Motoring Club Finance Limited

ABN 56 167 246 899

Annual report
for the year ended 30 June 2015

Motoring Club Finance Limited ABN 56 167 246 899
Annual report - 30 June 2015

Contents

Directors' report

Your Directors present their report on the company for the year ended 30 June 2015.

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:

P D Hurcombe
I H Stone (Chairman)
A J Pickworth
G B Mather
T T Agnew (appointed 13 October 2014)
B J Clark (appointed 9 October 2014)
D K McGown (appointed 9 October 2014)
M A Stewart (Company Secretary) (appointed 9 October 2014)
J W Smalberger (appointed 9 October 2014)

Principal activities

Motoring Club Finance Limited is a joint venture between the Royal Automobile Association of South Australia Inc. and RACWA Holdings Pty Ltd. The company provides financial services to members of The Royal Automobile Association of South Australia Inc. and the public through a distribution network in Australia.

Review of operations

Market and economic conditions for the car loan finance markets were stable during the year, with the company's focus to maintain liquidity and a conservative credit risk profile. Significant investment continues in developing the skills of the sales and distribution network to position the company for future growth.

The loss from ordinary activities after income tax amounted to $587,654 (2014: $0).

Revenue and fee income totalled $127,050 (2014: $0).

Loans and advances for the year were $1,649,526 (2014: $0).

Dividends

No dividends were paid during the financial year.

Significant changes in the state of affairs

The company started operations on the 10th November 2014.

There have been no significant changes in the state of affairs of the company during the year.

Matters subsequent to the end of the financial year

There have been no other significant events subsequent to balance sheet date.

An issue of Prospectus for the offer of secured notes is scheduled for next financial year.

Likely developments and expected results of operations

The focus during the next financial year will be on continuing to develop the skills and knowledge of the sales force in selling the finance product in the South Australian market.

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

Environmental regulation

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

Directors' and executives' emoluments

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

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

Insurance of officers

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

Indemnity of auditors

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

Corporate governance

The Directors of Motoring Club Finance Limited support and adhere to generally accepted principles of good corporate governance. The company's corporate governance statement is contained in the Corporate Governance section of this annual report.

Auditor's independence declaration

Ernst & Young Australia, our auditors, have provided a written independence declaration to the Directors in relation to their audit of the financial report for the year ended 30 June 2015. The independence declaration can be found on page 31.

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

I H Stone
Director

Adelaide, S.A.
28 August 2015

Corporate governance statement

The Motoring Club Finance Limited (MCFL) Board of Directors ("Board") is responsible for the entity's corporate governance. The Board guides and monitors the business and affairs of Motoring Club Finance Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

The MCFL Corporate Governance Guide outlines key aspects and considerations of the governance of Motoring Club Finance Limited.

Board composition

Board composition is determined in accordance with the following principles and guidelines:

- Each shareholder has the right to appoint up to three Directors (clause 7.1 of the Shareholders' Agreement);
- The Board elects the Chairman (clause 7.2 of the Shareholders' Agreement);
- A director is entitled to appoint an alternate to attend and vote in place of the appointor (clause 7.3 of the Shareholders' Agreement);
- The Board should comprise Directors with an appropriate range of qualifications and expertise.

Board meetings

The Board meets monthly (clause 7.2 of the Shareholders' Agreement) and follows formal meeting procedures to ensure all Directors are made aware of, and have available, all necessary information to participate in an informed discussion of all agenda items.

Board members

The Directors in office at the date of this statement are:

Name	Position	Term
I H Stone	Chairman, Director	1.5 years
P D Hurcombe	Director	1.5 years
B J Clark	Director	9 months
G B Mather	Director	1.5 years
A J Pickworth	Director	1.5 years
J W Smalberger	Director	9 months
T T Agnew	Alternate Director	9 months
D K McGown	Alternate Director	9 months

Board responsibilities

As the Board acts on behalf of and is accountable to its shareholders, the Board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risks and ensuring arrangements are in place to adequately manage those risks. The Board seeks to discharge these responsibilities in a number of ways.

Responsibility for the operation and administration of the entity is assigned to Contract Managers appointed by each shareholder and governed by Services Agreements. The shareholders ensure that the personnel providing services to the entity under the respective Service Agreements are appropriately qualified and experienced to discharge their responsibilities and have in place procedures to assess the performance of those personnel.

The Board is responsible for ensuring that MCFL's objectives and activities are aligned with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure that this is achieved, including the establishment of the committees detailed below:

- Board approval of a strategic plan, which encompasses the entity's vision, mission and strategy statements, designed to meet stakeholders' needs and manage business risk. The strategic plan is a dynamic document and the Board is actively involved in developing and approving initiatives and strategies designed to ensure the continued growth and success of the entity;

Board responsibilities (continued)

- Implementation of operating plans and budgets by management and Board monitoring of progress against budget. This includes the establishment and monitoring of key performance indicators, both financial and non financial for all significant business processes; and
- Establishment of committees to report on operational risks, material key performance indicators.

The following committees have been established by the Board:

Audit Committee

The Board has an Audit Committee which operates under a charter approved by the Board. The Board's responsibility is to ensure that an effective risk and internal control framework exists within the entity. This includes internal controls to deal with both effectiveness and efficiency of significant business processes. These significant business processes include the maintenance of proper accounting records, and the reliability of financial information as well as non financial considerations such as benchmarking of operational key performance indicators.

The Audit Committee provides the Board with assurance regarding the integrity of financial reporting

The Audit and Risk Committee is also responsible for:

- Overseeing and monitoring the internal audit function and action taken by management to address findings;
- Managing the engagement of the external auditor, including reviewing the adequacy of the scope and quality of the annual statutory audit; and
- Assisting the Board with regards to oversight of the entity's risk management and compliance frameworks.

The members of the Audit Committee during the year were:

G B Mather	Chairman, Director
I H Stone	Director
P D Hurcombe	Director
A J Pickworth	Director

Due to the early stage of establishment of the entity, the Audit Committee did not meet during the financial year ended 30 June 2015. The full Board addressed the activities of the Audit Committee during the period.

Assets & Liabilities Committee

The Assets & Liabilities Committee (ALCO) is responsible for overseeing the overall performance of Assets and Liabilities to ensure MCFL is meeting its financial obligations. The ALCO reports on key financial KPIs to the Board - ensuring all agreed KPIs are being achieved as agreed in the annual business plan. The ALCO also has a number of sub-committees that monitor operational functions, including balance sheet management, pricing and credit management.

The members of the ALCO during the year were:

J W Smalberger	Chairman, Director
P D Hurcombe	Director
B Darling	MCFL Chief Executive Officer
A Saunders	RAC Financial Controller

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This financial report covers Motoring Club Finance Limited as an individual entity. The financial report is presented in the Australian currency.

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

Motoring Club Finance Limited
101 Richmond Road
Mile End South S.A. 5031

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

The financial report was authorised for issue in accordance with a resolution of the Directors on 28 August 2015. The Directors have the power to amend and reissue the financial report.

Motoring Club Finance Limited
Income statement
For the year ended 30 June 2015

	Notes	**2015 $**	2014 $
Revenue			
Interest revenue		**107,783**	-
Interest expense		**(911)**	-
Net interest income		**106,872**	-
Other income	4	**19,267**	-
Expenses			
Management fees		**(586,476)**	-
Other operating expenses		**(379,030)**	-
Loss before income tax		**(839,367)**	-
Income tax benefit	5	**251,713**	-
Loss from operations		**(587,654)**	-
Loss for the year		**(587,654)**	-

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

Motoring Club Finance Limited
Statement of comprehensive income
For the year ended 30 June 2015

	Notes	2015 $	2014 $
Loss for the year		**(587,654)**	-
Total comprehensive loss for the year is attributable to:			
Owners of Motoring Club Finance Limited		**(587,654)**	-
		(587,654)	-

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

Motoring Club Finance Limited
Balance sheet
As at 30 June 2015

	Notes	**2015 $**	2014 $
ASSETS			
Cash and cash equivalents	7	**9,561,477**	-
Trade and other receivables	8	**67,252**	2
Loans and advances	10	**1,649,526**	-
Deferred tax assets	9	**251,713**	-
Total assets		**11,529,968**	2
LIABILITIES			
Trade and other payables	11	**117,620**	-
Interest bearing loans and borrowings	12	**5,000,000**	-
Total liabilities		**5,117,620**	-
Net assets		**6,412,348**	2
EQUITY			
Contributed equity	13	**7,000,002**	2
Retained earnings	14(a)	**(587,654)**	-
Total equity		**6,412,348**	2

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

		Contributed equity $	Retained earnings $	Total equity $
Balance at 1 July 2014		2	-	2
Contributions of equity	13	7,000,000	-	7,000,000
Loss for the year		-	(587,654)	(587,654)
		7,000,000	(587,654)	6,412,346
Balance at 30 June 2015		**7,000,002**	**(587,654)**	**6,412,348**

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 year ended 30 June 2015

	Notes	**2015 $**	2014 $
Cash flows from operating activities			
Interest and other operating income from customers		**59,800**	-
Cash payments to suppliers		**(848,796)**	-
Customer loans advanced		**(1,726,712)**	-
Customer loan repayments received		**77,185**	-
Net cash outflow from operating activities	20	**(2,438,523)**	-
Cash flows from financing activities			
Proceeds from issues of shares		**7,000,000**	-
Proceeds from borrowings		**5,000,000**	-
Net cash inflow from financing activities		**12,000,000**	-
Net increase in cash and cash equivalents		**9,561,477**	-
Cash and cash equivalents at end of year	7	**9,561,477**	-

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

Contents of the notes to the financial statements

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of this financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(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

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

(i) Compliance with IFRS

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

(ii) Historical cost convention

This financial report has been prepared under the historical cost convention.

(iii) Critical accounting estimates

The preparation of the financial report in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial report, are disclosed in note 3.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Fees and commission income

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

1 Summary of significant accounting policies (continued)

(c) Revenue recognition (continued)

(ii) Interest income

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

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

(d) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

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

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

Deferred tax liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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

(e) Cash and cash equivalents

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

(f) Trade and other receivables

Trade receivables

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

1 Summary of significant accounting policies (continued)

(f) Trade and other receivables (continued)

Impairment of trade and other receivables

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance for doubtful receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The financial difficulties of the debtor or default payments of debts more than 30 days overdue are considered objective evidence of impairment. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial. The amount of the allowance is recognised in the income statement.

Related party receivables

Receivables from related parties are recognised and carried at the amortised cost.

(g) Loans and advances

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

Loans and advances represent loans made to members of The Royal Automobile Association of SA and to the public.

Loans and advances are subsequently measured at amortised cost using the effective interest rate method.

Impairment of loans and advances

(i) Collective provision

Loans that are not known to be impaired are grouped together according to their risk characteristics and are then assessed for impairment. The appropriate collective provision is raised, based on historical loss data and current available information for assets with similar risk characteristics.

(h) Fair value estimation

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

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments.

(i) Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(j) Interest bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

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

1 Summary of significant accounting policies (continued)

(j) Interest bearing loans and borrowings (continued)

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

(k) Contributed equity

Ordinary shares are classified as equity (note 13).

(l) Goods and Services Tax (GST)

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

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

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

(m) New accounting standards and interpretations

All accounting standards and amendments that were effective during the year have been adopted.

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2015 reporting periods and have not yet been applied in the financial statements. The company's assessment of the impact of these new standards and interpretations is set out below.

The company plans to adopt these standards and interpretations from the date on which the standard/interpretation becomes effective.

1 Summary of significant accounting policies (continued)

(m) New accounting standards and interpretations (continued)

(i) AASB 9 Financial Instruments (effective from 1 January 2018)

AASB 9 (December 2014) is a new Principal standard which replaces AASB 139. This new Principal version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.

AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application. The own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments.

The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.
Amendments to AASB 9 (December 2009 & 2010 editions and AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.

AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139.
The main changes are described below:

a. Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.

b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

c. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

d. Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:
► The change attributable to changes in credit risk are presented in other comprehensive income (OCI)
► The remaining change is presented in profit or loss
AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss.

The company is currently in the process of assessing the impact of the new standard.

1 Summary of significant accounting policies (continued)

(m) New accounting standards and interpretations (continued)

(ii) IFRS 15 Revenue from Contracts with Customers (effective from 1 January 2017)

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which replaces IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations (IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue-Barter Transactions Involving Advertising Services).

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:
(a) Step 1: Identify the contract(s) with a customer
(b) Step 2: Identify the performance obligations in the contract
(c) Step 3: Determine the transaction price
(d) Step 4: Allocate the transaction price to the performance obligations in the contract
(e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The company is currently in the process of assessing the impact of the new standard, but it is not expected to have a significant impact on the company financial statements.

(iii) AASB 2015-1 Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle (effective from 1 January 2016)

The subjects of the principal amendments to the Standards that may impact the company are set out below:

AASB 7 Financial Instruments: Disclosures:
• Servicing contracts - clarifies how an entity should apply the guidance in paragraph 42C of AASB 7 to a servicing contract to decide whether a servicing contract is ‘continuing involvement’ for the purposes of applying the disclosure requirements in paragraphs 42E-42H of AASB 7.
• Applicability of the amendments to AASB 7 to condensed interim financial statements - clarify that the additional disclosure required by the amendments to AASB 7 Disclosure-Offsetting Financial Assets and Financial Liabilities is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with AASB 134 Interim Financial Reporting when its inclusion would be required by the requirements of AASB 134.

AASB 134 Interim Financial Reporting:
• Disclosure of information ‘elsewhere in the interim financial report’ -amends AASB 134 to clarify the meaning of disclosure of information ‘elsewhere in the interim financial report’ and to require the inclusion of a cross-reference from the interim financial statements to the location of this information.

The amendments are not expected to have a significant impact on the company's financial statements.

1 Summary of significant accounting policies (continued)

(m) New accounting standards and interpretations (continued)

(iv) AASB 2015-2 Amendments to Australian Accounting Standards & Disclosure Initiative: Amendments to AASB 101 (effective from 1 January 2016)

The Standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB's Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgement in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures.
The amendments are not expected to have a significant impact on the company's financial statements.

(v) AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality (effective from 1 July 2015)

The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards.

2 Financial risk management

The company's principal financial instruments, comprise loans and advances, short term borrowings, cash and short term deposits. The company has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

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

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

Details of the significant accounting policies and methods adopted, including the recognition criteria, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial report.

The company holds the following financial instruments:

	2015 **$**	2014 $
Financial assets		
Cash and cash equivalents	**9,561,477**	-
Trade and other receivables	**67,252**	2
	9,628,729	2
Financial liabilities		
Trade and other payables	**117,620**	-
Borrowings	**5,000,000**	-
	5,117,620	-

2 Financial risk management (continued)

(a) Market risk

(i) Fair value interest rate risk

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

The assumption for using -0.5% / +1.0% (2014: nil) for interest rate risk for the purpose of the sensitivity analysis, are based on historical trends over 12 months and what is considered a realistic movement in these financial assets and liabilities within the next 12 months.

The company analyses the interest rate exposure by taking into consideration refinancing and renewal of existing positions. Based on these considerations, the company calculates the impact on post tax profit and loss of a defined interest rate shift. At 30 June 2015, if the interest rates had changed by -0.5% / +1.0% (2014: nil) from the year end rates with all other variables held constant, post tax profit for the year would have been ($16,143)/$32,286 (2014: nil) lower/higher.

(ii) Summarised sensitivity analysis

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

		-0.5%		+1%	
At 30 June 2015	Carrying amount $	Profit $	Equity $	Profit $	Equity $
Financial assets					
Cash and cash equivalents	4,561,217	(16,143)	(16,143)	32,286	32,286
Total increase/ (decrease)		(16,143)	(16,143)	32,286	32,286

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

(b) Credit risk

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

All new customers are assessed for credit worthiness when an application for loan/credit is received. The credit quality of a customer is assessed by taking into account their financial position, previous credit history and duration at their current place of employment and residence. Customers that do not satisfy the credit test are denied credit. Larger transactions over a specific threshold are referred to the Board for assessment and approval. At 30 June 2015 average historical default rates for Consumers were 0.00% (2014: 0.00%).

Cash and cash equivalents are limited to high credit quality financial institutions. All cash and cash equivalents balances on the Balance Sheet at 30 June 2015 were with 'AA-' rated financial institutions.

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

2 Financial risk management (continued)

(b) Credit risk (continued)

Concentration of credit risk on loans and advances

The company minimises concentration of credit risk in relation to finance receivables by undertaking transactions with a large number of customers. The customers are concentrated in Southern Australia and are all for personal loans.

(c) Liquidity risk

The company's liquidity policy is designed to ensure it has sufficient funds to meet its obligations as they fall due. There are two aspects to this risk. First, the company must ensure it has sufficient funds to meet day to day requirements arising from its normal activities. Second, the company must be able to cope with unforeseen outflows. The volume of liquid assets varies over time in line with market conditions, and is maintained in accordance with Board approved limits.

Maturities of financial liabilities

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

At 30 June 2015	Less than 3 months $	3 - 12 months $	Between 1 and 5 years $	Total $
On balance sheet				
Borrowings (excluding finance leases)	-	-	5,000,000	5,000,000
Total on balance sheet	-	-	5,000,000	5,000,000
Off balance sheet				
Interest on borrowings	50,411	149,589	580,000	780,000
Total off balance sheet	50,411	149,589	580,000	780,000

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the company and that are believed to be reasonable under the circumstances. Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences. The company has not made any other estimates or assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4 Other income

	2015 $	2014 $
Fees and commissions	**19,267**	-

5 Income tax expense/(benefit)

(a) Income tax expense/(benefit)

	Year ended 2015 $	2014 $
Deferred tax	**(251,713)**	-
	(251,713)	-

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

	2015 $	2014 $
Loss from operations before income tax benefit	**(839,367)**	-
Tax at the Australian tax rate of 30.0%	**(251,810)**	-
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Expenditure not allowable for income tax purposes	**97**	-
Income tax benefit	**(251,713)**	-

(c) Deferred income tax

Refer to note 9 for details of deferred tax assets.

6 Fair values and interest rate risk

(a) Fair values

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

	2015 Carrying amount $	2015 Fair value $	2014 Carrying amount $	2014 Fair value $
Cash	**9,561,477**	**9,561,477**	-	-
Other receivables	**67,250**	**67,250**	-	-
Loans and advances - Consumer	**1,649,526**	**1,651,217**	-	-
	11,278,253	**11,279,944**	-	-

6 Fair values and interest rate risk (continued)

(a) Fair values (continued)

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 8.72%.

For the purposes of fair value disclosure under AASB 13, 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.

(b) Interest rate risk

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

		Fixed interest maturing in:			
2015	Floating interest rate $	1 year or less $	Over 1 to 5 years $	Non interest bearing $	Total $
Cash	4,561,217	5,000,260	-	-	9,561,477
Trade and other receivables	-	-	-	67,250	67,250
Loans and advances - Consumer	-	664,074	985,452	-	1,649,526
	4,561,217	5,664,334	985,452	67,250	11,278,253

Weighted average effective interest rate

Cash	1.75%
Loans and advances - Consumer	8.79%

7 Assets - Cash and cash equivalents

	2015 **$**	2014 $
Cash at bank and in hand	**9,561,477**	-
Balance as per cash flow statement	**9,561,477**	-

(a) Cash and cash equivalents

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

8 Assets - Trade and other receivables

	2015 $	2014 $
Other receivables	**67,250**	-
Amounts due from related parties	**2**	2
	67,252	2

(a) Interest rate risk

Information concerning the effective interest rate relating to receivables is set out in note 6.

(b) Credit risk

Refer to note 2 for more information on the risk management policy of the company.

9 Assets - Deferred tax assets

	2015 $	2014 $
The balance comprises temporary differences attributable to:		
Accrued expenses	**7,500**	-
Taxed future revenue for accounting purposes	**4,289**	-
Expenses claimable over five years	**21,581**	-
Tax losses	**218,343**	-
Net deferred tax assets	**251,713**	-
Movements:		
Charged/credited:		
- to profit or loss	**251,713**	-
Closing balance at 30 June	**251,713**	-
Deferred tax asset	**251,713**	-
Deferred tax liability	**-**	-
Net deferred tax assets	**251,713**	-

A deferred tax asset has been recognised as the company is expected to make a profit in the future and therefore the deferred tax asset is recoverable out of profits in future years.

10 Assets - Loans and Advances

	2015 $	2014 $
Term Loans	**1,649,526**	-

10 Assets - Loans and Advances (continued)

(a) Maturity analysis

	2015 $	2014 $
Not longer than 3 months	**149,704**	-
Longer than 3 and not longer than 12 months	**514,370**	-
Longer than 1 and not longer than 5 years	**985,452**	-
	1,649,526	-

(b) Impairment of loans and advances

As at 30 June 2015, there were no impaired receivables (2014: nil).

11 Liabilities - Trade and other payables

	2015 $	2014 $
Accrued Interest	**911**	-
Amounts due to related parties	**85,086**	-
Net goods and services tax (GST) payable / (receivable)	**170**	-
Accrued expenses	**31,453**	-
	117,620	-

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, except for amounts due to related parties which is at call.

Accrued interest

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

* Further information relating to loans from related parties is set out in note 18.

Accrued expenses

These amounts represent liabilities for payments to suppliers and commissions prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

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

12 Liabilities - Interest bearing loans and borrowings

	2015 $	2014 $
Unsecured		
Shareholders loans	**5,000,000**	-
Total unsecured borrowings	**5,000,000**	-

(a) Terms and conditions

All other transactions were made on normal commercial terms and conditions, except that there are no fixed terms for the repayment of loans from the parent entity.

Outstanding balances are unsecured and are repayable in cash.

(b) Fair value

The carrying amounts and fair values of borrowings at the end of the reporting period are:

	At 30 June 2015		At 30 June 2014	
	Carrying amount $	**Fair value $**	Carrying amount $	Fair value $
RAA loan	**2,500,000**	**2,498,359**	-	-
RACWA Holdings loan	**2,500,000**	**2,498,359**	-	-
	5,000,000	**4,996,718**	-	-

The fair values of borrowings are estimated using discounted cash flow analysis, based on current borrowing rates for similar types of borrowing arrangements ranging from 3.11% to 3.13%.

13 Contributed equity

(a) Share capital

	2015 Shares	2014 Shares	**2015 $**	2014 $
Ordinary shares				
Issued and paid up capital	**7,000,002**	2	**7,000,002**	2

(b) Ordinary shares

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

Effective 1 July 1998, the Corporations legislation in place abolished the concept of authorised capital and par value shares. Accordingly, the company does not have authorised capital nor par value in respect of its issued shares.

14 Reserves and retained earnings

(a) Retained earnings

Movements in retained earnings were as follows:

	2015 **$**	2014 $
Net loss for the year	**(587,654)**	-

15 Remuneration of auditors

During the period the following fees were paid or payable for services provided by the auditor, its related practices and non-related audit firms:

(a) Ernst & Young Australia

	2015 **$**	2014 $
Audit services		
Audit and review of financial statements	**25,000**	-
Total auditors' remuneration	**25,000**	-

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

16 Contingencies

(a) Contingent liabilities

The company had no contingent liabilities at 30 June 2015 (2014: nil).

17 Commitments

(a) Credit related commitments

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

	2015 **$**	2014 $
Undrawn facilities by Motoring Club Finance customers	**67,250**	-

18 Related party transactions

(a) Parent entities

The parent entities are RACWA Holdings Pty Ltd and the Royal Automobile Association of South Australia Inc.

(b) Transactions with other related parties

The following transactions occurred with related parties:

	2015 **$**	2014 $
Provision of goods and services		
RAA management fee	**452,654**	-
RAC Finance management fee	**133,822**	-
	586,476	-

RAC Finance Ltd is a wholly owned subsidiary of RACWA Holdings Pty Ltd and provides management services to Motoring Club Finance Limited.

(c) Outstanding balances arising from provision of services

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

	2015 **$**	2014 $
Current payables (management fees)		
RAC Finance Ltd	**28,505**	-
RAA Group	**56,581**	-
	85,086	-

(d) Loans from parent entity

	2015 **$**	2014 $
Loans from RACWA Holdings Pty Ltd and The Royal Automotive Association of South Australia Inc. (ultimate Australian parent entities)		
Loans advanced from RACWA Holdings Pty Ltd	**2,500,000**	-
Loans advanced from the RAA Group	**2,500,000**	-
Interest charged	**911**	-
End of year	**5,000,911**	-

(e) Terms and conditions

All other transactions were made on normal commercial terms and conditions, except that there are no fixed terms for the repayment of loans from the parent entity.

18 Related party transactions (continued)

(e) Terms and conditions (continued)

Outstanding balances are unsecured and are repayable in cash.

19 Events occurring after the reporting period

There has been no matter or circumstance that has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the company, the results of those operations or the state of affairs of the company in subsequent financial years.

20 Reconciliation of loss after income tax to net cash inflow from operating activities

	2015 **$**	2014 $
Loss for the year	**(587,654)**	-
Change in operating assets and liabilities:		
(Increase) in trade debtors	**(67,250)**	-
Increase / (decrease) in accrued interest payable	**911**	-
Increase / (decrease) in trade and other payables	**116,709**	-
(Increase) / decrease in customer loans advanced	**(1,649,526)**	-
(Increase) / decrease in deferred tax assets	**(251,713)**	-
Net cash outflow from operating activities	**(2,438,523)**	-

In accordance with a resolution of the Directors of Motoring Club Finance Limited, I state that:

In the Directors' opinion:

(a) the financial report and notes of the company are in accordance with the Corporations Act 2001, including:
   (i) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001;*
   (ii) giving a true and fair view of the entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

(b) the financial report and associated notes are also in accordance with International Financial Reporting Standards as described in Note 1 to the financial report.

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

On behalf of the Board

Director

I H Stone
Director
Adelaide, S.A.
28 August 2015

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

In relation to our audit of the financial report of Motoring Club Finance Limited for the financial year ended 30 June 2015, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Lewsen

Darren Lewsen
Partner
28 August 2015

FD:JH:RAC:263

Building a better working world

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Independent auditor's report to the members of Motoring Club Finance Limited

We have audited the accompanying financial report of Motoring Club Finance Limited, which comprises the balance sheet as at 30 June 2015, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit 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.

Opinion

In our opinion:

a. the financial report of Motoring Club Finance Limited is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the company's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Ernst & Young

Ernst & Young

Lewsen

Darren Lewsen
Partner
Perth
28 August 2015