,364
Amortisation charge	(16,412)
Closing net book amount	97,641
At 30 June 2023	
Cost	478,973
Accumulated amortisation	(381,332)
Net book amount	97,641
Year ended 30 June 2024	
Opening net book amount	97,641
Additions - acquisition	4,756
Amortisation charge	(34,162)
Closing net book amount	68,235
At 30 June 2024	
Cost	483,729
Accumulated amortisation	(415,494)
Net book amount	68,235

(a) Recognition and measurement

(i) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight line basis over their estimated useful lives of 2 to 10 years (2023: 2 to 10 years). Refer to ***key estimate*** under note 9(a) for further information on estimation of useful lives.

Costs associated with developing or maintaining computer software programmes are recognised as an expense when incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives of 2 to 10 years (2023: 2 to 10 years). Refer to ***key estimate*** under note 9(a) for further information on estimation of useful lives.

Capital

This section provides additional information on how the company funds the assets of the business through debt and equity (the capital structure).

11 Liabilities - Interest bearing loans and borrowings

	2024 $	2023 $
Secured borrowings		
Investment notes	**353,448,692**	349,529,613
Total secured borrowings	**353,448,692**	349,529,613

(a) Recognition, measurement and derecognition

The fair value of financial liabilities must be estimated for recognition and measurement for disclosure purpose. The fair value of financial liabilities is calculated by discounting the expected future cash flows by the current interest rate for liabilities with similar risk profiles.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments.

After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing liability is replaced by another with the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Investment notes are financial liabilities. They are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowing.

Investment notes held at balance date are measured at an effective interest rate of 4.78% (2023: 3.70%) paid monthly, quarterly or annually in arrears with average maturity of March 2025. Investment notes have a term ranging from 1 to 4 years. Interest is paid in accordance with the investors instructions which may be quarterly, annually or compounded annually.

11 Liabilities - Interest bearing loans and borrowings (continued)

(b) Secured liabilities and assets pledged as security

The investment notes issued by the company are secured by way of a first ranking floating charge over the total assets of the company carried at $425,789,145 (2023: $424,027,519). All investment notes that are secured by the first ranking floating charge rank equally with all other issued investment notes stock. The terms and conditions of the pledge are specified in the Trust Deed ("Deed") which is an agreement between the company and The Trust Company (Australia) Limited. The provisions of the Deed are binding on RAC Finance Limited for the protection of investors. The Deed limits the amount the company may borrow by requiring the sum of Total Secured Liabilities and Issued Stock to not exceed the lesser of 15 times Shareholder Funds and 90% of Total Tangible Assets. The Deed further limits the amount RAC Finance Limited may borrow by requiring Total External Liabilities to not exceed the lesser of 15 times Shareholders Funds and 95% of Total Tangible Assets.

12 Contributed equity

(a) Share capital

	2024 Shares	2023 Shares	**2024 $**	2023 $
Ordinary shares				
Issued and paid up capital	**60,000,000**	60,000,000	**30,000,000**	30,000,000

(b) Ordinary shares

(i) Recognition and measurement

Ordinary shares are classified as equity.

All shares issued are ordinary shares and there are no rights, preferences or restrictions attached to the share including restrictions on the distribution of dividends and the repayment of capital.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

On 26 August 2022, in the prior financial year, the $10,000,000 borrowing from the parent entity, RACWA Holdings Pty Ltd, with an interest rate of 2.10% was converted to equity through the issuance of 20,000,000 ordinary shares to the parent entity.

13 Reserves and retained earnings

(a) Retained earnings

Movements in retained earnings were as follows:

	2024 $	2023 $
Balance at 1 July	**36,723,841**	30,474,399
Net profit for the year	**5,014,104**	6,249,442
Dividends paid	**(10,000,000)**	-
Balance at 30 June	**31,737,945**	36,723,841

14 Dividends

(a) Ordinary shares

	2024 $	2023 $
Dividend for the year ended 30 June paid to RACWA Holdings Pty Ltd		
Unfranked dividend	**10,000,000**	-

Unfranked dividend of $5,000,000 from retained earnings for the year ended 30 June 2024 was paid on 27 March 2024.

Unfranked dividend of $5,000,000 from retained earnings for the year ended 30 June 2024 was paid on 21 September 2023.

The franking account has been transferred to The Royal Automobile Club of W.A. (Incorporated) as part of the tax consolidation regime.

Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at balance date.

Risk

This section of the notes discusses the company's exposure to various risks and shows how these could affect the company's financial position and performance.

15 Capital risk management

The company's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

In order to maintain or adjust the capital structure, the company may pay dividends to shareholders, return capital to shareholders or issue new shares.

Consistently with others in the industry, the company monitors capital on the basis of an equity ratio. This ratio is calculated as total equity divided by total debt plus total equity. Total debt is calculated as 'total liabilities' as shown in the balance sheet and total equity is calculated as 'total equity' as shown in the balance sheet.

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. The benchmarks are not mandatory and are to assist investors to understand the risks and rewards being offered prior to making an investment decision. ASIC Benchmark 1 Equity Capital ratio states that a minimum equity ratio of 20% should be held for issuers with more than 10% of its lending activity directly or indirectly for property development and 8% in all other cases. While the company currently has an equity ratio of 14.50% (2023: 15.74%) which does not meet the requirement of 20%, it considers that its level of equity is appropriate in light of its history of low credit losses, credit rating and the business parameters described in the prospectus.

The equity ratios as at 30 June 2024 and 30 June 2023 were as follows:

	2024 **$**	2023 $
Total liabilities	**364,051,200**	357,303,678
Total equity	**61,737,945**	66,723,841
Total capital	**425,789,145**	424,027,519
Equity ratio	**14.5%**	**15.7%**

The decline in equity ratio in 2024 was mainly due to an increase in total debt and a reduction in equity, which resulted from lower profits earned and dividends paid out during the financial year.

16 Financial risk management

The company's principal financial instruments comprise of interest bearing loans and borrowings, loans and advances, other financial assets, cash and short term deposits.

The company has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The company's activities expose it to a variety of financial risks: market risk (price risk including fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the company.

The company manages its risk through a comprehensive set of policies, procedures and limits approved by the Board. Management of all instruments is integrated into the company's risk management practices, and speculative transactions are not permitted.

Details of the significant accounting policies and methods adopted, including the recognition criteria, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed on each relevant note to the financial report. Certain comparatives within this note have been restated to ensure consistent approach across the company. The impact is not material.

The company holds the following financial instruments:

	2024	2023
	$	$
Financial assets		
Cash and cash equivalents	**21,800,872**	27,414,563
Other financial assets	**2,008,860**	11,049,213
Trade and other receivables	**3,078**	5,671
Loans and advances	**401,056,894**	384,610,887
	424,869,704	423,080,334
Financial liabilities		
Trade and other payables	**10,102,520**	7,209,862
Interest bearing loans and borrowings	**353,448,692**	349,529,613
	363,551,212	356,739,475

16 Financial risk management (continued)

(a) Market risk

(i) Fair value risk

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

	2024 Carrying amount $	**2024** Fair value $	2023 Carrying amount $	2023 Fair value $
Financial assets				
Cash	**21,800,872**	**21,800,872**	27,414,563	27,414,563
Other financial assets	**2,008,860**	**2,008,860**	11,049,213	11,049,213
Other receivables	**3,078**	**3,078**	5,671	5,671
Loans and advances - Property	**93,229,161**	**93,229,161**	91,920,356	91,851,620
Loans and advances - Consumer	**308,208,298**	**290,988,522**	292,700,945	274,023,360
	425,250,269	**408,030,493**	423,090,748	404,344,427
Financial liabilities				
Trade and other payables	**10,102,520**	**10,102,520**	7,209,862	7,209,862
Interest bearing loans and borrowings	**353,448,692**	**353,570,429**	349,529,613	346,731,573
	363,551,212	**363,672,949**	356,739,475	353,941,435

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of financial assets and liabilities is calculated by discounting the expected future cash flows by the current interest rate for assets and liabilities with similar risk profiles. The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of other financial assets is determined by reference to ruling deposit rates at 30 June 2024 and the remaining terms to maturity. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments.

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

For the purposes of fair value disclosure under *AASB 13 Fair Value Measurement*, loans and advances would be categorised as a level 2 asset and interest bearing loans and borrowings 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.

The fair values of loans and advances are estimated using discounted cash flow analysis, based on current lending rates for similar types of lending arrangements of 10.17% to 10.90% (2023: 9.56% to 10.58%).

The fair values of interest bearing loans and borrowings which comprised of investment notes are estimated using discounted cash flow analysis, based on current borrowing rates for similar types of borrowing arrangements ranging from 4.50% to 5.15% (2023: 4.15% to 4.55%).

16 Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest Rate Risk

The following table sets out the carrying amount, by maturity or repricing, whichever is earlier, of the financial assets of the company exposed to interest rate risk.

2024	Floating interest rate $	Fixed interest maturing in: 1 year or less $	Fixed interest maturing in: Over 1 to 5 years $	Non interest bearing $	Total **$**
Financial assets					
Cash	21,800,872	-	-	-	21,800,872
Other financial assets	-	2,008,860	-	-	2,008,860
Trade and other receivables	-	-	-	3,078	3,078
Loans and advances - Property	-	76,682,030	16,547,131	-	93,229,161
Loans and advances - Consumer	-	74,953,338	233,254,960	-	308,208,298
	21,800,872	153,644,228	249,802,091	3,078	425,250,269
Financial liabilities					
Trade and other payables	-	-	-	10,102,520	10,102,520
Investment notes	-	303,559,166	49,889,526	-	353,448,692
	-	303,559,166	49,889,526	10,102,520	363,551,212

Weighted average effective interest rate

Cash	4.32%
Other financial assets	4.90%
Loans and advances - Consumer	7.61%
Loans and advances - Property	10.90%
Investment notes	4.78%

16 Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest Rate Risk (continued)

2023	Floating interest rate $	Fixed interest maturing in: 1 year or less $	Over 1 to 5 years $	Non interest bearing $	Total $
Financial assets					
Cash	27,414,563	-	-	-	27,414,563
Other financial assets	-	11,049,213	-	-	11,049,213
Trade and other receivables	-	-	-	5,671	5,671
Loans and advances - Property	-	81,450,104	10,470,252	-	91,920,356
Loans and advances - Consumer	-	71,025,962	221,674,984	-	292,700,946
	27,414,563	163,525,279	232,145,236	5,671	423,090,749
Financial liabilities					
Trade and other payables	-	-	-	7,209,862	7,209,862
Investment notes	-	242,502,136	107,027,477	-	349,529,613
	-	242,502,136	107,027,477	7,209,862	356,739,475

Weighted average effective interest rate

Cash	4.09%
Other financial assets	4.73%
Loans and advances - Consumer	6.65%
Loans and advances - Property	10.50%
Investment notes	3.70%

The company's main interest rate risk arises from changes in the shape and direction of interest rates (yield curve risk) as well as mismatches in the repricing term of assets and liabilities. Interest rate risk is monitored by the company under guidelines and limits defined by the Board in relation to acceptable levels of predefined margins between lending and borrowing rates.

16 Financial risk management (continued)

(a) Market risk (continued)

(iii) Summarised sensitivity analysis

The following table summarises the sensitivity of the company's financial assets and financial liabilities to variable interest rate risk and price risk holding all other variables constant.

		-1.0%		+1.0%	
At 30 June 2024	Carrying amount $	Profit $	Equity $	Profit $	Equity $
Financial assets					
Cash and cash equivalents	21,800,872	(156,107)	(156,107)	156,107	156,107
Other financial assets	2,008,860	(14,422)	(14,422)	14,422	14,422
Loans and advances	401,056,894	(364,331)	(364,331)	364,331	364,331
Financial liabilities					
Interest bearing loans and borrowings	353,448,692	-	-	-	-
Total increase/ (decrease)		(534,860)	(534,860)	534,860	534,860

		-1.0%		+1.0%	
At 30 June 2023	Carrying amount $	Profit $	Equity $	Profit $	Equity $
Financial assets					
Cash and cash equivalents	27,414,563	(195,537)	(195,537)	195,537	195,537
Other financial assets	11,049,213	(79,045)	(79,045)	79,045	79,045
Loans and advances	384,610,887	(448,348)	(448,348)	448,348	448,348
Financial liabilities					
Interest bearing loans and borrowings	349,529,613	-	-	-	-
Total increase/ (decrease)		(722,930)	(722,930)	722,930	722,930

The assumption for using -1.0% / +1.0% (2023: -1.0% / +1.0%) for interest rate risk for the purpose of the sensitivity analysis, are based on historical trends over 12 months and what is considered a realistic movement in these financial assets and liabilities within the next 12 months.

The company analyses the interest rate exposure by taking into consideration refinancing and renewal of existing positions. Based on these considerations, the company calculates the impact on profit and loss of a defined interest rate shift. At 30 June 2024, if the interest rates had changed by -1.0% / +1.0% (2023: -1.0% / +1.0%) from the year end rates with all other variables held constant, post tax profit for the year would have been ($534,860)/$534,860 (2023: ($722,930)/$722,930) lower/higher.

Movement in profits are due to higher or lower interest costs from variable rate debt and cash balances.

16 Financial risk management (continued)

(b) Credit risk

Credit risk is the potential risk of financial loss resulting from the failure of a customer to meet their obligations to the company on time and in full, as contracted. To address this risk, the company has implemented a robust credit risk management framework which has been approved by the Board. The company's maximum exposures to credit risk at balance sheet date in relation to each class of recognised financial assets, is the carrying amount of these assets, net of any provisions for doubtful debts, as indicated in the balance sheet.

All new customers are assessed for credit worthiness when an application for loan/credit is received. The credit quality of a customer is assessed by taking into account their financial position, previous credit history and duration at their current place of employment and residence. Customers that do not satisfy the credit test are denied credit. Larger transactions over a specific threshold are referred to the Board for assessment and approval.

At 30 June 2024, the expected credit loss rates were as follows:

	Stage 1 individual	Stage 2 individual
Consumer	0.07%	0.18%
Property	0.00%	0.00%

Stage 3 credit losses are those loans that are over 90 days past due, with the allowances assessed individually.

Cash and cash equivalents are limited to high credit quality financial institutions. The company has policies that limit the amount of credit exposure to any one financial institution. All cash and cash equivalents balances on the Balance Sheet at 30 June 2024 were with 'AA-' rated financial institutions.

Credit risk further arises in relation to financial guarantees given to certain parties. Such guarantees are only provided in exceptional circumstances and are subject to specific Board approval.

All assets that are neither past due or impaired are not rated by an external agency and are considered to be of a good rating.

Concentration of credit risk on loans and advances

The company minimises concentration of credit risk in relation to finance receivables by undertaking transactions with a large number of customers within specified industries. The customers are concentrated in Western Australia.

Concentration of loans and advances

	2024		2023	
	$	**%**	$	%
Loans and advances				
Personal - Consumer	**307,839,609**	**76.8**	292,700,945	76.1
Commercial - Property	**93,229,161**	**23.2**	91,920,356	23.9
	401,068,770	**100.0**	384,621,301	100.0

16 Financial risk management (continued)

(c) Liquidity risk

The company's liquidity policy is designed to ensure it has sufficient funds to meet its obligations as they fall due, and has defined liquidity risk as the risk that obligations may not be paid in a timely manner at a reasonable cost. Liquidity risk arises where there is a mismatch in the liquidity profile of assets and liabilities. There are two aspects to this risk. First, the company must ensure it has sufficient funds to meet day to day requirements arising from its normal activities. Second, the company must be able to cope with unforeseen outflows. The volume of liquid assets varies over time in line with market conditions, and is maintained in accordance with Board approved limits.

The company manages the liquidity risk inherent in the maturity analysis of financial liabilities by expecting some of its undrawn loan commitments will not be drawn and by maintaining $10,000,000 - $15,000,000 in cash at bank. The liquidity position is monitored daily and a monthly cash forecast is prepared to determine the level of debt that will be required.

Maturities of financial liabilities

The tables below analyse the company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 30 June 2024	Less than 3 months $	3 - 12 months $	Between 1 and 5 years $	Total $
On balance sheet				
Investment notes	101,185,854	202,373,312	49,889,526	353,448,692
Trade and other payables	9,288,865	-	-	9,288,865
Payable to controlling entity under Tax Sharing Agreement	-	813,651	-	813,651
Total on balance sheet	110,474,719	203,186,963	49,889,526	363,551,208
Off balance sheet				
Interest on investment notes	4,592,961	9,816,909	2,431,846	16,841,716
Total off balance sheet	4,592,961	9,816,909	2,431,846	16,841,716

16 Financial risk management (continued)

(c) Liquidity risk (continued)

Maturities of financial liabilities (continued)

At 30 June 2023	Less than 3 months $	3-12 months $	Between 1 and 5 years $	Total $
On balance sheet				
Investment notes	72,485,191	170,016,945	107,027,477	349,529,613
Trade and other payables	6,914,145	-	-	6,914,145
Payable to controlling entity under Tax Sharing Agreement	-	295,713	-	295,713
Total on balance sheet	79,399,336	170,312,658	107,027,477	356,739,471
Off balance sheet				
Interest on investment notes	2,202,793	6,022,063	4,712,062	12,936,918
Total off balance sheet	2,202,793	6,022,063	4,712,062	12,936,918

Unrecognised items

This section of the notes provides information about items that are not recognised in the financial statement, but could potentially have a significant impact on the company's financial position and performance.

In addition to the items and transactions disclosed below, any unrecognised tax amounts are disclosed in note 3.

17 Contingencies

(a) Contingent liabilities

The company had no contingent liabilities at 30 June 2024 (2023: nil).

18 Commitments

(a) Credit related commitments

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many commitments are expected to expire without being drawn upon, the total commitments represents the maximum amount that could be advanced.

	2024 **$**	2023 $
Undrawn facilities by RAC Finance customers	**65,074,069**	65,192,246

19 Events occurring after the reporting period

There has been no other matter or circumstance that has occurred subsequent to year 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 years.

Other information

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statement.

20 Other accounting policies

(a) Comparative figures

Comparative figures are, where appropriate, reclassified to be comparable with figures presented in the current financial statements.

(b) Provisions

Provisions are recognised when: the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(c) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2024 reporting periods and have not yet been applied in the financial statements. The company plans to adopt these standards and interpretations that may be relevant to the company are set out below and the company is assessing the impact of these standards/interpretations.

(i) *AASB 2020-1 Amendments to Australian Accounting Standards – Clarification of Liabilities as Current or Non-current (effective 1 January 2024; application date 1 July 2024)*

(ii) *AASB 2022-6 Amendments to AASs - Non-current Liabilities with Covenants (effective 1 January 2024; application date 1 July 2024)*

(iii) *AASB 2023-1 Amendments to AASs - Disclosures of Supplier Finance Arrangements (effective 1 January 2024; application date 1 July 2024)*

(iv) *AASB 18 Presentation and Disclosures in Financial Statements (effective 1 January 2027; application date 1 July 2027)*

21 Remuneration of auditors

During the period, the following fees were paid or payable for services provided by the auditor of the company, its related practises and non-related audit firms.

Ernst & Young Australia

(i) Audit and other assurance services

	2024 $	2023 $
Amounts received or due and receivable by Ernst & Young Australia for:		
An audit or review of the financial report of the company	**177,469**	169,015
Other services in relation to the company:		
Special audits required by regulators	**52,063**	49,585
Total auditors' remuneration	**229,532**	218,600

It is the company's policy to employ Ernst & Young Australia on assignments additional to their statutory audit duties where Ernst & Young Australia's expertise and experience with the company are important. These assignments are principally tax advice and other assurance services, or where Ernst & Young Australia is awarded assignments on a competitive basis. It is the company's policy to seek competitive tenders for all major consulting projects.

22 Key management personnel disclosures

(a) Key management personnel

The following persons had authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, during the financial year:

Jim Walker	Chair
Yasmin Broughton	Director
Jacqueline Ronchi	Director
Andrew Crane	Director
Dalton Gooding	Director
Timothy Shanahan	Director
Jim Walker	Director
Vicki Robinson	Director
Robert Slocombe	Executive Director, Group Chief Executive Officer
Geoff Mather	Company Secretary, Group Chief Financial Officer
Mark Weller	Chief Operating Officer
Michael Patino	General Manager Finance

All the above persons were also key management personnel during the year ended 30 June 2023 unless otherwise stated.

(b) Key management personnel compensation

	2024 **$**	2023 $
Short-term benefits	**550,110**	557,211
Post-employment benefits	**37,201**	35,685
	587,311	592,896

(c) Other transactions with key management personnel

During the year no other transactions with key management personnel were recorded.

23 Related party transactions

(a) Parent entities

The parent entity entity is RACWA Holdings Pty Ltd. The ultimate parent entity is The Royal Automobile Club of WA (Incorporated) which at 30 June 2024 owns 100% (2023: 100%) of the issued ordinary shares of RACWA Holdings Pty Ltd.

(b) Transactions with other related parties

The following transactions occurred with related parties:

	2024 **$**	2023 $
Amount recognised in revenue		
Finance staff loans discount	**30,065**	30,676
	30,065	30,676
Amount recognised in expense		
Group services management fee	**3,350,060**	2,243,905
Rent	**279,915**	288,912
Staff insurance discount	**31,722**	28,974
Roadside assistance benefit	**10,370**	9,500
Motor vehicle insurance expense	**1,623**	2,526
Interest expense paid to parent entity RACWA Holdings Pty Ltd	**-**	37,014
	3,673,690	2,610,831
Other transactions		
Dividends paid to parent entity RACWA Holdings Pty Ltd	**10,000,000**	-
Capital contribution from parent entity RACWA Holdings Pty Ltd	**-**	10,000,000
	10,000,000	10,000,000

23 Related party transactions (continued)

(c) Outstanding borrowings and balances arising from sales/purchases of goods and services

The following balances are outstanding at the end of the reporting year in relation to transactions with related parties:

	2024 $	2023 $
Current payables (purchases of goods)		
RACWA Holdings Pty Ltd	**955,804**	787,386
Current payables (tax funding agreement)		
Wholly-owned tax consolidated entities	**813,651**	295,713

(d) Loans from parent entity (tax funding agreement)

	2024 $	2023 $
Loans from The Royal Automobile Club of WA (Incorporated) (ultimate Australian parent entity)		
Beginning of the year	**(295,713)**	(465,855)
Loan advanced	**(2,076,708)**	(2,273,664)
Loan repayments made	**1,558,770**	2,443,806
End of year	**(813,651)**	(295,713)

(e) Terms and conditions

The terms and conditions of the tax funding arrangement are set out in note 3d.

All other transactions were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of loans from the parent entity. No interest is charged on the loans.

Outstanding balances are unsecured and are repayable in cash.

Consolidated entity disclosure statements

Disclosure of subsidiaries and their country of tax residency, as required by the *Corporations Act 2001*, does not apply to the company as the company is not required by accounting standards to prepare consolidated financial statements.

In accordance with a resolution of the directors of RAC Finance Limited, I state that:

In the directors' opinion:

(a) the financial statement and notes of the company are in accordance with the *Corporations Act 2001*, including:
  (i) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001;* and
  (ii) giving a true and fair view of the entity's financial position as at 30 June 2024 and of its performance for the year ended on that date; and

(b) the financial statement and associated notes set out on pages 5 to 46 are also in accordance with International Financial Reporting Standards as described in the notes the financial statements.

(c) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(d) the consolidated entity disclosure statement required by section 295(3A) of the *Corporations Act* is true and correct.

On behalf of the Board

Jim Walker
Chair

Perth, W.A.
2 September 2024

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

As lead auditor for the audit of the financial report of RAC Finance Limited for the financial year ended 30 June 2024, 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 audit;

b. No contraventions of any applicable code of professional conduct in relation to the audit; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

Ernst & Young

Ernst & Young

J K Newton

J K Newton
Partner
2 September 2024

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

Opinion

We have audited the financial report of RAC Finance Limited (the Company), which comprises the balance sheet as at 30 June 2024, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including material accounting policy information, the consolidated entity disclosure statement and the directors declaration.

In our opinion, the accompanying financial report of 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 30 June 2024 and of its financial performance for the year ended on that date; and

b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of:

- The financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and

- The consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001;* and

for such internal control as the directors determine is necessary to enable the preparation of:

- The financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and

- The consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young

Ernst & Young

J K Newton

J K Newton
Partner
Perth
2 September 2024