



RAC members are happier

RAC ANNUAL REPORT

2011

THE ROYAL AUTOMOBILE CLUB OF WA (INC.)

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The President's Report



The RAC has a history of being able to influence State and Federal government for the benefit of our members. For example in 1971, after years of lobbying from the RAC, legislation was introduced that required the compulsory wearing of seatbelts. Although it is difficult to estimate, our action probably saved hundreds of people from losing their lives on Western Australian roads.

In my first year as RAC President, I am more than cautiously optimistic then about the State Government announcement in April that 100 per cent of speed and red light camera revenue will be reinvested back into road safety – a figure that stood at just 33 per cent up until the announcement.

To put this into perspective, this could see \$320m flow into road safety projects over the next four years and in the context of road safety wins for the RAC it ranks right up there.

This policy change didn't happen overnight. The RAC lobbied government for this change for more than a decade and I would like to take this opportunity to acknowledge the work of previous RAC Presidents and also staff who have over that time played their part in this success.

While this has been the standout in my short term as RAC President so far, there is plenty of other good news both with the financial performance of the Group and the implementation of the RAC's wider social agenda.

The organisation is well set financially, returning a profit for FY2011 and an increase in net assets. And while the Group is performing well financially,

businesses also continue to focus on the level of service they offer to members and that is what makes us different from our competitors.

Last year the RAC put into place a long term advocacy agenda and plan that builds on its position as the peak motoring body in WA while recognising some of the modern day constraints around using passenger vehicles.

The aim of this plan is to build a better world of mobility for the RAC's members – that means working to effect positive change in the WA community to ensure people can move around our State in a safe, efficient and sustainable manner.

I'm pleased to report that we have run a number of campaigns targeting improvements in these areas over the past year – some of the highlights are listed below:

- The 2011 Risky Roads campaign empowered road users in WA to nominate dangerous sections of road or intersections that they used. We received a record 6,000 nominations and took the results to State Government and the road authorities. Four months on, work has begun or funds have been earmarked for six of the top ten intersections – a great result for our members.
- The RAC called for more severe drink drive penalties last year in light of the significant number of fatalities and serious injuries caused by drink and drug drivers. As a result drink drive penalties have been doubled.
- The RAC ran a 'cost to business' congestion study in 2010 through its BusinessWise customers and found that many businesses were being financially crippled by the increase in traffic on the roads. Several days later the Premier acknowledged the growing issue of

congestion in Perth and that something needed to be done.

- The RAC has called on the Attorney General to consider changes to the way drink and drug driving causing death cases are handled in court. Through the RAC's advocacy efforts the Road Safety Council now supports our position.
- As part of the AAA, RAC successfully lobbied Federal Government for petrol to be exempt from the carbon tax – a major win for motorists around Australia given they are more than paying their way currently through taxes and excise.

Last year the RAC was also a founding partner in a landmark electric vehicle trial with UWA. Electric cars have the potential to revolutionise the motoring industry and they will play an important role in helping to make motoring greener and in reducing emissions in the future. The RAC is using its electric vehicle, a converted Ford Focus, as a Patrol while studying how it will impact its business and its members in the long term.

Last year was also an important year for the RAC and our partnership with FESA and the RAC Rescue Helicopter. The helicopter is an essential service for communities outside of the metropolitan area and it enables critically ill patients to be rapidly transferred so they can receive the necessary treatment at the State's best medical centres – more than 50 per cent of its primary missions are to rescue road users and there is no doubt the service has saved countless lives since it has been in operation.

Finally, I would like to take this opportunity to thank the RAC staff for their dedication and valued contribution. The RAC is an iconic brand and it aims to make a real difference in the Western Australian community. On behalf of my Council colleagues – thank you.

The Group CEO's Report



The 2010/2011 financial year has been a positive one for the RAC Group as we continue towards our vision of being the most valued organisation to Western Australians by 2020.

Members are very much at the heart of the RAC and providing them with excellent service, one of the ways we differentiate ourselves, remains a priority for all our businesses.

As a uniquely Western Australian organisation and a mutual, we reinvest our profits to benefit our members and the wider Western Australian community.

A good example of this is our long term advocacy agenda and plan that aims to effect real and positive change in our community. We want to ensure that people can move around our State in a safe, environmentally sustainable and efficient way in the years to come.

In the past year we have made a significant investment to help champion the interests of our members and to seek this positive change. As noted by our President, I am proud to say there have been some major wins for our members especially in the area of road safety.

In order for the RAC to play this vital role within our community our business must be financially sustainable and I am pleased to report an after tax profit for the Group in FY2011 of \$23.6m on the back of strong performance from both our businesses and our investment portfolio.

The organisation remains in a financially sound position and well set for continued growth with our net assets increasing by \$33m to \$689m and the Group's total assets standing at \$1.34bn.

For the second year in succession the RAC's investment portfolio performed well and achieved its benchmark investment objective.

Our patrols rescued more than 440,000

“ Whether it be rescuing members on the roadside, assessing a damaged vehicle or speaking to one of our members face to face or on the phone, it is our people who underpin everything we do. ”

stranded motorists. We finalised and paid more than 85,000 home and motor claims. Tens of thousands of members had their cars serviced and repaired at RAC Auto Service Centres, or financed their car loan through RAC or attended an advanced driver tuition course at the RAC Driving Centre. And more than 80,000 members received touring advice or booked their holiday through RAC Travel Services.

Whether it be rescuing members on the roadside, assessing a damaged vehicle or speaking to one of our members face to face or on the phone, it is our people who underpin everything we do. Investing in them, their future and creating an achievement culture within

the organisation remains a priority for the Group.

There have also been some outstanding achievements in the past year.

For the second year in a row, the Contact Centre Service won the Australian Telecommunications Award for the State which is a terrific achievement.

Our Auto Services business was also recognised as best employer of apprentices in the Perth region, winning the national apprenticeship award for the second time which underlines our commitment to our people.

Also notable last year was that the RAC became the first motoring club in Australia to have an electric patrol vehicle out on the road. We're leading the way in this field and will use our electric vehicle to better understand the future of motoring and the impact electric cars will have on our businesses and our members.

Lastly and perhaps most importantly, the organisation remains committed to creating a safe working environment at the RAC. There has been a significant shift in understanding and education around safety across the Group as we aim to retain our Workplace Gold Accreditation later this year.

In closing I would like to thank all of our people for their continuing commitment throughout the past financial year. Finally, I would also like to thank you, our members, for your continued support and we look forward to a lasting relationship with you in the years to come.



RAC members are happier

Annual Concise Report 30 June 2011

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 2011.

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) and its controlled entities full financial report is available to all members upon request by contacting the the Corporate CFO Department 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 2011; 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 2011.

Signed in accordance with a resolution of Councillors.

Tim Shanahan – President
The Royal Automobile Club of W.A.
(Incorporated)
Date: 9 September 2011

Councillors' Meetings

The number of meetings of the Councillors and each committee held during the year ended 30 June 2011, and the number of meetings attended by each Councillor were:

| COUNCILLOR | COUNCILLOR'S MEETINGS | | CLUB BOARD MEETINGS | | AUDIT COMMITTEE MEETINGS | |
|-----------------------|-----------------------|----|---------------------|---|--------------------------|---|
| | A | B | A | B | A | B |
| T Shanahan | 10 | 10 | 6 | 6 | 2** | 2 |
| E Bowen | 9 | 10 | 4 | 6 | * | * |
| T Evans [^] | 10 | 10 | 3 | 3 | * | * |
| A Halse | 8 | 10 | 2 | 3 | 4 | 4 |
| F Crucitti | 9 | 10 | 1 ^{^^} | 3 | * | * |
| D Banks | 10 | 10 | * | * | 4 | 4 |
| C O'Sullivan | 9 | 10 | * | * | 3 | 4 |
| A Blagaich | 6 | 10 | * | * | * | * |
| D Gooding | 8 | 10 | * | * | * | * |
| J Wadley | 9 | 10 | 6 | 6 | * | * |
| J Darby | 9 | 10 | 6 | 6 | * | * |
| R Dowling | 5 | 10 | * | * | * | * |
| J Ronchi [^] | 10 | 10 | 3 | 3 | 4 | 4 |
| W Caldwell | 3 | 4 | * | * | * | * |
| E Re | 8 | 10 | * | * | * | * |
| S Klomp | 5 | 6 | * | * | * | * |

A = Number of meetings attended
 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
 ** = T Shanahan attended in his capacity as Club President
 ^ = J Ronchi and T Evans were appointed to the Club Board on 13 December 2010.
 ^^ = F Crucitti was absent from one Club Board meeting due to her attendance, on behalf of the RAC, at a meeting of the Australian Automobile Association

Retirement, election and continuation in office of Councillors

A Halse retired as President and ended his term on the Club Board on 23 November 2010.

T Shanahan took office as President on 23 November 2010, and his term as Senior Vice President expired on that date.

E Bowen took office as Senior Vice President on 23 November 2010, and her term as Vice President expired on that date.

T Evans was elected to the position of Vice President on 13 December 2010.

J Ronchi and T Evans were appointed to the Club Board on 13 December 2010.

F Crucitti ended her term on the Club Board on 13 December 2010.

S Klomp was elected a Councillor on 23 November 2010 and continues in office at the date of this report.

W Caldwell was a Councillor from the beginning of the year until his retirement on 23 November 2010.

All of the above persons, other than S Klomp, were also Councillors at the year ended 30 June 2010.

Independent auditor's report to the members of The Royal Automobile Club of WA (Incorporated)

Report on the Concise Financial Report

We have audited the accompanying concise financial report of The Royal Automobile Club of WA (Incorporated) which comprises the balance sheet as at 30 June 2011, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and related notes, derived from the audited financial report of The Royal Automobile Club of WA (Incorporated) for the year ended 30 June 2011. The concise financial report also includes discussion and analysis and the councillors' declaration. The concise financial report does not contain all the disclosures required by the Australian Accounting Standards.

Councillors' Responsibility for the Concise Financial Report

The Councillors are responsible for the preparation of the concise financial report in accordance with Accounting Standard AASB 1039 *Concise Financial Reports*, and the *Association Incorporation Act 1987 WA*, and for such internal controls as the councillors determine are necessary to enable the preparation of the concise financial report.

Auditor's Responsibility

Our responsibility is to express an opinion on the concise financial report based on our audit procedures which were conducted in accordance with ASA 810 *Engagements to Report on Summary Financial Statements*. We have conducted an independent audit, in accordance with Australian Auditing Standards, of the financial report of The Royal Automobile Club of WA (Incorporated) for the year ended 30 June 2011. We expressed an unmodified audit opinion on the financial report in our report dated 9 September 2011. The Australian Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report for the year is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the concise financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the concise financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the concise financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. Our procedures included testing that the information in the concise financial report is derived from, and is consistent with, the financial report for the year, and examination on a test basis, of audit evidence supporting the amounts, discussion and analysis, and other disclosures which were not directly derived from the financial report for the year. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report complies with AASB 1039 *Concise Financial Reports* and whether the discussion and analysis complies with the requirements laid down in AASB 1039 *Concise Financial Reports*.

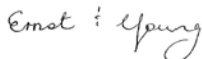
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the Australian professional accounting bodies.

Auditor's Opinion

In our opinion, the concise financial report, including the discussion and analysis and the councillors' declaration of The Royal Automobile Club of WA (Incorporated) for the year ended 30 June 2011 complies with Accounting Standard AASB 1039 *Concise Financial Reports*.



Ernst & Young



F Drummond
Partner
Perth
9 September 2011

FD:MJ:RAC:RACWA:157

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under Professional Standards Legislation

Corporate Governance Statement

The Council of The Royal Automobile Club of W.A. (Incorporated) ("Club") and its controlled entities 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 ("RACWA Holdings").

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 financial 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.

The following Councillors were in office for this entire period unless otherwise stated.

| NAME | POSITION |
|--------------|-----------------------|
| T Shanahan | President |
| E Bowen | Senior Vice-President |
| T Evans | Vice-President |
| D Banks | |
| A Blagaich | |
| W Caldwell | |
| F Crucitti | |
| J Darby | |
| R Dowling | |
| D Gooding | |
| A Halse | |
| S Klomp | |
| C O'Sullivan | |
| E Re | |
| J Ronchi | |
| J Wadley | |

A Halse retired as President on 23 November 2010.

T Shanahan took office as President on 23 November 2010 and his term as Senior Vice President expired on that date.

E Bowen took office as Senior Vice President on 23 November 2010, and her term as Vice President expired on that date.

T Evans was elected to the position of Vice President on 13 December 2010.

S Klomp was elected a Councillor on 23 November 2010 and continues in office at the date of this report.

W Caldwell was a Councillor from the

beginning of the year until his retirement on 23 November 2010.

All of the above persons, other than S Klomp, were also Councillors during the year ended 30 June 2010.

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. 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 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 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;
- The RACWA Holdings Board is responsible for managing the organisation's financial risk and advises Council on such matters as the entity's liquidity, interest rate and credit policies and exposures, and monitors management's actions to ensure they are in line with company policy;
- 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 Group, 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

Council is responsible for determining and reviewing compensation for the Councillors, in their roles as members of Council and as members of the committee known as the "Club Board", RACWA Holdings Board members, and the Chief Executive.

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:

| NAME | POSITION |
|------------|----------------------------|
| T Shanahan | Chairman from 23 Nov 2010 |
| A Halse | Chairman until 23 Nov 2010 |
| F Crucitti | Retired 13 Dec 2010 |
| J Wadley | |
| J Darby | |
| E Bowen | |
| T Evans | Appointed 13 Dec 2010 |
| J Ronchi | Appointed 13 Dec 2010 |
| T Agnew | Chief Executive |

Audit and risk committee

The Council has appointed an audit and risk committee which operates under a charter approved by Council.

The members of the audit and risk committee during the year were:

| NAME | POSITION |
|--------------|-----------------------------------|
| C O'Sullivan | Chairman |
| A Halse | |
| D Banks | |
| J Ronchi | |
| T Shanahan | In his capacity as Club President |

It is the committee's responsibility to ensure that an effective internal control framework exists within the Club. This includes internal controls to deal with both 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 operational key performance indicators.

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

The 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 audit and risk committee meetings and is able to discuss any matters with the 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 all information necessary to assess the performance of the Councillors.

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.

Concise Financial Report

Consolidated Income Statement

| | NOTES | CONSOLIDATED | |
|---|----------|----------------|----------------|
| | | 2011 \$'000 | 2010 \$'000 |
| Revenue from continuing operations | 2 | 503,610 | 656,101 |
| Other income | | 7,065 | 15,392 |
| Claims expense | | -221,098 | -392,721 |
| Outwards reinsurance premium expense | | -21,102 | -17,993 |
| Insurance policy acquisition costs | | -22,903 | -25,388 |
| Employee benefits expense | | -79,388 | -74,279 |
| Depreciation and amortisation expense | | -17,114 | -17,688 |
| Rent and outgoings | | -3,003 | -2,227 |
| Service fees | | -5,084 | -11,164 |
| Materials and consumables used | | -24,372 | -23,134 |
| Postage, printing and stationery | | -5,828 | -6,943 |
| Telecommunications expense | | -2,582 | -2,085 |
| Information technology expense | | -4,168 | -2,319 |
| Consulting expense | | -7,072 | -3,762 |
| Advertising and promotional expenses | | -8,557 | -6,506 |
| Contractor expenses | | -2,704 | -2,633 |
| Towing and subcontractor expenses | | -13,694 | -13,605 |
| Commissions and fees | | -480 | -332 |
| Other expenses | | -32,381 | -28,972 |
| Impairment of information technology solution asset | | -3,188 | - |
| Impairment of investment in joint venture | | - | -15,893 |
| Finance costs | | -11,183 | -11,054 |
| Share of net profit of associates and joint venture partnership accounted for using the equity method | | 911 | 1,506 |
| Profit before income tax | | 25,685 | 14,301 |
| Income tax (expense)/benefit | | -2,038 | 776 |
| Profit for the year | | 23,647 | 15,077 |

Consolidated Statement of Comprehensive Income

| | CONSOLIDATED | |
|--|----------------|----------------|
| | 2011 \$'000 | 2010 \$'000 |
| Profit for the year | 23,647 | 15,077 |
| Revaluation of property, plant and equipment | 13,542 | -2,391 |
| Changes in the fair value of available-for-sale financial assets | 2,795 | 7,880 |
| Transfer to the income statement on sale of available-for-sale financial assets | -1,356 | -1,329 |
| Income tax relating to components of other comprehensive income | -6,037 | -1,248 |
| Other comprehensive income for the year, net of tax | 8,944 | 2,912 |
| Total comprehensive income for the year is attributable to: Members of The Royal Automobile Club of W.A. (Incorporated) | 32,591 | 17,989 |

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

Discussion and analysis – Consolidated Income statement and Consolidated Statement of Comprehensive Income

On 22 March 2010 Perth experienced a significant hail storm (“the March hail storm”). The overall financial impact to the Group in the prior year was contained as a result of RAC Insurance Pty Ltd’s (“Insurance”) comprehensive reinsurance program, but there were significant impacts on individual line items in the income statement, balance sheet and cashflow.

Revenue from continuing operations

A material contributor to the decrease in total revenue from continuing operations were the reinsurance recoveries in the prior year as a result of the March hail storm. Revenue from underlying Group activity increased during the year in accordance with discussions below.

Trends in revenue arising from sales

Membership subscriptions and entrance fees

Membership subscriptions increased during the year as a result of growth in the premium membership product together with a general price increase.

Commissions received

Commissions received increased during the year as a result of increased sales within the Travel business.

Finance interest income

Finance interest income decreased during the year as a result of the average loan book outstanding during the year declining compared to the prior year due to a reduction in exposure to certain markets in line with the Finance business strategy.

Trend in revenue arising from other revenue

Premium revenue

Premium revenue increased during the year as result of price adjustments together with moderate unit growth in the Insurance business.

Reinsurance and other recoveries

Reinsurance and other recoveries decreased as a result of the prior year including recoveries associated with the March hail storm.

Interest income

Interest income increased during the year in the Insurance business as well as in the Group investment portfolio. Both portfolios benefited from the higher interest rate environment together with restructuring within the Group investments portfolio resulting in a greater holding of term deposits.

Concise Financial Report

Dividends and distributions from other corporations

Dividends and distributions from investment trusts and other corporations increased during the year in the Group investment portfolio following favourable market conditions in respect of equity markets compared to the prior year.

Retirement village revenue

Retirement village revenue was brought to account for the full financial year as a result of the acquisition and consolidation of the Subi Centro retirement village, which occurred in February 2010.

Other income

Other income decreased as a result of:

- in the prior year, a one off gain on the acquisition of the Subi Centro retirement village was recognised, and
- a reduction in the net realised gains on investments in the Insurance business.

Main influences on costs of operations

Claims expense

Claims expense decreased during the year as the prior year included the impact of the March hail storm.

Outwards reinsurance premium expense

Outwards reinsurance premium expense increased during the year primarily as a result of general price increases in the reinsurance market.

Employee benefits expense

Employee benefits expense increased due to additional staff required in the Motoring and Insurance businesses together with a general salary increase in the year.

Depreciation and amortisation expense

Depreciation and amortisation increased during the year due to the purchase of additional operating assets as well as the commencement of amortisation on completion of information technology solutions.

Service fees

The Insurance business ceased purchasing services from the Suncorp Group in November 2010. As a result Service fees are lower in the current year.

Consulting expense

Consulting increased during the year as a result of costs incurred on the development of Insurance information technology solutions.

Advertising and promotional expenses

Advertising and promotional expenses increased during the year following increased efforts to promote the Group's brand and products in response to competitive pressure in the market.

Impairment of information technology solution asset

During the year the Group reviewed the carrying value of its information technology solution assets which resulted in a write down to its recoverable amount.

Other expenses

Other expenses increased during the year as a result of expenses incurred in the Insurance business on the development of information technology solutions together with the impact of the revaluation of retirement village resident loans.

Other significant movements

Impairment of investment in joint venture

The prior year results include an impairment charge on the investment in the Mandurah Quay development. The investment was exited during the current year without further loss.

Other comprehensive income

Revaluation of property plant and equipment

The Group revalued its direct property holdings at 30 June 2011, which reflected an increase in value due to current positive property market conditions in the Perth central business district.

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

The change in the fair value of available-for-sale financial assets reflect the unrealised gain on the revaluation of the Group investment portfolio due to favourable market conditions.

Consolidated Balance Sheet

| | NOTES | CONSOLIDATED | |
|---|-------|------------------|------------------|
| | | 2011 \$'000 | 2010 \$'000 |
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 3 | 70,706 | 81,538 |
| Trade and other receivables | | 181,592 | 160,603 |
| Reinsurance and other recoveries receivable | | 32,081 | 109,328 |
| Inventories | | 3,744 | 4,590 |
| Financial assets at fair value through profit or loss | | 50,854 | 50,599 |
| Available-for-sale financial assets | | 35,778 | 31,353 |
| Held-to-maturity investments | | 28,150 | 13,000 |
| Deferred acquisition costs | | 13,510 | 11,058 |
| Total current assets | | 416,415 | 462,069 |
| Non-current assets | | | |
| Receivables | | 84,356 | 90,546 |
| Reinsurance and other recoveries receivable | | 5,686 | 8,036 |
| Investments accounted for using the equity method | | 65,354 | 63,470 |
| Financial assets at fair value through profit or loss | | 148,378 | 143,463 |
| Available-for-sale financial assets | | 107,264 | 100,137 |
| Held-to-maturity investments | | 63,864 | 60,000 |
| Property, plant and equipment | | 108,197 | 95,072 |
| Investment properties | | 193,941 | 189,298 |
| Intangible assets and goodwill | | 150,722 | 157,193 |
| Total non-current assets | | 927,762 | 907,215 |
| Total assets | | 1,344,177 | 1,369,284 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | | 37,986 | 37,986 |
| Interest bearing loans and borrowings | | 136,011 | 119,639 |
| Current tax liabilities | | 3,370 | 6,958 |
| Provisions | | 35,988 | 33,073 |
| Outstanding claims liability | | 77,028 | 153,932 |
| Unearned premium liability | | 149,975 | 144,608 |
| Retirement village resident loans | | 143,910 | 142,438 |
| Total current liabilities | | 584,268 | 638,634 |
| Non-current liabilities | | | |
| Outstanding claims liability | | 9,808 | 11,315 |
| Interest bearing loans and borrowings | | 50,536 | 54,778 |
| Deferred tax liabilities | | 6,325 | 3,598 |
| Provisions | | 4,364 | 4,674 |
| Total non-current liabilities | | 71,033 | 74,365 |
| Total liabilities | | 655,301 | 712,999 |
| Net assets | | 688,876 | 656,285 |
| EQUITY | | | |
| Reserves | | 37,526 | 28,582 |
| Retained earnings | | 651,350 | 627,703 |
| Total equity | | 688,876 | 656,285 |

Concise Financial Report

Discussion and analysis – consolidated balance sheet

Cash and cash equivalents

Cash and cash equivalents decreased during the year as a result of investments in intangible assets, property plant and equipment as well as funds transferred to the Insurance and Group investment portfolios.

Trade and other receivables

Trade and other receivables increased during the year primarily as a result of the increase in the Finance loan book.

Reinsurance and other recoverables

Reinsurance and other recoverables have decreased as a result of the prior year including the impact of the March hail storm.

Financial assets

Financial assets at fair value through profit or loss in the Insurance business as well as Available for sale financial assets in the Group investment portfolio increased due to improved market conditions experienced during the year.

Held to maturity investments

Held to maturity investments increased during the year as a result of restructuring within the Group investment portfolio.

Property, plant and equipment

The Group revalued its direct property holdings at 30 June 2011. Due to current positive property market conditions in the Perth central business district, an increased value has been booked to the asset revaluation reserve.

Intangible assets and goodwill

Intangible assets decreased during the year as a result of the commencement of amortisation of the new Insurance information technology solution as well as ongoing amortisation of the customer relationship intangible assets recognised with the acquisition of the Insurance business in 2008.

Interest bearing loans and borrowings

Interest bearing loans and borrowings were increased within the Finance business during the year as a result of increased funding requirements to support the Finance loan book.

Outstanding claims liability

The outstanding claims liability in the Insurance business decreased as a result of the prior year liability including the impact of the March hail storm.

Unearned premium liability

The unearned premium liability increased as a result of the pricing adjustments and unit growth in the Insurance business.

Retirement village resident loans

Resident loans increased during the year as a result of the revaluation of the related investment properties. Current liabilities exceed current assets primarily due to the treatment of resident loans as current liabilities for accounting purposes.

Taxation

Movement in taxation balances during the year was as a result of the following:

- increase in deferred tax liabilities associated with a increase in value of land and buildings; and
- decrease in taxation provision due to a lower current year provision and higher taxation instalment payments compared to the prior year.

Reserves

Reserves increased during the year as a result of revaluation gains in the Group investment portfolio as well as the Group owner occupied properties.

Other significant movements in balance sheet items

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

Concise Financial Report

Consolidated Statement of Changes in Equity

| | 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 |
| Balance at 1 July 2009 | 24,688 | 982 | 612,626 | 638,296 |
| Other comprehensive income (net of tax) | -1,674 | 4,586 | - | 2,912 |
| Profit for year | - | - | 15,077 | 15,077 |
| Total comprehensive income for the year | -1,674 | 4,586 | 15,077 | 17,993 |
| Balance at 1 July 2010 | 23,014 | 5,568 | 627,703 | 656,285 |
| Other comprehensive income (net of tax) | 7,937 | 1,007 | - | 8,944 |
| Profit for year | - | - | 23,647 | 23,647 |
| Total comprehensive income for the year | 7,937 | 1,007 | 23,647 | 32,591 |
| Balance at 30 June 2011 | 30,951 | 6,575 | 651,350 | 688,876 |

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 movement in equity for the year was an increase of \$32.591m. This consisted of an increase in retained earnings of \$23.647m and a net increase in reserves of \$8.944m.

The movement in reserves consisted of the following items :

- increase in reserves of \$7.937m from the revaluation of the Group's property portfolio; and
- an increase in reserves of \$1.007m arising from the increase in value of the Group's available-for-sale financial assets.

Consolidated Statement of Cash Flows

| | NOTES | CONSOLIDATED | |
|---|----------|----------------|-----------------|
| | | 2011 \$'000 | 2010 \$'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers (inclusive of goods and services tax) | | 147,189 | 130,739 |
| Premiums received | | 310,651 | 290,463 |
| Payments to suppliers and employees (inclusive of goods and services tax) | | -205,023 | -236,697 |
| Reinsurance and other recoveries received | | 140,638 | 138,117 |
| Claims paid | | -328,870 | -267,127 |
| Outward reinsurance premium paid | | -21,102 | -17,993 |
| Insurance policyholder acquisition costs | | -25,355 | -23,122 |
| Net (advances to)/ receipts from finance customers | | -7,234 | 79,654 |
| Net proceeds from / (repayment of) finance borrowings | | 12,130 | -50,527 |
| | | 23,024 | 43,507 |
| Dividends received | | 5,374 | 5,846 |
| Interest and rental income | | 16,823 | 12,145 |
| Income taxes (paid)/ refunded | | -8,542 | 7,210 |
| Other income received | | 317 | 729 |
| Net cash inflow from operating activities | | 36,996 | 69,437 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payments for property, plant and equipment | | -7,950 | -8,402 |
| Payment for intangibles | | -7,412 | -18,662 |
| Payment for investment property | | - | -8,642 |
| Proceeds from sale of property, plant and equipment | | 265 | 704 |
| Payment for available-for-sale and held-to-maturity investments | | -36,424 | -96,866 |
| Proceeds from sale of available-for-sale investments | | 8,928 | 21,671 |
| Dividend received from associates | | 256 | 215 |
| Payment for acquisition of subsidiaries (net of cash acquired) | | - | -10,261 |
| Payment for investment in associates | | -1,229 | - |
| Return of capital contributions from investments | | - | 2,550 |
| Proceeds from sale of financial assets at fair value through profit or loss | | 145,218 | 205,807 |
| Purchase of financial assets at fair value through profit or loss | | -149,480 | -197,487 |
| Net cash (outflow) from investing activities | | -47,828 | -109,373 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Net cash inflow from financing activities | | - | - |
| Net (decrease) in cash and cash equivalents | | -10,832 | -39,936 |
| Cash and cash equivalents at the beginning of the financial year | | 81,538 | 121,474 |
| Cash and cash equivalents at end of year | 3 | 70,706 | 81,538 |
| NON CASH FINANCING AND INVESTING ACTIVITIES | | | |
| Acquisition of land and retirement village assets by means of vendor finance. | | - | 23,800 |

Discussion and analysis – consolidated statement of cash flows

Receipts from customers

(inclusive of goods and services tax)

Receipts from customers increased during the year due to increased prices and higher revenue.

Reinsurance and other recoveries received

Reinsurance and other recoveries increased as a result of the ongoing impact of the March hail storm.

Claims paid

Claims paid increased during the year as a result of the ongoing impact of the March hail storm.

Outward reinsurance premium paid

The outwards reinsurance premium paid increased during the year as a result of pricing adjustments in the reinsurance market.

Net receipts from finance customers and net proceeds from/repayment of finance borrowings

Finance receivables increased during the year which resulted in an inflow from borrowings and interest bearing loans from the external market required to fund the loan book.

Interest and rental income

Interest income increased during the year as a result of higher interest rates and increased investment in interest bearing assets. Cash holdings within the Insurance business increased, while cash held within the Group investment portfolio was invested in interest bearing term deposits.

Income taxes refunded/(paid)

Income tax instalments were paid during the year compared to refunds received in 2010, which arose due to the fact that the previous year's instalments paid exceeded the final tax liability.

Payment for intangibles

Payments for intangibles reduced during the year as a result of the completion of the Insurance information technology solution.

Payments for investments

Payments for investments reduced in the current year which is reflective of lower activity in the portfolio. The prior year includes the amounts invested in term deposits classified as Held to maturity investments.

Payment for the acquisition of subsidiaries (net of cash acquired)

In 2010 the Group acquired the RAC Driving Centre and the Subi Centro retirement village (included as Payment for investment property).

Financial assets at fair value through profit or loss

The proceeds from sale and purchase of financial assets at fair value through profit or loss decreased during the year as a result of declining turnover in the investment portfolio of the Insurance business.

Non cash financing and investing activities

The non cash financing and investing activities in the prior year relate to borrowings associated with the Subi Centro retirement village and land acquisition.

Notes to the 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 have been consistently applied to all the years presented, unless otherwise stated.

(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.

Concise Financial Report

2 Revenue

| FROM CONTINUING OPERATIONS | CONSOLIDATED | |
|---|----------------|----------------|
| | 2011 \$'000 | 2010 \$'000 |
| SALES REVENUE | | |
| Sale of goods | 9,460 | 9,107 |
| Services | 40,610 | 39,169 |
| Membership subscription and entrance fees | 55,316 | 52,640 |
| Commission received | 4,785 | 3,636 |
| Finance interest income | 17,731 | 20,982 |
| | 127,902 | 125,534 |
| OTHER REVENUE | | |
| Premium revenue | 280,616 | 267,830 |
| Reinsurance and other recoveries | 57,911 | 234,872 |
| Rental income | 504 | 369 |
| Interest income | 19,154 | 15,991 |
| Dividends and distributions from other corporations | 11,467 | 5,505 |
| Other | 2,184 | 3,413 |
| Retirement Village revenue | 3,872 | 2,587 |
| | 375,708 | 530,567 |
| | 503,610 | 656,101 |

3 Current assets – Cash and cash equivalents

| | CONSOLIDATED | |
|-------------------------------|----------------|----------------|
| | 2011 \$'000 | 2010 \$'000 |
| Cash at bank and in hand | 61,894 | 70,912 |
| Deposits at call | 7,267 | 9,519 |
| Cash deposits – trust account | 1,545 | 1,107 |
| | 70,706 | 81,538 |

(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 consolidated cash flow statement as follows:

| | CONSOLIDATED | |
|---|----------------|----------------|
| | 2011 \$'000 | 2010 \$'000 |
| Balances as above | 70,706 | 81,538 |
| Balances per consolidated cash flow statement | 70,706 | 81,538 |

4 Contingencies

(a) Contingent liabilities

The Group had contingent liabilities at 30 June 2011 in respect of:

Guarantees

RACWA Holdings has provided a guarantee to Westpac Banking Corporation for \$0.076m (2010: \$nil) for premises rented for its Carousel branch, and \$0.125m (2010: \$0.125m) for premises rented for the RAC Driving Centre from Westralia Airports. In June 2010 there was a guarantee for \$0.033m in relation to premises rented for the Central Park branch, which is no longer in place.

RACWA Holdings has entered into a guarantee facility agreement with St Ives Group Pty Ltd ("St Ives") for an amount not exceeding \$20.000m on commercial terms.

No material losses are anticipated in respect of any of the above contingent liabilities.

5 Business combination

Current period

There were no Business combinations entered into in the current period.

Prior period

On the 1 July 2009, RACWA Holdings acquired 100% of the voting shares of the driver training facility Driver Training and Education Pty Ltd ("RAC Driving Centre") from its private owners.

On 29 January 2010 a Group subsidiary, Centro Living Pty Ltd acquired 100% of the voting shares of Patton Enterprises Pty Ltd, the owner of the Subi Centro retirement village, from its private owners.

6 Events occurring after the reporting period

There has been no matter or circumstance that has arisen since 30 June 2011 that has significantly affected, or may significantly affect the Group's operations, the results of those operations or the Group's state of affairs in future years.

