Club Finance Holdings Limited

Financial Report

For the year ended 30 June 2021

CONTENTS

Club Finance Holdings Limited

Directors' Report

The directors present their report, together with the financial report of Club Finance Holdings Limited (the Company or CFH) for the year ended 30 June 2021 and the auditor's report thereon.

DIRECTORS

The names of directors in office during the financial year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

- Elizabeth M Jameson AM (Chair)
- Duncan V Brain (from 26 July 2021)
- Annabel L Dolphin
- Anthony M Gambling
- John F Minz
- Andrew G Moore
- Bronwyn K Morris AM
- Leona C Murphy

Further information on the current directors is contained in the CFH Directors section on pages 4 to 6. This section also includes their qualifications, experience and particular responsibilities.

DIRECTORS' MEETINGS

The number of directors' meetings (including meetings of committees of directors), and each director's attendance at those meetings during the year, were:

Director	CFH Board		Bank Audit Committee		Group Remuneration and Nomination Committee		Bank Risk and Compliance Committee	
	A	H	A	H	A	H	A	H
Elizabeth Jameson	10	10	2	2	2	2	6	7
Annabel Dolphin	10	10	-	-	5	5	7	7
Anthony Gambling	10	10	5	5	-	-	-	-
John Minz	10	10	5	5	-	-	7	7
Andrew Moore	10	10	5	5	-	-	-	-
Bronwyn Morris	10	10	3	3	5	5	-	-
Leona Murphy	10	10	-	-	5	5	7	7

A - meetings attended during the financial year

H - meetings held during the financial year while the director held office for which the director was eligible to attend

COMPANY SECRETARY

Bradley D Bowes is the Company Secretary in office as at the end of the financial year. The qualifications and experience of the Company Secretary are set out on page 6.

Club Finance Holdings Limited

PRINCIPAL ACTIVITIES

CFH is an unlisted public company limited by shares, incorporated and domiciled in Australia. CFH is a majority-controlled entity of The Royal Automobile Club of Queensland Limited (RACQ or the Group). CFH is a for-profit entity and was authorised as a Non-Operating Holding Company (NOHC) for Australian Prudential Regulation Authority (APRA) purposes with effect from 24 November 2016. As a NOHC, the operations of the Company are limited. The principal activity during the year was holding shares in Members Banking Group Limited (RACQ Bank).

CFH also issued Legacy Shares to former RACQ Bank members on 24 November 2016 as part of the merger with RACQ.

There were no significant changes in the nature of these activities during the year.

OPERATING AND FINANCIAL REVIEW

The Company became a NOHC on 24 November 2016 when RACQ Bank became a wholly owned subsidiary of the Company. The operations of CFH are centred on monitoring the performance of RACQ Bank in accordance with prudential guidelines set by APRA.

The Company's net loss after tax for the year was $1 thousand (2020: loss of $15.7 million).

IMPACT OF COVID-19

During the year, the Australian economy displayed resilience in the face of the ongoing COVID-19 pandemic. The combined actions of governments, regulators, central banks and the banking industry to manage the pandemic's impact helped contribute to a stronger economy than expected.

Following Australia's first recession in almost 30 years in early 2020, economic growth and employment levels have recovered to pre-pandemic levels.

The effect of periodic virus outbreaks in parts of Australia and the associated lockdowns have created additional economic and social uncertainty, highlighting the challenges of the operating environment. RACQ has remained dedicated to supporting members and their communities through the challenging environment whilst focusing on long term sustainability of the Group. RACQ's detailed and flexible response ensured the business continued to operate, provided a safe environment for employees and members and continues to support members during the impacts arising from the pandemic.

As the pandemic has evolved, RACQ adapted its operational response accordingly. The Group has maintained higher levels of liquidity, preserved its strong levels of capital and continued to adopt a conservative approach to provisioning for expected credit losses notwithstanding the improvement in the short-term economic variables and no borrowers remaining on COVID-19 support packages at year end.

As CFH is a NOHC, COVID-19 did not have a material direct impact on the operations of the company.

DIVIDENDS

No dividends were paid or declared during the year or subsequent to year end (2020: $nil).

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

In the opinion of the directors, there have been no significant changes in the state of affairs of CFH during the year.

ENVIRONMENTAL REGULATION

CFH's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the directors believe that CFH has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to CFH.

Club Finance Holdings Limited

SIGNIFICANT CHANGES AFTER THE BALANCE DATE

No matters or circumstances have arisen since the end of the year, which significantly affected or may significantly affect the operations of CFH, the results of those operations, or the state of affairs of CFH in future financial years.

LIKELY DEVELOPMENTS

The directors do not anticipate that there will be any major changes to the operations or activities undertaken by CFH in subsequent financial years.

INDEMNIFICATION AND INSURANCE OF OFFICERS

The Royal Automobile Club of Queensland Limited (RACQ) and RACQ Bank have entered into standard form deeds with directors and certain officers who are members of the senior executive team to indemnify them to the maximum extent permitted by law against all liabilities that may arise from their position with RACQ Bank, any RACQ Group entity of which they are an officer, or any other company of which they are an officer at the request of an RACQ Group entity. The agreements stipulate that RACQ or RACQ Bank will meet the full amount of any such liabilities, including costs and expenses.

RACQ holds a Directors' and Officers' Liability Insurance policy on behalf of directors and officers of CFH. Such insurance contracts insure against certain liability (subject to specific exclusions) persons who are or have been directors or executive officers of CFH. The directors have not included details in this report of the nature of the liabilities covered, the limit of liabilities covered, or the amount of premium paid in respect of the Directors' and Officers' Liability Insurance contract, as such disclosure is prohibited under the terms of the contract.

To the extent permitted by law, RACQ has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit. RACQ has also indemnified Ernst & Young Australia against claims, damages, demands, liabilities, costs and expenses including reasonable legal fees and expenses arising from a breach of a warranty provided in respect of intellectual property rights of third parties relating to software, information, data, material and other assistance. No payment has been made to indemnify the auditors during or since the financial year.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The Lead Auditor's Independence Declaration is set out on page 7 and forms part of the Directors' Report for the year ended 30 June 2021.

ROUNDING OFF

CFH is a company of a kind referred to in *ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191*, and in accordance with that Instrument, amounts in the Directors' Report and the financial report have been rounded off to the nearest one thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the CFH Directors.

ELIZABETH JAMESON AM

Chair

16 September 2021

Club Finance Holdings Limited

DIRECTORS

Information on the directors is set out below, including qualifications, experience and particular responsibilities as at the date of this report.

Elizabeth M Jameson AM (Chair) LL.B (Hons1), BA, FAICD, MQLS

Director from July 2018

President and Group Chair of RACQ, chair of Members Banking Group Limited (RACQ Bank), Club Finance Holdings Limited, RACQ Insurance Limited and Club Insurance Holdings Pty Ltd. Director of RACQ Operations Pty Ltd. Member of the RACQ Limited Risk and Compliance Committee, Insurance Risk and Compliance Committee and Bank Risk and Compliance Committee and the Group Remuneration and Nominations Committee.

Ms Jameson is a professional non-executive director and founder of national governance consultancy Board Matters and associated firm Board Matters Legal. Previously a partner of a national law firm, Ms Jameson is a respected governance specialist, who is consulted at a national and international level. An experienced director, she has served over the past 25 years on the boards of more than 20 other organisations in the private, not-for-profit and public sectors. She is presently also chair of Queensland Theatre, director of Endeavour Foundation and director of John Villiers Trust.

Duncan V Brain B.App.Sc (Maths), MBA, MAICD

Director from July 2021

Director of RACQ, Members Banking Group Limited (RACQ Bank), Club Finance Holdings Limited, RACQ Insurance Limited and Club Insurance Holdings Pty Ltd. Member of the RACQ Limited Risk and Compliance Committee, Insurance Risk and Compliance Committee and Bank Risk and Compliance Committee.

Mr Brain is an experienced CEO and Director having worked for more than 30 years in the insurance and financial services industry. In addition to his executive and board roles he has extensive Insurance Operations and M&A experience, having managed most operational functions, and led more than 70 M&A projects.

Mr Brain has worked for a number of ASX listed insurers including as Divisional CEO for IAG, Australasia's largest General Insurance Group. Internationally, Mr Brain has held CEO & Board positions across seven countries, working and partnering with market and global leading financial services groups.

Annabel L Dolphin BBus (Mgmt), Dip NSL, GAICD, CAHRI

Director from January 2019

Director of RACQ, Members Banking Group Limited, Club Finance Holdings Limited, RACQ Insurance Limited and Club Insurance Holdings Pty Ltd. Chair of the Group Remuneration and Nomination Committee, member of the RACQ Limited Risk and Compliance Committee, Insurance Risk and Compliance Committee and Bank Risk and Compliance Committee.

Ms Dolphin is an experienced non-executive director with over 20 years' specialising in strategic human resources, organisational design and culture change across a diverse range of sectors. She is currently President of the Saints Netball Club Mackay Inc and director of Dolphin Ventures Pty Ltd where she sits on several independent advisory boards within the mining, construction, manufacturing and professional services sector. In addition, she is also a director of the Mackay Hospital and Health Service and a director of Cooney Investments Pty Ltd t/a Helloworld Travel Mackay and Mt Pleasant. Ms Dolphin is also a former chair of TAFE QLD and former director for Ergon Energy Pty Ltd, North Queensland Bulk Ports, Mater Health Services North Queensland and Mackay Hospital Foundation.

Club Finance Holdings Limited

Anthony (Tony) M Gambling BBus, BEcon, MBA, FCPA, FIML, FAICD, FGIA, JP (Qual)

Director from July 2018

Director of RACQ, Members Banking Group Limited (RACQ Bank), Club Finance Holdings Limited, RACQ Insurance Limited and Club Insurance Holdings Pty Ltd. Member of the Group Strategic Capital Committee, Group Audit Committee and Bank Audit Committee.

Mr Gambling is a director of The John Villiers Trust and the Director of Regional Development for Regional Development Australia Central and Western Queensland, and past-vice president of Central Queensland Rugby Union. He is the former general manager of Mango 4 Office Technology and a former director of companies involved in the commercialisation of emerging technologies. He was a founding member of the Central Queensland Committee of the Australian Institute of Company Directors and the Queensland Small Medium Enterprise Committee of CPA Australia. He is also a facilitator of various Strategy and Risk programs for the Australian Institute of Company Directors.

John F Minz B.Com, Grad Dip Commercial Computing Sen. Fellow FINSIA, FAIM, FAICD

Director from February 2017

Director of RACQ, Members Banking Group Limited (RACQ Bank), Club Finance Holdings Limited, RACQ Insurance Limited and Club Insurance Holdings Pty Ltd. Chair of the Group Audit Committee and Bank Audit Committee, member of the RACQ Limited Risk and Compliance Committee, Insurance Risk and Compliance Committee, and Bank Risk and Compliance Committee.

Mr Minz retired as the chief executive officer of Heritage Bank in November 2015, after 23 years with the bank. Mr Minz is president of Toowoomba Together Incorporated, a community charity created to help eliminate domestic and family violence. He is also a member of the Toowoomba Regional Committee of the Australian Institute of Company Directors and the Southern Queensland Police Community Board.

Andrew G Moore BEcon, BSc, MBA (INSEAD), CA, F FIN, GAICD

Director from April 2019

Director of RACQ, Members Banking Group Limited (RACQ Bank), Club Finance Holdings Limited, RACQ Insurance Limited and Club Insurance Holdings Pty Ltd. Chair of Group Strategic Capital Committee a member of the Group Audit Committee and the Bank Audit Committee.

Mr Moore is an experienced senior executive with over 30 years extensive experience in the financial and professional services industries, both in Australia and Europe with previous executive roles including Managing Director of GE Capital Home Lending (Aust&NZ) and General Manager of St.George Retail Bank.

More recently, Mr Moore has directed his executive and non-executive efforts towards digital transformation and disruption in the financial services industry. He is CEO of Spaceship Financial Services, a business focused on delivering an innovative and engaging investment and superannuation experience to young Australians.

Bronwyn K Morris AM BCom, FCA, FAICD

Director from May 2017

Immediate past President and Chairman of RACQ, director of Members Banking Group Limited (RACQ Bank), Club Finance Holdings Limited, RACQ Insurance Limited and Club Insurance Holdings Pty Ltd. Member of the Group Remuneration and Nomination Committee, Group Audit Committee, and the Bank Audit Committee. Appointed Chair of RACQ Foundation Pty Ltd from 1 January 2021.

Ms Morris is a non-executive director with over 25 years' experience across a broad range of industries and entities including ASX-listed, private, government and not-for-profit. She currently serves as chair of Urban Utilities and is a director of Collins Food Limited, Dalrymple Bay Infrastructure Limited and the Menzies Health Institute Queensland. Ms Morris brings extensive business and financial expertise acquired from her governance roles and more than 20 years' experience as a chartered accountant within Australia and overseas. Ms Morris is a former Queensland Council president of the Australian Institute of Company Directors.

Club Finance Holdings Limited

Leona C Murphy BCom, GAICD

Director from July 2018

Vice President and Deputy Chair of RACQ, director of Members Banking Group Limited (RACQ Bank), Club Finance Holdings Limited, RACQ Insurance Limited and Club Insurance Holdings Pty Ltd. Chair of the RACQ Limited Risk and Compliance Committee, Insurance Risk and Compliance Committee and Bank Risk and Compliance Committee, member of the Group Remuneration and Nomination Committee and member of Group Strategic Capital Committee

Ms Murphy is an experienced senior executive with 24 years' experience in insurance and financial services. She has had C-Suite roles in top 20 ASX listed insurance organisations for 10 years, most recently as chief strategy officer at IAG.

She is the chairman of Stone & Chalk, chair of the Royal Brisbane & Women's Hospital Foundation, and a director of Liberty Financial Limited. Ms Murphy has been co-chair of the United Nation Environment's Principles for Sustainable Insurance Initiative and was recognised as one of Australia's Top 100 Women of Influence in the 2015 Australian Financial Review and Westpac Awards for her work in Global Resilience.

COMPANY SECRETARY

Bradley D Bowes PhD, MBA, MCommLaw, BBus(Accty), FGIA, FCIS, MAICD

Mr Bowes is a member of the RACQ Group Executive. As Group Company Secretary, he also has particular responsibilities as company secretary for all the legal entities within the RACQ Group. He leads the Group Secretariat with responsibility for internal audit, aspects of corporate governance, and for managing all matters associated with the efficient and effective operation of the various boards and committees and of each annual general meeting. Mr Bowes is a chartered company secretary and governance professional with significant experience in senior management and similar governance roles in both private enterprise and the public sector across a range of industries.

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

As lead auditor, for the audit of the financial report of Club Finance Holdings Limited for the financial year ended 30 June 2021, 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 audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

Ernst & Young

Ernst & Young

RBurrows

Rebecca Burrows
Partner
Brisbane
16 September 2021

Club Finance Holdings Limited

Statement of Profit and Loss and Other Comprehensive Income

For the year ended 30 June 2021

	Note	2021 $'000	2020 $'000
Revenue		-	-
Expenses			
Administration expenses		(1)	(1)
Impairment of investment in subsidiary	4	-	(15,718)
Loss before income tax		**(1)**	**(15,719)**
Income tax benefit		-	-
Loss for the year		**(1)**	**(15,719)**
Other comprehensive income for the period, net of income tax		-	-
Total comprehensive loss for the period		**(1)**	**(15,719)**
Loss after income tax attributable to:			
Equity holders of the Company		(1)	(15,719)
Total comprehensive loss attributable to:			
Equity holders of the Company		(1)	(15,719)

The Statement of Profit and Loss and Other Comprehensive Income is to be read in conjunction with the Notes to the Financial Statements set out on pages 12 to 16.

Club Finance Holdings Limited

Balance Sheet

As at 30 June 2021

	Note	2021 $'000	2020 $'000
Current Assets			
Cash and cash equivalents		3	4
Trade and other receivables	5	6,110	6,110
Total current assets		**6,113**	**6,114**
Non-current assets			
Investment in subsidiary	4	186,233	186,233
Total non-current assets		**186,233**	**186,233**
Total assets		**192,346**	**192,347**
Current Liabilities			
Trade and other payables	6	685	703
Total current liabilities		**685**	**703**
Total liabilities		**685**	**703**
Net assets		**191,661**	**191,644**
Accumulated funds			
Share capital	7	71,680	71,662
Retained surplus		(46,486)	(46,485)
Reserves		166,467	166,467
Total accumulated funds		**191,661**	**191,644**

The Balance Sheet is to be read in conjunction with the Notes to the Financial Statements set out on pages 12 to 16.

Club Finance Holdings Limited

Statement of Changes in Equity

For the year ended 30 June 2021

2021	Note	Share capital $'000	Retained surplus $'000	Merger reserve $'000	Total accumulated funds $'000
Balance at beginning of year		**71,662**	**(46,485)**	**166,467**	**191,644**
Loss for the year		-	(1)	-	**(1)**
Other comprehensive loss for the year		-	-	-	**-**
Total comprehensive loss for the year		**-**	**(1)**	**-**	**(1)**
Transactions with owners in their capacity as owners					
Shares issued	7	18	-	-	**18**
Total transactions with owners in their capacity as owners		**18**	**-**	**-**	**18**
Balance at end of year		**71,680**	**(46,486)**	**166,467**	**191,661**

2020	Note	Share capital $'000	Retained surplus $'000	Merger reserve $'000	Total accumulated funds $'000
Balance at beginning of year		**36,151**	**(30,766)**	**166,467**	**171,852**
Loss for the year		-	(15,719)	-	**(15,719)**
Other comprehensive loss for the year		-	-	-	**-**
Total comprehensive loss for the year		**-**	**(15,719)**	**-**	**(15,719)**
Transactions with owners in their capacity as owners					
Shares issued	7	35,511	-	-	**35,511**
Total transactions with owners in their capacity as owners		**35,511**	**-**	**-**	**35,511**
Balance at end of year		**71,662**	**(46,485)**	**166,467**	**191,644**

The Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements set out on pages 12 to 16.

Statement of Cash Flows

For the year ended 30 June 2021

	Note	2021 $'000	2020 $'000
Cash flows from operating activities			
Payments to suppliers and employees		(1)	(1)
Net cash flows from operating activities		**(1)**	**(1)**
Cash flows from investing activities			
Purchase of shares in subsidiary		-	(35,500)
Net cash flows from investing activities		**-**	**(35,500)**
Cash flows from financing activities			
Proceeds from issue of share capital		18	35,511
Payment from related parties		-	5
Payments to legacy shareholders		(18)	(11)
Net cash flows from financing activities		**-**	**35,505**
Net increase (decrease) in cash and cash equivalents		(1)	4
Cash and cash equivalents at the beginning of the year		4	-
Cash and cash equivalents at the end of the year		**3**	**4**

The Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements set out on pages 12 to 16.

1. BASIS OF PREPARATION

a) Reporting entity

Club Finance Holdings Limited (the Company) is an unlisted public company limited by shares, incorporated and domiciled in Australia. The Company's registered office is 2649 Logan Road, Eight Mile Plains, Queensland, 4113. The ultimate parent entity of the Company is The Royal Automobile Club of Queensland Limited (RACQ).

The Company is a for-profit entity and was authorised as a Non-Operating Holding Company (NOHC) for Australian Prudential Regulation Authority (APRA) purposes with effect from 24 November 2016. As a NOHC, the operations of the Company are limited. The principal activity during the year was holding shares in Members Banking Group Limited (RACQ Bank).

The exemption from consolidation, in accordance with AASB 10 *Consolidated Financial Statements*, has been applied for the year ended 30 June 2021. The consolidated financial statements of the ultimate parent entity, RACQ, are available from RACQ's registered office, being 2649 Logan Road, Eight Mile Plains, Queensland, 4113.

b) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the *Corporations Act 2001*. The financial report of the Company complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

c) Basis of measurement

The financial statements are presented in Australian dollars and have been prepared on the historical cost basis.

d) New standards and interpretations not yet adopted

No standards, amendments to standards or interpretations have been identified that would materially impact the Company in the period of initial application.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Investments

Investments in subsidiaries are carried in the Company's financial statements at cost less accumulated impairment.

Impairment

At each reporting date, the Company reviews the carrying amount of its financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purposes of impairment testing, assets are grouped together at the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets.

The recoverable amount of an asset is the greater of its fair value less costs of disposal and its value in use. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset.

An impairment loss is recognised if the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated to reduce the carrying amounts of the other assets.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

b) Non-derivative financial instruments

Non-derivative financial assets

The Company has the following non-derivative financial assets:

Cash and cash equivalents

Cash includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid financial assets with original maturities of three months or less that are readily convertible to known amounts of cash. These are used by the Company in the management of its short-term commitments.

Trade and other receivables

Trade and other receivables are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, trade and other receivables are measured at amortised cost using the effective interest method, less any impairment losses. Trade and other receivables are assessed at each reporting date to determine whether there is objective evidence of impairment, such as default or delinquency by a debtor.

Non-derivative financial liabilities

Trade and other payables

Trade and other payables are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method. Trade and other payables are unsecured, non-interest bearing and are usually settled within 30 days.

c) Dividend income

Dividend income is recognised when the right to receive payment is established.

d) Dividend declared

Dividends are recorded during the financial period in which the dividends are approved by the shareholders.

3. INCOME TAX

There is no income tax payable for the financial year ended 30 June 2021 (2020: $nil).

4. INVESTMENTS

	2021 $'000	2020 $'000
Non-current		
Investment in subsidiary	232,650	232,650
Accumulated impairment	(46,417)	(46,417)
Total Investment in subsidiary	**186,233**	**186,233**

There was no impairment expense recognised for the year ended 30 June 2021. The impairment expense recognised in 2020 related to the Company's investment in Members Banking Group Limited. The investment was impaired to the fair value less costs of disposal at 30 June 2020.

5. TRADE AND OTHER RECEIVABLES

	2021 $'000	2020 $'000
Loan to related entity	6,110	6,110

6. TRADE AND OTHER PAYABLES

	2021 $'000	2020 $'000
Redeemable preference shares	610	627
Intercompany payable	76	76
Total Trade and other payables	**686**	**703**

7. SHARE CAPITAL

	2021 $'000	2020 $'000
On issue at beginning of year – fully paid	71,662	36,151
Issue of ordinary shares	18	35,511
On issue at year end – fully paid	**71,680**	**71,662**

8. FINANCIAL INSTRUMENTS

The fair value of financial assets and liabilities approximate their carrying value.

9. BANKING CAPITAL MANAGEMENT

As an authorised NOHC, the Banking Group (including Club Finance Holdings Limited, Members Banking Group Limited, and RACQ Financial Planning Pty Ltd) is subject to the capital adequacy requirement.

The Banking Group's objective is to maintain sufficient capital resources to support business activities and operating requirements and to ensure continuous compliance with externally and internally imposed capital ratios.

The adequacy of the Banking Group's capital is managed in accordance with APRA prudential standards. To manage, monitor and report regulatory and economic capital, the Banking Group has an Internal Capital Adequacy Assessment Process (ICAAP) Summary Statement, which sets out the objectives, processes, responsibilities and reporting requirements for the ICAAP, and an ICAAP Annual Report, which sets out the results of the annual assessment process. The ICAAP is approved by the Board on an annual basis.

The Banking Group's capital position is monitored and reported monthly to the Board. The capital ratios throughout the current and prior financial year complied with APRA minimum capital adequacy requirements and ICAAP minimums approved by the Board.

During the year, the Banking Group took advantage of APRA's temporary capital concessions available for loans subject to COVID-19 related repayments deferrals. The Bank elected to treat the period of deferral as not a period of arrears, nor recognise these loans as restructured, for the purpose of calculating credit risk weighted assets.

The regulatory capital position of the Banking Group is as follows:

	2021 $'000	2020 $'000
Common Equity Tier 1 Capital		
Paid-up ordinary share capital	65,500	65,500
General reserves	-	-
Retained earnings	105,549	97,941
Other reserves	21,380	20,559
Common Equity Tier 1 Capital	**192,429**	**184,000**
Less: prescribed deductions	(19,645)	(21,665)
Net Common Equity Tier 1 Capital	**172,784**	**162,335**
Tier 2 Capital		
General reserve for credit losses	3,600	3,400
Less: prescribed deductions	-	-
Net Tier 2 Capital	**3,600**	**3,400**
APRA Capital base	**176,384**	**165,735**
Risk weighted assets	1,115,582	1,048,116
Risk weighted capital ratios		
Tier 1	15.5%	15.5%
Tier 2	0.3%	0.3%
Total capital ratio	**15.8%**	**15.8%**

10. TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Key management personnel do not receive separate remuneration for their roles with the Company but are remunerated by a related party within the RACQ Group. The entire compensation paid by the related party to key management personnel for the year ended 30 June 2021 has been disclosed below.

	2021 $	2020 $
Short-term employee benefits	276,016	302,555
Post-employment benefits	20,366	25,761
Total key management personnel compensation	**296,382**	**328,316**

11. AUDITOR'S REMUNERATION

The Company's auditor for the current reporting period was EY. The following services were provided by the auditor:

	2021 $	2020 $
Audit services		
Auditors of the Company		
Audit of the financial report	3,720	3,605
Other regulatory audit services	7,441	7,210
Total auditor's remuneration	**11,161**	**10,815**

The Auditor's remuneration is not paid by the Company but by a related entity within the RACQ Group.

12. EVENTS SUBSEQUENT TO REPORTING DATE

No matters or circumstances have arisen since the end of the financial year which have significantly affected the operations of the Company, the results of those operations or the state of affairs of the Company.

Directors' Declaration

In the opinion of the directors of Club Finance Holdings Limited (the Company):

(a) the financial statements and notes, set out on pages 8 to 16, are 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 2021 and of its performance for the financial year ended on that date; and

   (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Regulations 2001*; 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.

The directors draw attention to Note 1 to the financial statements, which include a statement of compliance with International Financial Reporting Standards issued by the International Accounting Standards Board.

Signed in accordance with a resolution of the Directors:

ELIZABETH JAMESON AM

Chair

16 September 2021

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Independent Auditor's Report to the Members of Club Finance Holdings Limited

Opinion

We have audited the financial report of Club Finance Holdings Limited (the Company) which comprises the balance sheet as at 30 June 2021, statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the financial position of the Company as at 30 June 2021 and of its financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors 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 control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young

Ernst & Young

R Burrows

Rebecca Burrows
Partner
Brisbane
16 September 2021