Club Finance Holdings Limited

ACN 612 096 787

Financial Report

For the year ended 30 June 2020

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RACQ

Directors Report

The directors present their report together with the financial report of Club Finance Holdings Limited (Club Finance Holdings), for the year to 30 June 2020 and the auditor's report thereon.

DIRECTORS

The following persons were directors of Club Finance Holdings at any time during, or since the end of, the financial year:

Bronwyn K Morris AM (Chairman)

Annabel L Dolphin

Anthony M Gambling

Elizabeth M Jameson AM

John F Minz

Andrew G Moore

Leona C Murphy

Ian A Gillespie (resigned 31 December 2019)

Karl D Morris AO (resigned 19 November 2019)

Further information on the current directors is contained in the Club Finance Holdings Directors section on pages 5 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 Club Finance Holdings director's attendance at those meetings during the year, were:

Director	Club Finance Holdings Board		Bank Audit Committee		Group Remuneration and Nomination Committee		Bank Risk and Compliance Committee	
	A	H	A	H	A	H	A	H
Bronwyn Morris (Chairman)	8	8	-	-	5	5	-	-
Annabel Dolphin	7	8	-	-	3	5	4	4
Anthony Gambling	8	8	6	6	-	-	-	-
Elizabeth Jameson	8	8	6	6	-	-	4	4
Andrew Moore	8	8	6	6	-	-	-	-
John Minz	8	8	5	6	-	-	3	4
Leona Murphy	8	8	-	-	5	5	4	4
Ian Gillespie (resigned 31 December 2019)	3	3	-	-	-	-	-	-
Karl Morris (resigned 19 November 2019)	2	3	-	-	1	3	-	-

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

The name of the Company Secretary in office as at the end of the financial year is Bradley D Bowes. The qualifications and experience of the Company Secretary are set out on page 7.

PRINCIPAL ACTIVITIES

Club Finance Holdings is a majority-controlled entity of The Royal Automobile Club of Queensland Limited (RACQ). It is an unlisted public company limited by shares, incorporated and domiciled in Australia. Club Finance Holdings 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).

Club Finance Holdings 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.

IMPACT OF COVID-19

During the year, the COVID-19 pandemic had a significant and wide-reaching impact on society, with its effects being observed through economic disruption, volatility in financial markets and increases in unemployment and underemployment rates across Australia. In response, there has been considerable actions from governments, regulators, central banks and industry to mitigate its impact, including a range of stimulus measures and relief packages.

Although RACQ has experienced short term impacts resulting from the pandemic, there was no material variation to the Group's longer-term strategy. The board did, however, recognise the immediate uncertainty of the economic environment and responded by way of a 25% reduction in their remuneration for the final quarter of the financial year and a 50% reduction on any incentive entitlements accruing to the Group Executive in FY20. RACQ remains dedicated to supporting members and their communities through these challenging and unprecedented times whilst focusing on long term sustainability of the Group.

The COVID-19 pandemic increased uncertainty and rapidly introduced or elevated a number of risks within the risk management framework. At the onset of the pandemic, RACQ Bank implemented a detailed and flexible Pandemic Response Plan, ensuring the business continued to operate, provided a safe environment for employees and members and supported vulnerable members.

OPERATING AND FINANCIAL REVIEW

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

Club Finance Holding's operations for the year produced a loss before tax of $15.7m (2019: loss of $30.7m).

DIVIDENDS

No dividends were paid or declared during the current year.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

In the opinion of the directors, there were no significant changes in the state of affairs of Club Finance Holdings that occurred during the year.

ENVIRONMENTAL REGULATION

Club Finance Holdings' operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the directors believe that Club Finance Holdings 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 Club Finance Holdings.

EVENTS SUBSEQUENT TO REPORTING DATE

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of Club Finance Holdings, to affect significantly the operations of Club Finance Holdings, the results of those operations, or the state of affairs of Club Finance Holdings, 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 the Company in subsequent financial years.

INDEMNIFICATION AND INSURANCE OF OFFICERS

RACQ and RACQ Bank have entered into standard form deeds with directors and officers to indemnify them to the maximum extent permitted by law against all liabilities that may arise from their position with Club Finance Holdings. The agreements stipulate that RACQ or RACQ Bank will meet the full amount of any such liabilities, including losses, costs, charges, damages and expenses.

RACQ holds a Directors' and Officers' Liability Insurance policy on behalf of directors and officers of Club Finance Holdings. 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.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration is set out on page 8 and forms part of the Directors' Report for the year ended 30 June 2020.

ROUNDING OFF

Club Finance Holdings 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 Financial Report have been rounded off to the nearest one thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the Club Finance Holdings Directors.

B K Morris

BRONWYN MORRIS AM

Chairman

28 September 2020

RACQ

CLUB FINANCE HOLDINGS DIRECTORS

Information on the Club Finance Holdings directors and company secretary is set out below, including qualifications, experience and particular responsibilities.

Bronwyn K Morris AM (Chairman) BCom, FCA, FAICD

Director since May 2017, appointed Chairman 19 November 2019

President and Group chairman of RACQ Limited, chairman of RACQ Insurance Limited and Club Insurance Holdings Pty Ltd, Members Banking Group Limited (RACQ Bank), Club Finance Holdings Limited and director of RACQ Operations Pty Ltd. Member of the Group Remuneration and Nomination Committee.

Ms Morris is a non-executive director with over 20 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 Queensland Urban Utilities and is a director of Collins Food Limited and the Menzies Health Institute Queensland. Previously she specialised for more than 20 years as a chartered accountant in audit and corporate services within Australia and overseas. Ms Morris is the former Queensland Council president of the Australian Institute of Company Directors.

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

Director since January 2019

Director of RACQ Limited, Members Banking Group Limited (RACQ Bank), Club Finance Holdings Limited, RACQ Insurance Limited and Club Insurance Holdings Pty Ltd. Chair of the Group Remuneration and Nomination Committee, and a 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 chair of TAFE Queensland 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 Cooney Investments Pty Ltd t/a Helloworld Travel Mackay and Mt Pleasant. Ms Dolphin is also a former director for Ergon Energy Pty Ltd, North Queensland Bulk Ports, Mater Health Services North Queensland and Mackay Hospital Foundation.

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

Director since July 2018

Director of RACQ Limited, Members Banking Group Limited (RACQ Bank), Club Finance Holdings Limited, RACQ Insurance Limited and Club Insurance Holdings Pty Ltd. Member of the Group Capital and Investment 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 Fitzroy and Central West, 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.

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

Director since July 2018

Vice President and Deputy Chairman of RACQ Limited, director of 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, and member of the RACQ Limited Risk and Compliance Committee, Insurance Risk and Compliance Committee and Bank Risk and Compliance Committee.

Ms Jameson is the founder of corporate governance consultancy Board Matters Pty Ltd and associated firm Board Matters Legal (since 2002). With her prior background as a partner of a national law firm, she is a respected governance specialist, who is consulted widely at a national and international level. In addition, Ms Jameson is an experienced director, serving 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 John Villiers Trust, director of The Pinnacle Foundation and director of the Australian Major Performing Arts Group.

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

Director since February 2017

Director of RACQ Limited, Members Banking Group Limited (RACQ Bank), Club Finance Holdings Limited, RACQ Insurance Limited and Club Insurance Holdings Pty Ltd. Member of the Group Audit Committee, Bank Audit Committee, 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 since April 2019

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

Mr Moore is an experienced senior executive with over 25 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 superannuation experience to young Australians.

Leona C Murphy BCom, GAICD

Director since July 2018

Director of RACQ Limited, 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, and member of the Group Remuneration and Nomination Committee and the Group Capital and Investment 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.

PREVIOUS DIRECTORS

Ian A Gillespie AM BA, Dip Laws(BAB), FCEOI, FAICD, FAIM

Director from November 2016 until December 2019

Former director of RACQ Insurance Limited, Club Insurance Holdings Pty Ltd, Members Banking Group Limited (RACQ Bank), Club Finance Holdings Limited, RACQ Foundation Pty Ltd, RACQ Operations Pty Ltd and several other RACQ Group and related entities. Group CEO of RACQ until 31 December 2019.

Karl D Morris AO BCom, MSAA, FAICD, F Fin

Director from January 2018 until November 2019

Former director of RACQ Limited, Members Banking Group Limited (RACQ Bank), Club Finance Holdings Limited, RACQ Insurance Limited and Club Insurance Pty Ltd.

COMPANY SECRETARY

Bradley D Bowes PhD, MBA, MCommLaw, BBus(Accty), FGIA, FCG, 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 and heads the Group Secretariat with responsibility for group-wide corporate governance matters, including 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 more than 20 years' 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 2020, 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

R Burrows

Rebecca Burrows
Partner
28 September 2020

RACQ

Statement of Profit and Loss and Other Comprehensive Income for the year ended 30 June 2020

	Note	2020 $'000	2019 $'000
Revenue		-	-
Expenses			
Administration expenses		(1)	(1)
Impairment of investment in subsidiary	3	(15,718)	(30,699)
Loss before income tax		**(15,719)**	**(30,700)**
Income tax benefit		-	-
Loss for the period		**(15,719)**	**(30,700)**
Other comprehensive income for the period, net of income tax		-	-
Total comprehensive loss for the period		**(15,719)**	**(30,700)**
Loss after income tax attributable to:			
Equity holders of the company		(15,719)	(30,700)
Total comprehensive loss attributable to:			
Equity holders of the company		(15,719)	(30,700)

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 13 to 16.

RACQ

Balance Sheet as at 30 June 2020

	Note	2020 $'000	2019 $'000
Current Assets			
Cash and cash equivalents		4	-
Trade and other receivables	4	6,110	6,114
Total current assets		**6,114**	**6,114**
Non-current assets			
Investment in subsidiary	3	186,233	166,451
Total non-current assets		**186,233**	**166,451**
Total assets		**192,347**	**172,565**
Current Liabilities			
Trade and other payables	5	703	713
Total current liabilities		**703**	**713**
Total liabilities		**703**	**713**
Net assets		**191,644**	**171,852**
Accumulated funds			
Share capital	6	71,662	36,151
Retained surplus		(46,485)	(30,766)
Reserves		166,467	166,467
Total accumulated funds		**191,644**	**171,852**

The Balance Sheet is to be read in conjunction with the Notes to the Financial Statements set out on pages 13 to 16.

Statement of Changes in Equity for the year ended 30 June 2020

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	6	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**

Statement of Changes in Equity for the year ended 30 June 2019

2019	Note	Share capital $'000	Retained surplus $'000	Merger reserve $'000	Total accumulated funds $'000
Balance at beginning of year		**31,135**	**(66)**	**166,467**	**197,536**
Loss for the year		-	(30,700)	-	**(30,700)**
Other comprehensive loss for the year		-	-	-	-
Total comprehensive loss for the year		**-**	**(30,700)**	**-**	**(30,700)**
Transactions with owners in their capacity as owners					
Shares issued	6	5,016	-	-	**5,016**
Total transactions with owners in their capacity as owners		**5,016**	**-**	**-**	**5,016**
Balance at end of year		**36,151**	**(30,766)**	**166,467**	**171,852**

The Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements set out on pages 13 to 16.

Statement of Cash Flows for the year ended 30 June 2020

	Note	2020 $'000	2019 $'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	6	35,511	5,016
Net cash flows from investing activities		**35,511**	**5,016**
Cash flows from financing activities			
Proceeds from issue of share capital		(35,500)	(5,000)
Payment from related parties		5	-
Payments to legacy shareholders		(11)	(16)
Net cash flows from financing activities		**(35,506)**	**(5,016)**
Net decrease in cash and cash equivalents		4	(1)
Cash and cash equivalents at the beginning of the year		-	1
Cash and cash equivalents at the end of the year		**4**	**-**

The Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements set out on pages 13 to 16.

1. SIGNIFICANT ACCOUNTING POLICIES

Club Finance Holdings Limited (the Company) is a company domiciled in Australia and was incorporated on 28 April 2016. The address of the Company's registered office is 2649 Logan Road, Eight Mile Plains, Queensland, 4113. The ultimate holding company of Club Finance Holdings Limited is The Royal Automobile Club of Queensland Limited (RACQ). The Company is a for-profit entity.

The exemption from consolidation, in accordance with AASB 10 *Consolidated Financial Statements*, has been applied for the year ended 30 June 2020. The consolidated financial statements of RACQ, a company domiciled in Australia, are available from RACQ's registered office, being 2649 Logan Road, Eight Mile Plains, Queensland, 4113.

a) 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).

b) Basis of measurement

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

c) New standards and interpretations not yet adopted

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

d) Investments

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

Impairment

At each reporting date, the Group 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 to sell and 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 surplus. 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.

e) 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.

RACQ

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.

f) Dividend income

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

g) Dividend

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

2. INCOME TAX

There is no income tax payable in the financial period ended 30 June 2020

3. INVESTMENTS

	2020 $'000	2019 $'000
Non-current		
Investment in subsidiary	232,650	197,150
Provision for impairment in subsidiary	(46,417)	(30,699)
Total Investment in subsidiary	**186,233**	**166,451**

Impairment expense for 2020 relates to the impairment of the Club Finance Holdings investment in its subsidiary Members Banking Group Limited and its controlled entities. The valuation of the investment has been written down to the fair value less costs of disposal of the subsidiary at 30 June 2020.

4. TRADE AND OTHER RECEIVABLES

	2020 $'000	2019 $'000
Loan to related entity	6,110	6,114

5. TRADE AND OTHER PAYABLES

	2020 $'000	2019 $'000
Redeemable preference shares	627	638
Intercompany payable	76	75
Total Trade and other payables	**703**	**713**

6. SHARE CAPITAL

	2020 $'000	2019 $'000
On issue at beginning of year – fully paid	36,151	31,135
Issue of ordinary shares	35,511	5,016
On issue at year end – fully paid	**71,662**	**36,151**

7. FINANCIAL INSTRUMENTS

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

7.1. BANKING CAPITAL MANAGEMENT

As a Non-Operating Holding Company (NOHC) authorised by the Australian Prudential Regulatory Authority (APRA), 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.

APRA sets and monitors capital requirements for the Banking Group in accordance with Prudential Standard APS 110 *Capital Adequacy*.

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.

To manage, monitor and report regulatory and economic capital the Banking Group has an Internal Capital Adequacy Assessment Process ('ICAAP') policy which sets out the objectives, processes, responsibilities and reporting requirements for the ICAAP and an annual ICAAP document which sets out the results of the annual assessment process.

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

	2020	2019
	$'000	$'000
Common Equity Tier 1 Capital		
Paid-up ordinary share capital	65,500	30,000
General reserves	-	-
Retained earnings	97,941	113,936
Other reserves	20,559	20,582
Common Equity Tier 1 Capital	**184,000**	**164,518**
Less: prescribed deductions	(21,665)	(24,389)
Net Common Equity Tier 1 Capital	**162,335**	**140,129**
Tier 2 Capital		
General reserve for credit losses	3,400	3,000
Less: prescribed deductions	-	-
Net Tier 2 Capital	**3,400**	**3,000**
APRA Capital base	**165,735**	**143,129**
Risk weighted assets	1,048,116	931,673
Risk weighted capital ratios		
Tier 1	15.5%	15.1%
Tier 2	0.3%	0.3%
Total capital ratio	**15.8%**	**15.4%**

8. 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, of which, The Royal Automobile Club of Queensland Limited is the ultimate parent entity. The entire compensation paid by the related party to key management personnel for the year ended 30 June 2020 has been disclosed below.

	2020	2019
	$	$
Short-term employee benefits	302,555	473,967
Post-employment benefits	25,761	43,406
Other long-term benefits	-	-
Total key management personnel compensation	**328,316**	**517,373**

9. AUDITOR'S REMUNERATION

The Group's auditor for the current reporting period was Ernst and Young. The following services were provided by the Group's auditor:

	2020	2019
	$	$
Audit services		
Auditors of the Company		
Audit of the financial report	3,605	3,500
Other regulatory audit services	7,210	7,000
Total auditor's remuneration	**10,815**	**10,500**

10. 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 9 to 16, are in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the financial position of the Company as at 30 June 2020 and of its performance, for the year ended 30 June 2020; 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 of 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:

B K Morris

Bronwyn Morris AM

Chairman

Brisbane

28 September 2020

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working world

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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 2020, 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 2020 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.

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
28 September 2020