



Solvar Limited

(formerly Money3 Corporation Limited)

ABN: 63 117 296 143

Appendix 4D [Rule 4.2A.3]

For the half year ended 31 December 2022

Results for Announcement to the Market

Key financial information				Dec 2022 Half year \$'000	Dec 2021 Half year \$'000
Revenue from continuing operations	Up	13.5%	to	103,639	91,337
Profit from continuing operations after tax attributable to members	Down	(0.4%)	to	25,713	25,809

Dividend information	Amount per security	Franked amount per security at 30% tax
Final FY22 dividend per share	7.00 cents	7.00 cents
Interim FY23 dividend per share	7.50 cents	7.50 cents

Dividend dates	
Ex-dividend date	1 March 2023
Record date	2 March 2023
Payment date	13 April 2023

	31 Dec 2022	31 Dec 2021
Net tangible assets per security	\$1.57	\$1.46

This report is based on the Interim Financial Report for the half year ended 31 December 2022 which has been reviewed by BDO with the Independent Auditor's Review Report included in the Interim Financial Report.

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Director's Report

Your Directors present their report on the consolidated entity Solvar Limited ("the Company"), formerly Money3 Corporation Limited, and the entities it controlled ("the consolidated entity" / "the Group") at the end of or during the half year ended 31 December 2022.

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 2022 ("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

The directors have declared an interim dividend of 7.5 cents per share. The dividend will be paid on the 13 April 2023 to those shareholders on the register at the close of business on the 2 March 2023.

Review of operations

	31 Dec 22 \$'000	31 Dec 21 \$'000	% Change
Revenue	103,639	91,337	13.5%
EBITDA ¹	56,730	48,821	16.2%
NPAT	25,713	25,809	(0.4%)
Gross written loans	829,659	690,766	20.1%
Loans receivable	771,777	638,223	20.9%

¹ Earnings Before Interest Tax Depreciation and Amortisation.

Key highlights include:

- 13.5% growth in Revenue to \$103.6m;
- 16.2% growth in ("EBITDA") to \$56.7m;
- 20.1% growth in Gross Written Loans over prior comparative period ("PCP") to \$829.7m.

Business performance

The Group operates under three brands – Money3 ("M3"), Automotive Financial Services ("AFS") and Go Car Finance ("GCF") in two geographies. M3 and AFS operate in Australia with broker networks and direct as primary distribution channels. GCF operates in New Zealand with dealer networks as the primary distribution channel. During the half year,

- M3 - achieved revenue growth of 8.2% to \$68.6m and gross written loans growth of 16.9% to \$487.1m;
- AFS - achieved revenue growth of 79.8% to \$7.6m and gross written loans growth of 63.9% to \$137.2m; and
- GCF - achieved revenue growth of 10.4% to \$27.5m and gross written loans growth of 7.8% to \$205.4m.

Debt facilities

During the half year, the Group increased its debt facility limits to \$898.3m from \$661.1m with unused facilities of \$335.6m at reporting date. The Group also diversified its funding partners by introducing warehouse funding in GCF with a facility limit of NZD 250m.

Directors' Report (continued)

Significant changes in the state of affairs

While the effects of the pandemic on the economy have subsided in general, both Australia and New Zealand continue to experience high inflation. As a response, the central banks in both countries have increased the base interest rate. The inflationary pressures along with continued disruptions to the global supply chains and tight labour market have impacted pricing decisions on our products and has resulted in adjustments to our risk appetite.

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

The recent extreme weather events in New Zealand may have a significant impact on the NZ operations. At this stage, the financial impact is yet to be determined. Other than the above, 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 2022 (2021: Nil).

Proceedings on behalf of the Group

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, or in some cases, to the nearest thousand dollars, unless otherwise indicated.

Auditor's Independence Declaration

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6 of the financial report.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors

A handwritten signature in black ink, reading "Scott Baldwin". The signature is written in a cursive, flowing style.

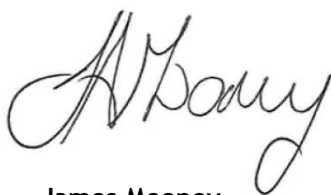
Scott Baldwin
Director
Melbourne
14 February 2023

DECLARATION OF INDEPENDENCE BY JAMES MOONEY TO THE DIRECTORS OF SOLVAR LIMITED

As lead auditor for the review of Solvar Limited for the half-year ended 31 December 2022, 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.



James Mooney
Director

BDO Audit Pty Ltd

Melbourne, 14 February 2023

Directors' Declaration

In the Directors' opinion:

1. the financial statements and the notes set out on pages 8 to 20 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 2022 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
Director
Melbourne
14 February 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the half year ended 31 December 2022

	Note	Consolidated Dec 2022 Half year \$'000	Consolidated Dec 2021 Half year \$'000
Revenue	3	103,639	91,337
Expenses			
Bad debts expense (net of recoveries)		14,548	13,572
Movement in allowance for impairment losses		2,081	117
Loan origination and servicing costs		8,063	5,924
Employee related expenses		16,806	16,117
Professional fees		1,806	1,135
Technology expenses		3,228	3,741
Advertising expenses		764	800
Loss on disposal of assets		6	-
Finance costs, net		19,070	11,070
Depreciation and amortisation		1,136	1,108
Other expenses*		(393)	1,110
Total expenses		67,115	54,694
Profit before income tax		36,524	36,643
Income tax expense		10,811	10,834
Profit for the half year		25,713	25,809
Profit is attributable to:			
Owners of Solvar Limited		25,713	25,809
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		1,209	111
Other comprehensive income for the half year, net of tax		1,209	111
Total comprehensive income for the half year		26,922	25,920
Total comprehensive income for the half year is attributable to:			
Owners of Solvar Limited		26,922	25,920
Earnings per share for profit attributable to the ordinary equity holders of the Company			
Basic earnings per share (cents)	8	12.07	12.26
Diluted earnings per share (cents)	8	12.03	12.11

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

*Gain on translation of assets and liabilities denominated in foreign currencies

Consolidated Statement of Financial Position

as at 31 December 2022

	Note	Consolidated Dec 2022 \$'000	Consolidated Jun 2022 \$'000
ASSETS			
Current assets			
Cash and cash equivalents*		176,260	122,499
Loans receivable	4	236,403	216,456
Other assets		3,392	3,886
		416,055	342,841
Non-current assets			
Loans receivable	4	493,896	428,190
Property, plant & equipment		1,782	1,694
Right-of-use assets		2,740	2,090
Intangible assets		31,161	31,598
Deferred tax assets		12,210	11,740
Other assets		10,230	4,017
		552,019	479,329
Total assets		968,074	822,170
LIABILITIES			
Current liabilities			
Trade and other payables		16,819	19,453
Borrowings	5	32,643	32,229
Current tax payable		5,297	4,720
Lease liabilities		803	891
Employee benefit obligations		3,093	2,796
Derivative financial instruments		-	69
		58,655	60,158
Non-current liabilities			
Borrowings	5	528,834	391,240
Employee benefit obligations		308	220
Lease liabilities		2,113	1,474
Provisions		160	160
		531,415	393,094
Total liabilities		590,070	453,252
Net assets		378,004	368,918
EQUITY			
Share capital	6	236,439	238,848
Reserves		2,511	1,789
Retained earnings		139,054	128,281
Total equity		378,004	368,918

The 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 \$65.9m (Jun 22: \$52.9m) 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.

Consolidated Statement of Changes in Equity

for the half year ended 31 December 2022

	Note	Share Capital \$'000	Retained Earnings \$'000	Reserves \$'000	Total \$'000
Total equity at 1 July 2021		229,349	104,178	2,992	336,519
Profit after income tax expense for the half year		-	25,809	-	25,809
Other comprehensive income		-	104	7	111
Total comprehensive income for the half year		-	25,913	7	25,920
Transactions with owners in their capacity as owners:					
Issue of shares		5,068	-	-	5,068
Share based payment expenses, net		-	-	972	972
Transfer from reserves to share capital on exercise		1,519	348	(1,867)	-
Dividends	7	-	(14,788)	-	(14,788)
Closing balance as at 31 December 2021		235,936	115,651	2,104	353,691
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

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

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

Consolidated Statement of Cash Flows

for the Half year ended 31 December 2022

	Note	Consolidated Dec 2022 Half year \$'000	Consolidated Dec 2021 Half year \$'000
Cash flows from operating activities			
Interest, fees and charges from customers		104,130	93,345
Bad debt recoveries		6,122	4,813
Payments to suppliers and employees (GST Inclusive)		(34,125)	(30,288)
Interest received from banks		1,085	15
Finance costs		(18,221)	(9,349)
Income tax paid		(10,811)	(7,610)
Net cash provided by operating activities before changes in operating assets		48,180	50,926
Loan principal advanced to customers net of repayments		(111,102)	(97,264)
Net cash outflows from operating activities		(62,922)	(46,338)
Cash flows from investing activities			
Payment for property, plant and equipment		(327)	(311)
Net cash outflows from investing activities		(327)	(311)
Cash flows from financing activities			
Proceeds from issues of shares		29	1,750
Payments for shares bought back		(5,804)	-
Proceeds from borrowings		223,302	192,843
Repayment of borrowings		(87,229)	(48,942)
Repayment of lease liabilities		(563)	(470)
Dividends paid		(12,728)	(14,788)
Net cash inflows from financing activities		117,007	130,393
Net increase / (decrease) in cash held		53,758	83,744
Cash and cash equivalents at the beginning of the half year		122,499	55,220
Effects of exchange rate changes on cash and cash equivalents		3	7
Cash and cash equivalents at end of the half year		176,260	138,971

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

Notes to the Financial Statements

Introduction

The interim financial report covers Solvar Limited (“Solvar” or “the Company”) and its controlled entities (“the Group”). Solvar (formerly Money3 Corporation Limited) 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 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 Significant 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 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 2022 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 2022.

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 consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Group as at 31 December 2022 and the results of all subsidiaries for the half year ended 31 December 2022.

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.

(c) New standards adopted by the Group

There were no new standards adopted by the Group for the half year ended 31 December 2022.

(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.

Notes to the Financial Statements (cont.)

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.

(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 Half Year Dec 2022	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)
Finance costs, net	(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 Financial Statements (cont.)

2. Segment Information (Cont.)

Consolidated Half Year Dec 2021	Australia \$'000	New Zealand \$'000	Unallocated \$'000	Total \$'000
Segment Revenue	67,588	23,749	-	91,337
EBITDA / Segment result	40,798	13,187	(5,164)	48,821
Depreciation and amortisation	(308)	(259)	(541)	(1,108)
Finance costs, net	(7,975)	(3,095)	-	(11,070)
Profit before tax	32,515	9,833	(5,705)	36,643
Income tax expense	-	-	-	(10,834)
Profit after tax	-	-	-	25,809
Loans receivable	460,726	177,497	-	638,223

3. Revenue

	Consolidated Dec 2022 Half year \$'000	Consolidated Dec 2021 Half year \$'000
Interest, fees and charges	102,839	89,268
Other income	800	2,069
Total revenue	103,639	91,337

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 2022 \$'000	Consolidated Jun 2022 \$'000
Loans Receivable	771,777	683,714
Allowance for impairment losses	(41,478)	(39,068)
Net Loans Receivable	730,299	644,646
Loans Receivable – Current	236,403	216,456
Loans Receivable – Non-Current	493,896	428,190
Net Loans Receivable	730,299	644,646

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.

Notes to the Financial Statements (cont.)

4. Loans Receivable (Cont.)

	Consolidated Dec 2022 \$'000	Consolidated Jun 2022 \$'000
Gross written loans	829,659	733,370
Deferred revenue	(57,882)	(49,656)
Loans Receivable	771,777	683,714

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. 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.

Notes to the Financial Statements (cont.)

4. Loans Receivable (Cont.)

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.

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 2022 \$'000	Consolidated Jun 2022 \$'000
Current		
Finance facility	33,821	33,821
Unamortised borrowing costs	(1,178)	(1,592)
	32,643	32,229
Non-current		
Finance facility	528,864	391,744
Unamortised borrowing costs	(30)	(504)
	528,834	391,240
Total borrowings	561,477	423,469

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.

Notes to the Financial Statements (cont.)

5. Borrowings (Cont.)

Finance Facility

In November 2020, the Company entered into a variable rate \$250.0m revolving facility for the Australian operations led by a large international bank. In December 2021, the limit on this facility was increased to \$300.0m. Subsequently in June 2022, \$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. Additionally, the AFS acquisition in Jan 2021 introduced a variable rate \$55.0m revolving facility led by a major bank in Australia. The size of this facility was subsequently increased with the introduction of a mezzanine funder, the aggregate facility limit at reporting date is \$190.0m. This revolving facility is subject to an annual review and has a maturity in June 2024.

In New Zealand operations, in October 2022 the group entered into a variable rate \$233.4m (NZD 250m) revolving warehouse funding facility led by a large international bank. The facility has a two year availability period ending in October 2024. Furthermore, it has another two debt facilities, aggregating to \$110.6m at variable interest rates. At reporting date, one of the facilities has a maturity date in July 2023 and the other facility has a maturity date of April 2024. The lenders have security over the property of the entities within the Go Car Finance Group.

Financing Facilities Available

	Consolidated Dec 2022 Half year \$'000	Consolidated Jun 2022 Half year \$'000
Finance facility	898,289	661,122
Used at reporting date	(562,685)	(425,565)
Unused at reporting date	335,604	235,557

Solvar Limited has complied with the financial covenants of its borrowing facilities during the 2022 and 2021 reporting periods.

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 31 Dec 2022		Consolidated 30 Jun 2022	
	Number of ordinary shares '000	Value \$'000	Number of ordinary shares '000	Value \$'000
Balance at the beginning of the financial year	212,940	238,848	208,676	229,349
Issued during the half year:				
Issue of shares - acquisition of business	-	-	450	1,407
Issue of shares – exercise of options	-	-	3,550	5,770
Issue of shares – employee share scheme	574	1,183	410	47
Issue of shares – DRP	1,064	2,212	677	1,876
Buyback of shares	(2,953)	(5,804)	(823)	(1,559)
Transfer from reserves	-	-	-	1,958
Balance at end of the Half year	211,625	236,439	212,940	238,848

Notes to the Financial Statements (cont.)

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.

7. Dividends

	Half Year 2022 Cents per share	Half Year 2022 \$'000	Half Year 2021 Cents per share	Half Year 2021 \$'000
Final FY22 dividends provided for or paid during the half year - fully franked at 30% tax rate	7.00	14,940	7.00	14,788

On 14 February 2023, the Directors declared a fully franked final dividend of 7.50 cents per share to the holders of fully paid ordinary shares in respect of the half year ended 31 December 2022, to be paid to shareholders on 13 April 2023. The dividend will be paid to shareholders based on the Register of Members on 2 March 2023. This dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is \$15.9m. The Group has \$70.8m of franking credits at 31 December 2022 (2021: \$65.2m).

8. Earnings per share

	Consolidated Dec 2022 Half year Cents	Consolidated Dec 2021 Half year Cents
a) Basic earnings per share attributable to the ordinary equity holders of the Company	12.07	12.26
b) Diluted earnings per share attributable to the ordinary equity holders of the Company	12.03	12.11

	Consolidated Dec 2022 Half year \$'000	Consolidated Dec 2021 Half year \$'000
c) Profit attributable to the ordinary equity holders of the Company	25,713	25,809
	25,713	25,809

	Consolidated Dec 2022 Half year Quantity	Consolidated Dec 2021 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	212,958,958	210,515,062
Dilutive potential ordinary shares	788,336	2,537,079
Weighted average number of ordinary shares and potential ordinary shares used in calculation of diluted earnings per share	213,747,294	213,052,141

Notes to the Financial Statements (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

In August 2021, the Group 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 loan and the related exercise of the options are treated as noncash activities for the purposes of the Statement of Cash Flows. Monthly repayments are made in cash and the amount payable at 31 December 2022 was \$2,679,306 (30 June 2022: \$2,935,540). This loan is included as part of the Loans Receivable balance disclosed in Note 4.

10. Significant Matters Subsequent to the Reporting Date

The recent extreme weather events in New Zealand may have a significant impact on the NZ operations. At this stage, the financial impact is yet to be determined. Other than the above, 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.

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 2022 reporting period and have not been early adopted by the Group. 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 2023, 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.

Notes to the Financial Statements (cont.)

As these amendments only apply for the first time to the 30 June 2024 balance sheet (and 30 June 2023 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.

AASB 2021-2 amendments to Australian accounting standards – Disclosure of accounting policies and Definition of accounting estimates

Effective for annual reporting periods beginning on or after 1 January 2023, this new amendment 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, or estimating the fair value of an item recognised in the financial statements at fair value.

Accounting estimates are developed using measurement techniques and inputs. Measurement techniques comprise estimation techniques (such as used to determine expected credit losses or value in use) and valuation techniques (such as the income approach to determine fair value).

The amendments clarify that a change in an estimate occurs when there is either a change in a measurement technique or a change in an input.

There will be no impact on the financial statements when these amendments are first adopted because they apply prospectively to changes in accounting estimates that occur on or after the beginning of the first annual reporting period to which these amendments apply, i.e. annual periods beginning on or after 1 July 2023.

AASB 2021-5 amendments to Australian accounting standards – Deferred tax related to assets and liabilities arising from a single transaction

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.

When these amendments are first adopted for the year ended 30 June 2024, they apply prospectively to all transactions that occur on or after the beginning of the earliest comparative period, i.e. from 1 July 2022.

In addition, at the beginning of the earliest comparative period, i.e. 1 July 2022, deferred tax assets (to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilised) and deferred tax liabilities will be recognised for all deductible and temporary differences associated with:

- Right-of-use assets and lease liabilities, and
- Decommissioning, restoration and other similar liabilities and the corresponding amounts recognised as part of the cost of the related asset.

The cumulative effect of initially applying these amendments will be recognised in opening balances of retained earnings on 1 July 2022.

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 consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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 2022 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 2022 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

A handwritten signature in black ink, appearing to read 'James Mooney', is written over a faint, stylized BDO logo.

James Mooney
Director

Melbourne, 14 February 2023