# Club Finance Holdings Limited

## Financial Report

## For the year ended 30 June 2023

**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 2023 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.

- Leona C Murphy (appointed Chair, 22 November 2022)
- Annabel L Dolphin
- William J Fellowes
- Robert Hubbard
- John F Minz
- Andrew G Moore
- Sarah J P Pearson
- Duncan V Brain (ceased appointment 19 December 2022, re-appointed 19 July 2023)
- Elizabeth M Jameson AM (ceased appointment 22 November 2022)

Further information on the current directors is contained in the CFH Directors section on pages 4 to 5. 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 | | People and Purpose Committee* | | Bank Risk and Compliance Committee | |
|---|---|---|---|---|---|---|---|---|
| | A | H | A | H | A | H | A | H |
| Leona Murphy | 12 | 12 | - | - | 3 | 3 | 3 | 3 |
| Annabel Dolphin | 11 | 12 | 2 | 2 | 6 | 7 | 3 | 3 |
| William Fellowes | 12 | 12 | 4 | 4 | 7 | 7 | - | - |
| Robert Hubbard | 12 | 12 | 6 | 6 | 4 | 4 | 3 | 3 |
| John Minz | 12 | 12 | 6 | 6 | - | - | 6 | 6 |
| Andrew Moore | 11 | 12 | - | - | - | - | 6 | 6 |
| Sarah Pearson | 12 | 12 | 4 | 4 | 3 | 3 | 3 | 3 |
| Duncan Brain | 6 | 6 | 2 | 2 | - | - | 3 | 3 |
| Elizabeth Jameson AM | 4 | 4 | - | - | 4 | 4 | - | - |

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
* The Group People, Nominations and Remuneration Committee was re-purposed as the People and Purpose Committee (incorporating additional responsibilities for purpose and sustainability) with effect from 1 January 2023.

**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 5.

## 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 the prudential and reporting standards set by APRA.

The Company's net loss after tax for the year was nil (2022: $nil)

### DIVIDENDS

No dividends were paid or declared during the year or subsequent to year end (2022: $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.

### 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 anticipate that CFH will continue the primary function as the non-operating holding company of RACQ Bank. Further information about likely developments in the operations of CFH and the expected results in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to CFH.

### 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 CFH, 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 losses, costs, charges, damages, 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, the Company 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 (for an unspecified amount). No payment has been made to indemnify Ernst & Young Australia during or since the financial year.

**LEAD AUDITOR'S INDEPENDENCE DECLARATION**

The Lead Auditor's Independence Declaration is set out on page 6 and forms part of the Directors' Report for the year ended 30 June 2023.

**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.

**LEONA MURPHY**

Chair

8 September 2023

## DIRECTORS

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

**Leona C Murphy (Chair and Director) BCom, GAICD**

Leona has been a Director of Club Finance Holdings Limited since 2018, and Chair since November 2022. She is Chair and Director of RACQ Limited, Members Banking Group Limited (RACQ Bank), RACQ Insurance Limited and Club Insurance Holdings Pty Ltd. She is also Chair of the People and Purpose Committee and a member of the Strategy and Innovation Committee.

Leona is an experienced company director and brings more than 25 years' experience in the insurance and financial services sectors, having held senior executive positions for several ASX-listed companies. She is currently a Director of Liberty Financial Limited and Director of Helia Group Limited.

Leona has a deep passion for building resilient communities which is reflected through her current role as Board member and Ambassador for the Climate Ready Initiative and former role as co-chair of the United Nations Environment Programme Finance Initiative for Sustainable Insurance. In 2015, she was recognised as one of Australia's Top 100 Women of Influence in the Australian Financial Review and Westpac Awards for her work in Global Resilience.

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

Duncan has been a director of RACQ since 2021. He is a Director of Members Banking Group Limited (RACQ Bank), Club Finance Holdings Limited, RACQ Insurance Limited and Club Insurance Holdings Pty Ltd. He is also a Member of the Bank Audit Committee and Bank Risk and Compliance Committee.

With more than 30 years' experience, Duncan is an experienced financial services executive with extensive knowledge of the insurance industry. He has worked for a number of ASX listed insurance companies, including as Divisional CEO for a major general insurer. Beyond his domestic experience, Duncan has held CEO and board positions across seven countries, working and partnering with market and global leading financial services groups.

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

Annabel has been a Director of Club Finance Holdings Limited since 2019. She is a Director of RACQ Limited, Members Banking Group Limited (RACQ Bank), RACQ Insurance Limited and Club Insurance Holdings Pty Ltd. Annabel is also Chair of the Bank Risk and Compliance Committee and is a member of the People and Purpose Committee.

Annabel is an experienced company director with more than 20 years' specialising in strategic human resources, organisational design and culture change across a diverse range of sectors.

Annabel is passionate about regional Queensland and has occupied positions which have allowed her to support communities across the State. She is President of the Saints Netball Club Mackay Inc, non-executive Director for Tourism Australia and is also Director of Dolphin Ventures Pty Ltd where she sits on several independent advisory boards. She is also a Director of Wander Beyond Pty Ltd t/a Helloworld Travel Mackay, Mt Pleasant and Townsville.

**William (Will) J Fellowes (Director) BCom, GradDipCA, GAICD**

Will has been a Director of Club Finance Holdings Limited since November 2021. He is a Director of RACQ Limited, Members Banking Group Limited (RACQ Bank), RACQ Insurance Limited and Club Insurance Holdings Pty Ltd. He is also a member of the People and Purpose Committee and Bank Audit Committee.

Will is an experienced non-executive Director with an executive career specialising in advisory and assurance. He has worked both domestically and globally across external audit, internal audit and financial consulting, and most recently spent four years in various senior executive roles with a Sydney-based health technology company.

Based in outback Queensland, Will is proud to bring a regional perspective to the RACQ board. Will is also a member of the Children's Health Queensland Hospital & Health Service, Northern Australia Primary Health Limited and Opera Queensland Boards and also sits on a number of advisory committees as a financial specialist.

**Robert (Rob) Hubbard (Director) BA (Hons), Accy, FCA**

Rob has been a Director of Club Finance Holdings Limited since November 2021. He is a Director of RACQ Limited, Members Banking Group Limited (RACQ Bank), RACQ Insurance Limited and Club Insurance Holdings Pty Ltd. Rob is chair of the Bank Audit Committee and is a member of the Bank Risk and Compliance Committee.

Rob has more than 20 years' experience in accounting, corporate finance, assurance and audit and is a former partner of consulting firm PwC in Brisbane. During his time with PwC, he was also a Director of MS Australia and Opera Queensland, and a member of the Council of the University of the Sunshine Coast.

## Club Finance Holdings Limited

Since retiring from his executive career in 2013, Rob has held a number of non-executive Director roles at top ASX listed companies. He is a Director of Lifeline Australia and JK Tech Pty Ltd and a member of the Queensland Advisory Committee to the Australian Institute of Company Directors (AICD). Rob was Chair of healthcare company Healius Limited, Deputy Chair of Allkem Limited, Chair of Central Petroleum Limited, and a Director of Bendigo and Adelaide Bank Limited from 2013 until 2021 where he also chaired the Bank's Audit Committee.

**John F Minz (Director) BCom, Grad Dip Commercial Computing, Sen. Fellow FINSIA, FAIM, FAICD**

John has been a Director of Club Finance Holdings Limited since 2016. He is a Director of Members Banking Group Limited (RACQ Bank), RACQ Insurance Limited and Club Insurance Holdings Pty Ltd. John is a member of the People and Purpose Committee and Strategy and Innovation Committee.

John is an experienced financial services executive, having retired as the Chief Executive Officer of Heritage Bank in 2015 after 23 years with the bank where he led the organisation through a period of sustained growth and modernisation.

John 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 Downs Community Policing Board.

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

Andrew has been a Director of Club Finance Holdings Limited since 2019. He is a Director of RACQ Limited, Members Banking Group Limited (RACQ Bank), RACQ Insurance Limited and Club Insurance Holdings Pty Ltd. Andrew is a member of the Strategy and Innovation Committee and Bank Risk and Compliance Committee.

Andrew is an experienced financial services executive, with more than 30 years' domestic and global experience. His previous executive positions include Managing Director of GE Capital Home Lending (Aust & NZ) and General Manager of St. George Retail Bank.

In recent years, Andrew has been instrumental in driving digital transformation and disruption in the financial services industry, particularly through his work as CEO of Spaceship Financial Services, a business focused on delivering an innovative and engaging investment and superannuation experience to young Australians.

**Sarah J P Pearson (Director) DPhil (Oxon), FTSE, GAICD**

Sarah has been a Director of Club Finance Holdings Limited since November 2021. She is a Director of RACQ Limited, Members Banking Group Limited (RACQ Bank), RACQ Insurance Limited and Club Insurance Holdings Pty Ltd. Sarah is also Chair of the Strategy and Innovation Committee, and a member of the Bank Audit Committee.

Sarah is an experienced non-executive Director, investor and advisor with global executive leadership expertise spanning FTSE 100 multinationals, international C-suite roles, brands such as Cadbury and McKinsey, Venture Capital, universities and startups.

Her passion is to leverage emerging technology and innovation to accelerate economic growth, disrupt disadvantage, address global challenges, and leave no one behind. She applies this through director roles with the Royal Flying Doctor Service and ANU Council, and sits on investment committees and boards responsible for ~$1Bn of venture capital globally, investing in emerging technology and women led businesses. Sarah is also Chair of the Inspiring Australia QLD Reference Group.

She has represented Australia globally as Chief Scientist & Chief Innovation Officer at the Department of Foreign Affairs and Trade, helped the growth of new technology companies, led the uptake of innovation and technology in the public and private sectors, and helped build innovation communities that have driven economic diversification across Australia.

**COMPANY SECRETARY**

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

Brad is company secretary for the legal entities within the RACQ Group. He leads the Group Secretariat with responsibility for the secretariat function and associated corporate governance, including managing all matters associated with the efficient and effective operation of the boards and committees, and of each annual general meeting of members. Brad is a chartered company secretary and governance professional with significant experience in senior management and executive leadership, including governance, risk, compliance and secretariat roles in private enterprise and the public sector across a range of industries and corporate structures.

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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 2023, 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;

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

c) no non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

Ernst & Young

Ernst & Young

RBurrows

Rebecca Burrows
Partner
8 September 2023

## Statement of Profit and Loss and Other Comprehensive Income

For the year ended 30 June 2023

| | Note | 2023<br>$'000 | 2022<br>$'000 |
|---|---|---|---|
| Revenue | | - | - |
| Expenses | | | |
| **Profit before income tax** | | - | - |
| Income tax benefit | | - | - |
| **Profit for the year** | | - | - |
| **Other comprehensive income for the period, net of income tax** | | - | - |
| **Total comprehensive income for the period** | | - | - |
| **Profit after income tax attributable to:** | | | |
| Equity holders of the Company | | - | - |
| **Total comprehensive income attributable to:** | | | |
| Equity holders of the Company | | - | - |

*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 11 to 15.*

## Balance Sheet

As at 30 June 2023

| | Note | 2023<br>$'000 | 2022<br>$'000 |
|---|---|---|---|
| **Current Assets** | | | |
| Cash and cash equivalents | | 3 | 3 |
| Intercompany loan receivable | | 6,110 | 6,110 |
| **Total current assets** | | **6,113** | **6,113** |
| **Non-current assets** | | | |
| Investment in subsidiary | 3 | 186,233 | 186,233 |
| **Total non-current assets** | | **186,233** | **186,233** |
| **Total assets** | | **192,346** | **192,346** |
| **Current Liabilities** | | | |
| Trade and other payables | 4 | 576 | 601 |
| **Total current liabilities** | | **576** | **601** |
| **Total liabilities** | | **576** | **601** |
| **Net assets** | | **191,770** | **191,745** |
| | | | |
| **Accumulated funds** | | | |
| Share capital | 5 | 71,789 | 71,764 |
| Retained surplus | | (46,486) | (46,486) |
| Reserves | | 166,467 | 166,467 |
| **Total accumulated funds** | | **191,770** | **191,745** |

*The Balance Sheet is to be read in conjunction with the Notes to the Financial Statements set out on pages 11 to 15.*

## Club Finance Holdings Limited

### Statement of Changes in Equity

For the year ended 30 June 2023

| 2023 | Note | Share capital $'000 | Preference shares $'000 | Retained surplus $'000 | Merger reserve $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|
| **Balance at beginning of year** | | **71,610** | **154** | **(46,486)** | **166,467** | **191,745** |
| Profit for the year | | - | - | - | - | **-** |
| Other comprehensive income for the year | | - | - | - | - | **-** |
| **Total comprehensive income for the year** | | **-** | **-** | **-** | **-** | **-** |
| **Transactions with owners in their capacity as owners** | | | | | | |
| Shares issued | 5 | - | 25 | - | - | **25** |
| **Total transactions with owners in their capacity as owners** | | **-** | **25** | **-** | **-** | **25** |
| **Balance at end of year** | | **71,610** | **179** | **(46,486)** | **166,467** | **191,770** |

| 2022 | Note | Share capital $'000 | Preference shares $'000 | Retained surplus $'000 | Merger reserve $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|
| **Balance at beginning of year** | | **71,610** | **70** | **(46,486)** | **166,467** | **191,661** |
| Profit for the year | | - | - | - | - | **-** |
| Other comprehensive income for the year | | - | - | - | - | **-** |
| **Total comprehensive income for the year** | | **-** | **-** | **-** | **-** | **-** |
| **Transactions with owners in their capacity as owners** | | | | | | |
| Shares issued | 5 | - | 84 | - | - | **84** |
| **Total transactions with owners in their capacity as owners** | | **-** | **84** | **-** | **-** | **84** |
| **Balance at end of year** | | **71,610** | **154** | **(46,486)** | **166,467** | **191,745** |

*The Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements set out on pages 11 to 15.*

## Statement of Cash Flows

For the year ended 30 June 2023

| | Note | 2023<br>$'000 | 2022<br>$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Payments to suppliers and employees | | - | - |
| **Net cash flows from operating activities** | | **-** | **-** |
| **Cash flows from investing activities** | | | |
| Purchase of shares in subsidiary | | - | - |
| **Net cash flows from investing activities** | | **-** | **-** |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of share capital | | 25 | 84 |
| Payments to legacy shareholders | | (25) | (84) |
| **Net cash flows from financing activities** | | **-** | **-** |
| Net increase (decrease) in cash and cash equivalents | | - | - |
| Cash and cash equivalents at the beginning of the year | | 3 | 3 |
| **Cash and cash equivalents at the end of the year** | | **3** | **3** |

*The Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements set out on pages 11 to 15.*

## 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 2023. 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).

The Company has prepared the financial statements on the basis that it will continue to operate as a going concern.

### 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 Board.

## 3. INVESTMENTS

| | 2023<br>$'000 | 2022<br>$'000 |
|---|---|---|
| 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 2023. The accumulated impairment relates 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. As at 30 June 2023, the recoverable amount of the asset exceeded its carrying amount using a fair value less cost of disposal approach.

## 4. TRADE AND OTHER PAYABLES

| | 2023<br>$'000 | 2022<br>$'000 |
|---|---|---|
| Redeemable preference shares – Legacy Shares | 500 | 525 |
| Intercompany payable | 76 | 76 |
| **Total Trade and other payables** | **576** | **601** |

## 5. SHARE CAPITAL

| | 2023<br>$'000 | 2022<br>$'000 |
|---|---|---|
| **Ordinary Shares** | | |
| On issue at beginning of year - fully paid ordinary shares | 71,610 | 71,610 |
| Issue of ordinary shares | - | - |
| **On issue at year end - fully paid ordinary shares** | **71,610** | **71,610** |
| | | |
| **B Class Preference Shares** | | |
| On issue at beginning of year - fully paid Preference Shares | 154 | 70 |
| Issue of preference shares | 25 | 84 |
| **On issue at year end - fully paid Preference Shares** | **179** | **154** |
| **Total Shares on issue at year end - fully paid** | **71,789** | **71,764** |

The Company does not have authorised capital or par value in respect of its issued shares. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Non-redeemable preference shares are classified as equity, because they bear discretionary dividends, do not contain any obligations to deliver cash or other financial assets and do not require settlement in a variable number of the Company's equity instruments. Discretionary dividends thereon are recognised as equity distributions on approval by the Company's shareholders. The preference shares do not contain voting rights.

## 6. FINANCIAL INSTRUMENTS

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

## 7. BANKING CAPITAL MANAGEMENT

As an authorised NOHC regulated by APRA, the Banking Group (including Club Finance Holdings Limited, Members Banking Group Limited, and RACQ Financial Planning Pty Ltd) must maintain a minimum level of capital adequacy.

The Banking Group maintains sufficient capital resources to support business activities, operating requirements and to ensure continuous compliance with internally and externally imposed capital ratio targets.

From 1 January 2023, APRA implemented its revisions to the ADI capital framework. The adequacy of the Banking Group's capital is managed in accordance with the new APRA prudential standards effective from 1 January 2023. 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 Bank has entered into a Deed of Support with its ultimate parent entity, The Royal Automobile Club of Queensland Limited, to receive additional capital if and to the extent it is required for the Company to maintain its capital adequacy in accordance with the relevant APRA prudential standards

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.

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

| | 2023 | 2022 |
|---|---|---|
| | **$'000** | **$'000** |
| **Common Equity Tier 1 Capital** | | |
| Paid-up ordinary share capital | 65,500 | 65,500 |
| Retained earnings | 114,203 | 108,475 |
| Other reserves | 21,390 | 21,510 |
| **Common Equity Tier 1 Capital** | **201,093** | **195,485** |
| Less: prescribed deductions | (16,764) | (18,833) |
| **Net Common Equity Tier 1 Capital** | **184,329** | **176,652** |
| **Tier 2 Capital** | | |
| Provisions eligible for inclusion in Tier 2 capital | 1,240 | 1,291 |
| **Net Tier 2 Capital** | **1,240** | **1,291** |
| **APRA Capital base** | **185,569** | **177,943** |
| **Risk weighted assets** | **1,026,728** | **1,120,135** |
| Tier 1 capital ratio | 18.0% | 15.8% |
| Tier 2 capital ratio | 0.1% | 0.1% |
| **Total capital ratio** | **18.1%** | **15.9%** |

## 8. RELATED PARTIES

Key management personnel are remunerated for their role with the Company and Members Banking Group Limited, with the remuneration paid by a related party within the RACQ Group. The compensation paid by the related party to key management personnel for their services to the Company and Members Banking Group Limited has been disclosed below.

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| Short-term employee benefits | 344,452 | 365,318 |
| Post-employment benefits | 33,644 | 32,090 |
| **Total key management personnel compensation** | **378,096** | **397,408** |

In accordance with the RACQ constitution and at the approval of the RACQ Limited board, Mr Duncan Brain was remunerated for additional services performed for group related activities that were considered outside the scope of the ordinary duties of a Director of the Company. The additional compensation paid, which was borne RACQ Operations Pty Ltd, a related party, was $158,307 during the period that Mr Duncan Brain was a Director of Company (1 July 2022 to 19 December 2022). There were no other benefits received by directors during the year to 30 June 2023 (2022: nil).

## 9. AUDITOR'S REMUNERATION

During the financial year, the following fees were paid or payable for services provided by the Auditor:

| | 2023 | 2022 |
|---|---|---|
| **Amounts received or receivable by EY** | $ | $ |
| Audit of the financial report | 5,533 | 5,420 |
| Other regulatory audit services | 11,068 | 10,481 |
| **Total Auditor's remuneration** | **16,601** | **15,901** |

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

## 10.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 to affect significantly the operations of the Company, the results of those operations, or the state of affairs.

## Directors' Declaration

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

(a) the financial statements and notes, as set out on pages 7 to 15, 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 2023 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*;

(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 includes 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:

**Leona Murphy**

Chair

8 September 2023

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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 2023, the 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 Company's financial position as at 30 June 2023 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.

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## 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

RBurrows

Rebecca Burrows
Partner
Brisbane
8 September 2023