



RAC members are happier

RAC ANNUAL REPORT

2012

THE ROYAL AUTOMOBILE CLUB OF W.A. (INC.)

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The President's Report



The RAC has always been a Western Australian organisation, committed to the State and its people. It is through these ties with Western Australia that the RAC has maintained its commitment to members and remained a responsible citizen, giving back to the community that has supported it for more than 100 years.

The RAC was founded on member advocacy and we carry this through today. We remain a member-focused club and continue to work on our advocacy agenda of safe, accessible and sustainable mobility for all Western Australians. I am pleased to report that over the past year we have acted on a number of campaigns to help us towards achieving this aim.

Top of the list is the announcement from the State government that 100 per cent of revenue from speed and red light camera fines now goes to the Road Trauma Trust Account, to be spent on road safety. The announcement was made back in April 2011 and fully implemented from July 2012. This is a big step forward for road safety in this State and I'm very proud that this change was partly due to years of pressure and campaigning by the RAC. This increased funding has allowed additional safety initiatives to be funded during FY12. However, the RAC remains concerned that "cost shifting" could see this critical road safety funding eroded.

The RAC is an organisation that exists solely for the benefit of its members and reinvests profits made by its businesses into the Western Australian community. It's this structure and purpose that sets us apart from other organisations and helps us to carry out advocacy work to create real and positive change in Western Australia. We're working to reduce road trauma, congestion and emissions over the next decade to ensure WA is a great State for many years to come.

In May this year, we held the inaugural bstreetsmart event, which was delivered

in partnership with FESA, St John Ambulance, WA Police and Royal Perth Hospital. More than 2000 year 10, 11 and 12 students attended the road safety event to watch a re-enactment of a serious crash scene and hear from road trauma victims and their families. This event has since been recognised with the Constable Care Corporate Program and Partnership Award.

Maintaining our focus on finding a solution to Perth's growing congestion problems we have conducted our second 'cost to business' congestion study through the RAC's BusinessWise customers, in partnership with the Chamber of Commerce and Industry and its members. We also ran our Red Spots WA campaign to help identify the roads and intersections that cause frustration for motorists. The campaign generated more than 4,000 nominations, which the RAC will now use to work with governments and road authorities to find solutions.

But accessibility isn't just about fixing our congested roads, it's about finding an integrated solution that includes improved public transport and cycling infrastructure. The RAC welcomed the State government's commitment to new funding for cycling infrastructure, funding for the Gateway WA project around the airport and additional funds to tackle inner city congestion including road improvements and additional CAT busses.

On top of this, the RAC has been representing members through providing submissions in response to the Western Australian Bicycle Network Plan and the Public Transport Network Plan.

Over the past year, the RAC has been working to reduce the impact of the car on the environment through its participation in an electric vehicle trial with UWA and the operation of a charging trailer for electric vehicles. The RAC will also install a second electric vehicle charging station in addition to the already existing one at the Wellington Street office.

Members who drive a lower emission vehicle are being rewarded by the RAC with a new program offering discounts on insurance, finance, roadside assistance

and vehicle servicing. This is another way we are committed to our members and helping them to contribute to a better Western Australia.

The Group remains in a strong financial position to maintain its commitment to Western Australia and contribute as a viable organisation. Our businesses are also continuing their focus on the level of service they provide to members.

As President, I am pleased to say that we are working hard to balance economic viability with social responsibility.

Over the past year, the RAC has increased its commitment and contribution to Western Australia through a broadening range of sponsorships and community partnerships. We have supported 15 local community partners to run programs such as cycling education and driver education and partnered with larger groups to help them promote road safety and active transport. We also held the inaugural RAC Freeway Bike Hike for Asthma, which saw nearly 9,000 people ride their bikes along the Kwinana and Mitchell Freeways. I am pleased to say that this partnership will continue in 2013.

The RAC Rescue helicopter remains an essential service to the community. In the past year it was called out more than 350 times with more than half of its missions dedicated to rescuing road crash victims. Through our partnership with FESA, the helicopter is able to rescue people outside of the metropolitan area and enables critically ill patients to be rapidly transferred to the State's best medical centres for treatment.

Finally, I would like to take this opportunity to thank Group CEO Terry Agnew and all of his team for their dedication and contribution. It's the people that make the RAC an iconic organisation and it's their commitment to members that sets us apart from our competitors. I would also like to thank my colleagues on the RAC Council and other governance bodies for their dedicated commitment over the past 12 months.

The Group CEO's Report



The 2011/2012 financial year has been a challenging one for the RAC Group as we continue towards our vision of being the most valued organisation to Western Australians by 2020.

The RAC remains a committed membership organisation and a vital part of life in Western Australia. Our businesses make it a priority to offer excellent service to all members, which is something I believe sets us apart from our competitors.

As a mutual, we are also committed to giving back to Western Australia and continue to reinvest profits into the community for the benefits of our members and the wider community.

Good examples of this in action include our expanded sponsorship portfolio as well as our increasing advocacy efforts. In the last year we have partnered with more than 15 groups to help them promote safe, accessible and sustainable mobility to their communities.

Similar to this, our advocacy agenda is looking to effect change now to positively influence the future mobility options for Western Australians. Our wider advocacy agenda has been generating a positive response and as our President noted, we have seen some good progress and wins in this area over the past year.

However, in order to continue this valuable work on behalf of our members, our business must be financially sustainable. This year our results have been impacted particularly by storms and investments. For the 2011/2012 financial year, the Group's after tax loss is reported as \$13.795m. Most businesses performed well with the Insurance business being affected by storms in June. In addition, following an assessment of the value of each asset, prevailing market conditions and the St Ives Group exposure to property assets, the RAC Group's investment in the St Ives Group has been impaired by \$17.094m.

The organisation remains in a strong financial position. The financial performance in 2012/13 has been positive and the reduction in net assets of \$13.1m to June 2012 was fully recovered by the end of September 2012. This was off the back of the strong operating performance of the businesses plus improved equity markets.

Our businesses continue to provide extensive services; our Patrols have rescued nearly 460,000 stranded motorists; our Auto Service centres have serviced and repaired more than 52,000 cars; our Batteries team replaced more than 66,000 car batteries; 22,000 people attended the RAC Driving Centre for advanced driver training; we financed the sale of over 2,000 cars; we paid out more than 33,000 home insurance claims and

more than 66,000 motor claims; and we sold 29,000 holidays through RAC Travel and provided touring advice to thousands of members.

Our people always show a high level of dedication and enthusiasm for their roles and the members. It is the people at the RAC who underpin everything we do. Investing in them, their future and creating a high achievement culture remains a key priority for the Group.

This year alone, our people have helped the RAC reach some outstanding achievements. As a Group, we were awarded with WorkSafe Gold accreditation in November. This is a great achievement, given that an average of only seven companies per year have been awarded a gold certificate over the last three years.

Also, the RAC Workforce Scheduling team was presented with an Innovation Award for using new technology to forecast and schedule tasks. This work ensures the RAC continues to meet the needs of members.

In closing I would like to thank all of our people at RAC for their hard work and commitment throughout the year. I would also like to thank you, our members, for your continued support. We look forward to continuing our relationship with you in years to come.



RAC members are happier

Annual Concise Report 30 June 2012

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 2012. 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 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 2012; 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 2012.

Signed in accordance with a resolution of Councillors on 15 October 2012.

Tim Shanahan – President
The Royal Automobile Club of W.A.
(Incorporated)
Perth, Western Australia
Date: 15 October 2012

Councillors' Meetings

The number of meetings of the Councillors and each committee held during the year ended 30 June 2012, 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	8	8	5	5	3**	4
E Bowen	8	8	4	5	*	*
A Evans	6	8	5	5	*	*
A Halse	7	8	*	*	3	4
F Crucitti	8	8	*	*	*	*
D Banks	8	8	*	*	4	4
C O'Sullivan	8	8	*	*	4	4
A Blagaich	7	8	*	*	*	*
D Gooding	8	8	*	*	*	*
J Wadley	8	8	5	5	*	*
J Darby	6	8	5	5	*	*
R Dowling	5	8	*	*	*	*
J Ronchi	8	8	5	5	4	4
E Re	7	8	*	*	*	*
S Klomp	8	8	*	*	*	*

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
 ** = Attended in his capacity as Club President

Retirement, election and continuation in office of Councillors

T Shanahan commenced his second term of office as President on 22 November 2011.

E Bowen commenced her second term as Senior Vice President on 22 November 2011.

A Evans was re-elected to the position of Vice President on 19 December 2011.

All of the above persons were also Councillors at the year ended 30 June 2011.

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

We have audited the accompanying concise financial report of The Royal Automobile Club of WA (Incorporated) which comprises the consolidated balance sheet as at 30 June 2012, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated 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 2012. 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 2012. We expressed an unmodified audit opinion on the financial report in our report dated 15 October 2012. 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*.

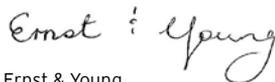
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 2012 complies with Accounting Standard AASB 1039 *Concise Financial Reports*.



Ernst & Young



F Drummond
Partner
Perth
15 October 2012

Corporate Governance Statement

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

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 Royal Automobile Club of W.A. (Incorporated) 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 names of the Councillors in office during the entire financial year and until the date of this statement are as follows.

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

T Shanahan commenced his second term of office as President on 22 November 2011.

E Bowen commenced her second term as Senior Vice President on 22 November 2011.

A Evans was re elected to the position of Vice President on 19 December 2011.

All of the above persons were also Councillors during the year ended 30 June 2011.

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;
- RACWA Holdings Pty Ltd 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 managements' 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 Pty Ltd 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
J Wadley	
J Darby	
E Bowen	
A Evans	
J Ronchi	
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	

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	
		2012 \$'000	2011 \$'000
Revenue	2	508,169	503,610
Other income		525	7,065
Claims expense		(222,620)	(221,098)
Outwards reinsurance premium expense		(28,519)	(21,102)
Insurance policy acquisition costs		(29,904)	(22,903)
Employee benefits expense		(90,974)	(81,222)
Depreciation and amortisation expense		(17,750)	(17,114)
Rent and outgoings		(6,191)	(5,970)
Management and service fees		(275)	(5,085)
Materials and consumables used		(28,617)	(24,372)
Postage, printing and stationery		(4,669)	(5,828)
Telecommunications expense		(2,129)	(2,582)
Information technology expense		(3,841)	(4,168)
Consulting expense		(7,080)	(7,072)
Advertising and promotional expenses		(9,367)	(8,557)
Towing and subcontractor expenses		(13,988)	(12,258)
Other expenses		(19,220)	(32,199)
Impairment expenses		(20,360)	(3,188)
Finance costs		(11,288)	(11,183)
Share of net profit of associates accounted for using the equity method		323	911
(Loss)/profit before income tax		(7,775)	25,685
Income tax (expense)		(6,020)	(2,038)
(Loss)/profit for the year		(13,795)	23,647

Consolidated Statement of Comprehensive Income

	CONSOLIDATED	
	2012 \$'000	2011 \$'000
(Loss)/profit for the year	(13,795)	23,647
Revaluation of property, plant and equipment	8,337	13,542
Changes in the fair value of available for sale financial assets	(7,442)	2,795
Transfer to the income statement on sale of available for sale financial assets	28	(1,356)
Income tax relating to components of other comprehensive income	(277)	(6,037)
Other comprehensive income for the year, net of tax	646	8,944
Total comprehensive (loss)/income for the year is attributable to: Members of The Royal Automobile Club of W.A. (Incorporated)	(13,149)	32,591

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

Revenue from continuing operations

Revenue from underlying Group operating activity increased by \$24.493m during the year, offset by a reduction in reinsurance recoveries associated with the March 2010 hail storm and decreased dividends and distributions from other corporations, resulting in a net overall increase of \$4.559m. This is in accordance with the discussion below.

Trends in revenue arising from sales

Membership subscriptions and entrance fees

Membership subscriptions revenue and entrance fees grew during the year as a result of an increase in member numbers and continued growth in the premium products, together with a general price increase.

Sale of Goods

The increase from prior year is due to higher volumes of battery sales and increased NAP revenue in the Motoring business.

Services

The increase from prior year is a result of increase in sales of member discount cards and increased revenue from the RAC Driver Training Centre. This was offset by a decrease in Auto Service revenue due to reduced demand.

Finance interest income

Finance interest income decreased over the year as a result of the fall in interest rates and small reduction in loan book outstanding in accordance with business strategy.

Trend in revenue arising from other revenue

Premium revenue

Premium revenue grew during the year as result of price adjustments across the portfolio, together with increased new business sales.

Reinsurance and other recoveries

Reinsurance and other recoveries decreased as the prior year included residual recoveries associated with the March 2010 hail storm.

Dividends and distributions from other corporations

Dividends and distributions from investment trusts and other corporations decreased during the year due to unfavourable equity market conditions compared to the prior year.

Other revenue

In the current year other revenue includes revenue realised on disposal of property, which was classified as inventory, held by one of the Groups property joint ventures.

Other income

Other income decreased as a result of:

- in the prior year, an unrealised revaluation gain on the Subi Centro retirement village was recognised. There were no similar gains in the current year.
- a reduction in the net realised gains on investments in the Insurance business and the Group Investment portfolio.

Concise Financial Report

Share of net profits of associates accounted for using the equity method

The decrease in the current year has resulted from the weak financial performance of the St Ives Group.

Main influences on costs of operations

Outwards reinsurance premium expense

Outwards reinsurance premium expense increased during the year as a result of general reinsurance market price increases driven by Australian storm events over the past two years.

Employee benefits expense

Employee benefits expense increased due to a general salary increase across the Group and an increase in staff numbers associated with business expansion.

Insurance policy acquisition costs

Amortisation of policy acquisition costs increased during the year as a result of increase in costs captured as policy holder acquisition costs and capitalised to deferred acquisition costs on the balance sheet.

Management and Service fees

The prior year expense reflects the use of services provided by Suncorp to the Insurance business until November 2010, which are no longer required.

Materials and consumables used

The increase during the year is a result of the increase in costs associated with member discount cards and the cost of inventory sold by one of the Group's property joint ventures.

Postage, printing and stationery

The decrease in the year is a result of additional policyholder communication costs in the Insurance business being capitalised to deferred acquisition costs and amortised, as noted above.

Advertising and promotional expenses

Advertising and promotional expenses increased during the year as a result of the Brand advertising campaign undertaken by the Group in addition to product advertising.

Towing and subcontractor expenses

The increase during the year is a result of an increase in job numbers in the Motoring division, particularly in regional areas.

Other expenses

Other expenses decreased during the year as a result of current year reclassification to employee expenses of information technology solution expenses and the revaluation of resident loans in the retirement business in the prior year.

Impairment expense

Impairment of information technology asset

During the year the Group reviewed its information technology assets which resulted in a write down of \$3.3m.

Impairment of investment in St Ives Group

Following an assessment of the value of each asset, prevailing market conditions and the St Ives Group exposure to property assets, the Group has impaired its investment in the St Ives Group by \$17.094m down to a carrying value of \$43.944m.

Other comprehensive income

Revaluation of property plant and equipment

The Group revalued its direct property holdings at 30 June 2012 by \$5.8m. This is associated with the positive property market conditions that exist 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 reversal of unrealised gains on the revaluation of the Group investment portfolio due to equity market conditions in the current year.

Consolidated Balance Sheet

	NOTES	CONSOLIDATED	
		2012 \$'000	2011 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	3	69,741	70,706
Trade and other receivables		179,464	181,592
Reinsurance and other recoveries		28,917	32,081
Inventories		2,145	3,744
Financial assets at fair value through profit or loss		76,058	50,854
Available for sale financial assets		37,428	35,778
Held to maturity investments		101,617	28,150
Current tax receivables		3,238	-
Deferred acquisition costs		16,787	13,510
Total current assets		515,395	416,415
Non-current assets			
Receivables		78,282	84,356
Reinsurance and other recoveries receivable		3,702	5,686
Investments accounted for using the equity method		47,495	65,354
Financial assets at fair value through profit or loss		119,865	148,378
Available for sale financial assets		119,597	107,264
Held to maturity investments		-	63,864
Property, plant and equipment		111,953	108,197
Investment properties		195,935	193,941
Intangible assets and goodwill		143,145	150,722
Total non current assets		819,974	927,762
Total assets		1,335,369	1,344,177
LIABILITIES			
Current liabilities			
Trade and other payables		41,981	37,986
Interest bearing loans and borrowings		121,609	136,011
Current tax liabilities		-	3,370
Provisions		37,023	35,988
Outstanding claims liability		74,612	77,028
Unearned premium liability		166,722	149,975
Retirement village Resident loans		142,286	143,910
Total current liabilities		584,233	584,268
Non current liabilities			
Outstanding claims liability		8,503	9,808
Interest bearing loans and borrowings		50,547	50,536
Deferred tax liabilities		11,655	6,325
Provisions		4,704	4,364
Total non current liabilities		75,409	71,033
Total liabilities		659,642	655,301
Net assets		675,727	688,876
EQUITY			
Reserves		38,172	37,526
Retained earnings		637,555	651,350
Total equity		675,727	688,876

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

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 the Group investing in technology, property plant and equipment, and investment property. The Group also transferred funds to its investment portfolio, offset by increase in cash received from operating activities and funds transferred from the Insurance investment portfolio to cash.

Trade and other receivables

Trade and other receivables decreased during the year as a result of the decrease in the Finance loan book in accordance with its business strategy. A decrease in investment income receivable associated with the Group investment portfolio resulted from unfavourable equity market conditions. These reductions were offset by an increase in Premiums due from insurance policy holders reflecting increased activity and pricing.

Reinsurance and other recoveries

Reinsurance and other recoverables have decreased as a result of the prior year including the residual impact of the March 2010 hail storm.

Financial assets

Financial assets at fair value through profit or loss in the Insurance business have decreased resulting from reclassification to cash assets. Available for sale financial assets in the Group investment portfolio increased due to movement of excess cash into the portfolio, partially offset by poor equity market conditions experienced during the year.

Held to maturity investments

Held to maturity investments increased during the year as a result of interest earned being capitalised. These investments are now classified as current as they are approaching maturity.

Investments accounted for using the equity method

The decrease in the current year is a result of the Group impairing its investment in the St Ives Group's following an assessment of the value of each asset, prevailing market conditions and the St Ives Group exposure to property assets.

Investment properties

The increase in the current year is a result of the purchase of investment property units associated with one of the Group's joint ventures which was wound up.

Property, plant and equipment

The Group revalued its direct property holdings at 30 June 2012. Due to current positive property market conditions in the Perth central business district, an increase in value has been booked to the asset revaluation reserve.

Intangible assets and goodwill

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

Interest bearing loans and borrowings

Interest bearing loans and borrowings were decreased within the Finance business during the year as a result of decreased funding requirements to support the Finance loan book in accordance with its business strategy.

Outstanding claims liability

The outstanding claims liability in the Insurance business decreased as a result of the prior year liability including the residual impact of the March 2010 hail storm, offset partially by increased amounts owing on recent event claims.

Unearned premium liability

The unearned premium liability increased as a result of pricing adjustments together with increased new business and sales in the Insurance business.

Resident loans

Current liabilities exceed current assets primarily due to the treatment of resident loans for accounting purposes. Associated residential property assets are classified as non current assets.

Taxation

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

- decrease in deferred tax liabilities was a result of the decrease in the value of available for sale investments offset by the increase in value of land and buildings; and
- decrease in deferred tax asset associated with deferred management fees no longer allowed as a deduction by the Australian Taxation Office; and
- a receivable on the taxation provision due to a lower current year income tax provision exceeding taxation instalments paid.

Reserves

Reserves increased during the year as a result of the reversal of revaluation gains in the Group investment portfolio offset by increases in the value of 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.

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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 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 1 July 2011	30,951	6,575	651,350	688,876
Other comprehensive income/(loss) (net of tax)	5,836	(5,190)	-	646
Loss for year	-	-	(13,795)	(13,795)
Total comprehensive (loss)/income for the year	5,836	(5,190)	(13,795)	(13,149)
Balance at 30 June 2012	36,787	1,385	637,555	675,727

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 a decrease of \$13.149m. This consisted of a decrease in retained earnings of \$13.795m and a net increase in reserves of \$0.646m.

The net increase in reserves consisted of the following items:

- an increase in reserves of \$5.836m from the revaluation of the Group's property portfolio;
- an increase in reserves of \$0.019m as a result of the transfer of reserves to the income statement on disposal of available for sale financial assets; and
- a decrease in reserves of \$5.209m arising from the decrease in value of the Group's available for sale financial assets.

Consolidated Statement of Cash Flows

	NOTES	CONSOLIDATED	
		2012 \$'000	2011 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of goods and services tax)		155,520	147,189
Premiums received		338,148	310,651
Reinsurance and other recoveries received		51,208	140,638
Payments to suppliers and employees (inclusive of goods and services tax)		(185,244)	(195,377)
Claims paid		(268,724)	(328,870)
Outward reinsurance premium paid		(28,360)	(21,102)
Insurance policyholder acquisition costs		(33,181)	(25,355)
Net receipts from/(advances to) finance customers		12,445	(7,234)
Net (repayment of)/proceeds from finance borrowings		(14,391)	12,130
Dividends received		10,807	5,374
Interest and rental income received		19,295	17,979
Interest expense paid		(10,984)	(10,802)
Income taxes paid		(7,570)	(8,542)
Other income received		217	317
Net cash inflow from operating activities		39,186	36,996
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(5,357)	(7,950)
Payment for intangibles		(5,505)	(7,412)
Proceeds from sale of property, plant and equipment		339	265
Payment for investment property		(2,885)	-
Payment for available for sale and held to maturity investments		(31,975)	(36,424)
Proceeds from sale of available for sale investments		500	8,928
Dividend received from associates		1,087	256
Payment for investment in associates		-	(1,229)
Proceeds from sale of financial assets at fair value through profit or loss		214,232	145,218
Purchase of financial assets at fair value through profit or loss		(210,587)	(149,480)
Net cash outflow from investing activities		(40,151)	(47,828)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash inflow from financing activities		-	-
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(965)	(10,832)
Cash and cash equivalents at the beginning of the financial year		70,706	81,538
Cash and cash equivalents at end of year	3	69,741	70,706

The above cash flow statement 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)

Receipts from customers increased during the year as a result of growth in products offered and increase in prices.

Premiums received

Premiums from customers received increased in line with increased premium revenue.

Reinsurance and other recoveries received

Reinsurance and other recoveries decreased as a result of the prior year being impacted by residual effects of the March 2010 hail storm.

Claims paid

Claims paid decreased during the year as the prior year had continued to be impacted by the March 2010 hail storm.

Outward reinsurance premium paid

The outwards reinsurance premium paid increased during the year as a result of pricing increases in the reinsurance market driven by Australian storm events over the past 2 years.

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

Finance receivables decreased during the year which resulted in a repayment of borrowings and interest bearing loans from the external market required to fund the loan book in accordance with its business strategy.

Dividends received

The increase in current year was a result of the high level of distributions receivable from prior year from the Group investment

portfolio being received in the current year, relating to prior year distributions.

Interest and rental income

Interest income increased during the year as a result of additional investment in interest bearing assets together with reinvestment of interest earned. Cash holdings within the Insurance business increased. These increases were offset by cash held within the Group investment portfolio being invested in available for sale financial assets.

Income taxes paid

Income tax instalments paid during the year have decreased on the prior year as a result of the reduction in our instalment rate.

Payment for intangibles

Payments for intangibles reduced during the year as a result of the completion of the Insurance business' Information technology system in the prior year.

Payment for investment property

The current year payment for investment property was in relation to purchase of investment property units associated with one of the Group's joint ventures which was wound up.

Payments for available for sale and held to maturity investments

Payments for investments reduced in the current year which is reflective of lower activity in the portfolio.

Dividends from associates

The increase in the current year was a result of a dividend received from the St Ives Group.

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 increased during the year as a result of increasing turnover within the Insurance investment portfolio and growth in the business, with net proceeds being transferred to cash assets.

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	
	2012 \$'000	2011 \$'000
SALES REVENUE		
Sale of goods	10,873	9,773
Services	41,654	40,610
Membership subscription and entrance fees	58,879	55,316
Commission received	5,145	4,785
Finance interest income	16,873	17,418
	133,424	127,902
OTHER REVENUE		
Premium revenue	297,076	280,616
Reinsurance and other recoveries	43,813	57,911
Rental income	497	504
Interest income	19,081	19,154
Dividends and distributions from other corporations	5,631	11,467
Retirement Village revenue	3,530	3,872
Other	5,117	2,184
	374,745	375,708
	508,169	503,610

3 Current assets – Cash and cash equivalents

	CONSOLIDATED	
	2012 \$'000	2011 \$'000
Cash at bank and in hand	61,610	61,894
Deposits at call	6,755	7,267
Cash deposits – trust account	1,376	1,545
	69,741	70,706

(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	
	2012 \$'000	2011 \$'000
Balances as above	69,741	70,706
Balances per cash flow statement	69,741	70,706

4 Contingencies

(a) Contingent liabilities

The Group had contingent liabilities at 30 June 2012 in respect of:

Guarantees

RACWA Holdings Pty Ltd has provided a guarantee to Westpac Banking Corporation for \$0.076m (2011: \$0.076m) for premises rented for its Carousel travel branch, \$0.428m (2011: \$nil) for premises rented for RAC Motoring and Distribution from Edith Cowan University, and \$0.125m (2011: \$0.125m) for premises rented for the Driver Training Education Centre from Westralia Airports.

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 Events occurring after the reporting period

The agreement in relation to the ownership of the St Ives Group Pty Ltd contains procedures to agree or determine the purchase price for the RAC Group to acquire the remaining equity shares in St Ives Group Pty Ltd. As at the date of signing the financial report, those procedures are underway, but have not yet been completed and further disclosure is not possible.

There has been no other matter or circumstance that has arisen since 30 June 2012 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.