

Motoring Club Finance Limited

ABN 56 167 246 899

Interim report for the half-year ended 31 December 2016

Motoring Club Finance Limited ABN 56 167 246 899
Interim report - 31 December 2016

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Directors' report

Your Directors present their report on the company for the half-year ended 31 December 2016.

Directors

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

I H Stone
T T Agnew (Alternate Director)
B J Clark
D K McGown (Alternate Director) (resigned 25 November 2016)
A J Pickworth
G B Mather
J W Smalberger
T B Griffiths

Review of operations

The entity's loss after tax for the half year ended 31 December 2016 was \$335,808 (2015: \$281,788).

Market and economic conditions for the car loan finance markets were stable during the first half of the year, with the company's focus to maintain liquidity and a conservative credit risk profile.

On 23 December 2016, following a strategic review, the Motoring Club Finance Limited Board decided to cease offering new investment notes and reinvestments from 7 January 2017. A supplementary prospectus was lodged with the Australian Securities and Investments Commission on 23 December 2016 and investment note holders were informed via letter sent on 29 December 2016. Investment notes will be paid upon maturity.

Auditor's independence declaration

Ernst & Young Australia, our auditors, have provided a written independence declaration to the Directors in relation to their review of the financial report for the half year ended 31 December 2016. The independence declaration can be found on page 14.

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



I H Stone
Director

Adelaide, S.A.
17 February 2017

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Motoring Club Finance Limited
Income statement
For the half-year 31 December 2016

	Notes	31 December 2016 \$	31 December 2015 \$
Revenue			
Interest revenue		611,691	212,481
Interest expense		<u>(270,625)</u>	<u>(56,948)</u>
Net interest income		341,066	155,533
Other income	2	130,587	81,870
Expenses			
Management fees		(602,383)	(449,207)
Other operating expenses		(112,577)	(110,340)
Bad debts expense		(2,386)	-
Borrowing costs		<u>(35,200)</u>	<u>(80,411)</u>
Loss before income tax		(280,893)	(402,555)
Income tax (expense)/benefit		<u>(54,915)</u>	120,767
Loss from continuing operations		<u>(335,808)</u>	<u>(281,788)</u>
Loss for the period		(335,808)	(281,788)
Loss is attributable to:			
Owners of Motoring Club Finance Limited		(335,808)	(281,788)

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

Motoring Club Finance Limited
Statement of comprehensive income
For the half-year 31 December 2016

	31 December 2016	31 December 2015
	\$	\$
Loss for the period	<u>(335,808)</u>	<u>(281,788)</u>
Total comprehensive loss for the period is attributable to:		
Owners of Motoring Club Finance Limited	<u>(335,808)</u>	<u>(281,788)</u>
	<u>(335,808)</u>	<u>(281,788)</u>

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

Motoring Club Finance Limited
Balance sheet
As at 31 December 2016

		31 December 2016	30 June 2016
	Notes	\$	\$
ASSETS			
Cash and cash equivalents	4	5,715,786	4,646,600
Trade and other receivables		42,498	238,148
Loans and advances	5	20,117,319	13,226,210
Deferred tax assets		397,657	452,573
Prepayments		36,722	19,514
Total assets		<u>26,309,982</u>	<u>18,583,045</u>
LIABILITIES			
Trade and other payables	6	477,001	212,067
Interest bearing loans and borrowings	7	20,225,890	12,428,079
Total liabilities		<u>20,702,891</u>	<u>12,640,146</u>
Net assets		<u>5,607,091</u>	<u>5,942,899</u>
EQUITY			
Contributed equity	8	7,000,002	7,000,002
Accumulated losses	9	<u>(1,392,911)</u>	<u>(1,057,103)</u>
Total equity		<u>5,607,091</u>	<u>5,942,899</u>

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

**Motoring Club Finance Limited
Statement of changes in equity
For the half-year 31 December 2016**

	Contributed equity \$	Retained earnings \$	Total equity \$
Balance at 1 July 2015	7,000,002	(587,654)	6,412,348
Loss for the year	-	(281,788)	(281,788)
Balance at 31 December 2015	<u>7,000,002</u>	<u>(869,442)</u>	<u>6,130,560</u>
Balance at 1 July 2016	7,000,002	(1,057,103)	5,942,899
Loss for the year	-	(335,808)	(335,808)
Balance at 31 December 2016	<u>7,000,002</u>	<u>(1,392,911)</u>	<u>5,607,091</u>

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

Motoring Club Finance Limited
Statement of cash flows
For the half-year 31 December 2016

	31 December 2016	31 December 2015
Notes	\$	\$
Cash flows from operating activities		
Interest and other operating income from customers	938,071	257,071
Interest received from deposits	35,450	-
Interest payments	(110,897)	(50,427)
Cash payments to suppliers	(640,463)	(618,543)
Customer loans advanced	(9,236,900)	(6,512,456)
Customer loan repayments received	2,286,113	590,525
Proceeds from borrowings	6,698,417	-
Repayment of borrowings	1,099,395	-
Net cash inflow/(outflow) from operating activities	1,069,186	(6,333,830)
	12	
Net increase/(decrease) in cash and cash equivalents	1,069,186	(6,333,830)
Cash and cash equivalents at the beginning of the financial year	4,646,600	9,561,477
Cash and cash equivalents at end of period	5,715,786	3,227,647

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

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of this interim financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The interim financial statements are for the entity Motoring Club Finance Limited.

(a) General Information

Motoring Club Finance Limited provides financial services to members of The Royal Automobile Association of South Australia Inc. and the public through a distribution network in Australia.

Motoring Club Finance Limited is a joint venture between the Royal Automobile Association of South Australia Inc. and RACWA Holdings Pty Ltd.

The registered office of Motoring Club Finance Limited is located at:

101 Richmond Road
Mile End South S.A. 5031

(b) Basis of preparation (Interim report)

This condensed interim report for the half-year reporting period ended 31 December 2016 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This condensed interim 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 June annual report and any public announcements made by Motoring Club Finance Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

(c) Changes in Accounting Policy

Since 1 July 2016, the company has adopted all applicable new Accounting Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2016. The adoption of the new Accounting Standards and Interpretations had no material effect on the financial position or performance of the company.

2 Other income

	31 December 2016	31 December 2015
	\$	\$
Fees and commissions	<u>130,587</u>	<u>81,870</u>

3 Fair Values

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

	31 December 2016		30 June 2016	
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair value \$
Cash	5,715,786	5,715,786	4,646,600	4,646,600
Other Receivables	42,498	42,498	238,148	238,148
Loans and advances - Consumer	20,170,855	20,166,942	13,258,048	13,301,980
	<u>25,929,139</u>	<u>25,925,226</u>	<u>18,142,796</u>	<u>18,186,728</u>

The fair values of other receivables are estimated using discounted cash flow analysis, based on current lending rate for similar types of lending arrangements of 7.28%.

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

4 Assets - Cash and cash equivalents

	31 December 2016 \$	30 June 2016 \$
Cash at bank and in hand	<u>5,715,786</u>	4,646,600
Balance as per cash flow statement	<u>5,715,786</u>	<u>4,646,600</u>

Motoring Club Finance Limited
Notes to the financial statements
31 December 2016
(continued)

5 Assets - Loans and Advances

	31 December 2016	30 June 2016
	\$	\$
Term Loans	20,171,331	13,258,405
Unearned Income	(476)	(357)
Collective provision for impairment	(53,536)	(31,838)
Net loans and advances	<u>20,117,319</u>	<u>13,226,210</u>

6 Liabilities - Trade and other payables

	31 December 2016	30 June 2016
	\$	\$
Accrued Interest	285,055	33,781
Amounts due to related parties	11,229	102,775
Accrued expenses	180,717	75,511
	<u>477,001</u>	<u>212,067</u>

The carrying amount of trade and other payables approximates its fair value and is non interest bearing. Repayment is expected to occur within 30 days.

7 Liabilities - Interest bearing loans and borrowings

	At 31 December 2016		At 30 June 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
The Royal Automobile Association of South Australia Inc. loan (a)	3,500,000	3,481,657	3,500,000	3,475,927
RACWA Holdings Pty Ltd loan (a)	3,500,000	3,481,657	3,500,000	3,475,927
Investment notes (b)	13,225,890	13,232,722	5,428,079	5,422,138
	<u>20,225,890</u>	<u>20,196,036</u>	<u>12,428,079</u>	<u>12,373,992</u>

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

(a) The fair values of shareholders loans are estimated using discounted cash flow analysis, based on current borrowing rates for similar types of borrowing arrangements ranging from 3.20% to 3.40%.

(b) The fair values of investment notes are estimated using discounted cash flow analysis, based on current borrowing rates for similar types of borrowing arrangements ranging from 3.20% to 3.50%.

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

8 Contributed equity

(a) Share capital

	31 December 2016 Shares	30 June 2016 Shares	31 December 2016 \$	30 June 2016 \$
Ordinary shares Issued and paid up capital	7,000,002	7,000,002	7,000,002	7,000,002

9 Accumulated losses

Movements in accumulated losses were as follows:

	31 December 2016 \$	30 June 2016 \$
Balance 1 July	(1,057,103)	(587,654)
Net loss for the period	(335,808)	(469,449)
Balance 30 June	<u>(1,392,911)</u>	<u>(1,057,103)</u>

10 Contingencies

(a) Contingent liabilities

The company had no contingent liabilities as at 31 December 2016 (2015: nil).

11 Events occurring after the reporting period

From 7 January 2017, the company ceased offering new investment notes and reinvestments. A supplementary prospectus was lodged with the Australian Securities and Investments Commission on 23 December 2016 and investment note holders were informed via letter sent on 29 December 2016. Investment notes will be paid upon maturity.

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

Motoring Club Finance Limited
Notes to the financial statements
31 December 2016
(continued)

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

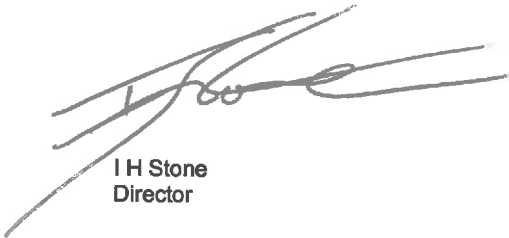
	31 December 2016	31 December 2015
	\$	\$
Loss for the year	(335,808)	(281,788)
Doubtful debts receivable	21,698	19,642
Bad debts written off	2,386	-
Change in operating assets and liabilities:		
Decrease/(increase) in other assets	178,442	(16,553)
Increase in accrued interest payable	159,728	6,520
Increase in trade and other payables	105,207	25,532
Increase in customer loans advanced	(6,915,194)	(5,966,416)
Increase in borrowings	7,797,812	-
Decrease/(increase) in deferred tax assets	54,915	(120,767)
Net cash inflow/(outflow) from operating activities	<u>1,069,186</u>	<u>(6,333,830)</u>

**Motoring Club Finance Limited
Directors' declaration
31 December 2016**

In the Directors' opinion:

- (a) the interim financial statements and notes set out on pages 2 to 12 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the entity's financial position as at 31 December 2016 and of its performance for the half-year ended ended on that date, and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



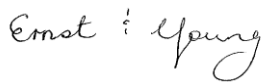
I H Stone
Director

Adelaide, S.A.
17 February 2017

Auditor's Independence Declaration to the Directors of Motoring Club Finance Limited

As lead auditor for the review of Motoring Club Finance Limited for the half-year ended 31 December 2016, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.



Ernst & Young



F Drummond
Partner
17 February 2017

To the members of Motoring Club Finance Limited

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Motoring Club Finance Limited, which comprises the Balance Sheet as at 31 December 2016, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Motoring Club Finance Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' report.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Motoring Club Finance Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the company's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

F Drummond
Partner
Perth
17 February 2017