

Annual Concise Report

2018-2019

For the year ended 30 June 2019

The Royal Automobile Club of W.A. (Incorporated)
ABN 33 212 133 120





The Club has come a long way since 1905. Today, RAC provides a number of services to members including Roadside Assistance, Insurance, Travel, Tourism, Finance, Auto Services, Batteries, Tyres, and Security.

Built by members

It's been more than 110 years since a small group of motoring enthusiasts gathered at the Peppermint Grove residence of German-born Richard Strelitz to form the Royal Automobile Club of Western Australia.

The Club has come a long way since 1905 when horse and cart were moving Western Australians around. Cars were a novelty and even considered a nuisance by some. RAC's founding members were motivated by far more than the need for a social club, they saw the need to champion and protect the interests of car owners.

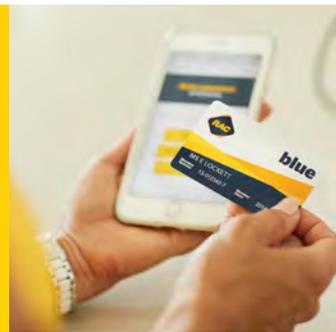
Venturing into often harsh landscape, early RAC members surveyed remote roadways to produce detailed maps and road signs for our vast State.

RAC has evolved into one of the most trusted and recognised organisations in WA with more than one million members.

Employing over 1,400 people, RAC values diversity and is committed to engaging and giving back to Aboriginal and Torres Strait Islander people through a comprehensive Reconciliation Action Plan (RAP).

With a Platinum Occupational Health and Safety (OHS) rating and an award-winning employee health program, RAC is an employer of choice.

In addition to being a member organisation, RAC also provides a number of services to members including Roadside Assistance, Insurance, Travel, Tourism, Finance, Auto Services, Batteries, Tyres, and Security.



RAC President Report

On behalf of the RAC Council
I am pleased to present this report
for the 2018/19 financial year,
my last as President.



Anthony Evans
RAC President

For the year ended 30 June 2019, RAC's overall profit after tax was \$23.2 million.

Importantly, and in line with the organisation's values as a membership focused organisation, RAC members received more than \$55 million in direct member benefits - the largest savings ever.

It is also pleasing to report over 50 per cent of members are now using the RAC Member Benefits program which has grown and expanded to become one of the most comprehensive initiatives of its kind in WA.

The program's success is, in part, due to the focus on developing strong partnerships between local businesses and the community.

RAC has also expanded its existing support of an iconic venue in WA by announcing a new naming rights partnership - RAC Arena.

With a schedule of around 80 events and up to one million people visiting RAC Arena each year, the partnership now provides another opportunity to communicate and engage with

members and the community about the importance of road safety, and deliver more benefits, experiences and memories for members visiting the venue.

This new partnership builds on RAC becoming a Founding Partner in 2013 and more recently a sponsor of the RAC Local Lounge, a place where members can meet before events.

RAC bstreestmart, a free road safety re-enactment, was also held at RAC Arena this year and it was pleasing to see 9,000 Year 10-12 students attend. This is the largest audience for RAC bstreestmart which has been held at this venue every year since 2013.

In addition, road safety education was also provided to over 15,000 primary school students and almost 30,000 secondary school students. Over 1,000 people also attended community presentations throughout the year.

This year, with support from the Fremantle Dockers and West Coast Eagles AFL football clubs, RAC also became the new naming

rights sponsor of the RAC Derby. The RAC Derby provides the unique opportunity to raise awareness about the impact of road trauma to around 120,000 spectators each year.

RAC also delivered the Look Up campaign which has been seen by over 1.2 million people and has focused on informing the community about the deadly impact of driver distraction caused by the mobile phone.

RAC's successful and world leading automated vehicle trial in South Perth continued this year with the vehicles now travelling over 20,000 kilometres on public roads since August 2016. This year an exciting partnership with the City of Busselton also delivered the first driverless experience on public roads in regional WA.

With 98 per cent of people surveyed agreeing a vehicle like the RAC Intellibus® could be used as a future service in WA these trials continue to provide valuable insight into the future of transport in our State. →

I would also like to acknowledge the support of the WA Government and the Australian Government through its national Smart Cities and Suburbs program.

In a year of important milestones and initiatives the organisation also went through a change of leadership in March 2019 with Terry Agnew stepping down as Group CEO and Rob Slocombe commencing in the role.

I would like to take this opportunity to again acknowledge and thank Terry for his leadership as Group CEO and his significant contribution to RAC and its members over the last two decades.

I am also delighted that RAC has been able to appoint a person of Rob Slocombe's calibre to the Group CEO role and look forward to him leading RAC to further success on behalf of our members.

In his previous role, as RAC Chief Operating Officer from September 2014, Rob has successfully overseen a range of major projects in the areas of business growth, technology, employee engagement and innovation in the motoring business.

As I finish my term as RAC President I would like to thank our members and my Council colleagues for their support over the past three years.

I would also like to thank everyone at RAC for their dedication and commitment to the delivery of services to our members.

During my term as RAC President it has been wonderful to experience so many highlights and while RAC's future will be guided by the support of its members and an external environment of continual change, the organisation is well placed to navigate its path.



Anthony Evans
RAC President

The Royal Automobile Club of W.A.
(Incorporated) Perth, W.A.
Date: 2 September 2019

RAC Rescue Experience - taking people to the sky with virtual reality.



RAC Group CEO Report

It is my pleasure to provide the 2018/19 financial year report, my first as RAC Group CEO.



Robert Slocombe
RAC Group CEO

RAC Group revenue for the year ended 30 June 2019 was \$819.1 million with an overall profit after tax of \$23.2 million. The total net assets of the Group as at 30 June 2019 increased to \$886 million.

The 2018/19 financial year has seen RAC focus strongly on maximising the services and support it provides to more than one million members in WA, while also shaping the organisation's future to explore new and exciting opportunities.

A range of strategic, economic and social factors also continue to drive change and RAC is experiencing and embracing increasing diversity. This diversity not only assists in informing and guiding our way, it also strengthens our existing capability within the organisation.

This is because a workplace that values diversity, and has an inclusive culture, is more productive and will ultimately support and deliver better services to members.

Since commencing in the role as Group CEO my priority is for our people to explore and understand the changing needs of members and the inevitable adjustments to the environment we operate in.

By being 'creatively restless' we also open the opportunity to deliver more tailored benefits and services and engage in an even more meaningful way by personalising not only the experience with the organisation, but also the breadth of what it represents.

This is what motivates our approach to improving road safety, increasing investment in transport and infrastructure to support mobility, embracing the benefits of technology, and leading the way in making transport more sustainable and healthier for all.

We deliver this through a variety of initiatives including campaigns, member engagement opportunities and continually working to assist and guide policy

makers through a multitude of submissions and engagements with key stakeholders at the local, state and national levels.

Our work in these areas continues, and our resolve to find a better way, only continues to grow.

Relationships remain a crucial element and this year RAC continued its 16-year partnership with the Department of Fire and Emergency Services (DFES) and was appointed again as the exclusive naming rights sponsor for Western Australia's fleet of emergency rescue helicopters.

Based in Perth and Bunbury, the RAC Rescue Helicopters perform over 700 lifesaving rescue and medical missions each year and provide a lifeline for our community in times of need, 24 hours a day, 365 days a year.

More than 4,500 patients have now been transported, and the service has flown approximately 1.4 million kilometres, the equivalent of 35 trips around the world. →

With the majority of missions being in response to road crashes, RAC's partnership with this critical and life-saving service is a key part of the organisation's commitment to road safety in WA.

Strategic initiatives have also been progressed and delivered.

Through the Parks and Resorts strategy the new and improved RAC Monkey Mia Dolphin Resort redevelopment was unveiled in late 2018.

The \$20 million redevelopment is the most significant upgrade in the venue's 40-year history and has almost doubled the capacity of the world-class resort from 600 guests to approximately 1,000.

With accommodation now available at multiple price points, there is more opportunity for members and the community to now experience a world-class tourism destination.

In addition, the acquisition of RAC Cable Beach Holiday Resort was also finalised, and the \$5.7

million redevelopment of RAC Karri Valley Resort, the first in over two decades, has been a major focus since it was acquired over 18 months ago.

Operating in a commercial and competitive environment has also seen RAC's businesses invest in protecting and enhancing member services on the road, in the home, and along the member journey.

I would like to take this opportunity to recognise Tony Evans who concludes his term as President and acknowledge the strong support that he and the RAC Councillors have provided to the organisation and myself.

After 20 years of service to RAC, Terry Agnew also stood down as Group CEO in late March 2019. Terry established many firsts during his time at RAC, and I wish him every success into the future.

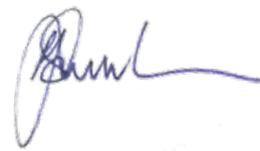
There are over 1400 people within RAC I would also like to acknowledge.

Their workplaces are diverse, their skills continually on display, and their commitment to members unwavering.

This relationship with members is captured in the very core of RAC's existence, its social purpose. It is this purpose that has built a history and will drive the future.

To all RAC members, thank you for your support.

The opportunity that lies ahead is enormous. From an organisational perspective, the ability to lead the next chapter is deeply humbling and incredibly exciting.



Robert Slocombe
Group CEO

The Royal Automobile Club of W.A.
(Incorporated)
Perth, W.A.
Date: 2 September 2019

RAC Cable Beach Holiday Park



RAC Councillors' Report

Annual Concise Report 30 June 2019

The concise financial report is an extract which has been derived from the full financial report of The Royal Automobile Club of W.A. (Incorporated) for the financial year ended 30 June 2019. This report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

A free copy of The Royal Automobile Club of W.A. (Incorporated) (the "Club") and its controlled entities (the "Group" or "RAC") full financial report is available to all members upon request by contacting Legal Services on (08) 9436 4665.

Statement by Councillors

In the opinion of the Council, the accompanying concise financial report of The Royal Automobile Club of W.A. (Incorporated):

- (a) gives a true and fair view of the state of affairs of The Royal Automobile Club of W.A. (Incorporated) and the entities it controlled as at 30 June 2019; and
- (b) gives a true and fair view of the result of The Royal Automobile Club of W.A. (Incorporated) and the entities it controlled for the year ended 30 June 2019.

Signed in accordance with a resolution of Councillors on 2 September 2019.

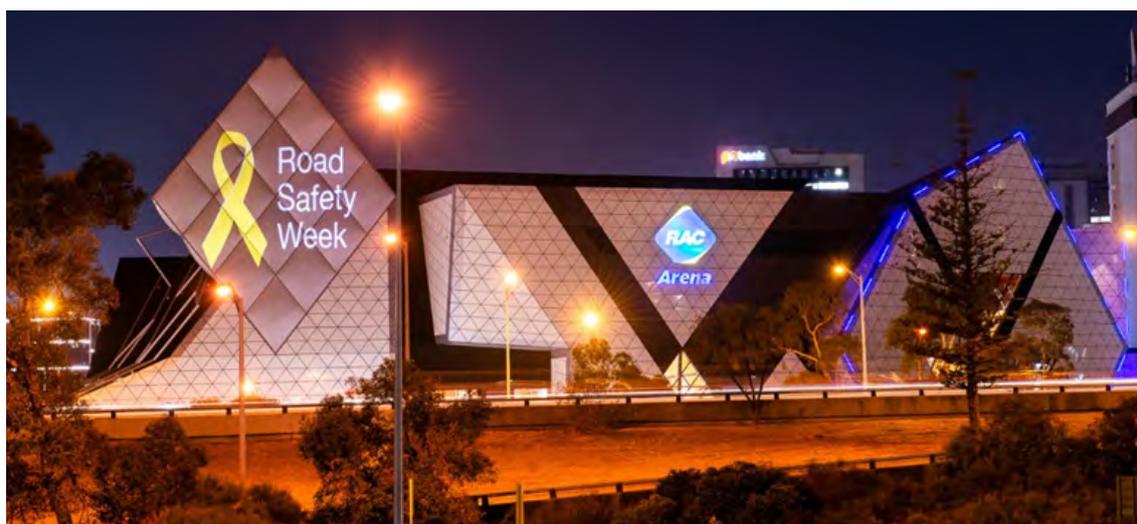


Anthony Evans
RAC President

The Royal Automobile Club of W.A. (Incorporated)
Perth, W.A.

Date: 2 September 2019





RAC Arena – Road Safety Week 2019

Meeting of Councillors

The number of meetings of the Club Council and of each Council's committee held during the year ended 30 June 2019, and the number of meetings attended by each Councillor were:

Councillor	Meetings of committees					
	Full meeting of Councillors		Club Board meetings		Audit and Risk	
	A	B	A	B	A	B
Anthony Evans	8	8	4	4	5**	6
Jacqueline Ronchi	8	8	4	4	6	6
Ross Dowling	7	8	4	4	*	*
Esme Bowen	8	8	*	*	*	*
Dennis Banks	2	2	*	*	4	6
Allan Blagaich	4	8	*	*	*	*
Freda Crucitti	8	8	*	*	*	*
Jill Darby	7	8	4	4	*	*
Dalton Gooding	8	8	*	*	*	*
Alden Halse	8	8	*	*	4	6
Murray Lampard	5	8	*	*	*	*
Emmerson Richardson	6	8	4	4	*	*
Tim Shanahan	8	8	*	*	*	*
Julie Wadley	8	8	4	4	*	*
Christopher Turner	1	4	*	*	*	*
John Driscoll	5	6	*	*	*	*
Jim Walker	2	2	*	*	*	*

A = Number of meetings attended of the Council and each Council committee

B = Number of meetings held during the time the Councillor held office or was a member of the committee during the year

* = Not a member of the relevant committee

** = Attended in capacity as Club president

The changes during the year to the composition of the Club Council and each Council committee are detailed in the corporate governance statement.

At a glance

Giving back to RAC members



\$55 million
in direct member benefits¹

4 cents
per litre
discount on fuel²

38%
saving on
natural gas³



50%
of RAC members
used the member
benefits program



- ¹ RAC members received more than \$55 million in direct member benefits during the past year - the largest savings ever.
- ² Member benefit of four cents per litre at PUMA service stations across WA.
- ³ Partnership with Kleenheat which provides savings of up to 38 per cent on natural gas charges as well as LPG discounts.

1M+

members
strong



607,000

households reached through
each edition of Horizons¹



¹ Six editions per year.

At a glance

Community education



46,000
attended road safety education



9,000
Year 10-12 students
attended RAC bstreetsmart¹



¹ 9,000 year 10 to 12 students from 90 schools visited RAC Arena to watch RAC bstreetsmart.



At a glance

RAC Arena



74

events¹



618,000

fans have been
entertained at
RAC Arena²

¹ Since September 2018.

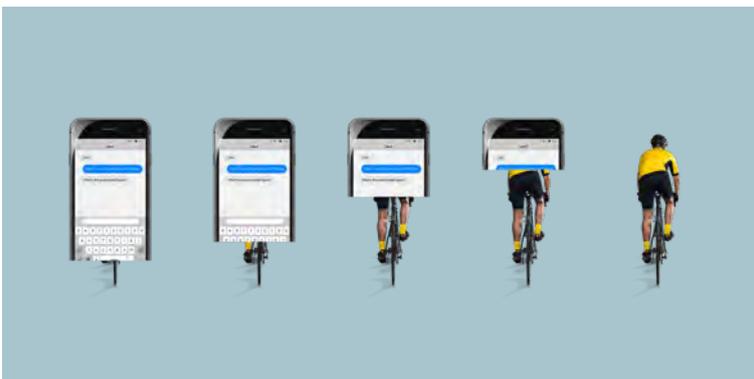
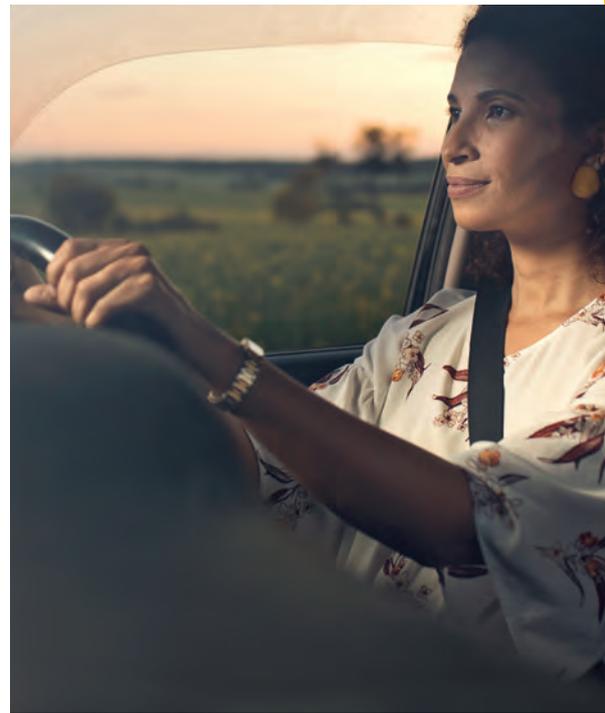
² Since September 2018.

At a glance

Road safety campaigns



1.2 million
people have seen RAC Look Up¹



¹ RAC Look Up is a road safety campaign about the deadly impact of distraction.

6,000+

**Risky Road
nominations**



1,400+

RAC people



At a glance

Our people



Platinum WorkSafe
WA since

2013



60%

RAC people involved in
the 2018 Global Challenge
for health and well being



2,600

hours volunteer
work for the
WA community



Wart Koorling (on the move...) by artists
Wendy Hayden & Joanna Robertson

At a glance

Assisting our members

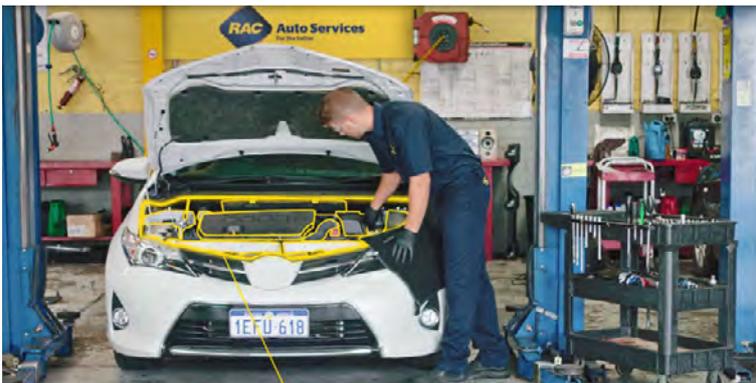


**7.75
million**

sessions across
RAC digital assets

870,000

calls made to the
contact centre



400+

**children and pets rescued
from locked cars**



600+

lifesaving missions in FY19

Sponsored by RAC, funded by the State Government and managed by the Department of Fire and Emergency Services (DFES) the two RAC Rescue helicopters provide vital search and rescue and critical care medical services to the WA community.



At a glance

RAC Rescue helicopters



35

equivalent trips
around the world¹



70%

of primary missions
are road trauma²

85%

of missions to
regional WA³

6,756

missions
flown⁴



- 1 Since 2013.
- 2 FY19.
- 3 FY19.
- 4 Since 2003.

12,247

people experienced the
autonomous journey



At a glance

RAC Automated Vehicle Program



20,000

kms travelled on public roads in South Perth ¹

1,596

people experienced the journey in Busselton

18,500

people registered to ride the RAC Intellibus® ²



¹ Due to demand we have introduced a second RAC Intellibus® and together they have now travelled almost 20,000km on public roads in South Perth in autonomous mode.

² The RAC Intellibus® has seen more than 18,500 people register for the opportunity to experience an automated vehicle.

At a glance

Parks and Resorts



\$5.7 million
 redevelopment
 of Karri Valley Resort

8th
 park acquired
 - Cable Beach

200,000
 visitors
 in FY19



(Top) RAC Cable Beach Resort
 (Bottom) RAC Karri Valley Resort

\$20 million

RAC Monkey Mia Dolphin Resort
redevelopment completed



Independent Auditor's Report to members



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Independent Auditor's Report to the Members of The Royal Automobile Club of W.A. (Incorporated)

Report on the Concise Financial Report

Opinion

We have audited the concise financial report, which comprises the consolidated balance sheet as at 30 June 2019, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and related notes, derived from the financial report of The Royal Automobile Club of W.A. (Incorporated) (the Association) and its subsidiaries (collectively the Group) for the year ended 30 June 2019. The concise financial report also includes discussion and analysis and the Councillors' declaration.

In our opinion, the accompanying concise financial report, including the discussion and analysis and the Councillors' declaration complies with Accounting Standard AASB 1039 *Concise Financial Reports*.

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 Concise Financial Report section of our report. We are independent of the Association in accordance with 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 concise 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.

Concise Financial Report

The concise financial report does not contain all the disclosures required by Australian Accounting Standards. Reading the concise financial report and the auditor's report thereon, therefore, is not a substitute for reading the financial report and the auditor's report thereon.

The Financial Report and Our Report Thereon

We expressed an unmodified audit opinion on the financial report in our report dated 2 September 2019.

Responsibilities of the Councillors for the Concise Financial Report

The Councillors of the Association are responsible for the preparation of the concise financial report in accordance with Accounting Standard AASB 1039 *Concise Financial Reports*, and the *Associations Incorporation Act 2015*, and for such internal controls as the Councillors determine are necessary to enable the preparation of the concise financial report.

Independent Auditor's Report to members continued



2

Auditor's Responsibilities for the Audit of the Concise Financial Report

Our responsibility is to express an opinion on whether the concise financial report complies, in all material respects, with AASB 1039 *Concise Financial Reports* and whether the discussion and analysis complies with AASB 1039 *Concise Financial Reports* based on our procedures, which were conducted in accordance with Auditing Standard ASA 810 *Engagements to Report on Summary Financial Statements*.

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive style.

Ernst & Young

A handwritten signature in black ink that reads 'F Drummond' in a cursive style.

F Drummond
Partner
Perth
2 September 2019

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Liability limited by a scheme approved under Professional Standards Legislation

Corporate governance statement

The Council of The Royal Automobile Club of W.A. (Incorporated) (the "Club") is responsible for the corporate governance of the Club. The Council guides and monitors the business and affairs of the Club on behalf of the members. The corporate governance of subsidiary companies is the responsibility of the Board of Directors of RACWA Holdings Pty Ltd.



Corporate governance statement continued

Council composition

The composition of the Council is determined in accordance with the following principles and guidelines:

- » Councillors are elected from the membership of the Club and hold office for a period of three years;
- » only Honorary Life Members, Gold Life Members or Personal Members who have been entitled to vote for the preceding five years are entitled to hold office as a Councillor;
- » the Council elects from its members Councillors to hold the positions of President, Senior Vice President and Vice President;
- » a Councillor cannot hold the office of President for more than three consecutive years;
- » at each Annual General Meeting (AGM) one third of the Council will retire from office and are eligible for re-election;
- » while a Councillor holds the position of President or Senior Vice President for the year commencing as at the date of the next AGM, or ceases to hold the position of President at the conclusion of the next AGM because their term as President has expired, or will be one of the directors of the Australian Automobile Association, then the Councillor shall not be required to retire from office; and
- » when a vacancy on Council occurs, the Council may fill the vacancy and the appointee holds office for the unexpired portion of the appointee's predecessor's term. Candidates to fill casual vacancies are nominated by Councillors. Where there is more than one candidate to fill a casual vacancy, Council determines the appointee by ballot.

Council members

The names of the Councillors in office during the financial year were:

Anthony Evans	
Jacqueline Ronchi	
Ross Dowling	
Dennis Banks	(until 20 November 2018)
Allan Blagaich	
Esme Bowen	
Freda Crucitti	
Jill Darby	
John Driscoll	(from 20 November 2018)
Dalton Gooding	
Alden Halse	
Murray Lampard	
Emmerson Richardson	
Tim Shanahan	
Christopher Turner	(resigned 17 December 2018)
Julie Wadley	
Jim Walker	(appointed 25 March 2019 to fill the casual vacancy created by Christopher Turner's resignation)

Anthony Evans was re-appointed as President on 20 November 2018.

Jacqueline Ronchi was re-appointed as Senior Vice President on 20 November 2018.

Ross Dowling was re-elected to the position of Vice President on 26 November 2018.

All of the above persons, other than John Driscoll and Jim Walker, were Councillors during the year ended 30 June 2018.

Corporate governance statement continued

Council responsibilities

As the Council acts on behalf of, and is accountable to, the members, Council seeks to identify the expectations of the members, as well as other regulatory and ethical expectations and obligations. Each Councillor is bound by the terms of a Code of Conduct. In addition, Council is responsible for identifying areas of significant business risks and ensuring arrangements are in place to adequately manage those risks. Council seeks to discharge these responsibilities in a number of ways.

The responsibility for the operation and administration of the consolidated entity is delegated by Council to the Chief Executive and the executive team. Council ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the Chief Executive and the executive team.

Council is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by Council. Council has a number of mechanisms in place to ensure this is achieved. In addition to the establishment of the committees, these mechanisms include the following:

- » Council approval of a strategic plan, which encompasses the entity's vision, mission and strategy statements, designed to meet stakeholders' needs and manage business risk;
- » the strategic plan is a dynamic document and Council is actively involved in developing and approving initiatives and strategies designed to ensure the continued growth and success of the Club;
- » implementation of operating plans and budgets by management and Council, and monitoring of progress against budget. This includes the establishment and monitoring of key performance indicators, both financial and non financial, for all significant business processes;
- » monitoring occupational health and safety;

- » procedures to allow Councillors, in the furtherance of their duties, to seek independent professional advice at the Club's expense;
- » ensuring there are effective management processes in place and approving major corporate initiatives;
- » enhancing and protecting the reputation of the organisation; and
- » ensuring the significant risks facing the organisation, including those associated with its legal compliance obligations, have been identified and appropriate and adequate control, monitoring, accountability and reporting mechanisms are in place.

Remuneration process and requirements

Council may be paid from the funds of the Club for their services as Councillors or as members of the committee of Council known as "Club Board".

Rule 16.4(b) of the Club's Rules provides that the total aggregate amount of remuneration and the actual aggregate amount of remuneration paid to all Councillors and Club Board members during a financial year will be notified to members each year.

The total aggregate amount of remuneration that may be paid to Councillors and Club Board members during a financial year is \$480,000. The actual aggregate amount of remuneration that was paid to Councillors and Club Board members in the 2019 financial year was \$476,929 (excluding superannuation).

Corporate governance statement continued

Club Board

The Council has appointed a committee known as Club Board, comprising members of the Council and the Chief Executive. The Club Board has delegated authority granted by the Council in accordance with a charter approved by Council. The Club Board reports to the Council on a regular basis.

The members of the Club Board during the year were:

Anthony Evans	
Julie Wadley	
Jill Darby	
Jacqueline Ronchi	
Ross Dowling	
Emmerson Richardson	
Terry Agnew	Chief Executive Officer (until 28 March 2019)
Robert Slocombe	Chief Executive Officer (from 29 March 2019)

Group Audit & Risk Committee

The Council addresses audit and risk through the Group Audit and Risk Committee which operates under a charter approved by Council.

The members of the Group Audit and Risk Committee during the year were:

Jacqueline Ronchi	Councillor, Chairman
Alden Halse	Councillor and Subsidiary Non-Executive Director
Dennis Banks	Councillor (until 20 November 2018) and Subsidiary Non-Executive Director
Helen Cook	Subsidiary Non-Executive Director
Anthony Evans	Councillor, President

It is the committee's responsibility to ensure that an effective risk and internal control framework exists within the Club. This includes internal controls to deal both with the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information as well as non financial considerations such as the benchmarking of risk key performance indicators.

The committee also provides Council with additional assurance regarding the reliability of financial information for inclusion in the financial reports.

The Group Audit and Risk Committee is also responsible for:

- » reporting to Council on compliance with internal controls existing within the Club;
- » directing and monitoring the internal audit function; and
- » nominating the external auditor and reviewing the adequacy of the scope and quality of the annual statutory audit.

The external auditor is invited to attend all Group Audit and Risk Committee meetings and is able to discuss any matters with the Group Audit and Risk Committee without management's presence.

Communication to members

Council aims to ensure that the members, on behalf of whom they act, are informed of the performance of the Council.

Information is communicated to the members through:

- » the concise financial report;
- » the RAC website, rac.com.au;
- » the Club's Official Journal; and
- » the AGM of the Club.

Consolidated statement of profit or loss For the year ended 30 June 2019

	Notes	Consolidated	
		2019 \$'000	2018 \$'000
Revenue	2	819,129	737,264
Other income		10,680	6,254
Claims expense		(373,650)	(334,936)
Outwards reinsurance premium expense		(44,797)	(39,858)
Insurance policy acquisition costs		(46,376)	(43,452)
Employee benefits expense		(145,824)	(140,009)
Depreciation and amortisation expense		(23,767)	(23,770)
Rent and property expenses		(14,634)	(13,285)
Materials and consumables used		(20,188)	(21,387)
Postage, printing and stationery		(6,140)	(6,122)
Telecommunications expense		(1,768)	(1,619)
Information technology expense		(12,901)	(9,554)
Consulting expense		(10,064)	(9,129)
Advertising and promotional expenses		(20,642)	(17,593)
Towing and subcontractor expenses		(26,992)	(26,879)
Other expenses		(35,612)	(36,330)
Finance costs		(8,971)	(7,205)
Loss from equity-accounted associates and joint ventures		(9,834)	(9,820)
Profit before income tax		27,649	2,570
Income tax (expense)/benefit		(4,453)	2,776
Profit for the year		23,196	5,346

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

Consolidated statement of comprehensive income For the year ended 30 June 2019

	Consolidated	
	2019 \$'000	2018 \$'000
Profit for the year	23,196	5,346
Other comprehensive income		
<i>Items that may be reclassified subsequently to the consolidated statement of profit or loss</i>		
Changes in fair value of available-for-sale financial assets	-	7,484
Income tax thereon	-	(2,245)
Transfer to the statement of profit or loss on sale of available-for-sale financial assets	-	(6,278)
Income tax thereon	-	1,883
	-	844
<i>Items that will not be reclassified subsequently to the consolidated statement of profit or loss</i>		
Changes in fair value of land and buildings	10,753	2,974
Income tax thereon	(3,226)	(892)
	7,527	2,082
Other comprehensive income for the year, net of tax	7,527	2,926
Total comprehensive income for the year	30,723	8,272
Total comprehensive income for the year is attributable to:		
Members of The Royal Automobile Club of W.A. (Incorporated)	30,723	8,272

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Discussion and analysis

Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income

Revenue from continuing operations

Revenue from operating activities of the Club and its controlled entities increased by \$81.9m compared to the prior year. The increase was driven by strong growth in a number of RAC businesses, particularly Insurance.

Trends in revenue arising from sales (refer to note 2)

Membership subscriptions

Membership subscriptions revenue grew during the year as a result of an increase in member numbers together with a general price increase.

Insurance premium revenue

The Motor and Home insurance portfolios experienced strong growth during the year, with gross written premium increasing by 15.8% on the prior year. This increased revenue by \$71.4m.

Reinsurance and other recoveries revenue

Recoveries increased in line with growth in the business.

Finance interest income

The Finance business achieved strong year on year growth in both consumer loans and property loans.

Tourism revenue

The newly redeveloped RAC Monkey Mia Dolphin Resort saw a 39% increase in revenue during the year. The first full year of revenue was received from the Margaret River and Karri Valley tourism parks, both of which were acquired in the prior year.

Trends in revenue arising from other revenue (refer to note 2)

Dividends and distributions from other corporations

Trust distributions received in the Group's investment portfolio are subject to various factors including the performance of the companies invested in, the level of buying and selling of investments (as profits are distributed) and exchange rate

fluctuations. Distributions this year were lower as returns from the Group's investment portfolio were more subdued and there was less trading activity.

Other income

Other income includes realised and unrealised gains in the Group's investment portfolio. In the prior year, the unrealised gains were recorded to reserves in the balance sheet. Equity investment markets had a volatile year with gains in the second half of the year recouping earlier losses. Debt investment markets saw gains from the lowering of bond yields amid easing monetary policy.

Main influences on costs of operations

Claims expense

In the Motor insurance portfolio, claims expense has increased commensurate with growth. The Home insurance portfolio has benefited from fewer large claims events and benign weather.

Outwards reinsurance premium expense

The cost of reinsurance increased in line with growth in exposure and policies issued.

Employee benefits expense

Employee benefits expense increased to support revenue growth across the organisation, new acquisitions in tourism and increased project activity to support our strategic initiatives.

Information technology expense

The Group commenced the implementation of a cloud strategy whereby all IT systems and software will be transferred from on-premise to cloud-based solutions.

Advertising and promotional expenses

There was an increase in expenditure on advocacy, most notably with the campaign to highlight the dangers of driver distraction and encourage motorists to "Look Up".

Other expenses

The subdued Western Australian residential property market led to a \$7.8m (2018: \$9.2m) net unrealised loss on the annual revaluation of the St Ives retirement villages and associated resident loans.

Loss from equity-accounted associates and joint ventures

An impairment loss was recognised on the Group's investment in the Enrich Health Group ("EHG") joint venture. The prior year results include the Group's share of an impairment loss recognised in the EHG joint venture.

Income tax expense

The consolidated accounting profit for the Club was \$27.6m, which gives rise to a prima-facie income tax expense of \$8.3m at the Australian tax rate of 30%. The prima-facie income tax expense was reduced by \$3.8m to \$4.5m due to franking credits received from the Group's investment portfolio and the tax treatment of the net surplus from membership activities under the mutuality principle.

Other comprehensive income

Changes in fair value of available-for-sale financial assets

The adoption of AASB 9 Financial Instruments on 1 July 2018 resulted in the available-for-sale financial assets being reclassified as financial assets at fair value through profit or loss. Revaluation gains or losses on those financial assets are now recorded to the consolidated statement of profit or loss. The prior year comparatives are not restated.

Revaluation of land and buildings

The property market in WA remains subdued. However, recent selling prices of comparable properties in West Perth led to an increase in the value of the Group's West Perth office. External valuations were obtained to support property carrying values.

Consolidated balance sheet As at 30 June 2019

	Notes	Consolidated	
		2019 \$'000	2018 \$'000
Assets			
Current assets			
Cash and cash equivalents	3	129,543	105,907
Trade and other receivables		211,750	207,119
Contract assets		17,121	-
Loans and advances		142,425	117,343
Reinsurance and other recoveries receivable		15,393	16,726
Inventories		1,652	1,726
Financial assets at fair value through profit or loss		183,797	142,097
Available-for-sale financial assets		-	33,898
Deferred acquisition costs		24,613	21,946
Total current assets		726,294	646,762
Non-current assets			
Loans and advances		167,882	157,140
Reinsurance and other recoveries receivable		1,790	1,298
Investments accounted for using the equity method		89,998	98,021
Financial assets at fair value through profit or loss		364,572	136,143
Available-for-sale financial assets		-	200,582
Property, plant and equipment		184,061	160,439
Investment properties		283,905	298,066
Intangible assets and goodwill		126,701	135,852
Total non-current assets		1,218,909	1,187,541
Total assets		1,945,203	1,834,303
Liabilities			
Current liabilities			
Trade and other payables		76,634	65,481
Interest bearing loans and borrowings		209,206	222,182
Current tax liabilities		7,909	5,714
Provisions		56,231	56,647
Outstanding claims liabilities		78,475	73,546
Unearned premium liabilities		315,960	272,570
Retirement village contract liabilities		203,490	203,279
Total current liabilities		947,905	899,419
Non-current liabilities			
Outstanding claims liability		9,592	8,821
Interest bearing loans and borrowings		87,995	56,633
Deferred tax liabilities		8,836	12,769
Provisions		4,842	2,807
Total non-current liabilities		111,265	81,030
Total liabilities		1,059,170	980,449
Net assets		886,033	853,854
Equity			
Reserves		39,089	39,656
Retained earnings		846,944	814,198
Capital and reserves attributable to members of The Royal Automobile Club of W.A. (Incorporated)		886,033	853,854
Total equity		886,033	853,854

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Discussion and analysis

Consolidated balance sheet

Trade and other receivables

Continued growth in the Insurance business has resulted in an increase in insurance premiums receivable. This relates to the annual premiums paid by members in monthly instalments.

Loans and advances (current and non-current)

The Finance business achieved strong year on year growth in both consumer loans and property loans. This was achieved whilst maintaining prudent lending practices and despite the subdued Western Australian residential property market.

Available-for-sale financial assets

The adoption of AASB 9 Financial Instruments on 1 July 2018 resulted in the available-for-sale financial assets being reclassified as financial assets at fair value through profit or loss. The prior year comparatives are not restated.

Financial assets at fair value through profit or loss (current and non-current)

In addition to the reclassification mentioned above, strong operating performance and growth by the Insurance business during the year resulted in surplus cash that was invested in the Insurance investment portfolio.

Property, plant and equipment

The Palm Grove Holiday Resort in Broome was acquired during the year, increasing the Group's portfolio of tourism parks to eight. It was renamed as the RAC Cable Beach Holiday Park. Redevelopment of the RAC Karri Valley Resort was undertaken during the year. Recent selling prices of comparable properties in West Perth led to an increase in the value of the Group's West Perth office.

Investment properties

The subdued Western Australian residential property market led to an unrealised loss on the annual revaluation of the St Ives retirement villages.

Interest bearing loans and borrowings

There was an increase in investment notes issued during the financial year by the Finance business to support the growth of its loan portfolio.

Unearned premium liabilities

The unearned premium liabilities increased as a result of insurance policy growth in the Motor and Home portfolios during the year.

Other significant movements in balance sheet items

There have been no other significant changes in the composition of the balance sheet.

Consolidated statement of changes in equity For the year ended 30 June 2019

	Attributable to owners of The Royal Automobile Club of W.A. (Incorporated)			
	Property, plant and equipment revaluation reserve \$'000	Available-for- sale investments revaluation reserve \$'000	Retained earnings \$'000	Total \$'000
Consolidated entity				
Balance at 1 July 2017	29,480	7,250	808,852	845,582
Profit for the year	-	-	5,346	5,346
Other comprehensive income (net of tax)	2,082	844	-	2,926
Total comprehensive income for the year	2,082	844	5,346	8,272
Balance at 30 June 2018	31,562	8,094	814,198	853,854
Balance at 1 July 2018	31,562	8,094	814,198	853,854
Adjustment on adoption of AASB 9 (net of tax)	-	(8,094)	9,550	1,456
Restated total equity at the beginning of the financial year	31,562	-	823,748	855,310
Profit for the year	-	-	23,196	23,196
Other comprehensive income (net of tax)	7,527	-	-	7,527
Total comprehensive income for the year	7,527	-	23,196	30,723
Balance at 30 June 2019	39,089	-	846,944	886,033

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Discussion and analysis

Consolidated statement of changes in equity

On 1 July 2018, AASB 9 Financial Instruments was adopted, impacting reserves and retained earnings. The prior year comparatives were not restated. Further details on these changes are disclosed in note 1(a).

Revaluation of the Group's direct property portfolio resulted in a \$7.5m increase in reserves.

Consolidated statement of cash flows For the year ended 30 June 2019

	Consolidated	
	2019 \$'000	2018 \$'000
Cash flows from operating activities		
Receipts from customers	213,179	196,081
Insurance premiums received	619,058	538,879
Reinsurance and other recoveries received	52,275	48,813
Payments to suppliers and employees	(292,354)	(275,897)
Claims paid	(420,847)	(382,374)
Outward reinsurance premium paid	(46,542)	(39,025)
Insurance policy holder acquisition costs	(49,043)	(44,346)
Net advances to finance customers	(39,606)	(75,051)
Net proceeds from finance borrowings	18,386	78,503
Dividend and distributions received	19,874	26,267
Interest income received	10,270	8,908
Income taxes paid	(10,043)	(3,905)
Interest paid	(8,908)	(6,310)
Other income received	6,576	5,261
Net cash inflow from operating activities	72,275	75,804
Cash flows from investing activities		
Payments for property, plant and equipment	(20,018)	(21,272)
Payments for intangibles	(6,114)	(7,464)
Proceeds from sale of property, plant and equipment	286	364
Payments for investment property	(279)	(2,359)
Proceeds from sale of investment property	983	-
Payments for available-for-sale financial assets	-	(80,965)
Proceeds from sale of available-for-sale financial assets	-	98,091
Dividends received from associates	383	-
Purchase of financial assets at fair value through profit or loss	(426,071)	(398,391)
Proceeds from sale of financial assets through profit or loss	400,283	352,641
Payment for investment in joint ventures and associates	-	(35,000)
Payment for acquisition of business (net of cash acquired)	(7,045)	(6,023)
Net cash outflow from investing activities	(57,592)	(100,378)
Cash flows from financing activities		
Proceeds from borrowings	-	10,000
Retirement village resident loans repaid	(445)	(1,675)
Retirement village resident loans received	6,125	27,196
Loans advanced to related parties	-	(1,715)
Loan repayments from related parties	3,273	448
Net cash inflow from financing activities	8,953	34,254
Net increase in cash and cash equivalents	23,636	9,680
Cash and cash equivalents at the beginning of the financial year	105,907	96,227
Cash and cash equivalents at end of year	129,543	105,907

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Discussion and analysis

Consolidated statement of cash flows

Receipts from customers (inclusive of goods and services tax)

Growth in Roadside membership subscription revenue, tourism revenue, and finance interest income resulted in higher receipts from customers.

Insurance premiums received

Insurance premiums received increased during the year as a result of insurance policy growth across both the Motor and Home portfolios.

Payments to suppliers and employees (inclusive of goods and services tax)

Payments to suppliers and employees increased to support revenue growth across the organisation, new acquisitions in tourism, advocacy campaigns, the IT cloud strategy and other project activity to support our strategic initiatives.

Claims paid

The growth in claims paid was lower than the growth in premiums received due to lower frequency across both Home and Motor portfolios and the impact of fewer large claims events during the year.

Net advances to finance customers and net proceeds from finance borrowings

Strong growth in the consumer and property loan books of the Finance business led to an increase in investment notes to support the growth.

Dividends and distributions received

Most of the trust distributions received in the Group's investment portfolio were recognised as revenue in the prior year. Total returns in the prior year from the Group's investment portfolio were in line with benchmarks, however the distribution revenue was lower.

Income taxes paid

Tax instalments are based on the prior year assessment. The increase in tax paid resulted from an increase in the taxable profit.

Payments for property, plant and equipment

Redevelopment of the RAC Karri Valley Resort was undertaken during the year and the final payments for the redevelopment of the RAC Monkey Mia Dolphin Resort were made at the start of the year. This was in addition to normal capital refreshment and replacement across the Group.

Purchase of and proceeds from sales of financial assets at fair value through profit or loss

There was a net outflow to the Insurance investment portfolio. This was due to strong operating cash flows generated by the Insurance business being reinvested into the Insurance investment portfolio. Following the adoption of AASB 9 on 1 July 2018, purchases and sales of investments in the Group's investment portfolio are recognised here. They were previously recognised in 'payments for and proceeds from sales of available-for-sale financial assets'. There was a net inflow from the Group's investment portfolio to fund the acquisition and redevelopments of tourist parks.

Payment for acquisition of businesses (net of cash acquired)

One tourism park was acquired during the year: Palm Grove Holiday Resort in Broome. In the prior year, two parks were acquired.

Retirement village resident loans received

Sales of stage 1 of the St Ives Carine retirement village continued during the year, although settlements were significantly higher in the prior year.

Notes to the consolidated financial statements

1 Basis of preparation of concise financial report

(a) Basis of preparation

The concise financial report has been prepared in accordance with the requirements of Accounting Standard AASB 1039 "Concise Financial Reports".

The accounting policies adopted are consistent with those of the prior year, except as follows. In the current year, the Group has adopted the following new standards and amendments to standards issued by the AASB that are relevant to its operations and effective for the current annual reporting period:

- » *AASB 9 Financial Instruments,*
- » *AASB 15 Revenue from Contracts with Customers,*
- » *AASB 2016-3 Amendments to Australian Accounting Standards - Clarifications to AASB 15,*
- » *AASB 2016-6 Amendments to Australian Accounting Standards - Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts,*
- » *AASB 2017-1 Amendments to Australian Accounting Standards - Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments,*
- » *AASB 2017-3 Amendments to Australian Accounting Standards - clarifications to AASB 4, and*
- » *AASB Interpretation 22 Foreign Currency Transactions and Advance Consideration.*

The nature and effect of the changes as a result of the adoption of AASB 15 and AASB 9 are described below.

The adoption of the other new and amended standards has not had any significant impact on the financial results or position of the Group. Disclosures have been changed where required. The new accounting policies apply to the period commenced 1 July 2018 and the policies in the 30 June 2018 annual financial statements apply to the comparative periods.

AASB 15 Revenue from Contracts with Customers

The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services.

The Group has elected to apply AASB 15 on a modified retrospective basis. Comparatives are not restated and the cumulative change resulting from adoption of the standard is recognised on 1 July 2018.

The recognition and measurement requirements of the new standard have not had any significant impact on the financial results or position of the Group. The presentation requirements result in the separation of receivables from other contract assets. Contract assets

represent a right to payment from customers for goods or services provided. Receivables are contract assets where the right to payment is unconditional. On adoption of the standard, the deferred management fee accrued revenue is reclassified from "trade and other receivables" to "contract assets" because the right to payment is conditional.

AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has elected to apply AASB 9 on a modified retrospective basis. Comparatives are not restated and the cumulative change resulting from adoption of the standard is recognised on 1 July 2018.

The key changes to the Group's financial report arising from this standard is in relation to the impairment of financial assets (mainly Loans and advances) and the reclassification of the Group's non-listed equity investments and measurement as financial assets at fair value through profit and loss.

Non-listed equity investments continue to be measured at fair value under AASB 9, however, fair value gains and losses are now recognised in profit and loss. On initial application of AASB 9, gains previously recognised in the Available-for-sale investments revaluation reserve of \$8.1m were transferred to retained earnings on 1 July 2018.

Available-for-sale investments held by a joint venture were also measured at fair value on adoption of AASB 9 resulting in an adjustment to opening retained earnings, the Group has recognised its share of this adjustment of \$1.5m.

AASB 9 requires the company to record expected credit losses (ECL) on all its debt instruments not held at fair value through profit and loss. The Group has applied the standard's simplified approach and has calculated the ECLs based on either a 12 month or lifetime ECL basis. The adoption of the impairment requirements of AASB 9 resulted in an increase in the loss allowance against Loans and advances, resulting in a negative impact on equity of \$0.1m (net of tax) on the date of transition.

(b) Rounding of amounts

Amounts in the financial report have been rounded off to the nearest thousand dollars, or in certain cases, the nearest dollar. The financial report has been presented in Australian dollars.

Notes to the consolidated financial statements continued

2 Revenue

	Consolidated	
	2019 \$'000	2018 \$'000
Sales revenue		
Insurance premium revenue	546,758	475,372
Reinsurance and other recoveries revenue	54,382	49,681
Membership subscriptions	80,354	77,088
Tourism revenue	25,903	20,185
Sale of goods	21,580	23,567
Services	20,309	19,649
Finance interest income	20,925	16,587
Sales commissions	10,102	10,381
Retirement village revenue	8,779	8,600
	789,092	701,110
Other revenue		
Interest from financial assets	10,188	8,945
Dividends and distributions from financial assets	10,729	19,093
Other items	9,120	8,116
	30,037	36,154
	819,129	737,264

Notes to the consolidated financial statements continued

3 Cash and cash equivalents

	Consolidated	
	2019 \$'000	2018 \$'000
Current assets		
Cash at bank and in hand	114,553	89,734
Deposits at call	13,112	14,212
Cash deposits - trust account	1,878	1,961
	129,543	105,907

(a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

	Consolidated	
	2019 \$'000	2018 \$'000
Balances as above	129,543	105,907
Balances per consolidated statement of cash flows	129,543	105,907

4 Contingencies

Contingent liabilities

The Group had contingent liabilities at 30 June 2019 in respect of:

Guarantees

The Group has issued a number of bank guarantees to third parties for various operational and legal purposes. These amounts are not material and it is not expected that these guarantees will be called upon.

5 Business combinations

(a) Acquisition of Palm Grove Holiday Resort

On 21 December 2018, RAC Tourism Assets Pty Ltd, a subsidiary of RACWA Holdings Pty Ltd, acquired 100% of the business of the Palm Grove Holiday Resort, a tourist park in Broome, for cash consideration of \$7.0m, from its private owners. The acquisition is aligned to the Group's tourism park growth strategy. The park was renamed as the RAC Cable Beach Holiday Park.

The acquired business contributed revenues of \$0.1m and a net loss after tax of (\$0.4m) to the Group for the period from 21 December 2018 to 30 June 2019.

There was no goodwill recognised in this business combination.

(b) Prior period

On 5 April 2018, RAC Tourism Assets Pty Ltd acquired 100% of the business of the Wharnccliffe Mill, a tourist park, for cash consideration of \$2.5m, from its private owners. The acquisition is aligned to the Group's tourism park growth strategy. Goodwill of \$2.7m was recognised in this business combination.

On 1 November 2017, RAC Tourism Assets Pty Ltd acquired 100% of the business of the Karri Valley Resort, a tourist park, for cash consideration of \$3.5m, from its private owners. The acquisition is aligned to the Group's tourism park growth strategy. There was no goodwill recognised in this business combination.

6 Events occurring after the reporting period

There has been no matter or circumstance that has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

