

# **Motoring Club Finance Limited**

ABN 56 167 246 899

## **Interim report for the half-year ended 31 December 2019**

**Motoring Club Finance Limited** ABN 56 167 246 899  
**Interim report - 31 December 2019**

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## Directors' report

Your Directors present their report on the company for the half-year ended 31 December 2019.

### 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:

T B Griffiths  
G B Mather  
D Parr  
A J Pickworth  
T Page (Company Secretary)

### Review of operations

The entity's profit after tax for the half year ended 31 December 2019 was \$89,750 (2018: \$112,761).

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.

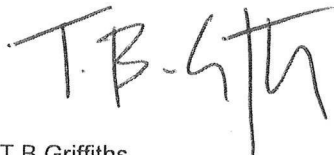
On 14 March 2017, the MCFL Board approved that MCFL cease offering new loans effective 1 April 2017 and place MCFL in run-off.

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 2019. The independence declaration can be found on page 13, and forms part of this report.

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



T B Griffiths  
Director

25/02/2020

Adelaide, S.A.

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**Motoring Club Finance Limited**  
**Income statement**  
**For the half-year 31 December 2019**

		31 December 2019	31 December 2018
	Notes	\$	\$
<b>Revenue</b>			
Interest revenue		281,630	499,235
Interest expense		(52,579)	(150,689)
<b>Net interest income</b>		<u>229,051</u>	<u>348,546</u>
 Other income	 2	 8,691	 13,263
<b>Expenses</b>			
Management fees		(66,753)	(76,685)
Other operating expenses		(18,041)	(48,731)
Bad debts expense		(24,145)	(37,151)
Borrowing costs		(16,744)	(16,993)
<b>Profit before income tax</b>		<u>112,059</u>	<u>182,249</u>
 Income tax expense		 (22,309)	 (69,488)
<b>Profit from continuing operations</b>		<u>89,750</u>	<u>112,761</u>
 <b>Profit for the period</b>		 <u>89,750</u>	 <u>112,761</u>
 Profit is attributable to:			
Owners of Motoring Club Finance Limited		89,750	112,761

*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 2019**

	31 December 2019 \$	31 December 2018 \$
<b>Profit for the period</b>	<u>89,750</u>	<u>112,761</u>
Total comprehensive profit for the period is attributable to:		
Owners of Motoring Club Finance Limited	<u>89,750</u>	<u>112,761</u>
	<u>89,750</u>	<u>112,761</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 2019**

	Notes	31 December 2019 \$	30 June 2019 \$
<b>ASSETS</b>			
Cash and cash equivalents	4	2,879,621	2,496,697
Trade and other receivables		2	2
Loans and advances	5	6,261,398	8,621,890
Deferred tax assets		5,479	27,788
Prepayments		73,046	11,064
<b>Total assets</b>		<b>9,219,546</b>	<b>11,157,441</b>
<b>LIABILITIES</b>			
Trade and other payables	6	68,186	83,115
Interest bearing loans and borrowings	7	2,943,166	4,955,882
<b>Total liabilities</b>		<b>3,011,352</b>	<b>5,038,997</b>
<b>Net assets</b>		<b>6,208,194</b>	<b>6,118,444</b>
<b>EQUITY</b>			
Contributed equity	8	7,000,002	7,000,002
Accumulated losses	9	(791,808)	(881,558)
<b>Total equity</b>		<b>6,208,194</b>	<b>6,118,444</b>

*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 2019**

	Contributed equity \$	Retained earnings \$	Total equity \$
<b>Balance at 1 July 2018</b>	7,000,002	(985,470)	6,014,532
Profit for the period	-	112,761	112,761
Adoption of new accounting standard	-	(16,085)	(16,085)
	-	96,676	96,676
<b>Balance at 31 December 2018</b>	<b>7,000,002</b>	<b>(888,794)</b>	<b>6,111,208</b>
 <b>Balance at 1 July 2019</b>	 7,000,002	 (881,558)	 6,118,444
Profit for the period	-	89,750	89,750
<b>Balance at 31 December 2019</b>	<b>7,000,002</b>	<b>(791,808)</b>	<b>6,208,194</b>

*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 2019**

	31 December 2019	31 December 2018
Notes	\$	\$
<b>Cash flows from operating activities</b>		
Interest and other operating income from customers	278,407	466,865
Interest received from deposits	8,724	22,257
Interest payments	(57,552)	(292,204)
Recoveries on loans previously written off	1,797	978
Cash payments to suppliers	(218,610)	(146,023)
Customer loan repayments received	2,382,875	2,984,870
Repayment of borrowings	(12,717)	(1,120,443)
<b>Net cash inflow/(outflow) from operating activities</b>	12     2,382,924	1,916,300
<b>Cash flows from financing activities</b>		
Repayment of shareholders' loans	7     (2,000,000)	(2,000,000)
<b>Net decrease in cash and cash equivalents</b>	382,924	(83,700)
Cash and cash equivalents at the beginning of the financial year	2,496,697	3,170,210
<b>Cash and cash equivalents at end of period</b>	2,879,621	3,086,510

*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 these 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 2019 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting*.

This condensed interim report does not include all the notes of the type normally included in an annual financial report, and should be read in conjunction with the June annual report.

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 2019, the company has adopted all applicable new Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2019. The adoption of these Standards and Interpretations had no material effect on the financial position or performance of the company.

## **2 Other income**

	<b>31 December 2019</b>	<b>31 December 2018</b>
	<b>\$</b>	<b>\$</b>
Fees and commissions	<b>6,895</b>	12,285
Bad debts recovered	<b>1,796</b>	978
	<b>8,691</b>	13,263

### 3 Fair Values

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

	31 December 2019		30 June 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
Cash	2,879,621	2,879,621	2,496,697	2,496,697
Other Receivables	2	2	2	2
Loans and advances - Consumer	6,312,974	6,335,805	8,712,736	8,681,548
	<u>9,192,597</u>	<u>9,215,428</u>	<u>11,209,435</u>	<u>11,178,247</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 6.85%.

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 2019	30 June 2019
	\$	\$
Cash at bank and in hand	<u>2,879,621</u>	<u>2,496,697</u>
Balance as per cash flow statement	<u>2,879,621</u>	<u>2,496,697</u>

### 5 Assets - Loans and Advances

	31 December 2019	30 June 2019
	\$	\$
Term Loans	6,318,837	8,718,312
Unearned Income	(5,863)	(5,576)
Expected credit loss	(51,576)	(90,846)
Net loans and advances	<u>6,261,398</u>	<u>8,621,890</u>

## 6 Liabilities - Trade and other payables

	31 December 2019 \$	30 June 2019 \$
Accrued Interest	16,139	10,730
Amounts due to related parties	-	10,382
Accrued expenses	52,047	61,979
Other payables	-	24
	68,186	83,115

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 2019		At 30 June 2019	
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair value \$
The Royal Automobile Association of South Australia Inc. loan (a)	1,000,000	1,004,907	2,000,000	2,005,854
RACWA Holdings Pty Ltd loan (a)	1,000,000	1,004,907	2,000,000	2,005,854
Investment notes (b)	943,166	962,677	955,882	970,098
	2,943,166	2,972,491	4,955,882	4,981,806

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 1.85% to 1.90%.

(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 1.85% to 1.90%.

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 2019 Shares	30 June 2019 Shares	31 December 2019 \$	30 June 2019 \$
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 2019	30 June 2019
Notes	\$	\$
Opening balance	(881,558)	(985,470)
Net profit for the period	89,750	119,997
Adoption of new accounting standard	-	(16,085)
Closing balance	<u>(791,808)</u>	<u>(881,558)</u>

## 10 Contingencies

### (a) Contingent liabilities

The company had no contingent liabilities as at 31 December 2019 (2018: 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 profit after income tax to net cash inflow/(outflow) from operating activities

	31 December 2019	31 December 2018
	\$	\$
Profit for the year	89,750	112,761
Allowance for expected credit losses	(39,271)	(2,204)
Credit loss expense	24,145	37,151
Change in operating assets and liabilities:		
Increase in other assets	(61,982)	(20,195)
Decrease in accrued interest payable	(4,972)	(141,516)
Increase/(decrease) in trade and other payables	(9,956)	18,542
Decrease in customer loans advanced	2,375,618	2,962,716
Decrease in borrowings	(12,717)	(1,120,443)
Decrease in deferred tax assets	22,309	69,488
Net cash inflow/(outflow) from operating activities	<u>2,382,924</u>	<u>1,916,300</u>

**Motoring Club Finance Limited**  
**Directors' declaration**  
**31 December 2019**

In the Directors' opinion:

- (a) the interim financial statements and notes set out on pages 2 to 11 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 2019 and of its performance for the half-year 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.



T B Griffiths  
Director

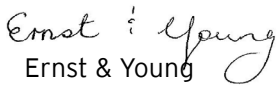
25/02/2020

Adelaide, S.A.

## 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 2019, 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  
25 February 2020

# 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 2019, 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.

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 2019 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 2019 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*  
Ernst & Young

*Fiona Drummond*  
Fiona Drummond  
Partner  
Perth  
25 February 2020