

Annual Concise Report

2017-2018

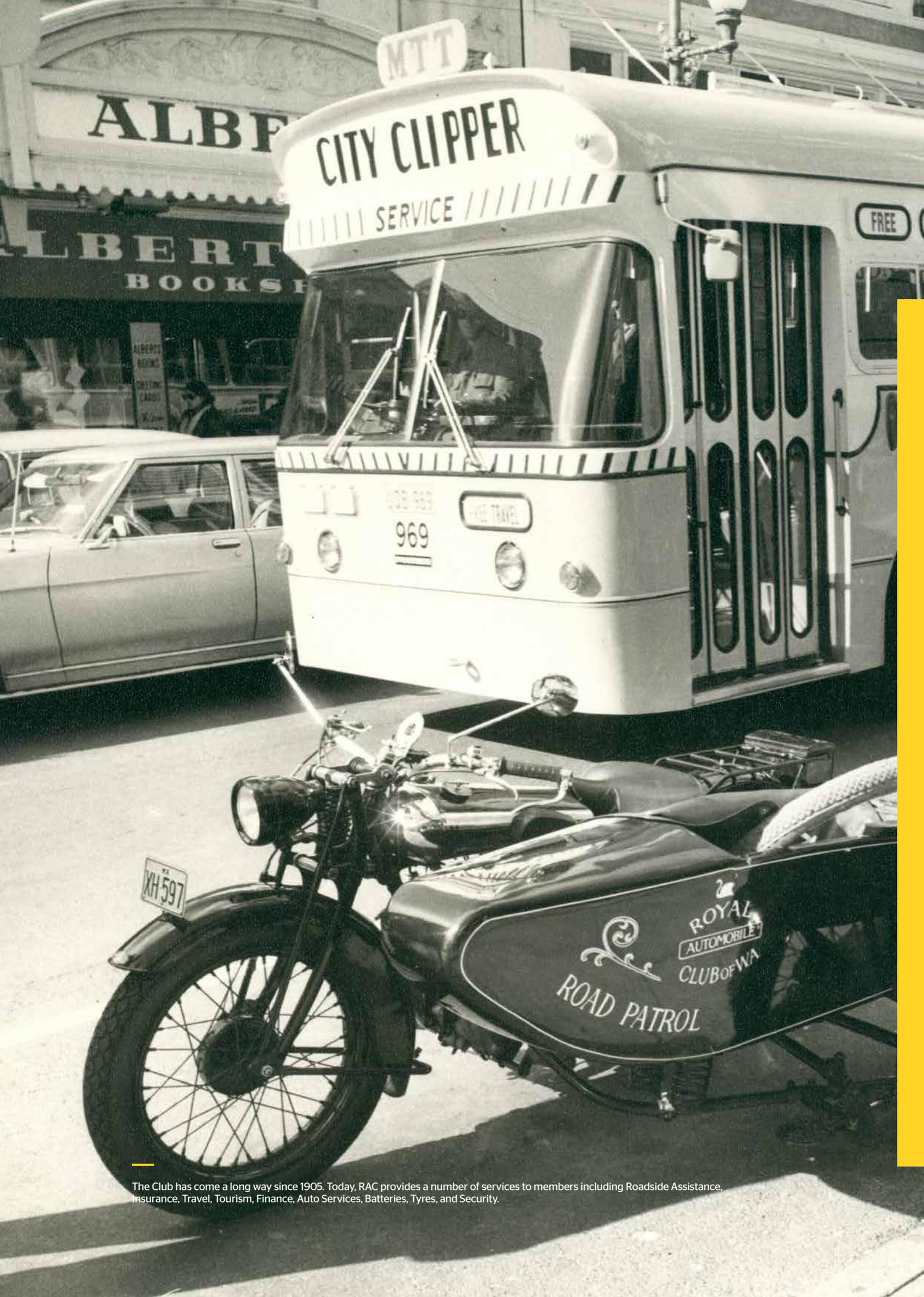


For the year ended 30 June 2018

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



For the better



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.

Supporting 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 brands in WA with more than one million members. As a membership organisation, RAC doesn't have shareholders, allowing its profits to be reinvested to benefit its members and the community.

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

It is my pleasure on behalf of the RAC Council to present this President's Report for the 2017/18 financial year. For the year ended 30 June 2018, RAC's overall profit after tax was \$5.3 million.



Anthony Evans
RAC President

It has been a significant year for RAC. From humble beginnings in 1905 – when a small group of motoring enthusiasts formed the Automobile Club of Western Australia – we now have a membership exceeding one million Western Australians, with nearly 60 per cent of WA households now home to an RAC member.

During the past year a number of new member benefits have been introduced, including a partnership with Kleenheat which provides savings of up to 38 per cent on natural gas charges as well as LPG discounts. There has also been a substantial number of members using our fuel discount and the offering was also strengthened, with Better Choice joining Puma, Gull and Peak in providing a discount of four cents per litre at service stations across WA.

RAC members received more than \$45 million in direct member benefits during the past year – the largest saving ever.

Tragically, WA continues to hold one of the worst road fatality rates in the country. In 2017, 161 people died on our roads – nearly one person every two days.

Road safety remains a critical issue for our State, and education a key driver for change.

This is why youth engagement remains a major focus for RAC. Through our two youth memberships – the RAC Little Legends Club and the RAC Road Ready program – we've continued to provide free road safety information while also preparing our next generation of drivers for the path ahead.

RAC also maintained delivery of critical face to face road safety education in classrooms across WA, with over 1,000 lessons delivered to almost 50,000 primary and secondary students. The RAC Community Education team drove more than 8,000kms during the year to ensure regional areas were successfully engaged.

In April 2018, 7,900 year 10 to 12 students from 90 schools visited RAC Arena to watch RAC bstreetsmart. Delivered in partnership with WA Police, the Department of Fire and Emergency Services, St John Ambulance and Royal Perth Hospital, RAC bstreetsmart exposes students to the realities of road trauma through a confronting re-enactment of a serious car crash. →

In February 2018, a new children's storybook – My Family, The Elephant and Me – was produced as part of RAC's Elephant in the Wheatbelt campaign, which highlights the ongoing impact of road trauma in regional WA. The book was delivered to primary school students across the Wheatbelt and coincided with the painting of six unique road safety murals in towns across the region.

One of RAC's major advocacy initiatives is Risky Roads, WA's largest road infrastructure survey which asks the community to nominate dangerous roads and intersections around the State. The last survey was conducted in February 2017 and received more than 6,000 nominations. In May 2018, RAC released a scorecard which identified that approximately half of the State's most dangerous roads and intersections had received funding and, in many cases, had seen works commence.

Ensuring our roads are safe and appropriately maintained is an important part of RAC's advocacy work. So too is supporting our emergency services at the forefront of road trauma response.

During the year we were proud to continue our sponsorship of both RAC Rescue helicopters, managed by the Department of Fire and Emergency Services. The RAC Rescue helicopters, which together have flown over 6,000 missions, are WA's only emergency rescue helicopter service. In 2016, we launched the RAC Rescue Experience, a four minute, 360 degree virtual reality simulation providing insight into the life-saving work of rescue crews. During the year, the experience was taken to various locations across metropolitan and regional WA, with more than 9,000 people 'taking flight'.

Whether Risky Roads, bstreetsmart, the RAC Rescue Experience or the myriad of other programs we offer, providing opportunities for members to engage is an important priority for RAC.

I'd also like to make special mention of our recent Gold Life inductees; RAC members who have reached the 50 year mark. More than 1,200 members surpassed this milestone during the year, bringing our total Gold Life membership to over 16,000 people.

As an entirely local membership organisation, milestones such as these offer unique opportunities to reflect on our proud history and look to the road ahead. I have no doubt the path we have forged for the coming years will support a prosperous future for our members and the WA community.

I would like to take this opportunity to thank my colleagues on the RAC Council, the Group CEO Terry Agnew and the entire team at RAC for their hard work and dedication to our members.

I also extend my deepest thanks to all RAC members. Your ongoing support makes it possible for us to give back – to you and to Western Australia.



Anthony Evans
RAC President

The Royal Automobile Club of W.A.
(Incorporated) Perth, W.A.
Date: 3 September 2018

New children's storybook – My Family, The Elephant and Me – was produced as part of RAC's Elephant in the Wheatbelt campaign.



RAC Group CEO Report

The 2017/18 financial year continued RAC's focus on investing and growing the services it provides to members across the State.



Terry Agnew
RAC Group CEO

This investment also continues to ensure RAC is positioned to innovate, diversify, and grow sustainably into the future with the external outlook described by many as “improving” and “gathering momentum”, although the actual pace of an economic recovery remains uncertain.

RAC Group revenue for the year ended 30 June 2018 was \$737.3 million with an overall profit after tax of \$5.3 million. The total net assets of the Group as at 30 June 2018 increased to \$853.9 million.

During the year RAC reached another important milestone of representing and providing services to one million members in Western Australia.

This is a milestone reached through the continued support of RAC members, in many cases now across generations, and the new members who have more recently made the important decision to join the organisation.

Within RAC our people continue to be focused on placing the member at the heart of every decision we make. This is because there is a deep acknowledgement that RAC's growth into the future will continue to be built on trust, service, and the spirit of being part of the WA community.

RAC has continued to speak out strongly on the urgent need to increase investment in road safety and the transport infrastructure required to keep its members moving safely, easily and sustainably.

RAC strongly called out the inequity of the billions of dollars that have been missing over the past decade for vital transport projects in WA with only 28 cents for every dollar of motoring taxation collected by successive Federal Governments being returned to WA.

This resulted in the 2018 Federal Budget delivering \$3.2 billion for critical infrastructure projects and now forms part of a \$5.4 billion road and rail package with the State Government.

In addition, the 2018 WA State Budget also confirmed funding for important initiatives including the Regional Enforcement Unit, dangerous roads such as Indian Ocean Drive and Denny Avenue, and confirmation of funding for the South West Emergency Rescue Helicopter Service, which is proudly sponsored by RAC.

RAC also continued its focus on leading innovation nationally and internationally with the announcement of our intention to test several driverless passenger vehicles which have been designed as an on-demand shared mobility service.

To be delivered in partnership with NAVYA and the State Government the RAC Intellicar™ trial will see Perth as the first city in Australia, and among the very first in the world, to test and explore this type of service. →

This trial builds on the RAC Intellibus® which has seen more than 14,000 people register for the opportunity to experience an automated vehicle. Due to demand we have introduced a second RAC Intellibus® and together they have now travelled almost 13,000km on public roads in South Perth in autonomous mode and more than 8,500 people now have experienced the journey.

RAC has also partnered with Infinite Energy to launch home solar panel and battery storage products for its members and to ensure more West Australians have access to sustainable and affordable clean energy options.

These trials and partnerships continue to build RAC's momentum to deliver innovative solutions to benefit our members especially in the areas of safety and keeping our communities connected.

Our long-term approach to ensuring the safety of RAC members also saw the State Government deliver on its election commitment to introduce Slow Down Move Over laws in WA. This was a significant move to make room on our roads for those who need it most and will help improve the safety of the community and workers on busy roadsides.

RAC also proudly received the WorkSafe Platinum Certificate this year which is a strong reflection of our aim to ensure that the 1,400 "RAC people" across metropolitan and regional WA can work and provide services in a safe operating environment. Over the past seven years, our Lost Time Injury Frequency Rate (LTIFR) has also decreased by 80 per cent.

RAC's focus on providing new services has seen our Parks and Resorts family grow to seven with the recent acquisitions of RAC Karri Valley Resort and RAC Margaret River Nature Park. RAC Monkey Mia Resort has also been redeveloped and expanded to provide significant improvements for guests and includes new facilities and accommodation options.

I would like to acknowledge everyone within RAC who is continuing to assist our one million members in WA through our services including Roadside Assistance, Insurance, Travel, Tourism, Finance, Auto Services, Batteries, Tyres, and Security and for their commitment and approach to delivering a membership that Western Australians can't live without.

I also acknowledge RAC Councillors and Directors for their ongoing support.



Terry Agnew
Group CEO

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

Date: 3 September 2018

RAC's focus on providing new services has seen our Parks and Resorts family grow to seven with the recent acquisitions of RAC Karri Valley Resort and RAC Margaret River Nature Park. RAC Monkey Mia Dolphin Resort (below) has also been redeveloped and expanded.



RAC Councillors' Report

Annual Concise Report 30 June 2018

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 2018. 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 2018; 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 2018.

Signed in accordance with a resolution of Councillors on 03 September 2018.



Anthony Evans
RAC President

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

Date: 3 September 2018

The State Government delivered on its election commitment to introduce Slow Down Move Over laws in WA. This was a significant move to make room on our roads for those who need it most and will help improve the safety of the community and workers on busy roadsides.





During the year, the RAC Rescue Experience was taken to various locations across metropolitan and regional WA, with more than 9,000 people 'taking flight.'

Meeting of Councillors

The number of meetings of the Club Council and of each Council's committee held during the year ended 30 June 2018, 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	5	5	5**	5
Jacqueline Ronchi	7	8	5	5	5	5
Ross Dowling	6	8	4	5	*	*
Esme Bowen	8	8	*	*	*	*
Dennis Banks	7	8	*	*	5	5
Allan Blagaich	3	5	*	*	*	*
Freda Crucitti	5	8	*	*	*	*
Jill Darby	7	8	5	5	*	*
Dalton Gooding	7	8	*	*	*	*
Alden Halse	7	8	*	*	5	5
Murray Lampard	8	8	*	*	*	*
Stephanie Proud	3	3	*	*	*	*
Elizabeth Re	3	3	*	*	*	*
Emmerson Richardson	8	8	5	5	*	*
Tim Shanahan	8	8	*	*	*	*
Julie Wadley	7	8	4	5	*	*
Christopher Turner	4	5	*	*	*	*

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



\$45m

received in direct member benefits¹

4c

per litre discount on fuel²

38%

saving on natural gas³



- ¹ RAC members received more than \$45 million in direct member benefits during the past year - the largest savings ever.
- ² Member benefit of four cents per litre at 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



6K

RAC Rescue helicopter missions

Proud to continue our sponsorship of both RAC Rescue helicopters, managed by the Department of Fire and Emergency Services (DFES). The RAC Rescue helicopters, which together have flown over 6,000 missions, are WA's only emergency rescue helicopter service.

At a glance

Giving back



7900

year 10-12
students watched
RAC bstreetsmart¹



50k

students recieved road
saftey education²

16k

Gold Life
members³



- 1 7,900 year 10 to 12 students from 90 schools visited RAC Arena to watch RAC bstreetsmart.
- 2 Over 1,000 lessons delivered to almost 50,000 primary and secondary students.
- 3 More than 1,200 members surpassed this milestone during the year, bringing our total Gold Life membership to over 16,000 people.

1400+

RAC people



At a glance

Our people



Platinum
WorkSafe WA since

2013



8500

people **experienced** the journey



At a glance

Innovation



14k

people registered
to ride the
RAC Intellibus®¹



RAC Intellicar™

Perth will be the first city in Australia, and among the very first in the world, to test and explore an on-demand shared mobility service.



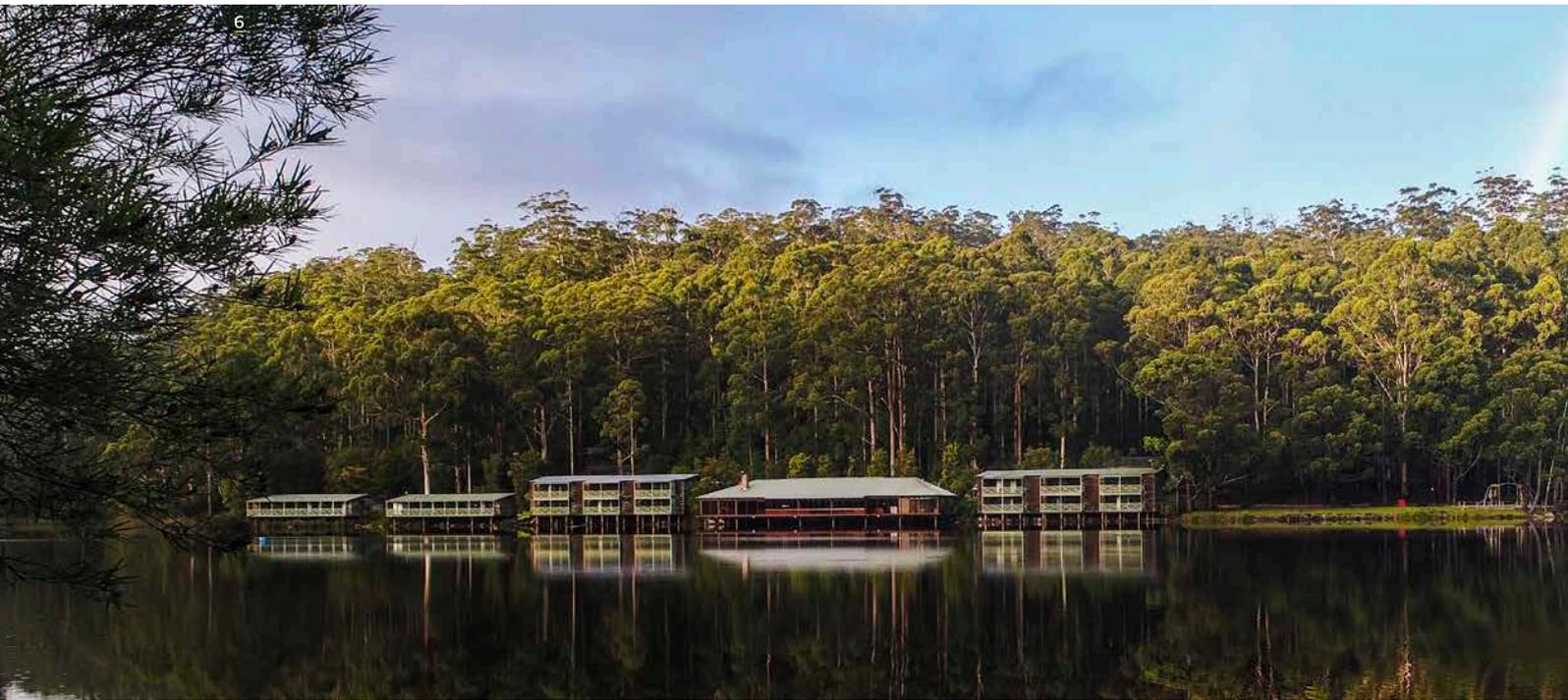
13k

kms travelled on public
roads in South Perth²

- 1 The RAC Intellibus® has seen more than 14,000 people register for the opportunity to experience an automated vehicle.
- 2 Due to demand we have introduced a second RAC Intellibus® and together they have now travelled almost 13,000km on public roads in South Perth in autonomous mode.

At a glance

Parks and Resorts



- 1 RAC Exmouth Cape Holiday Park
- 2 Ningaloo Reef Resort
- 3 RAC Monkey Mia Dolphin Resort
- 4 RAC Cervantes Holiday Park
- 5 RAC Busselton Holiday Park
- 6 RAC Karri Valley Resort



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 2018, 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 2018. 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 3 September 2018.

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



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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*.

Ernst & Young

F Drummond
Partner
Perth
3 September 2018

Corporate governance statement

The Council of The Royal Automobile Club of W.A. (Incorporated) ('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	
Allan Blagaich	(from 28 November 2017)
Esme Bowen	
Freda Crucitti	
Jill Darby	
Dalton Gooding	
Alden Halse	
Murray Lampard	
Stephanie Proud	(until 28 November 2017)
Elizabeth Re	(until 28 November 2017)
Emmerson Richardson	
Tim Shanahan	
Christopher Turner	(from 28 November 2017)
Julie Wadley	

Anthony Evans was re-appointed as President on 28 November 2017.

Jacqueline Ronchi was re-appointed as Senior Vice President on 28 November 2017.

Ross Dowling was re-elected to the position of Vice President on 18 December 2017.

All of the above persons, other than Christopher Turner, were also Councillors during the year ended 30 June 2017.

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 \$435,096. The actual aggregate amount of remuneration that was paid to Councillors and Club Board members in the 2018 Financial Year was \$431,715 (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

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 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 2018

	Notes	Consolidated	
		2018 \$'000	2017 \$'000
Revenue	2	737,265	683,127
Other income		6,254	32,467
Claims expense		(334,936)	(295,287)
Outwards reinsurance premium expense		(39,858)	(37,548)
Insurance policy acquisition costs		(43,452)	(40,538)
Employee benefits expense		(140,009)	(132,208)
Depreciation and amortisation expense		(23,770)	(22,951)
Rent and property expenses		(13,285)	(15,153)
Materials and consumables used		(21,387)	(21,059)
Postage, printing and stationery		(6,122)	(6,007)
Telecommunications expense		(1,619)	(2,008)
Information technology expense		(9,554)	(8,242)
Consulting expense		(9,129)	(4,823)
Advertising and promotional expenses		(17,593)	(18,844)
Towing and subcontractor expenses		(26,879)	(25,361)
Other expenses		(36,330)	(22,535)
Finance costs		(7,205)	(6,190)
Share of loss from equity-accounted associates and joint ventures		(9,820)	(3,359)
Profit before income tax		2,571	53,481
Income tax benefit/(expense)		2,776	(10,133)
Profit for the year		5,347	43,348

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 2018

	Consolidated	
	2018 \$'000	2017 \$'000
Profit for the year	5,347	43,348
Other comprehensive income		
<i>Items that may be reclassified subsequently to the income statement</i>		
Changes in fair value of available-for-sale financial assets	7,484	6,958
Income tax thereon	(2,245)	(2,087)
Transfer to the statement of profit or loss on sale of available-for-sale financial assets	(6,278)	(14,692)
Income tax thereon	1,883	4,408
	844	(5,413)
<i>Items that will not be reclassified subsequently to the income statement</i>		
Profit/(loss) on revaluation of land and buildings	2,974	(3,287)
Income tax thereon	(892)	986
	2,082	(2,301)
Other comprehensive profit (loss) for the year, net of tax	2,926	(7,714)
Total comprehensive income for the year	8,273	35,634
Total comprehensive income for the year is attributable to:		
Members of the Royal Automobile Club W.A. (Incorporated)	8,273	35,634

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 \$54.1m compared to the prior year. The increase was driven by strong policy growth in the Insurance business and member growth. As a result the Group achieved a significant milestone of 1,000,000 members during the year.

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

Insurance premium revenue

The Motor and Home insurance portfolios experienced strong growth during the year, with gross written units increasing by 12.3% on the prior year.

Reinsurance and other recoveries revenue

Recoveries increased during the year in line with growth in the number of insurance policies issued.

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 economic activity. Total returns from the Group's investment portfolio were in line with benchmarks, however the trust distribution revenue was lower than the prior year.

Other income

Gains were realised on the sale of investments in the Group's investment portfolio. The prior year includes a one-off gain from the sale of the St Ives Home Care business into a joint venture and a one-off gain from the completion of stage 1 of the St Ives Carine retirement village.

Main influences on costs of operations

Claims expense

Claims expense increased in line with growth in insurance policies issued. Claims expense was also impacted by a higher number and cost of large storms during the year as compared to last year.

Employee benefits expense

Employee benefits expense increased to support the growth across the Group. This includes growth in the Insurance business, acquisitions in tourism and increased project activity to support our strategic initiatives.

Consulting expense

The system for managing and administering roadside assistance call and dispatch services was upgraded during the year. There were also investments in member systems and projects to support the Group's strategic initiatives.

Other expenses

The subdued Western Australian residential property market led to a \$9.3m net unrealised loss on the annual revaluation of the St Ives retirement villages and associated resident loans.

Share of loss from equity-accounted associates and joint ventures

The current year results include the Group's share of an impairment recognised in the Home Care joint venture. The impairment relates to underperformance of a business owned by the Home Care joint venture.

Finance costs

Finance costs increased in the year due to the growth in consumer and property loans in the Finance business. A bank loan was increased in the year to support the acquisition of two additional tourism parks.

Income tax expense

The consolidated accounting profit for the Club was \$2.6m, which gives rise to a prima-facie income tax expense of \$0.8m at the Australian tax rate of 30%. The prima-facie income tax expense was converted to an income tax benefit of \$2.8m due to franking credits received from the Group's investment portfolio and the recognition of prior year deferred tax assets.

Other comprehensive income

Changes in fair value of available for sale financial assets

The change in the fair value of available for sale financial assets reflects the unrealised gains or losses on revaluation of the Group's investment portfolio. The portfolio performed strongly in both the current year and prior year reflected by the value of distributions received, realised gains from sales of investments and unrealised gains from revaluations.

Revaluation of land and buildings

A slight reduction in the office vacancy rates in the Perth central business district resulted in a small increase in the fair value of the Group's direct property holdings. External valuations were obtained to support property carrying values.

Consolidated balance sheet As at 30 June 2018

	Notes	Consolidated	
		2018 \$'000	2017 \$'000
Assets			
Current assets			
Cash and cash equivalents	3	105,907	96,227
Trade and other receivables		207,119	189,769
Loans and advances		117,343	86,848
Reinsurance and other recoveries receivable		16,726	14,844
Inventories		1,726	1,754
Financial assets at fair value through profit or loss		142,097	112,937
Available-for-sale financial assets		33,898	36,082
Deferred acquisition costs		21,946	21,052
Total current assets		646,762	559,513
Non-current assets			
Loans and advances		157,140	112,607
Reinsurance and other recoveries receivable		1,298	1,691
Investments accounted for using the equity method		98,021	72,841
Financial assets at fair value through profit or loss		136,143	121,175
Available-for-sale financial assets		200,582	208,248
Property, plant and equipment		160,439	138,753
Investment properties		298,066	313,297
Intangible assets and goodwill		135,852	140,219
Total non-current assets		1,187,541	1,108,831
Total assets		1,834,303	1,668,344
Liabilities			
Current liabilities			
Trade and other payables		65,480	50,773
Interest bearing loans and borrowings		222,182	133,470
Current tax liabilities		5,714	4,485
Provisions		56,647	53,008
Outstanding claims liabilities		73,546	66,848
Unearned premium liabilities		272,570	238,443
Retirement village contract liabilities		203,279	185,560
Total current liabilities		899,418	732,587
Non-current liabilities			
Outstanding claims liability		8,821	10,106
Interest bearing loans and borrowings		56,633	56,842
Deferred tax liabilities		12,769	19,424
Provisions		2,807	3,803
Total non-current liabilities		81,030	90,175
Total liabilities		980,448	822,762
Net assets		853,855	845,582
Equity			
Reserves		39,656	36,730
Retained earnings		814,199	808,852
Capital and reserves attributable to members of The Royal Automobile Club of W.A. (Incorporated)		853,855	845,582
Total equity		853,855	845,582

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

Discussion and analysis

Consolidated balance sheet

Trade and other receivables

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 conservative lending practices and despite the subdued Western Australian residential property market.

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

Strong operating performance and growth by the Insurance business during the year resulted in surplus cash that was invested in the Insurance investment portfolio.

Investments accounted for using the equity method

Additional capital was invested into the Home Care joint venture to support its growth through acquisitions. The investment was impacted by the Group's share of the result in the joint venture.

Property, plant and equipment

The redevelopment of the RAC Monkey Mia Dolphin Resort was substantially completed during the year. Two tourism parks were acquired during the year: Wharncliffe Mill in Margaret River and Karri Valley Resort. The acquisitions increase the Group's portfolio of tourism parks to seven.

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. A further \$10m was borrowed to support the tourism park growth strategy.

Unearned premium liabilities

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

Retirement village contract liabilities

Following completion of stage 1 of the St Ives Carine retirement village in July 2017, settlements were received from the first lease of village units to residents. The village units are under a long-term lease to residents so the receipt of settlement proceeds results in the recognition of retirement village contract liabilities. The aforementioned increase was partially offset by a reduction in the value of the contract liabilities resulting from the annual revaluation of the St Ives retirement villages.

Deferred tax liabilities

The net unrealised loss on revaluation of the St Ives retirement villages and associated resident loans, as well as the Group's share of the loss in the Home Care joint venture, resulted in a reduction in the deferred tax liabilities of the Group.

Deferred tax assets have been offset against deferred tax liabilities on the balance sheet.

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 2018

	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 2016	34,510	12,663	762,775	809,948
Profit for the year	-	-	43,348	43,348
Other comprehensive loss (net of tax)	(2,301)	(5,413)	-	(7,714)
Total comprehensive income/(loss) for the year	(2,301)	(5,413)	43,348	35,634
Transactions with owners in their capacity as owners:				
Transfer of revaluation surplus	(2,729)	-	2,729	-
Balance at 30 June 2017	29,480	7,250	808,852	845,582
Balance at 1 July 2017	29,480	7,250	808,852	845,582
Profit for the year	-	-	5,347	5,347
Other comprehensive income (net of tax)	2,082	844	-	2,926
Total comprehensive income for the year	2,082	844	5,347	8,273
Balance at 30 June 2018	31,562	8,094	814,199	853,855

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

The change in equity for the year was an increase of \$8.3m. This consisted of an increase in retained earnings of \$5.4m and an increase in reserves of \$2.9m.

The net increase in reserves consisted of the following items:

- » an increase of \$2.1m from the revaluation of the Group's direct property portfolio; and
- » an increase of \$0.8m arising from unrealised gains on revaluation of the Group's investment portfolio exceeding realised gains on sales of investments reclassified to the income statement.

Consolidated statement of cash flows For the year ended 30 June 2018

	Consolidated	
	2018 \$'000	2017 \$'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	196,081	186,635
Insurance premiums received	538,879	480,620
Reinsurance and other recoveries received	48,813	49,338
Payments to suppliers and employees (inclusive of goods and services tax)	(275,897)	(254,198)
Claims paid	(382,374)	(341,533)
Outward reinsurance premium paid	(39,025)	(38,412)
Insurance policy holder acquisition costs	(44,346)	(42,518)
Net advances to finance customers	(75,051)	(9,838)
Net proceeds from finance borrowings	78,503	12,569
Dividend and distributions received	26,267	17,105
Interest income received	8,908	8,721
Income taxes (paid)/received	(3,905)	1,679
Interest paid	(6,310)	(6,180)
Other income received	5,261	3,575
Net cash inflow from operating activities	75,804	67,563
Cash flows from investing activities		
Payments for property, plant and equipment	(21,272)	(13,760)
Payments for intangibles	(7,464)	(8,111)
Proceeds from sale of property, plant and equipment	364	6,160
Payments for investment property	(2,359)	(31,238)
Payments for available-for-sale financial assets	(80,965)	(57,928)
Proceeds from sale of available-for-sale financial assets	98,091	74,187
Purchase of financial assets at fair value through profit or loss	(398,391)	(383,325)
Proceeds from sale of financial assets through profit or loss	352,641	368,880
Cash disposed on disposal of subsidiaries	-	(5,699)
Payment for investment in joint ventures and associates	(35,000)	(32,000)
Payment for acquisition of business (net of cash acquired)	(6,023)	-
Receipts from held-to-maturity investments	-	22,710
Net cash outflow from investing activities	(100,378)	(60,124)
Cash flows from financing activities		
Proceeds from borrowings	10,000	-
Retirement village resident loans repaid	(1,675)	-
Retirement village resident loans received	27,196	796
Loans advanced to related parties	(1,715)	(5,156)
Loan repayments from related parties	448	-
Net cash outflow from financing activities	34,254	(4,360)
Net increase in cash and cash equivalents	9,680	3,079
Cash and cash equivalents at the beginning of the financial year	96,227	93,148
Cash and cash equivalents at end of year	105,907	96,227

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, finance interest income and commissions revenue 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)

Strong growth in the Insurance business, the upgrade of the roadside assistance call and dispatch system, and other project activity resulted in higher payments to suppliers and employees.

Claims paid

The growth in claims paid was slightly higher than the growth in premiums received due to claims event costs being significantly higher than prior year and above the long term average event cost.

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

Trust distributions received from the investment portfolio were lower than the prior year which was significantly higher than recent years. Total returns from the investment portfolio was in line with benchmarks.

Income taxes (paid)/received

Tax instalments are based on the prior year assessment. The Group paid tax as a result of a higher taxable profit in the prior year.

Payments for property, plant and equipment

The redevelopment of the RAC Monkey Mia Dolphin Resort was substantially completed during the year. This was in addition to normal capital refreshment and replacement across the Group.

Payments for investment property

Construction of stage 1 of the St Ives Carine retirement village was completed in July 2017. This resulted in lower cash outflows in comparison to the prior year.

Payments for and proceeds from sales of available for sale financial assets

There was a net inflow from sales of investments in the Group's investment portfolio. This was used to fund acquisitions and redevelopments of tourist parks and additional investment in the Home Care joint venture.

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.

Payment for investment in joint ventures and associates

Additional capital was invested into the Home Care joint venture to support its growth through acquisition.

Payment for acquisition of businesses (net of cash acquired)

Two tourism parks were acquired during the year: Wharnccliffe Mill in Margaret River and Karri Valley Resort.

Proceeds from borrowings

The Group received external borrowings to support the tourism park growth strategy.

Retirement village resident loans received

Following completion of stage 1 of the St Ives Carine retirement village in July 2017, settlements were received from the first lease of village units to residents.

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 2016-1 Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses,*
- » *AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure initiative: Amendments to AASB 107, and*
- » *AASB 2017-2 Amendments to Australian Accounting Standards - Further Annual Improvements 2014-2016 Cycle.*

The adoption of these new and amended standards has not had a significant impact on the financial results or position of the Group. Disclosures have been changed where required.

(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	
	2018 \$'000	2017 \$'000
Sales revenue		
Sale of goods	12,849	12,175
Services	30,368	30,258
Commission received	10,381	8,716
Membership subscription and entrance fees	77,088	74,695
Finance interest income	16,587	14,354
Insurance premium revenue	475,372	427,253
Reinsurance and other recoveries revenue	49,681	44,963
Retirement village revenue	4,422	5,830
Retirement client and service fees	4,178	4,082
Tourism revenue	20,185	19,706
	701,111	642,032
Other revenue		
Rental income	667	627
Interest from financial assets	8,945	8,542
Dividends and distributions from other corporations	19,093	26,848
Other items	7,449	5,078
	36,154	41,095
	737,265	683,127

Disposal of operating business

In the prior year, the Group sold the St Ives Home Care business into a joint venture thereby changing the nature of the investment from a wholly owned subsidiary to a joint venture. The investment in the Home Care joint venture is equity accounted.

The below table breaks down the profit on sale of the St Ives Home Care business;

	2017 \$'000
Fair value of investment in the Home Care joint venture	37,000
Aged care packages transferred	(27,257)
Other assets and liabilities transferred and selling costs	8,505
Goodwill disposed	(5,198)
Profit before tax	13,050

Notes to the consolidated financial statements continued

3 Cash and cash equivalents

	Consolidated	
	2018 \$'000	2017 \$'000
Current assets		
Cash at bank and in hand	89,734	83,466
Deposits at call	14,212	10,342
Cash deposits - trust account	1,961	2,419
	105,907	96,227

(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	
	2018 \$'000	2017 \$'000
Balances as above	105,907	96,227
Balances per consolidated statement of cash flows	105,907	96,227

4 Contingencies

Contingent liabilities

The Group had contingent liabilities at 30 June 2018 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 Karri Valley Resort

On 1 November 2017, RAC Tourism Assets Pty Ltd, a subsidiary of RACWA Holdings 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.

The acquired business contributed revenues of \$1.9m and a net loss after tax of (\$0.2m) to the Group for the period from 1 November 2017 to 30 June 2018.

There was no goodwill recognised in this business combination.

(b) Acquisition of Wharnccliffe Mill

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.

The acquired business contributed revenues of \$0.1m and a net profit after tax of nil to the Group for the period from 5 April 2018 to 30 June 2018.

Goodwill of \$2.7m was recognised in this business combination and comprises the fair value of expected synergies arising from the acquisition.

(c) Prior period

There were no business combinations in the prior period.

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.



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RAC has proudly sponsored the RAC Rescue helicopter service since it began in 2003.
Funded by the State Government, the RAC Rescue helicopters are managed by the Department of Fire and Emergency Services (DFES).