Solvar Limited
ABN: 63 117 296 143

Appendix 4D [Rule 4.2A.3]

For the half year ended 31 December 2023

Previous corresponding period: Half year ended 31 December 2022

Results for Announcement to the Market

Key financial information				Dec 2023 Half year $'000	Dec 2022 Half year $'000
Revenue from operations	Up	5.9%	to	109,718	103,639
Profit from operations after tax attributable to members	Down	48.7%	to	13,178	25,713

Dividend information	Amount per security	Franked amount per security at 30% tax
Final FY23 dividend per share	9.00 cents	9.00 cents
Interim FY24 dividend per share	5.00 cents	5.00 cents

Dividend dates	
Ex-dividend date	4 March 2024
Record date	5 March 2024
Payment date	19 April 2024

Dividend reinvestment plan details

The Company's Dividend Reinvestment Plan (DRP) remains active. The DRP is optional and offers ordinary shareholders in Australia and New Zealand the opportunity to acquire fully paid ordinary shares. Shareholders can elect to participate in or terminate their involvement in the DRP at any time. Election notices for participation in the DRP in relation to the interim dividend to be paid on 19 April 2024 must be received by the registry by 5:00 pm on 6 March 2024 to be effective for that dividend.

	Dec 2023 Half year	Dec 2022 Half year
Net tangible assets per security	$1.58	$1.57

Commentary on "Results for Announcement to the Market"

Please refer to the Solvar 1H FY24 media release and the Interim Financial Report for the half year ended 31 December 2023 for further explanation of the figures presented.

Control gained or lost over entities in the half year

There was no control gained or lost over entities during the half year ended 31 December 2023.

Results for Announcement to the Market (cont.)

Investments in associates and joint ventures

No investments in associates and joint ventures are held by the group.

Foreign entities, applicable accounting standards used

Not applicable as Solvar Limited is not a foreign entity.

Statement as to whether the financial statements have been reviewed

The financial statements have been reviewed. The review report is included in Interim Financial Report.

Contents

Directors' Report

Your Directors present their report for the half year ended 31 December 2023 on the consolidated entity consisting of Solvar Limited ("the Company") and the entities it controlled ("the consolidated entity" / "the Group") at the end of or during the half year ended 31 December 2023.

Directors and Company Secretary

The following persons were Directors of the Company during the half year, unless otherwise stated, and up to the date of this report:

- Stuart Robertson
- Symon Brewis-Weston
- Kate Robb
- Scott Baldwin

Terri Bakos is the Company Secretary.

Principal Activities

The principal activities of the Group during the half year ended 31 December 2023 ("half year") were the provision of finance specialising in the delivery of secured automotive loans as well as secured and unsecured personal loans. There have been no significant changes to the Group's principal activities during the half year.

Dividends – Solvar Limited

The directors have declared an interim dividend of 5.0 cents per share. The dividend will be paid on the 19 April 2024 to those shareholders on the register at the close of business on the 5 March 2024.

Review of Operations

	Dec 2023 Half year $'000	Dec 2022 Half year $'000	% Change
Revenue	109,718	103,639	5.9%
EBITDA	46,640	56,730	(17.8%)
NPAT	13,178	25,713	(48.7%)
Gross written loans	**941,468**	**829,659**	**13.5%**
Loans receivable	**876,965**	**771,777**	**13.6%**

The Group's results for the period are noted below:

- 5.9% growth in Revenue to $109.7m;
- 17.8% decline in Earnings Before Interest Tax Depreciation and Amortisation ("EBITDA") to $46.6m;
- Underlying Net Profit after Tax (NPAT) of $14.6m and Statutory NPAT of $13.2m; and
- 13.5% growth in Gross Written Loans over prior comparative period ("PCP") to $941.5m.

Reconciliation of Statutory NPAT to Underlying NPAT	Dec 2023 Half year $'000	Dec 2022 Half year $'000
Statutory NPAT	**13,178**	**25,713**
Items excluded from Underlying NPAT		
Legal and professional fees[1]	2,000	600
Tax effect	(600)	(180)
Underlying NPAT	**14,578**	**26,133**

[1] Legal and professional fees associated with the regulatory related legal action are excluded from Underlying NPAT to better reflect the underlying performance of the business.

Directors' Report (cont.)

The Group has operations in Australia and New Zealand providing both secured and unsecured personal loans for consumers and businesses, with a track record of over 20 years of lending. Most of the Group's lending is for the purchase of a used car, providing consumers greater mobility to improve their lives and employment prospects.

The business has traditionally focused on lending to the under-banked segments of our communities; providing simple, practical, and transparent products. More recently, Solvar expanded by introducing products aimed at lending to a broader range of customer profiles adjusting interest rates to reflect the risk of individual borrowers and the purpose of the loan.

Solvar's philosophy is to deliver profitable growth with a relentless focus on the core fundamentals of asset quality, collections, and capital management. This approach has delivered both profits and dividends to shareholders since listing on the ASX.

Throughout 1H FY24 the Group continued to increase product pricing to restore margins while at the same time pricing for the desired level of monthly originations. This saw portfolio yield lift, however as the business continues its focus on lending to lower credit risk profiles, we expect the portfolio yield to plateau through 2H FY24.

The focus in FY24 continues to be on simplifying operations, de-risking and go-to-market strategy, with the intent to streamline operations and improve efficiency towards improving the Group's Return on Equity.

In addition to introducing new products aimed at customers with better credit risk, Solvar made significant investments in building out our risk and governance systems and framework, aimed at reducing the Group's overall risk profile and positioning for future growth. This investment included hiring of new senior staff within governance, risk, compliance, and internal audit teams.

Debt facilities

During 1H FY24, the availability period of the debt facility supporting the Money3 ("M3") business unit ($364.3m) was extended to March 2024. The Group is currently in discussions to expand the debt facilities in Australia to support the growing loan book.

Consistent with the Group's strategy to simplify its funding structure it also anticipates exiting two of the funding facilities in New Zealand over 2H FY24. The Group has sufficient cash reserves to repay these facilities.

Segment performance

(a) Australia

	Dec 2023 Half year $'000	Dec 2022 Half year $'000	% Change
Total revenue	86,995	76,167	14.2%
EBITDA	52,015	44,199	17.7%
Gross written loans	**769,706**	**624,282**	**23.3%**
Loans receivable	**714,849**	**579,569**	**23.3%**

The growth and performance of Australian operations continues to be strong with a 23.3% growth in loan book to $769.7m and a 14.2% growth in revenue to $87.0m, compared to the prior comparative period. The Australian operations were the principal driver of the Group's Underlying NPAT of $14.6m.

(b) New Zealand

	Dec 2023 Half year $'000	Dec 2022 Half year $'000	% Change
Total revenue	22,717	27,472	(17.3%)
EBITDA	6,118	14,741	(58.5%)
Gross written loans	**171,762**	**205,377**	**(16.4%)**
Loans receivable	**162,116**	**192,208**	**(15.7%)**

Management continued to execute a significant programme of change against the backdrop of well flagged macroeconomic headwinds, one-off extreme weather events, high inflation and cost-of living pressure across the customer base. Management believes these headwinds are likely to persist into the near-term and adjusted credit appetite appropriately. This change in risk settings resulted in a short-term drag on new lending volumes.

Directors' Report (cont.)

During 1H FY24, the Group initiated a productivity review of the New Zealand operations with the aim of improving profitability and turning around the recent deterioration in performance. This has led to a change in leadership team, retirement of several software platforms, as well as a move to reduce the number of funders supporting the business in New Zealand.

Significant Changes in the State of Affairs

The interest rate rises by the central banks in Australia and New Zealand through FY23 contributed to a significant increase in the cost of funds in FY24. Finance cost increased by 39.8% over PCP. To counter the effect of the finance costs, the Group made upward revisions to its products pricing during the current period.

Regulatory action

Further to the update provided in the 2023 Annual Report, there has been no significant changes to the status of the regulatory action in Australia.

The Commerce Commission of New Zealand has indicated it intends to file civil proceedings relating to alleged breaches of the Credit Contracts and Consumer Finance Act 2003 in relation to the Group's New Zealand subsidiary Go Car Finance Limited.

Apart from the above, there were no other significant changes in the state of affairs of the Group other than those referred to in the review of operations and financial statements or notes thereto.

Significant Matters Subsequent to the Reporting Date

No other matters or circumstances have arisen since the end of the half year that have significantly affected or may significantly affect the operations of the Group, the results or the state of affairs of the Group.

Likely Developments and Expected Results of Operations

The likely developments in the Group's operations, to the extent that such matters can be commented upon, are covered in the 'Review of Operations' section in this Report.

Environmental Regulation

The operations of the Group are not subject to any significant environmental regulations under Australian Commonwealth, State or Territory law. The Directors are not aware of any breaches of any environmental regulations.

Indemnification and Insurance of Directors and Officers

The Group has indemnified the Directors and Officers for costs incurred, in their capacity as a Director or Executive, for which they may be held personally liable, except where there is a lack of good faith.

During the half year, the Group paid a premium in respect of a contract to insure the Directors and Executives against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

Non-Audit Services

There were no non-audit services provided by the group auditor BDO Audit Pty Ltd during the half year ended 31 December 2023 (2022: Nil).

Proceedings on behalf of the Group

Other than the items outlined under the Regulatory action (above), no person has applied to the Court for leave to bring proceedings to which the Group is a party, for taking responsibility on behalf of the Group for all or part of these proceedings. No proceedings have been brought or intervened in on behalf of the Group with leave of the Court under section 237 of the *Corporations Act 2001*.

Rounding of Amounts

The Group is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the "rounding off" of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with the instrument to the nearest thousand dollars, unless otherwise indicated.

Directors' Report (cont.)

Auditor's Independence Declaration

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 8 of the financial report.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors

Scott Baldwin
Director
Melbourne
19 February 2024

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DECLARATION OF INDEPENDENCE BY BENJAMIN LEE TO THE DIRECTORS OF SOLVAR LIMITED

As lead auditor for the review of Solvar Limited for the half-year ended 31 December 2023, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Solvar Limited and the entities it controlled during the period.

Benjamin Lee
Director

BDO Audit Pty Ltd

Melbourne, 19 February 2024

Directors' Declaration

In the Directors' opinion:

1. the financial statements and the notes set out on pages 10 to 23 is in accordance with the *Corporations Act 2001*, including:

   (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2023 and of its performance, for the half year ended on that date; and

   (b) complying with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements.

2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

Scott Baldwin

Scott Baldwin
Director
Melbourne
19 February 2024

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the half year ended 31 December 2023

	Note	Consolidated Dec 2023 Half year $'000	Consolidated Dec 2022 Half year $'000
Revenue	3	**109,718**	**103,639**
Expenses			
Bad debts expense (net of recoveries)		19,809	14,548
Movement in allowance for impairment losses		4,048	2,081
Loan origination and servicing costs		8,691	8,063
Employee related expenses		21,089	16,806
Professional fees		3,975	1,806
Technology expenses		4,230	3,228
Advertising expenses		612	764
Finance costs, net		26,655	19,070
Depreciation and amortisation		1,065	1,136
Other expenses*		624	(387)
Total expenses		**90,798**	**67,115**
Profit before income tax		**18,920**	**36,524**
Income tax expense		5,742	10,811
Profit for the half year		**13,178**	**25,713**
Profit is attributable to:			
Owners of Solvar Limited		**13,178**	**25,713**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		381	1,209
Other comprehensive income for the half year, net of tax		**381**	**1,209**
Total comprehensive income for the half year		**13,559**	**26,922**
Total comprehensive income for the half year is attributable to:			
Owners of Solvar Limited		13,559	26,922
Earnings per share for profit attributable to the ordinary equity holders of the Company			
Basic earnings per share (cents)	8	6.31	12.07
Diluted earnings per share (cents)	8	6.26	12.03

The condensed consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes to the financial statements

**Includes gain on translation of assets and liabilities denominated in foreign currencies*

Condensed Consolidated Statement of Financial Position

as at 31 December 2023

	Note	Consolidated Dec 2023 $'000	Consolidated Jun 2023 $'000
ASSETS			
Current assets			
Cash and cash equivalents*		127,036	145,867
Loans receivable, net	4	253,771	251,697
Current tax receivable		338	514
Other assets		7,007	6,443
		388,152	**404,521**
Non-current assets			
Loans receivable, net	4	575,367	552,666
Property, plant & equipment		1,140	1,528
Right-of-use assets		2,282	2,761
Investments in equities		1,200	1,200
Intangible assets		30,338	30,723
Deferred tax assets, net		13,046	12,588
Other assets		9,138	9,509
		632,511	**610,975**
Total assets		**1,020,663**	**1,015,496**
LIABILITIES			
Current liabilities			
Trade and other payables		18,668	13,305
Borrowings	5	165,586	109,921
Lease liabilities		1,055	998
Employee benefit obligations		3,262	3,081
		188,571	**127,305**
Non-current liabilities			
Trade and other payables		953	2,644
Borrowings	5	454,702	505,848
Employee benefit obligations		386	332
Lease liabilities		1,549	2,080
Provisions		160	160
		457,750	**511,064**
Total liabilities		**646,321**	**638,369**
Net assets		**374,342**	**377,127**
EQUITY			
Share capital	6	232,276	229,981
Reserves		2,484	2,000
Retained earnings		139,582	145,146
Total equity		**374,342**	**377,127**

The condensed consolidated statement of financial position is to be read in conjunction with the accompanying notes to the financial statements

**The cash and cash equivalents disclosed above and in the statement of cash flows includes $70.8m (Jun 23: $67.6m) which are held by the trust manager of the debt facilities. These deposits are subject to funding related restrictions and are therefore not available for general use by the Group.*

Condensed Consolidated Statement of Changes in Equity

for the half year ended 31 December 2023

	Note	Share Capital $'000	Retained Earnings $'000	Reserves $'000	Total $'000
Total equity at 1 July 2022		**238,848**	**128,281**	**1,789**	**368,918**
Profit after income tax expense for the half year		-	25,713	-	25,713
Other comprehensive income		-	-	1,209	1,209
Total comprehensive income for the half year		**-**	**25,713**	**1,209**	**26,922**
Transactions with owners in their capacity as owners:					
Issue of shares, net of buyback		(5,775)	-	-	(5,775)
Share based payment expenses, net		-	-	779	779
Transfer from reserves to share capital on exercise		1,154	-	(1,154)	-
Forfeiture of employee options and rights		-	-	(112)	(112)
Dividends	7	*2,212	(14,940)	-	(12,728)
Closing balance as at 31 December 2022		**236,439**	**139,054**	**2,511**	**378,004**
Total equity at 1 July 2023		**229,981**	**145,146**	**2,000**	**377,127**
Profit after income tax expense for the half year		-	13,178	-	13,178
Other comprehensive income		-	-	381	381
Total comprehensive income for the half year		**-**	**13,178**	**381**	**13,559**
Transactions with owners in their capacity as owners:					
Share based payment expenses, net		-	-	510	510
Transfer from reserves to share capital on exercise		337	-	(337)	-
Forfeiture of employee options and rights		-	-	(70)	(70)
Dividends	7	*1,958	(18,742)	-	(16,784)
Closing balance as at 31 December 2023		**232,276**	**139,582**	**2,484**	**374,342**

The condensed consolidated statement of changes in equity is to be read in conjunction with the accompanying notes to the interim financial statements.

**Shares issued to shareholders that elected to participate in the Dividend Reinvestment Plan.*

Condensed Consolidated Statement of Cash Flows

for the Half year ended 31 December 2023

	Consolidated Dec 2023 Half year $'000	Consolidated Dec 2022 Half year $'000
Cash flows from operating activities		
Interest, fees and charges from customers	111,161	104,130
Recoveries	8,226	6,122
Payments to suppliers and employees (GST Inclusive)	(31,630)	(34,125)
Interest received from banks	2,350	1,085
Finance costs	(28,622)	(18,221)
Income tax paid	(6,293)	(10,811)
Net cash provided by operating activities before changes in operating assets	**55,192**	**48,180**
Loan principal advanced to customers net of repayments	(59,814)	(111,102)
Net cash outflows from operating activities	**(4,622)**	**(62,922)**
Cash flows from investing activities		
Payment for property, plant and equipment	(125)	(327)
Proceeds from sale of property, plant and equipment	11	-
Net cash outflows from investing activities	**(114)**	**(327)**
Cash flows from financing activities		
Share buyback payments, net	-	(5,775)
Proceeds from borrowings	118,390	223,302
Repayment of borrowings	(115,260)	(87,229)
Repayment of lease liabilities	(485)	(563)
Dividends paid	(16,784)	(12,728)
Net cash (outflows)/inflows from financing activities	**(14,139)**	**117,007**
Net (decrease)/increase in cash held	**(18,875)**	**53,758**
Cash and cash equivalents at the beginning of the half year	145,867	122,499
Effects of exchange rate changes on cash and cash equivalents	44	3
Cash and cash equivalents at end of the half year	**127,036**	**176,260**

The condensed consolidated statement of cash flows is to be read in conjunction with the accompanying notes to the financial statements.

Notes to the Condensed Consolidated Financial Statements

Introduction

The interim financial report covers Solvar Limited ("Solvar" or "the Company") and its controlled entities ("the Group"). Solvar is a company limited by shares whose shares are publicly traded on the Australian Securities Exchange (ASX). Solvar is incorporated and domiciled in Australia. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates. The condensed consolidated financial statements are presented in Australian dollars which is the functional and presentation currency of Solvar Limited and amounts are rounded to the nearest thousand dollars, unless otherwise indicated.

The interim financial report was authorised for issue by the Board of the Company at a Directors meeting on the date shown on the Declaration by the Board attached to the Financial Statements.

1. Summary of Material Accounting Policies

(a) Basis of accounting

The interim financial report is a general-purpose financial report which has been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations and complies with other requirements of the law, as appropriate for-profit oriented entities. The interim financial report comprises the condensed consolidated financial statements of the Group. The interim financial statements comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

This Interim Financial Report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for year ended 30 June 2023 and any public announcements made by Solvar Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The interim financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied. Where necessary, comparative figures have been adjusted to conform to changes in presentation for the half year ended 31 December 2023.

The interim financial statements have been prepared in accordance with Australian Accounting Standards, which are based on the Group continuing as a going concern which assumes the realisation of assets and the extinguishment of liabilities in the normal course of business and at the amounts stated in the financial report.

(b) Principles of consolidation

The condensed consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Group as at 31 December 2023 and the results of all subsidiaries for the half year then ended.

Subsidiaries are all those entities over which the Company has control. The Company controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless a transaction provides evidence of impairment to the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Notes to the Condensed Consolidated Financial Statements (cont.)

(c) New standards adopted by the Group

There were no new standards adopted by the Group for the half year ended 31 December 2023.

The Group has applied the following amendments for the first time for its annual reporting period commencing 1 July 2023:

- AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction [AASB 112]. Effective for annual reporting periods beginning on or after 1 January 2023, these amendments clarify that the 'initial recognition exemption' does not apply to transactions where an entity recognises an asset and a liability which give rise to equal taxable and deductible temporary differences. This could occur, for example, where lessees recognise a right-of-use asset and lease liability for lease transactions, or where an entity recognises decommissioning, restoration and other similar obligations, which form part of a related asset.

- AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates [AASB 7, AASB 101, AASB 108, AASB 134 & AASB Practice Statement 2]. Effective for annual reporting periods beginning on or after 1 January 2023, entities shall disclose their material rather than their significant accounting policies. Further, AASB 108 introduces a definition of 'accounting estimate', i.e. monetary amounts in financial statements that are subject to estimation uncertainty, such as estimating expected credit losses for receivables, clarifying that a change in an estimate occurs when there is either a change in a measurement technique or a change in an input. Prospective application of a change in accounting estimate remains unchanged.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(d) Critical accounting estimates, assumptions and judgements

In the application of Australian Accounting Standards, management is required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revisions affect both current and future periods.

Judgements and estimates which are material to the financial report are found in the following notes:

Note 3	Revenue
Note 4	Loans Receivable

(e) Notes to the financial statements

The notes to the financial statements have been structured to make the financial report relevant and readable, with a focus on information that is material to the operations, financial position and performance of the Group. Additional information has also been included where it is important for understanding the Group's performance.

Notes relating to individual line items in the financial statements include accounting policy information where it is considered relevant to an understanding of these items, as well as information about critical accounting estimates and judgements. Details of the impact of new accounting policies and other accounting policy information are disclosed in Note 11.

Notes to the Condensed Consolidated Financial Statements (cont.)

(f) Rounding of amounts

The Group and the Company are of a kind referred to in ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Instrument to the nearest thousand dollars, unless otherwise indicated.

2. Segment Information

The Group has identified its operating segments based on internal reports and components of Solvar that are regularly reviewed by the chief operating decision makers in order to allocate resources to the segments and to assess their performance.

(a) Australia

This segment provides lending facilities in Australia generally based on the provision of an underlying asset as security, generally referred through a broker or distributed directly through digital channels.

(b) New Zealand

This segment provides lending facilities in New Zealand generally based on the provision of an underlying asset as security, generally referred through a dealer.

Consolidated **Dec 2023 Half year**	**Australia** **$'000**	**New Zealand** **$'000**	**Unallocated** **$'000**	**Total** **$'000**
Segment revenue	86,995	22,717	6	109,718
EBITDA / Segment result	52,015	6,118	(11,493)	46,640
Depreciation and amortisation	(384)	(224)	(457)	(1,065)
Net finance costs	(21,402)	(6,148)	895	(26,655)
Profit before tax	**30,229**	**(254)**	**(11,055)**	**18,920**
Income tax expense				(5,742)
Profit after tax				**13,178**
Loans receivable	714,849	162,116	-	876,965

Consolidated **Dec 2022 Half year**	**Australia** **$'000**	**New Zealand** **$'000**	**Unallocated** **$'000**	**Total** **$'000**
Segment revenue	76,167	27,472	-	103,639
EBITDA / Segment result	44,199	14,741	(2,210)	56,730
Depreciation and amortisation	(343)	(237)	(556)	(1,136)
Net finance costs	(15,469)	(4,567)	966	(19,070)
Profit before tax	**28,387**	**9,937**	**(1,800)**	**36,524**
Income tax expense				(10,811)
Profit after tax				**25,713**
Loans receivable	579,569	192,208	-	771,777

Notes to the Condensed Consolidated Financial Statements (cont.)

3. Revenue

	Consolidated Dec 2023 Half year $'000	Consolidated Dec 2022 Half year $'000
Interest, fees and charges	108,835	102,839
Other income	883	800
Total revenue	**109,718**	**103,639**

Key estimate

The deferral of loan fees and charges assumes that the loan will be repaid in line with the agreed repayments schedule. This key estimate is regularly reviewed, and it is unlikely any change in the estimate will have a material impact.

Recognition and measurement

Revenue is measured at the fair value of the consideration received or receivable and recognised to the extent that it is probable that the economic benefits will flow to the economic entity and the revenue can be reliably measured.

The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and specifics of each arrangement and contract. Interest, fees and charges include interest on loan products, application and credit fees, and other period fees including arrears, default and variation fees. Revenue associated with loans is deferred and recognised over the life of the loans using the effective interest rate method over the loan term.

4. Loans Receivable

	Consolidated Dec 2023 $'000	Consolidated Jun 2023 $'000
Gross written loans	941,468	910,059
Deferred revenue	(64,503)	(62,032)
Loans receivable	**876,965**	**848,027**

Gross written loans represent cash to be received at reporting date. Deferred revenue represents interest, fees and charges accumulated on individual loans which will be recognised as revenue in future periods using the effective interest rate method. Gross written loans less deferred revenue represents the loans receivable calculated in accordance with the accounting policy.

	Consolidated Dec 2023 $'000	Consolidated Jun 2023 $'000
Loans receivable	876,965	848,027
Allowance for impairment losses	(47,827)	(43,664)
Loans receivable, net	**829,138**	**804,363**
Loans receivable – Current	253,771	251,697
Loans receivable – Non-current	575,367	552,666
Loans receivable, net	**829,138**	**804,363**

Notes to the Condensed Consolidated Financial Statements (cont.)

Loans Receivable (Cont.)

Key estimate

Recognition of income and classification of current and non-current is in line with the expected repayment profile of loans.

Recognition and measurement

Loans and other receivables are non-derivative financial assets, with fixed and determinable payments that are not quoted in an active market. Loans and other receivables are initially recognised at fair value, including direct transaction costs and are subsequently measured at amortised cost using the effective interest method.

Loans and other receivables are due for settlement at various times in line with the terms of their contracts.

The Group applies a three-stage approach to measuring expected credit losses (ECLs) for loans receivable measured at amortised cost. Loans receivable move through the following three stages based on the change in credit risk since initial recognition:

Stage 1: 12-months ECL

The Group collectively assesses ECLs on loans receivable where there has not been a significant increase in credit risk since initial recognition and that were not credit impaired upon origination. For these loans receivable, the Group recognises as a collective provision the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months. The Group does not conduct an individual assessment of exposures in Stage 1 as there is no evidence of one or more events occurring that would have a detrimental impact on estimated future cash flows.

Stage 2: Lifetime ECL – not credit impaired

The Group collectively assesses ECLs on loans receivable where there has been a significant increase in credit risk since initial recognition but are not credit impaired. For these loans receivable, the Group recognises as a collective provision a lifetime ECL (i.e. reflecting the remaining term of the loans receivable). Like Stage 1, the Group does not conduct an individual assessment on Stage 2 loans receivable as the increase in credit risk is not, of itself, an event that could have a detrimental impact on future cash flows.

Stage 3: Lifetime ECL – credit impaired

The Group identifies, both collectively and individually, ECLs on those exposures that are assessed as credit impaired based on whether one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For exposures that have become credit impaired, a lifetime ECL is recognised as a collective or specific provision.

A loan receivable balance is written off when the customer is unlikely to pay their obligation and the Group determines there is no reasonable expectation of recovery. In assessing whether reasonable expectation of recovery exists, multiple factors are considered including days past due without repayment, recourse available to the Group such as realisability of security, insurance payout and other related factors.

Determining the stage for impairment

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for loans receivable since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date. This includes quantitative and qualitative information. Loans receivable will move through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and reverses any previously assessed significant increase in credit risk since origination, then the allowance for impairment losses reverts from lifetime ECL to 12-months ECL. Loans receivable that has not deteriorated significantly since origination are considered to have a low credit risk. The allowance for impairment losses for these loans receivable is based on a 12-months ECL. When an asset is uncollectible, it is written off against the related provision. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off reduce the amount of the expense in the income statement.

Notes to the Condensed Consolidated Financial Statements (cont.)

Loans Receivable (Cont.)

Measurement of Expected Credit Losses (ECLs)

ECLs are derived from unbiased and probability-weighted estimates of expected loss and incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at reporting date.

The Group calculates ECL using three main components, a probability of default (PD), a loss given default (LGD) and the exposure at default (EAD).

The 12-month ECL is calculated by multiplying the 12-month PD, LGD and EAD. Lifetime ECL is calculated using the lifetime PD instead. The 12-month and lifetime PDs represent the probability of default occurring over the next 12 months and the remaining maturity of the instrument respectively. The EAD represents the total value the Group is exposed to when the loan receivable defaults. The LGD represents the unrecovered portion of the EAD considering mitigating effect of realisable value of security.

5. Borrowings

	Consolidated Dec 2023 $'000	Consolidated Jun 2023 $'000
Current		
Finance facility	166,451	111,037
Unamortised borrowing costs	(865)	(1,116)
	165,586	**109,921**
Non-current		
Finance facility	454,702	505,982
Unamortised borrowing costs	-	(134)
	454,702	**505,848**
Total borrowings	**620,288**	**615,769**

Recognition and measurement

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost using the effective interest method including the borrowing costs.

Finance facility

In November 2020, the Company entered into a variable rate $250.0m revolving facility for the M3 business unit led by a large international bank. In December 2021, the limit on this facility was increased to $300.0m. Subsequently in June 2022, a $64.3m mezzanine facility was introduced into this facility, aggregating the facility limits to $364.3m at reporting date. This facility has a two-year availability period ending in December 2023. During the half year, the Group extended the availability period on this facility from December 2023 to March 2024.

Additionally, the Automotive Financial Services ("AFS") business unit has a variable rate revolving facility of $237.5m led by a major bank in Australia. This revolving facility is subject to an annual review and has a maturity of June 2025.

In New Zealand operations, the Group has three debt facilities, with limits aggregating to $332.0m at variable interest rates. The facilities have maturity dates of March 2024, April 2024 and October 2024.

Notes to the Condensed Consolidated Financial Statements (cont.)

Borrowings (Cont.)

Financing facilities available

	Consolidated Dec 2023 $'000	Consolidated Jun 2023 $'000
Finance facility	933,753	940,350
Used at reporting date	(621,153)	(617,019)
Unused at reporting date	**312,600**	**323,331**

Compliance with loan covenants

Solvar Limited has complied with the financial covenants of its borrowing facilities during the half year ended Dec 2023 and FY23.

6. Share Capital

Movement in shares on issue

Movement in the shares on issue of the Company during the half year are summarised below:

	Consolidated Dec 2023		Consolidated Jun 2023	
	Number of ordinary shares '000	Value $'000	Number of ordinary shares '000	Value $'000
Balance at the beginning of the financial year	207,996	229,981	212,940	238,848
Issued during the half year:				
Issue of shares – employee share scheme	173	-	574	29
Issue of shares – DRP	1,819	1,958	1,720	3,424
Buyback of shares	-	-	(7,238)	(13,474)
Transfer from reserves	-	337	-	1,154
Balance at end of the Half year	**209,988**	**232,276**	**207,996**	**229,981**

Recognition and measurement

Ordinary shares

Ordinary shares have the right to receive dividends as declared and in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company. The Company does not have limited authorised capital and issued shares have no par value.

Notes to the Condensed Consolidated Financial Statements (cont.)

7. Dividends

	Dec 2023 Half year Cents per share	Dec 2023 Half year $'000	Dec 2022 Half Year Cents per share	Dec 2022 Half Year $'000
Recognised amounts				
Final FY23 dividend paid during the half year - fully franked at 30% tax rate	9.00	18,742	7.00	14,940
Unrecognised amounts				
Interim FY24 dividend - fully franked at 30% tax rate	5.00	10,499	7.50	15,827

On 19 February 2024, the Directors declared a fully franked interim dividend of 5.00 cents per share to the holders of fully paid ordinary shares in respect of the half year ended 31 December 2023, to be paid to shareholders on 19 April 2024. The dividend will be paid to shareholders based on the Register of Members on 5 March 2024. This dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is $10.5m. The Group has $68.1m of franking credits at 31 December 2023 (2022: $70.8m).

8. Earnings Per Share

	Consolidated Dec 2023 Half year Cents	Consolidated Dec 2022 Half year Cents
a) Basic earnings per share attributable to the ordinary equity holders of the Company	6.31	12.07
b) Diluted earnings per share attributable to the ordinary equity holders of the Company	6.26	12.03

	Consolidated Dec 2023 Half year $'000	Consolidated Dec 2022 Half year $'000
c) Profit attributable to the ordinary equity holders of the Company	13,178	25,713
	13,178	**25,713**

	Consolidated Dec 2023 Half year Quantity	Consolidated Dec 2022 Half year Quantity
d) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	208,931,590	212,958,958
Dilutive potential ordinary shares	1,595,317	788,336
Weighted average number of ordinary shares and potential ordinary shares used in calculation of diluted earnings per share	**210,526,907**	**213,747,294**

Notes to the Condensed Consolidated Financial Statements (cont.)

Earnings Per Share (Cont.)

Recognition and measurement

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the half year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares. Options granted to employees and directors are considered to be ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive.

9. Related Party Transactions

a) Loans to KMP

In FY22, Solvar entered into a 5-year Deferred Payment Arrangement ("DPA") with related entities to Scott Baldwin, Managing Director and CEO of the Group, to loan $3,270,000 for the exercise of 2,180,000 unlisted options. The allocated shares shall be held in escrow and subject to a holding lock. The allocated shares shall only be released from escrow upon all obligations of the borrower having been satisfied under the DPA and discharged in full. The Directors have determined that the terms of the DPA are on a reasonable arm's length basis including the interest rate on the transaction. The initial recognition of the loan and the related exercise of the options was treated as non-cash activity for the purposes of the Statement of Cash Flows. Monthly repayments are made in cash and the amount payable at 31 December 2023 was $2,125,484. (30 June 2023: $2,686,547). This loan is included as part of the Loans Receivable balance disclosed in Note 4.

b) Other transactions related to KMP

There were no other transactions with KMP during the current half year or as at 31 December 2023 (2022: Nil)

All transactions with related parties are at arm's length on normal commercial terms and conditions at market prices.

10. Significant Matters Subsequent to the Reporting Date

No matters or circumstances have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of Group, the results or the state of affairs of the Group.

Notes to the Condensed Consolidated Financial Statements (cont.)

11. Changes in Accounting Policies

Impact of standards issued but not yet applied

Certain new accounting standards and interpretations have been published that are not mandatory for the half year ended 31 December 2023 reporting period and have not been early adopted by the Group. The following standards apply to the Group for the 31 December 2023 reporting period. As at the date of this report there are no new accounting standards that have been issued but not yet applied that have a material effect on the results of the Group.

AASB 2020-1 amendments to Australian accounting standards – Classification of liabilities as current or non-current

Effective for annual reporting periods beginning on or after 1 January 2024, there are four main changes to the classification requirements within AASB 101 Presentation of financial statements:

- The requirement for an 'unconditional' right has been deleted from paragraph 69(d) because covenants in banking agreements would rarely result in unconditional rights.
- The right to defer settlement must exist at the end of the reporting period. If the right to defer settlement is dependent upon the entity complying with specified conditions (covenants), the right to defer only exists at reporting date if the entity complies with those conditions at reporting date.
- Classification is based on the right to defer settlement, and not intention (paragraph 73), and
- If a liability could be settled by an entity transferring its own equity instruments prior to maturity (e.g. a convertible bond), classification is determined without considering the possibility of earlier settlement by conversion to equity, but only if the conversion feature is classified as equity under IAS 32.

As these amendments only apply for the first time to the 30 June 2025 balance sheet (and 30 June 2024 comparative balance sheet), the Group is not yet able to assess the impacts regarding the right to defer settlement, compliance with bank covenants, and intention to settle.

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Solvar Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Solvar Limited (the Company) and its subsidiaries (the Group), which comprises the condensed consolidated statement of financial position as at 31 December 2023, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 31 December 2023 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

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

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the directors for the financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

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

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

BDO Audit Pty Ltd

BDO

Benjamin Lee
Director

Melbourne, 19 February 2024