

Motoring Club Finance Limited

ABN 56 167 246 899

Interim report for the half-year ended 31 December 2015

Motoring Club Finance Limited ABN 56 167 246 899
Interim report - 31 December 2015

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Directors' report

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

I H Stone (Chairman)
T T Agnew
B J Clark
D K McGown
A J Pickworth
M A Stewart (Company Secretary)
G B Mather
J W Smalberger
T B Griffiths (appointed 24 September 2015)
P D Hurcombe (resigned 23 September 2015)

Review of operations


The entity's loss after tax for the half year ended 31 December 2015 was \$281,788 (2014 \$86,693).

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. Significant investment continues in developing the skills of the sales and distribution network to position the company for future growth.

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 2015. 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.
25/02/2016

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Motoring Club Finance Limited
Income statement
For the half-year 31 December 2015

	Notes	31 December 2015 \$	31 December 2014 \$
Revenue			
Interest revenue		212,481	27,586
Interest expense		<u>(56,948)</u>	-
Net interest income		155,533	27,586
Other income	2	81,870	780
Expenses			
Management fees		(449,207)	(146,619)
Other operating expenses		(90,698)	(5,594)
Movement in collective provision for impairment		(19,642)	-
Borrowing costs		(80,411)	-
Loss before income tax		(402,555)	(123,847)
Income tax benefit		120,767	37,154
Loss from continuing operations		(281,788)	(86,693)
Loss for the period		(281,788)	(86,693)
Loss is attributable to:			
Owners of Motoring Club Finance Limited		(281,788)	(86,693)

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 2015**

	31 December 2015	31 December 2014
	\$	\$
Loss for the period	<u>(281,788)</u>	<u>(86,693)</u>
Total comprehensive loss for the period is attributable to:		
Owners of Motoring Club Finance Limited	<u>(281,788)</u>	<u>(86,693)</u>
	<u>(281,788)</u>	<u>(86,693)</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 2015

	Notes	31 December 2015 \$	30 June 2015 \$
ASSETS			
Cash and cash equivalents	4	3,227,647	9,561,477
Trade and other receivables		128,290	67,252
Loans and advances	5	7,551,815	1,649,526
Deferred tax assets		372,480	251,713
Total assets		11,280,232	11,529,968
LIABILITIES			
Trade and other payables	6	149,672	117,620
Interest bearing loans and borrowings	7	5,000,000	5,000,000
Total liabilities		5,149,672	5,117,620
Net assets		6,130,560	6,412,348
EQUITY			
Contributed equity	8	7,000,002	7,000,002
Accumulated losses	9(a)	(869,442)	(587,654)
Total equity		6,130,560	6,412,348

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 2015

	Notes	Contributed equity \$	Retained earnings \$	Total equity \$
Balance at 1 July 2014		2	-	2
Contributions of equity	8	7,000,000	-	7,000,000
Loss for the year		-	(86,693)	(86,693)
		7,000,000	(86,693)	6,913,307
Balance at 31 December 2014		7,000,002	(86,693)	6,913,309
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		7,000,002	(869,442)	6,130,560

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 2015

		31 December	31 December
Notes	2015	2014	2014
	\$		\$
Cash flows from operating activities			
Interest and other operating income from customers	257,071	28,366	
Interest payments	(50,427)	-	
Cash payments to suppliers	(618,543)	(1,263)	
Customer loans advanced	(6,512,456)	(174,092)	
Customer loan repayments received	590,525	1,917	
Net cash outflow from operating activities	(6,333,830)	(145,072)	12
Cash flows from financing activities			
Proceeds from issues of shares	-	7,000,000	
Net cash inflow from financing activities	-	7,000,000	
Net (decrease)/increase in cash and cash equivalents	(6,333,830)	6,854,928	
Cash and cash equivalents at the beginning of the financial year	9,561,477	-	
Cash and cash equivalents at end of period	3,227,647	6,854,928	4

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 2015 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 2015 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 2015 the company has adopted the following Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2015.

- *AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality*

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

This amendment had no effect on the financial position or performance of the company.

The company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

2 Other income

	31 December 2015	31 December 2014
	\$	\$
Fees and commissions	81,870	780

3 Fair Values

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

	31 December 2015		30 June 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
Cash	3,227,647	3,227,647	9,561,477	9,561,477
Other Receivables	128,290	128,290	67,250	67,250
Loans and advances - Consumer	7,571,457	7,161,763	1,649,526	1,651,217
	<u>10,799,104</u>	<u>10,517,700</u>	<u>11,278,253</u>	<u>11,279,944</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 7.87%.

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.

4 Assets - Cash and cash equivalents

	31 December 2015	30 June 2015
	\$	\$
Cash at bank and in hand	<u>3,227,647</u>	<u>9,561,477</u>
Balance as per cash flow statement	<u>3,227,647</u>	<u>9,561,477</u>

Motoring Club Finance Limited
Notes to the financial statements
31 December 2015
(continued)

5 Assets - Loans and Advances

	31 December 2015	30 June 2015
	\$	\$
Term Loans	7,571,457	1,649,526
Collective provision for impairment	(19,642)	-
Net loans and advances	<u>7,551,815</u>	<u>1,649,526</u>

6 Liabilities - Trade and other payables

	31 December 2015	30 June 2015
	\$	\$
Accrued Interest	7,431	911
Amounts due to related parties	16,600	85,086
Net goods and services tax (GST) payable / (receivable)	(105)	170
Accrued expenses	125,746	31,453
	<u>149,672</u>	<u>117,620</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, except for amounts due to related parties which is at call, and payable to the controlling entity under the tax funding agreement which is 12 months.

7 Liabilities - Interest bearing loans and borrowings

	At 31 December 2015		At 30 June 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
RAA loan	2,500,000	2,487,465	2,500,000	2,498,359
RACWA loan	2,500,000	2,487,465	2,500,000	2,498,359
	<u>5,000,000</u>	<u>4,974,930</u>	<u>5,000,000</u>	<u>4,996,718</u>

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

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 3.40%.

For the purposes of fair value disclosure under AASB 13, 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 2015 Shares	30 June 2015 Shares	31 December 2015 \$	30 June 2015 \$
Ordinary shares Issued and paid up capital	7,000,002	7,000,002	7,000,002	7,000,002

9 Accumulated losses

(a) Accumulated losses

Movements in retained earnings were as follows:

	31 December 2015 \$	30 June 2015 \$
Balance 1 July	(587,654)	-
Net loss for the period	(281,788)	(587,654)
Balance 31 December	<u>(869,442)</u>	<u>(587,654)</u>

10 Contingencies

(a) Contingent liabilities

The company had no contingent liabilities at 31 December 2015 (2014: 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.

Motoring Club Finance Limited
Notes to the financial statements
31 December 2015
(continued)

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


	31 December 2015	31 December 2014
	\$	\$
Loss for the year	(281,788)	(86,693)
Doubtful debts receivable	19,642	-
Change in operating assets and liabilities:		
(Increase) / decrease in other assets	(16,553)	-
Increase / (decrease) in accrued interest payable	6,520	-
Increase / (decrease) in trade and other payables	25,532	150,950
(Increase) / decrease in customer loans advanced	(5,966,416)	(172,175)
(Increase) / decrease in deferred tax assets	(120,767)	(37,154)
Net cash (outflow)/inflow from operating activities	(6,333,830)	(145,072)

**Motoring Club Finance Limited
Directors' declaration
31 December 2015**

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 2015 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.



I H Stone
Director
Adelaide, S.A.
25/02/2016

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 2015, 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



T G Dachs
Partner
25 February 2016

Report on the Half-Year Financial Report to the members of Motoring Club Finance Limited

We have reviewed the accompanying half-year financial report of Motoring Club Finance Limited, which comprises the Balance Sheet as at 31 December 2015, 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 2015 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 2015 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



T G Dachs
Partner
Perth
25 February 2016