Club Finance Holdings Limited

ACN 612 096 787

ANNUAL FINANCIAL REPORT

For the period ended 30 June 2017

CLUB FINANCE HOLDINGS DIRECTORS' REPORT

The directors present their report together with the financial report of Club Finance Holdings Limited (Club Finance Holdings), for the period from 28 April 2016 to 30 June 2017 and the auditor's report thereon.

DIRECTORS

The following persons were directors of Club Finance Holdings for the period 28 April 2016 to the date of this report, except where otherwise indicated:

Peter G Whitelaw (chairman, appointed 2 February 2017)
Nigel W F Alexander (3 June 2016 until 2 February 2017)
Adam L Allan (appointed 2 February 2017)
Janette M Bowe (appointed 2 February 2017)
Campbell J Charlton (3 June 2016 until 2 February 2017)
Helen A Coyer (appointed 2 February 2017)
John T Fisher-Stamp (appointed 2 February 2017)
Ian A Gillespie
Darryn L Hammond (28 April 2016 until 3 June 2016)
Neville J Ide (appointed 2 February 2017)
Elizabeth M Jameson (3 June 2016 until 2 February 2017)
Nathan L King (appointed 2 February 2017)
Michael J Lonergan (28 April 2016 until 3 June 2016)
Anthony G McGruther (appointed 2 February 2017)
John F Minz (appointed 2 February 2017)
Bronwyn K Morris (3 June 2016 until 2 February 2017, re-appointed 25 May 2017)
Karl D Morris (3 June 2016 until 2 February 2017)

Further information on the current directors is contained in the Club Finance Holdings Directors and Officers section of this Annual Report on pages 4 - 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 period, are set out on page 3.

COMPANY SECRETARIES

The company secretaries of Club Finance Holdings are detailed in the Directors and Officers section of this Annual Report on page 6.

OFFICERS

The persons who were officers of Club Finance Holdings during the financial year are detailed in the Directors and Officers section of this Annual Report on page 6.

PRINCIPAL ACTIVITIES

Club Finance Holdings is a majority controlled entity of The Royal Automobile Club of Queensland Limited (RACQ). Club Finance Holdings 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 reporting period was holding shares in QT Mutual Bank Limited (QT Mutual Bank).

Club Finance Holdings also issued Legacy Shares to former QT Mutual Bank members on 24 November 2016 as part of the merger with RACQ.

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

OPERATING AND FINANCIAL REVIEW

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

Club Finance Holding's operations for the period 28 April 2016 to 30 June 2017 produced a loss before tax of $66,000.

DIVIDENDS

No dividends were paid or declared during the current period.

STATE OF AFFAIRS

Club Finance Holdings was incorporated on 28 April 2016 with paid up capital of $1.

Club Finance Holdings was authorised as a NOHC for APRA purposes with effect from 24 November 2016.

There were no significant changes in the state of affairs of the Company during the period other than as stated in this report and the financial report.

STRATEGIES AND PROSPECTS

As Club Finance Holdings' principal activity is holding and monitoring the RACQ Group's investment in QT Mutual Bank, its strategy and prospects are based entirely on the strategy and performance of QT Mutual Bank.

ENVIRONMENTAL REGULATION

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

RACQ and QT Mutual Bank have entered into standard form deeds with all 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 QT Mutual 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 21 and forms part of the Directors' Report for the year ended 30 June 2017.

ROUNDING OFF

Club Finance Holdings is a company of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2017/191*, and in accordance with that Instrument, amounts in the consolidated 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.

PETER WHITELAW

Chairman

21 September 2017

CLUB FINANCE HOLDINGS BOARD AND COMMITTEE MEETINGS

Director	Club Finance Holdings Board		Level 2 Banking Group Audit Committee*		Group Governance and Remuneration Committee^		Level 2 Banking Group Risk and Compliance Committee*	
	A	H	A	H	A	H	A	H
Peter Whitelaw (appointed 2 February 2017)	3	3	-	-	3	3	-	-
Nigel Alexander (3 June 2016 until 2 February 2017)	3	3	-	-	3	3	-	-
Adam Allan (appointed 2 February 2017)	3	3	-	-	-	-	2	2
Janette Bowe (appointed 2 February 2017)	3	3	3	3	-	-	2	2
Campbell Charlton (3 June 2016 until 2 February 2017)	3	3	-	-	-	-	-	-
Helen Coyer (appointed 2 February 2017)	3	3	-	-	-	-	2	2
John Fisher-Stamp (appointed 2 February 2017)	3	3	3	3	-	-	2	2
Ian Gillespie	6	6	-	-	-	-	-	-
Darryn Hammond (28 April 2016 until 3 June 2016)	-	-	-	-	-	-	-	-
Neville Ide (appointed 2 February 2017)	3	3	-	-	-	-	2	2
Elizabeth Jameson (3 June 2016 until 2 February 2017)	2	3	-	-	3	3	-	-
Nathan King (appointed 2 February 2017)	3	3	3	3	-	-	-	-
Michael Lonergan (28 April 2016 until 3 June 2016)	-	-	-	-	-	-	-	-
Anthony McGruther (appointed 2 February 2017)	3	3	3	3	-	-	-	-
John Minz (appointed 2 February 2017)	3	3	3	3	3	3	-	-
Bronwyn Morris (3 June 2016 until 2 February 2017, re-appointed 25 May 2017)	4	4	-	-	4	4	-	-
Karl Morris (3 June 2016 until 2 February 2017)	3	3	-	-	-	-	-	-

A - meetings attended during the financial period.
H - meetings held during the financial period while the director held office for which the director was eligible to attend.
* Committee formed and adopted by resolution of the Club Finance Holdings board on 2 February 2017.
^ Committee adopted by resolution of the Club Finance Holdings board on 25 August 2016.
Two board committees, the CFH Audit Committee and the CFH Risk and Compliance Committee were formed by resolution of the Club Finance Holdings board on 25 August 2016 and disbanded on 2 February 2017 without meeting.

CLUB FINANCE HOLDINGS DIRECTORS AND OFFICERS

Peter G Whitelaw (Chairman) B.Econ, B.Ed.Studies, M.Ed, Grad.Dip.School Admin, Grad Cert.Soc.Sc, MAMI, MAICD

Director since February 2017.

Chairman of QT Mutual Bank Limited, QT Financial Planning Pty Ltd, Club Finance Holdings Limited and member of the Group Governance and Remuneration Committee.

Previously a State Secondary School Principal, Inspector, Regional and District Director in Education Queensland.

Adam L Allan B.Bus, MBA, F Fin, GAICD, AFAIM, AFAMI

Director since February 2017.

Director of QT Mutual Bank Limited and member of the Level 2 Bank Group Risk and Compliance Committee.

Currently a Councillor with the Brisbane City Council and Director. Has previously held senior executive roles with a number of global financial services organisations including with the HSBC Group. Also trustee with the Lord Mayor's Charitable Trust.

Janette M Bowe BHA, MBA, GAICD

Director since February 2017.

Director of QT Mutual Bank Limited. Chair of the Level 2 Bank Group Risk and Compliance Committee and member of the Level 2 Bank Audit Committee.

Currently a Strategy and Management Consultant with Bendelta and head of their Brisbane office. Also holds a directorship and is Chair of Friendly Pharmacies Group in NSW and has previously held senior executive roles with the Commonwealth Bank of Australia and Suncorp-Metway Ltd.

Helen A Coyer B.Bus (Accounting), GradDipIT, CPA, GAICD, AIMM

Director since February 2017.

Director of QT Mutual Bank Limited and member of the Level 2 Bank Group Risk and Compliance Committee

Ms Coyer is currently serving on several not for profit boards and has over 30 years' experience at general management with an extensive senior executive career in service-oriented roles in the education, financial services and public sectors.

John T Fisher-Stamp B.Bus.A, FCA, FTIA, MIMC, GAICD, CFP

Director since February 2017.

Deputy Chairman of QT Mutual Bank Limited, Chair of the Level 2 Bank Audit Committee, and member of Level 2 Bank Group Risk and Compliance Committee.

John is a Chartered Accountant and an Executive Director of USA corporation Ouro Mining, Inc and a Director of ASX listed company A-Cap Resources Limited.

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

Director since 2016

Director of QT Mutual Bank Limited, RACQ Insurance Limited, Club Insurance Holdings Pty Ltd, RACQ Foundation Pty Ltd, RACQ Operations Pty Ltd and several other RACQ Group and related entities. Mr Gillespie has been CEO of the RACQ Group since 2006. He is director of the Confederation of Australian Motor Sport, the Business Council of Cooperatives and Mutuals (BCCM), Chairman of Australian Motoring Services Pty Ltd, and Vice-Chair of the Global Mobility Alliance.

Mr Gillespie has more than 30 years' experience at general management and chief executive level in a broad range of industries in Australia and internationally.

Neville J Ide BBus, MComm, FCPA, FAICD

Director since February 2017.

Director of RACQ Insurance Limited, Club Insurance Holdings Pty Ltd and QT Mutual Bank Limited. Member of the Group Investment Committee and Level 2 Bank Group Risk and Compliance Committee.

Mr Ide has over 30 years' experience in financial markets, having held executive roles for the past 20 years at firstly Queensland Treasury Corporation and subsequently Suncorp Metway. During his career Mr Ide has built considerable expertise in financial asset and liability risk management. Mr Ide is currently a Director of SunWater Limited, Retech Technology Company Limited, Executive Director Queensland ANZ Institutional Bank (part time), and a member of the Your Digital File (Aust) Pty Ltd advisory board.

Nathan L King B.Bus (Banking & Finance), CPA, ACIS (Company Secretarial Practice), GAICD

Director since February 2017.

Director of QT Mutual Bank Limited and member of the Level 2 Bank Audit Committee.

Nathan brings experience leading accounting, finance, and IT areas in small, medium, and global sized businesses. Currently, Chief Financial Officer and Company Secretary with Lindsay Australia. Previously with Rio Tinto, Sydney Airport, Hilton and Hyatt Hotels. Prior to that a small business operator.

Anthony G McGruther M.Ed, Grad. Dip. Ed Admin, Dip. Teach, GAICD

Director since February 2017.

Director of QT Mutual Bank Limited and member of the Level 2 Bank Audit Committee.

Currently an Educational Consultant. Previously a Teacher and School Principal and President of Australian and Queensland State Primary School Principals' Associations. Life Member of the Queensland Association of State School Principals Association and the Australian Primary Principals Association.

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

Director since February 2017.

Director of RACQ Limited and QT Mutual Bank Limited. Member of Level 2 Bank Audit Committee, RACQ Limited Risk and Compliance Committee and Group Governance and Remuneration Committee.

Mr Minz retired as the Chief Executive Officer of Heritage Bank in November 2015, after 23 years with the Bank. Mr Minz is Chairman of the Darling Downs and West Moreton PHN and President of Toowoomba Together Incorporated, a community charity created to help eliminate domestic and family violence. He is also Chairman on the charity Australia's CEO Challenge and a member of the Toowoomba Regional Committee of the Australian Institute of Company Directors.

Bronwyn K Morris BCom, FCA, FAICD

Director since May 2017.

Vice President and Deputy Chairman of RACQ Limited. Director of RACQ Insurance Limited, QT Mutual Bank Limited and Club Insurance Holdings Pty Ltd. Chair of the Group Governance and Remuneration Committee and member of the Group Audit Committee.

Ms Morris specialised for more than 20 years as a chartered accountant in audit and corporate services. Ms Morris is a Queensland Councillor of the Australian Institute of Company Directors. She serves as a Director of a number of entities including the Gold Coast 2018 Commonwealth Games Corporation, Watpac Limited, and Collins Foods Limited.

PREVIOUS DIRECTORS

Nigel WF Alexander BBus, MAppFin, FCPA, FCA, FAICD

Campbell J Charlton BCom, LL.B, FCA(Rtd), MAICD

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

Darryn L Hammond B.Sci (Hons), LLB, G.Dip Corp Gov, MQLS, FGIA, FCIS

Michael J Lonergan B.Bus, FCPA, Grad Dip App Fin

Karl D Morris BCom, MSAA, FAICD, FFin

COMPANY SECRETARIES

Bradley D Bowes PhD, FGIA, FCIS, MAICD

Mr Bowes is 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 operation of the various boards and committees and of each annual general meeting. Mr Bowes is a chartered company secretary with over 20 years' experience in senior management and similar governance roles in both private enterprise and the public sector across a range of industries.

Michael K Thomason BCom, AGIA, ACIS, GAICD

Mr Thomason is joint company secretary for certain subsidiaries within the RACQ Group. He is a chartered company secretary with over 10 years' governance experience in Australia and overseas.

OFFICERS

Club Finance Holdings Chief Executive Officer - Ian Gillespie

BA, Dip Laws(BAB), FCEOI, FAICD, FAIM

Club Finance Holdings Chief Risk Officer - Darryn Hammond

B.Sci (Hons), LLB, G.Dip Corp Gov, MQLS, FGIA, FCIS

Club Finance Holdings Chief Financial Officer - Michael Lonergan

B.Bus, FCPA, Grad Dip App Fin

Club Finance Holdings Limited

ACN 612 096 787

Financial Report

For the period 28 April 2016 to 30 June 2017

CONTENTS

Statement of Profit and Loss and Other Comprehensive Income for the period 28 April 2016 to 30 June 2017

		2017
	Note	**$'000**
Revenue		**-**
Expenses		
Administration expenses		(66)
Loss before income tax		**(66)**
Income tax benefit		-
Loss for the period		**(66)**
Other comprehensive income for the period, net of income tax		**-**
Total comprehensive loss for the period		**(66)**
Loss after income tax attributable to:		
Equity holders of the company		(66)
Total comprehensive loss attributable to:		
Equity holders of the company		(66)

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 5 to 10.

Balance Sheet as at 30 June 2017

		2017
	Note	**$'000**
Current Assets		
Cash and cash equivalents		2
Trade and other receivables	4	6,114
Total current assets		**6,116**
Non-current assets		
Investment in subsidiary	3	167,150
Total non-current assets		**167,150**
Total assets		**173,266**
Current Liabilities		
Trade and other payables	5	748
Total current liabilities		**748**
Total liabilities		**748**
Net assets		**172,518**
Accumulated funds		
Share capital	6	6,117
Retained surplus		(66)
Reserves		166,467
Total accumulated funds		**172,518**

The Balance Sheet is to be read in conjunction with the Notes to the Financial Statements set out on pages 5 to 10.

Statement of Changes in Equity for the period 28 April 2016 to 30 June 2017

	Share capital	Retained surplus	Merger reserve	Total accumulated funds
2017	**$'000**	**$'000**	**$'000**	**$'000**
Loss for the period	-	(66)	-	(66)
Other comprehensive loss for the period	-	-	-	-
Total comprehensive loss for the period	**-**	**(66)**	**-**	**(66)**
Transactions with owners in their capacity as owners				
Share issued	6,117			
Merger with QT Mutual Bank	**-**	**-**	166,467	**166,467**
Total transactions with owners in their capacity as owners	**6,117**	**-**	**166,467**	**172,584**
Balance at end of period	**6,117**	**(66)**	**166,467**	**172,518**

The Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements set out on pages 5 to 10.

Statement of Cash Flows for the period 28 April 2016 to 30 June 2017

	Note	2017 $'000
Cash flows from financing activities		
Issue of shares		6,117
Payments to related parties		(6,105)
Payments to legacy shareholders		(10)
Net cash flows from financing activities		**2**
Net increase in cash and cash equivalents		2
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period		**2**

The Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements set out on pages 5 to 10.

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 board resolved to extend the first accounting period from the date of incorporation to 30 June 2017 in accordance with section 323D of the *Corporations Act 2001* (Cth).

The exemption from consolidation, in accordance with AASB 10 Consolidated Financial Statements, has been applied for the period 28 April 2016 to 30 June 2017. 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

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.

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 2017

3. INVESTMENTS

	2017 $'000
Non-current	
Investment in subsidiary	167,150

4. TRADE AND OTHER RECEIVABLES

	2017 $'000
Loan to related entity	6,114

5. TRADE AND OTHER PAYABLES

	2017 $'000
Redeemable preference shares	674
Intercompany payable	66
Accrued expenses	9
Total Trade and other payables	**748**

6. SHARE CAPITAL

	2017 $'000
Issue of ordinary shares – 30 March 2017	6,117
On issue at year end – fully paid	6,117

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 Company is subject to the capital adequacy requirement.

In accordance with APS 110 *Capital Adequacy*, the Company has an Internal Capital Adequacy Assessment Process (ICAAP) policy. The Company has determined that a minimum capital adequacy ratio of 12.45% is appropriate and commensurate with the risks faced including those inherent in the strategic plan.

The adequacy of the Company's capital is monitored using, among other measures, the rules and ratios outlined by APRA. To manage, monitor and report regulatory and economic capital, the Company has a Capital Management Strategy which sets out objectives and policies and an annual Capital Management Plan which includes a requirement to prepare five-year capital forecasts under various scenarios. During the current period, the Company has complied with all externally and internally imposed capital requirements.

The regulatory capital position of the Company is as follows:

	2017
	$'000
Common Equity Tier 1 Capital	
Paid-up ordinary share capital	6,117
General reserves	(55)
Retained earnings brought forward	146,610
Current year earnings	217
Other reserves	20,810
Common Equity Tier 1 Capital	**173,699**
Less: prescribed deductions	(34,563)
Net Common Equity Tier 1 Capital	**139,136**
Tier 2 Capital	
General reserve for credit losses	2,200
Less: prescribed deductions	-
Net Tier 2 Capital	**2,200**
APRA Capital base	**141,336**
Risk weighted assets	710,646
Risk weighted capital ratios	
Tier 1	19.6%
Tier 2	0.3%
Total capital ratio	**19.9%**

8. TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Key management personnel do not receive separate remuneration for their roles with the Company. The ultimate parent entity, The Royal Automobile Club of Queensland Limited, has determined and provided the compensation of key management personnel in accordance with their roles within the Group. There is no reasonable basis for allocating a key management personnel amount to Club Finance Holdings Limited (CFH) and therefore the entire compensation of key management personnel for the period 28 April 2016 to 30 June 2017 has been disclosed below.

8.1.1. *KEY MANAGEMENT PERSONNEL COMPENSATION*

Key management personnel compensation comprises:

	2017
	$
Short-term employee benefits	229,574
Post-employment benefits	23,620
Other long-term benefits	-
	253,194

9. NOTES

9.1. BUSINESS COMBINATION

Merger of Club Finance Holdings Limited and QT Mutual Bank Limited

On 24 November 2016, Club Finance Holdings Limited (CFH) acquired 100% of the shares of QT Mutual Bank Limited (QTMB), via a court approved Scheme of Arrangement. CFH is a wholly owned subsidiary of The Royal Automobile Club of Queensland Limited, a mutual, and therefore the merger with QTMB is a joining of 2 mutual entities. As per the Scheme of Arrangement, each QTMB member received a redeemable preference share in CFH. CFH issued 67,923 redeemable preference shares. As a consequence of the merger, each QTMB member became a member of RACQ.

QTMB provides retail financial products and services to members and the merge will help RACQ diversify its operations into banking. The transaction will also provide QTMB with access to RACQ's scale, brand and resources, which will provide the opportunity to significantly grow the banking business.

Consideration transferred

As part of the transaction, QTMB members effectively swapped an interest in QTMB for an interest in CFH rather than exchanging their interest for cash and/or marketable securities. Hence the fair market value of QTMB has been used to determine the consideration transferred.

	2017
	$'000
Fair value of QTMB	167,150

Acquisition-related costs

Costs of $1,442,254 incurred in relation to the merger with QTMB were recognised by CFH's ultimate parent entity, The Royal Automobile Club of Queensland Limited.

Identifiable assets acquired and liabilities assumed

The fair value of the identifiable assets and liabilities of QT Mutual Bank Limited as of the date of acquisition were:

	2017
	$'000
Cash and cash equivalents	40,400
Other receivables	3,437
Financial assets at amortised cost	150,647
Financial assets at fair value through other comprehensive income	8,696
Loans and advances	1,285,114
Property, plant and equipment	6,247
Deferred tax assets	4,849
Intangible assets	14,253
Other assets	76
Deposits	(1,326,667)
Accrued interest on deposits	(5,245)
Borrowings	(2,212)
Other payables	(7,089)
Derivatives	(190)
Provision for income tax	(3,872)
Deferred tax liabilities	(5,483)
Employee benefits	(3,100)
Provisions	(505)
Net assets acquired	**159,356**

Goodwill arising on acquisition

	2017
	$'000
Consideration transferred	167,150
Less: fair value of identifiable net assets acquired	159,356
Goodwill arising on acquisition	7,794

The goodwill arising from the acquisition reflects the value of the QTMB workforce and expected synergistic benefit to RACQ in the form of ready access to QTMB's banking platform and cost savings in corporate overhead and IT related costs. None of the goodwill recognised is expected to be deductible for tax purposes.

Accounting polices

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred, the liabilities incurred to former owners of the acquiree, and any equity issued by the Company, plus the amount of any non-controlling interest in the acquiree. The non-controlling interest in the acquiree is measured either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred, and included in administrative expenses.

Merger reserve

The excess of the fair value of assets acquired over the liabilities assumed is taken directly to member's funds as a merger reserve.

9.2. AUDITOR’S REMUNERATION

	2017
	$
Audit services	
Auditors of the Company – KPMG Australia	
Audit of the financial report	4,600
Other regulatory audit services	8,300
	12,900

9.3. 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 1 to 10, 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 2017 and of its performance, for the period 28 April 2016 to 30 June 2017; 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.

Signed in accordance with a resolution of the Directors:

Peter Whitelaw

Chairman

Brisbane

21 September 2017

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Club Finance Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Club Finance Holdings Limited for the period 28 April 2016 to 30 June 2017 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

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

KPMG

Matthew McDonnell
Partner

Brisbane
21 September 2017

Independent Auditor's Report

To the shareholders of Club Finance Holdings Limited

Opinion

We have audited the ***Financial Report*** of Club Finance Holdings Limited (the Company).

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

- giving a true and fair view of the Company's financial position as at 30 June 2017 and of its financial performance for the period 28 April 2016 to 30 June 2017; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Balance sheet as at 30 June 2017;
- Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the period 28 April 2016 to 30 June 2017;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

Other Information is financial and non-financial information in Club Finance Holdings Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001;*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Company's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they 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 objective is:

- 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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.

A further description of our responsibilities for the audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar3.pdf. This description forms part of our Auditor's Report.

KPMG

Matthew McDonnell
Partner

Brisbane
21 September 2017