

Motoring Club Finance Limited

ABN 56 167 246 899

**Interim report
for the half-year ended 31 December 2017**

Motoring Club Finance Limited ABN 56 167 246 899
Interim report - 31 December 2017

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Directors' report

Your Directors present their report on the company for the half-year ended 31 December 2017.

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 (resigned 31 December 2017)
A J Pickworth
J W Smalberger (resigned 31 December 2017)
G B Mather
M A Stewart (Company Secretary)
T B Griffiths

Review of operations

The entity's profit after tax for the half year ended 31 December 2017 was \$258,062 (2016: loss of \$335,808).

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.

On 14 March 2017, the MCFL Board approved that MCFL cease offering new loans effective 1 April 2017 and place MCFL in run-off.

Market and economic conditions were stable during the first half of the current financial year, with the company's focus to maintain liquidity and a conservative credit risk profile.

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 2017. 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.
22 February 2018

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Motoring Club Finance Limited
Income statement
For the half-year 31 December 2017

	31 December 2017	31 December 2016
Notes	\$	\$
Revenue		
Interest revenue	763,567	611,691
Interest expense	<u>(230,908)</u>	<u>(270,625)</u>
Net Interest income	532,661	341,066
Other income	2 21,805	130,587
Expenses		
Management fees	(109,554)	(602,383)
Other operating expenses	(89,050)	(112,577)
Bad debts expense	(6,796)	(2,386)
Borrowing costs	<u>(25,081)</u>	<u>(35,200)</u>
Profit/(loss) before income tax	323,985	(280,893)
Income tax expense	(65,923)	(54,915)
Profit/(loss) from continuing operations	258,062	(335,808)
Profit/(loss) for the period	258,062	(335,808)
Profit/(loss) is attributable to:		
Owners of Motoring Club Finance Limited	258,062	(335,808)

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 2017

	31 December 2017	31 December 2016
	\$	\$
Profit/(loss) for the period	<u>258,062</u>	<u>(335,808)</u>
Total comprehensive profit/(loss) for the period is attributable to:		
Owners of Motoring Club Finance Limited	<u>258,062</u>	<u>(335,808)</u>
	<u>258,062</u>	<u>(335,808)</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 2017

		31 December 2017	30 June 2017
	Notes	\$	\$
ASSETS			
Cash and cash equivalents	4	1,066,034	1,839,356
Trade and other receivables		2	2
Loans and advances	5	17,585,912	21,282,183
Deferred tax assets		298,808	364,731
Prepayments		27,745	9,484
Total assets		18,977,501	23,495,756
LIABILITIES			
Trade and other payables	6	325,551	469,197
Interest bearing loans and borrowings	7	12,770,726	17,403,396
Total liabilities		13,096,277	17,872,593
Net assets		5,881,224	5,623,163
EQUITY			
Contributed equity	8	7,000,002	7,000,002
Accumulated losses	9	(1,118,778)	(1,376,839)
Total equity		5,881,224	5,623,163

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 2017

	Contributed equity \$	Retained earnings \$	Total equity \$
Balance at 1 July 2016	7,000,002	(1,057,103)	5,942,899
Profit/(loss) for the period	-	(335,808)	(335,808)
Balance at 31 December 2016	<u>7,000,002</u>	<u>(1,392,911)</u>	<u>5,607,091</u>
Balance at 1 July 2017	7,000,002	(1,376,840)	5,623,162
Profit/(loss) for the period	-	258,062	258,062
Balance at 31 December 2017	<u>7,000,002</u>	<u>(1,118,778)</u>	<u>5,881,224</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 2017

	31 December 2017	31 December 2016
Notes	\$	\$
Cash flows from operating activities		
Interest and other operating income from customers	732,760	938,071
Interest received from deposits	8,769	35,450
Interest payments	(488,696)	(110,897)
Recoveries on loans previously written off	680	-
Cash payments to suppliers	(105,071)	(640,463)
Customer loans advanced	-	(9,236,900)
Customer loan repayments received	3,709,907	2,286,113
Proceeds from borrowings	-	6,698,417
Repayment of borrowings	(4,632,671)	1,099,395
Net cash (outflow)/inflow from operating activities	12 (774,322)	1,069,186
Net (decrease)/increase in cash and cash equivalents	(774,322)	1,069,186
Cash and cash equivalents at the beginning of the financial year	<u>1,839,356</u>	<u>4,646,600</u>
Cash and cash equivalents at end of period	<u>1,065,034</u>	<u>5,715,786</u>

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 2017 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 2017, the company has adopted all applicable new Accounting Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2017. 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 2017 \$	31 December 2016 \$
Fees and commissions	21,125	130,587
Bad debts recovered	680	-
	<u>21,805</u>	<u>130,587</u>

3 Fair Values

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

	31 December 2017		30 June 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
Cash	1,065,034	1,065,034	1,839,356	1,839,356
Other Receivables	2	2	2	2
Loans and advances - Consumer	17,663,718	17,961,939	21,337,259	21,300,949
	<u>18,728,754</u>	<u>19,026,975</u>	<u>23,176,617</u>	<u>23,140,307</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 6.55%.

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 2017	30 June 2017
	\$	\$
Cash at bank and in hand	1,066,034	1,839,356
Balance as per cash flow statement	<u>1,066,034</u>	<u>1,839,356</u>

5 Assets - Loans and Advances

	31 December 2017	30 June 2017
	\$	\$
Term Loans	17,664,985	21,338,177
Specific provision for impairment	(18,000)	-
Unearned Income	(1,267)	(919)
Collective provision for impairment	(59,806)	(55,075)
Net loans and advances	<u>17,585,912</u>	<u>21,282,183</u>

Motoring Club Finance Limited
Notes to the financial statements
31 December 2017
(continued)

6 Liabilities - Trade and other payables

	31 December 2017	30 June 2017
	\$	\$
Accrued Interest	78,700	266,231
Amounts due to related parties	22,500	92,759
Accrued expenses	63,041	39,917
Other payables	161,310	70,290
	325,551	469,197

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 2017		At 30 June 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
The Royal Automobile Association of South Australia Inc. loan (a)	4,500,000	4,486,919	4,500,000	4,556,364
RACWA Holdings Pty Ltd loan (a)	4,500,000	4,486,919	4,500,000	4,556,364
Investment notes (b)	3,770,726	3,776,113	8,403,396	8,419,738
	12,770,726	12,749,951	17,403,396	17,532,466

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 2.90% to 3.10%.

(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 2.90% to 3.10%.

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 2017	30 June 2017	31 December 2017	30 June 2017
	Shares	Shares	\$	\$
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 2017 \$	30 June 2017 \$
Balance 1 July	(1,376,840)	(1,057,103)
Net profit/(loss) for the period	258,062	(319,737)
Balance 30 June	<u>(1,118,778)</u>	<u>(1,376,840)</u>

10 Contingencies

(a) Contingent liabilities

The company had no contingent liabilities as at 31 December 2017 (2016: nil).

11 Events occurring after the reporting period

No 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.

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

	31 December 2017	31 December 2016
	\$	\$
Profit/(loss) for the year	258,062	(335,808)
Doubtful debts receivable	22,731	21,698
Bad debts written off	6,796	2,386
Change in operating assets and liabilities:		
(Increase)/decrease in other assets	(18,261)	178,442
(Decrease)/increase in accrued interest payable	(257,790)	159,728
Increase in trade and other payables	114,144	105,207
Decrease/(increase) in customer loans advanced	3,886,744	(6,915,194)
(Decrease)/increase in borrowings	(4,632,671)	7,797,812
Decrease in deferred tax assets	65,923	54,915
Net cash (outflow)/inflow from operating activities	(774,322)	1,069,186

**Motoring Club Finance Limited
Directors' declaration
31 December 2017**

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 2017 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.



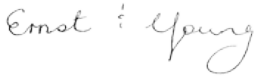
I H Stone
Director

Adelaide, S.A.
22 February 2018

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 2017, 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
22 February 2018

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

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Motoring Club Finance Limited (the Company), which comprises the Balance Sheet as at 31 December 2017, 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.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Company 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 2017 and of its financial 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*.

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 control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

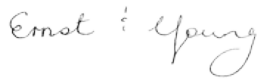
Auditor's responsibility

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, anything has come to our attention that causes us to 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 Company's financial position as at 31 December 2017 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*. As the auditor of the Company, 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*.



Ernst & Young



Fiona Drummond
Partner
Perth
22 February 2018