

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

Annual concise report

For the year ended 30 June 2013



For the better



The President's Report

It is my pleasure to report on the range of activities and initiatives delivered by the RAC over the past 12 months. The 2012/13 financial year has seen the RAC deliver a strong financial performance, on behalf of more than 750,000 Western Australian members. The overall profit after tax for the year ended 30 June 2013 was \$35 million and total net assets of the Group as at 30 June 2013 grew to \$731 million. This is a strong result for our members because the RAC reinvests its profits to provide benefits to members and to represent our members at the local, State and Federal levels.

Western Australia faces the reality that rapid population growth coupled with our strongly performing economy is creating significant challenges and pressures for the State and its people. Nowhere is this more obvious than on the State's road and public transport networks where addressing safety and congestion remain two of our highest priorities.

The RAC's Give Me Time campaign for the State election was a success. Focussing on the impacts of congestion, the need for greater safety, and the costs of motoring, it was pleasing to see the re-elected State Government commit to our key election priorities. The RAC's efforts, in partnership with our members and the community, also helped secure the announcement of a record \$5.7 billion for transport infrastructure for infrastructure projects, and a second rescue helicopter service to be based in the State's south-west. It was also pleasing to see a commitment in the recent State budget of almost \$130 million over the forward estimates from Royalties to Regions to a number of regional road projects.

I would like to take this opportunity to thank our members and the WA community for actively engaging with the RAC to seek these commitments from all political parties. The RAC now continues to engage constructively with the State Government to progress these commitments and importantly, ensure they are delivered. Leading into the Federal Election, the RAC also banded together with motoring clubs from around Australia for the first time through the Demand Better Roads campaign.

The inclusion of rail and public transport in our list of transport priorities demonstrates the leadership and vision provided by the RAC to deliver a solution for our increasing congestion. The RAC co-funded, with the Australian Automobile Association, and released the AusRAP assessment of the safety of the national highway network in Western Australia, covering the key road links to our regions. The release of the AusRAP report sent a clear message to Canberra that almost 1,300 kilometres of the national highway network in Western Australia rated poorly as either 1 or 2 stars.

We are also focussed on the use of the increased funding now flowing into the Road Trauma Trust Account and called for reform which will deliver guaranteed independence of advice to Government on how to effectively spend these funds. It is also timely to remind the WA Government that the RAC and the WA community expect to see real impacts in terms of reducing deaths and serious injuries on our roads. Since 2001/2002 the RAC has delivered road safety messages to over 300,000 school students in classroom settings throughout metropolitan and regional Western Australia.

In April 2013, the RAC presented bstreetsmart to over 5,000 Year 10-12 students at Perth Arena. This is the second year that RAC has staged this important event in partnership with St John Ambulance, the Department of Fire and Emergency Services (DFES), WA Police and Royal Perth Hospital (RPH). As well as ANCAP, the RAC's support of dedicated independent national research programs such as Australia's Best Cars, the Used Car Safety Ratings and Vehicle Operating Costs all continue to apply market pressure to vehicle manufacturers. RAC also lobbied vehicle manufacturers directly for the inclusion of critical safety features such as airbags for all occupants and driver assist technologies on affordable new cars.

The RAC supported a number of major sponsorships over the past year including the RAC Rescue helicopter and the Christmas Pageant. The RAC Rescue helicopter flies critical care specialists to an emergency incident and then transports the injured directly to a hospital that will provide them with the best care. In February 2013, a major milestone was reached when RAC Rescue flew its 3000th mission. 2013 also marks the 10 year anniversary of RAC sponsoring the service. More than \$415,000 has been provided to local communities since the RAC's Community Sponsorship program began in 2011. Importantly, 61% of the projects which have been supported by the RAC have directly benefited regional WA.

During the year the RAC continued to build on our very strong relationship with the Department of Fire and Emergency Services (DFES) by providing a \$100,000 financial contribution to Western Australia's volunteer Bush Fire Brigades. This financial contribution is assisting DFES to purchase Automated External Defibrillators and recognises the commitment of around 26,000 volunteers from more than 560 volunteer Bush Fire Brigades across WA.

Over the past three years as President it has been a pleasure to lead a committed Council and to work with the RAC's senior management team. I also acknowledge the commitment and thank all RAC people who often go above and beyond to deliver the services we provide.

The organisation is strong and stable and now is the right time to move our organisation forward. The launch of our new brand has set the course for our future. As a State we have many opportunities to take and challenges to manage in the years ahead - and that is why Western Australia will see the RAC being a driving force.



T Shanahan

President

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

Perth, W.A.

Date: 12/09/2013





The Group CEO's Report

The RAC Group achieved a strong financial result for the 2012/13 financial year. Group revenue increased to \$560 million and the overall profit after tax for the year ended 30 June 2013 was \$35 million. The total net assets of the Group as at 30 June 2013 grew to \$731 million. This is an important and positive financial result for our members because the RAC is a proudly run Western Australian organisation which reinvests its profits for our members. With a commitment to excellent service, our priority is to continue working hard to deliver a range of valued services and products to more than 750,000 members. The RAC also remains focussed on our advocacy and community efforts to keep Western Australia moving in a safe, accessible and sustainable manner into the future.

The RAC's results this year have been achieved in an external operating environment which continues to change. The organisation is strong and stable, and now is the time to take our organisation forward again, and build for the future. To build for the future, we need to continue to evolve, as we have always done.

The RAC has planned and embraced our future by announcing important and positive changes to our brand. By embracing change, we are sharing our future with our members, and we are also recognising and reflecting on our past. Our values, history and heritage are being protected, because they are unique to WA and are the foundations that have built the RAC. As part of this change, the RAC has also re-committed to our members by outlining that we will be more active on the issues that matter, including the services and products we provide, as we strive to make WA a better place. As part of this commitment we have taken the steps to align a number of our business activities to our advocacy efforts where there is a strategic and positive fit for our members.

I am pleased to report that during Disability Awareness Week 2012, the RAC recognised the varied needs of members and the WA community and launched Wheels2go. Wheels2go is an important initiative and now provides peace of mind for members using mobility devices by providing 24/7 roadside assistance.

We continue to support the importance of the Australasian New Car Assessment Program (ANCAP) and our priority is to call for increased safety information to be provided to consumers when making one of their most important purchasing decisions in buying a car. The RAC reinforced this position in October 2012 when we took the bold decision through our Safer Cars policy initiative to stop insuring and financing all 2012 and beyond manufactured vehicles which have been ANCAP rated and don't receive a safety rating of 4 or 5 - stars.

In August 2012, the RAC further positioned our organisation as an industry leader in sustainability by launching the Less Emissions Mission (LEM). The LEM is designed to inform and educate WA motorists on how we can all reduce our carbon footprint by reducing carbon dioxide car emissions.

The RAC as part of this initiative is providing rewards through our Insurance, Finance, Auto Services and Roadside Assistance products and services. This innovation is also not replicated in any of the other motoring clubs across Australia and was of interest internationally when presented at the Global Mobility Alliance Symposium held in Europe in September 2012. These have been positive policy and business commitments for our members.

As the Group CEO of a large membership organisation it concerns me deeply that in June 2000, I said "the State's road safety record is floundering behind other states." Since 2006 we have consistently been above the national fatality rate and regional road safety remains a big issue with 51% of deaths occurring on country roads despite only about 22% of the population living outside of the metropolitan area. Of the regions, the Wheatbelt has a fatality rate almost six times the State rate. More must and can be done at the National, State and local levels to deliver improvements in road and vehicle safety to both save lives and reduce the impact of road trauma on our community. Improving the safety of our roads is a critical component of our efforts to reduce road deaths and serious injuries in Western Australia.

Our State also needs to do more to combat poor driver behaviours such as drink driving, speeding, inattention and distraction. We must also continue to the fight against allowing vehicles with low safety ratings into the Australian and Western Australian market. I can inform members that the RAC is strongly committed to taking an even stronger stand on road safety and vehicle safety over the weeks and months ahead as part of our advocacy efforts. Western Australia's road safety strategy, Towards Zero, is the platform to deliver improved outcomes in this area because we all have a responsibility, including Government, to re-double our efforts to reduce deaths and serious injuries in WA.

The RAC Council, led by President Tim Shanahan, is strongly committed to RAC's focus on achieving a safer, more accessible and more sustainable Western Australia - a better Western Australia. I would also like to thank the 'RAC people' who work for our organisation. I regularly hear stories of you going above and beyond when it comes to service. I am proud of these stories which reflect the service ethos and member focus that is RAC.

The RAC is a good organisation. Our goal is to be a great one. Our vision is to be the most valued organisation in Western Australia by 2020. We are committed to the task ahead. We are committed to our members, our community, and our WA.



Terry Agnew

Group CEO

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

Perth, W.A.

Date: 12/09/2013



Councillors' report

Annual Concise Report

30 June 2013

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 2013. 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.

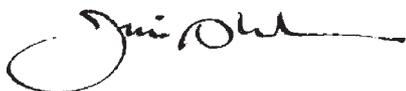
A free copy of The Royal Automobile Club of W.A. (Incorporated) and its controlled entities full financial report is available to all members upon request by contacting Legal Services on (08) 9436 4665.

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 2013; 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 2013.

Signed in accordance with a resolution of Councillors on 12/09/2013.



T Shanahan

President

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

Perth, W.A.

Date: 12/09/2013

Meeting of Councillors

The numbers of meetings of the Club's Board of Councillors and of each board committee held during the year ended 30 June 2013, and the numbers of meetings attended by each Councillor were:

Councillor	Meetings of committees					
	Full meeting of councillors		Club Board meetings		Audit committee	
	A	B	A	B	A	B
Tim Shanahan	9	10	5	6	5**	6
Esme Bowen	10	10	6	6	*	*
Anthony Evans	8	10	6	6	*	*
Dennis Banks	10	10	*	*	6	6
Allan Blagaich	6	10	*	*	*	*
Freda Crucitti	10	10	*	*	*	*
Jill Darby	9	10	5	6	*	*
Ross Dowling	9	10	*	*	*	*
Dalton Gooding	8	10	*	*	*	*
Alden Halse	8	10	*	*	6	6
Stephen Klomp	7	10	*	*	*	*
Colin O'Sullivan	10	10	*	*	6	6
Elizabeth Re	7	10	*	*	*	*
Jacqueline Ronchi	9	10	6	6	6	6
Julie Wadley	10	10	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
 ** = Attended in his capacity as Club President

Retirement, election and continuation in office of Councillors

Tim Shanahan commenced his third term of office as President on 20 November 2012.

Esme Bowen commenced her third term as Senior Vice- President on 20 November 2012.

Anthony Evans was re-elected to the position of Vice- President on 17 December 2012.

All of the above persons were also Councillors during the year ended 30 June 2012.

Independent auditor's report to the members



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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 consolidated balance sheet as at 30 June 2013, 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 2013. 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 2013. We expressed an unmodified audit opinion on the financial report in our report dated 12 September 2013. 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 2013 complies with Accounting Standard AASB 1039 *Concise Financial Reports*.

Ernst & Young
12 September 2013

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FD/DJ:RAC:199

Corporate governance statement

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

Council composition

Council composition 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 term.

Candidates to fill casual vacancies are nominated by the Councillors. Where there is more than one candidate to fill the casual vacancy, Council determines the appointee by ballot.

Council members

The names of the Councillors in office during the financial year and until the date of this statement (who were in office for the entire period, unless otherwise stated) are as follows:

Name	Position
Tim Shanahan	President
Esmé Bowen	Senior Vice-President
Anthony Evans	Vice-President
Dennis Banks	
Allan Blagaich	
Freda Crucitti	
Jill Darby	
Ross Dowling	
Dalton Gooding	
Alden Halse	
Stephen Klomp	
Colin O'Sullivan	
Elizabeth Re	
Jacqueline Ronchi	
Julie Wadley	

Tim Shanahan commenced his third term of office as President on 20 November 2012.

Esmé Bowen commenced her third term as Senior Vice-President on 20 November 2012.

Anthony Evans was re-elected to the position of Vice-President on 17 December 2012.

All of the above persons were also Councillors during the year ended 30 June 2012.

Council responsibilities

As the Council acts on behalf of and is accountable to the members, the 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, the Council is responsible for identifying areas of significant business risks and ensuring arrangements are in place to adequately manage those risks. The 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. The 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.

The Council is responsible for ensuring that management's objective and activities are aligned with the expectations and risks identified by the Council. The 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 the 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

Corporate governance statement (continued)

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's 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 organisation, including those associated with its legal compliance, have been identified and appropriate and adequate control, monitoring, accountability and reporting mechanisms are in place.

Remuneration process

The Council is responsible for determining and reviewing compensation for the Councillors, in their roles as members of the 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:

Tim Shanahan	Chairman
Julie Wadley	
Jill Darby	
Esme Bowen	
Anthony Evans	
Jacqueline Ronchi	
Terry Agnew	Chief Executive

Audit & Risk Committee

The Council has appointed an Audit & Risk committee which operates under a charter approved by Council.

The members of the Audit & Risk committee during the year were:

Colin O'Sullivan	Chairman
Dennis Banks	
Alden Halse	
Jacqueline Ronchi	
Tim 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 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 benchmarking of operational key performance indicators.

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

The Audit & 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 & Risk Committee meetings and is able to discuss any matters with the Audit & Risk committee without management's presence.

Communication to the members

The 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.

Consolidated income statement

	Notes	Consolidated	
		2013 \$'000	2012 \$'000
Revenue	2	560,254	508,169
Other income		3,906	525
Claims expense		(197,447)	(222,620)
Outwards reinsurance premium expense		(34,469)	(28,519)
Insurance policy acquisition costs		(34,882)	(29,904)
Employee benefits expense		(124,169)	(90,974)
Depreciation and amortisation expense		(20,182)	(17,750)
Rent and outgoings		(8,907)	(6,191)
Management and service fees		(305)	(275)
Materials and consumables used		(27,985)	(29,561)
Postage, printing and stationery		(5,589)	(4,669)
Telecommunications expense		(2,729)	(2,129)
Information technology expense		(4,486)	(3,841)
Consulting expense		(10,483)	(7,080)
Advertising and promotional expenses		(8,610)	(9,367)
Towing and subcontractor expenses		(15,051)	(13,988)
Acquisition costs		(2,919)	(321)
Other expenses		(24,898)	(17,955)
Impairment expense		-	(20,360)
Finance costs		(9,631)	(11,288)
Share of net profit of associates accounted for using the equity method		1,079	323
Profit/(loss) before income tax		32,497	(7,775)
Income tax benefit/(expense)		2,676	(6,020)
Profit for the year		35,173	(13,795)

Consolidated statement of comprehensive income

	Notes	Consolidated	
		2013 \$'000	2012 \$'000
Profit/(loss) for the year		35,173	(13,795)
Other comprehensive income			
<i>Items that may be reclassified subsequently to the income statement</i>			
Changes in available-for-sale financial assets		29,715	(7,443)
Transfer to the income statement on sale of available-for-sale financial assets		(1,984)	28
Income tax relating to these items		(8,319)	2,225
		19,412	(5,190)
<i>Items that will not be reclassified subsequently to the income statement</i>			
Gain on revaluation of land and buildings		2,009	8,337
Income tax relating to components of other comprehensive income/(loss)		(603)	(2,501)
		1,406	5,836
Other comprehensive income for the year, net of tax		20,818	646
Total comprehensive income/(loss) for the year		55,991	(13,149)
Total comprehensive income/(loss) for the year is attributable to: Members of The Royal Automobile Club of W.A. (Incorporated)		55,991	(13,149)

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 operating activity for the Club and the entities it controlled, (together the "Group"), increased by \$52.085m during the year. This increase is the result of growth in the classic and ultimate membership products together with a general membership price increase and insurance policy growth across both its Motor and Home portfolios. The current year revenue also includes revenue from the St Ives Group Pty Ltd and the entities it controlled, (together the "St Ives Group"), following completion of the acquisition of the remaining 50.1% of the St Ives Group on 28 November 2012 and its subsequent consolidation. Prior to this date the RAC Group's 49.9% investment in the St Ives Group was equity accounted. This is in accordance with the discussion below.

Trends in revenue arising from Sales

Membership subscriptions revenue and entrance fees

Membership subscriptions and entrance fees grew during the year as a result of membership growth in the membership premium products together with a general membership price increase.

Insurance Premium Revenue

Insurance premium revenue increased during the year as a result of insurance policy growth across both its Motor and Home portfolios.

Reinsurance and other recoveries

In the current year the insurance portfolio benefited from favourable weather conditions. The prior year included a number of storm events which resulted in higher reinsurance recoveries being achieved to offset claims expenses made by the insurance business.

Retirement revenue

From 28 November 2012, St Ives Group results have been fully consolidated into the RAC Group. Revenue for accommodation bonds, commissions and fees, property maintenance, subsidies and grants and retirement village revenue have all been included in revenue on consolidation of the business following completion of the acquisition on 28 November 2012.

Finance interest income

Finance interest income decreased over the year as a result of reduction in outstanding loan receivables and lower interest rates achieved on new loans advanced. The lower rates achieved were as a result of reduction in market interest rates during the year.

Trend in revenue arising from other revenue

Interest from financial assets received

Interest income from the insurance business investment portfolio decreased

when compared to the prior year as a result of a general reduction in interest rates applying to investment assets in which it invests.

Interest income from the Group investment portfolio also reduced when compared to the prior year due to a general reduction in interest rates applying to assets in which it invests together with the withdrawal of funds to complete the acquisition of the St Ives Group.

Dividends and distributions from other corporations

Dividends and distributions from investment trusts and other corporations increased during the year as a result of increased distributions from equity markets in which the Group Investment portfolio invests.

Other revenue

There has been a general reduction in other revenue as the prior year included revenue recognised on disposal of property held by one of the Group's property joint ventures.

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

The increase in current year is due to the improved performance by the St Ives Group, even though profit was only equity accounted up to 28 November 2012. Associate income was received from the St Ives Group up to the completion of the acquisition of the business on 28th November 2012. Following this date the St Ives Group became a wholly owned subsidiary and was fully consolidated with the RAC Group result.

Other income

Other income increased as a result of an increase in the net gains on investments held within the Insurance business and increased realised gains from the Group Investment portfolio.

Main influences on costs of operations

Claims expense

Claims expenses have decreased when compared to the prior year

as a result of favourable weather conditions resulting in fewer storms which has led to a reduction in overall claims expenses made.

Outwards reinsurance premium expense

Outwards reinsurance premium expense increased during the year as a result of growth in insurance policies held and an increase in reinsurance market price.

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.

Employee benefits expense

Employee benefits expense increased as a result of the following items:

- » the consolidation of St Ives Group from the 28 November 2012 resulting in their employment costs being included in the Group employee benefits expense;
- » the employment of additional staff to support the Group's business strategies together with a general salary increase across the Group's businesses; and
- » employment benefit costs were also reclassified for Driving Centre trainer salaries from Materials and Consumables (as noted below).

Depreciation and amortisation expense

Depreciation and amortisation expense increased during the year as a result of depreciation from the St Ives Group being included in the Group's depreciation expense and additional amortisation expense from Intangible assets identified and relating to the acquisition of the St Ives Group.

Rent and outgoings

Rent and outgoings increased during the year as a result of the consolidation of St Ives Group rent expense with effect from 28 November 2012.

Materials and consumables used

The decrease during the year is a result of lower Driving Centre trainer

salaries which have been reclassified from materials to employee benefits expense in the current period.

Consulting expense

The Group incurred additional consulting expense during the year to support a number of Information Technology projects currently underway and to assist in the development of a broader Information Technology strategy for the Group.

Towing and subcontractor expenses

Towing and subcontractor expenses increased during the year as a result of increased subcontractor job volumes and general price increases for these services.

Acquisition costs

Acquisition costs increased during the year as a result of the acquisition of St Ives including stamp duty and advisory services associated with the acquisition.

Other expenses

Other expenses increased during the year due to consolidation of St Ives results from 28 November 2012.

Impairment expense

There were no impairments made in the current period.

Finance costs

Finance costs decreased during the year as a result of a reduction in the interest cost of new funds raised. In addition the level of Finance borrowings reduced in line with the general reduction in the Finance business' receivables outstanding.

Other comprehensive income

Revaluation of property plant and equipment

The Group revalued its direct property holdings at 30 June 2013 by \$2.009m.

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

The change in the fair value of available-for-sale financial assets reflects the unrealised gains on the revaluation of the Group investment portfolio due to strong equity market conditions in the current year.

Consolidated balance sheet	Notes	Consolidated	
		2013 \$'000	2012 \$'000
Assets			
Current assets			
Cash and cash equivalents	3	112,366	69,741
Trade and other receivables		117,339	103,594
Loans and advances		72,913	75,870
Reinsurance and other recoveries receivable		14,240	28,917
Inventories		1,517	2,145
Financial assets at fair value through profit or loss		115,748	76,058
Available-for-sale financial assets		34,433	37,428
Held-to-maturity investments		27,500	101,617
Current tax receivables		-	3,238
Deferred acquisition costs		17,867	16,787
Deferred development costs		4,221	-
Total current assets		518,144	515,395
Non-current assets			
Loans and advances		72,036	78,282
Reinsurance and other recoveries receivable		2,778	3,702
Investments accounted for using the equity method		3,835	47,495
Financial assets at fair value through profit or loss		104,282	119,865
Available-for-sale financial assets		195,064	119,597
Property, plant and equipment		154,535	111,953
Investment properties		230,321	195,935
Intangible assets and goodwill		237,632	143,145
Total non-current assets		1,000,483	819,974
Total assets		1,518,627	1,335,369
Liabilities			
Current liabilities			
Trade and other payables		120,066	41,980
Interest bearing loans and borrowings		117,559	121,609
Current tax liabilities		8,226	-
Provisions		42,073	37,024
Outstanding claims liability		50,061	74,612
Unearned premium liability		182,699	166,722
Retirement village resident loans		153,944	142,286
Total current liabilities		674,628	584,233
Non-current liabilities			
Outstanding Claims Liability		6,741	8,503
Interest bearing loans and borrowings		68,591	50,547
Deferred tax liabilities		31,504	11,655
Provisions		6,029	4,704
Total non-current liabilities		112,865	75,409
Total liabilities		787,493	659,642
Net assets		731,134	675,727
Equity			
Reserves		56,719	38,172
Retained earnings		674,415	637,555
Capital and reserves attributable to members of The Royal Automobile Club of W.A. (Incorporated)		731,134	675,727
Total equity		731,134	675,727

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

Consolidated balance

Discussion and analysis

Consolidated balance sheet

Cash and cash equivalents

Cash and cash equivalents increased during the year as a result of cash inflows from operations and the inclusion of cash holdings within the St Ives Group following acquisition of the remaining 50.1% of the business from the 28 November 2012.

Trade and other receivables

Trade and other receivables increased as a result of the following:

- » an increase in Premiums due from insurance policyholders reflecting growth in insurance policies held over the year.
- » an increase in investment income receivable as a result of investment receipts due but not yet received by the Group investment portfolio at year end.

Loans and advances

Loans and advances decreased compared to the prior year as a result of consumer loan receivables outstanding remaining constant, offset by higher than anticipated payouts from property loans associated with land subdivisions due to improved property market conditions.

Reinsurance and other recoveries

Reinsurance and other recoverables have decreased from the prior year as a result of favourable weather conditions and the prior year including a number of storm events including those in June 2012.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss in the Insurance business have increased as a result of growth in insurance revenue over the year together with investment income received reinvested.

Available-for-sale financial assets

Available-for-sale financial assets increased over the financial year as a result of strong performance in investment markets together with a general inflow of funds received by the Group investment portfolio from Group operating businesses.

Held-to-maturity investments

Held to maturity investments decreased during the year as funds were used to complete the acquisition of the St Ives Group on 28 November 2012.

Investments accounted for using the equity method

Investments accounted for using the equity method included the investment in the St Ives Group until completion of the acquisition on 28 November 2012. From this date the St Ives Group has been consolidated into the Group balance sheet.

Property, plant and equipment

The Group revalued its direct property holdings at 30 June 2013. The value of the Group's central business district property holdings remained unchanged at this date. However, the value was increased to offset building depreciation during the year. For property held outside of the CBD some reductions in value were booked reflecting economic conditions in those locations. Following completion of the acquisition of the St Ives Group on 28 November 2012, Property, plant and equipment from this business is now included in the consolidated Group balance sheet.

Investment Properties

Investment Properties increased during the current year as a result of the acquisition of the St Ives Group which is now consolidated from 28 November 2012.

Intangible assets

Intangible assets increased during the year as a result of the acquisition of the St Ives Group and its subsequent consolidation. Aged care packages, Brand, Interest in contracts and Goodwill have now been recognised as Intangible assets on the balance sheet.

Deferred development costs

Deferred development costs relate to the participation and development costs incurred by a subsidiary as part of the redevelopment costs associated with a new retirement development.

Trade and other payables

Trade and other payables increased during the year following completion of the acquisition of the St Ives Group on 28 November 2012. This has resulted in the recognition of Accommodation bonds and Subsidy care places on the Group balance sheet.

Borrowings

Borrowings increased during the year due to the acquisition of the St Ives Group and the subsequent recognition of these borrowings on the Group balance sheet. This increase was offset by a reduction in borrowings associated with the Finance business to support its lending activities.

Consolidated balance (continued)

Outstanding claims liability

The outstanding claims liability associated with the Insurance business decreased as a result of favourable weather conditions over the financial year. The prior year included a number of storm events with several occurring in June 2012. This resulted in a higher claims liability outstanding in the prior year.

Unearned premium liability

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

Retirement village resident loans

Retirement village resident loans increased over the year as a result of the acquisition of the St Ives Group and the subsequent recognition of additional resident loans on the Group balance sheet following consolidation.

Taxation

The movements in taxation balances during the year were predominantly driven by the St Ives acquisition and the recognition of capital losses that were not able to be recognised in prior periods as follows:

- » Deferred Tax Liability for the Group increased during the year by \$24.558m. This increase resulted from the recognition of intangible assets and deferred management fees acquired as part of the acquisition of St Ives.
- » Deferred Tax Assets of the group increased by \$4.710m. The main drivers for this movement were the recognition of carry forward capital losses that were not able to be recognised in prior periods, an increase in provisions and accruals including amounts taken up as a result of the St Ives acquisition and project expenditure that was required to be capitalised for tax purposes but was expensed for accounting purposes. These

movements have been offset by a decrease in the deferred tax asset on investments due to an increase in the fair value of the Group investment portfolio.

- » Deferred Tax Assets have been offset against the deferred tax liability on the balance sheet.
- » The accounting profit for the group was \$32.497m giving rise to an income tax expense of \$9.749m. However the net tax expense was a credit of \$2.676m as a result of credits for the recognition of previously unrecognised capital losses, adjustments for mutual income, expenses not recognised for tax purposes, and the recognition of franking credits received on dividends from investments.

Reserves

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

Other significant movements in balance sheet items

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

Consolidated statement of changes in equity

Consolidated Entity	Notes	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 2011		30,951	6,575	651,350	688,876
Profit/(loss) for the year		-	-	(13,795)	(13,795)
Other comprehensive income/(loss)		5,836	(5,190)	-	646
Total comprehensive income/(loss) for the year		5,836	(5,190)	(13,795)	(13,149)
Balance at 30 June 2012		36,787	1,385	637,555	675,727
Balance at 1 July 2012		36,787	1,385	637,555	675,727
Profit/(loss) for the year		-	-	35,173	35,173
Other comprehensive income/(loss)		1,406	19,412	-	20,818
Total comprehensive income/(loss) for the year		1,406	19,412	35,173	55,991
Other adjustments (net of tax)		-	-	(584)	(584)
Transfer of revaluation surplus on sale of Joondalup property		(2,271)	-	2,271	-
		(2,271)	-	1,687	(584)
Balance at 30 June 2013		35,922	20,797	674,415	731,134

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

Discussion and analysis

Consolidated statement of changes in equity

The change in equity for the year was an increase of \$55.407m. This consisted of an increase in retained earnings of \$36.860m and a net increase in reserves of \$18.547m.

The net increase in reserves consisted of the following items:

- » an increase in reserves of \$1.406m from the revaluation of the Group's property portfolio;
- » a decrease in reserves of \$1.389m as a result of the transfer of reserves to the income statement on disposal of available-for-sale financial assets;
- » an increase in reserves of \$20.801m arising from the increase in value of the Group's available-for-sale financial assets; and
- » a decrease of \$2.271m as a result of the transfer of revaluation surplus on sale of Joondalup property.

Consolidated statement of cash flows

	Notes	Consolidated	
		2013 \$'000	2012 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		201,387	155,520
Premiums received		368,770	338,148
Reinsurance and other recoveries received		47,336	51,208
Payments to suppliers and employees (inclusive of goods and services tax)		(252,480)	(185,244)
Claims Paid		(264,648)	(268,724)
Outward reinsurance premium paid		(36,110)	(28,360)
Insurance policy holder acquisition costs		(35,948)	(33,181)
Net receipts from finance customers		8,588	12,445
Net repayment of finance borrowing		(15,413)	(14,391)
Dividend and distributions received		6,832	10,807
Interest and rental income received		16,293	19,295
Income taxes received/(paid)		1,874	(7,570)
Interest paid		(7,676)	(10,984)
Other income received		268	217
Client fees and subsidies		24,129	-
Net cash inflow from operating activities		63,202	39,186
Cash flows from investing activities			
Payments for property, plant and equipment		(7702)	(5,357)
Payments for intangibles		(7,477)	(5,505)
Proceeds from sale of property, plant and equipment		714	339
Payments for investment property		-	(2,886)
Payments for available-for-sale financial assets		(59,586)	(31,975)
Proceeds from sale of available-for-sale financial assets		85,576	500
Dividends received from associates		153	1,088
Purchase of financial assets at fair value through profit or loss		(445,127)	(210,587)
Proceeds from sale of financial assets through profit or loss		422,996	214,232
Payment of deferred development costs		(4,221)	-
Payment for investment in joint venture		(177)	-
Payments for acquisition of subsidiary, net of cash acquired	5	(17,243)	-
Net cash (outflow) from investing activities		(32,094)	(40,151)
Cash flows from financing activities			
Receipts from borrowings		(832)	-
Retirement village resident loans received		2,815	-
Accommodation bonds		9,534	-
Net cash inflow from financing activities		11,517	-
Net increase/ (decrease) in cash and cash equivalents		42,625	(965)
Cash and cash equivalents at the beginning of the financial year		69,741	70,706
Cash and cash equivalents at end of year	3	112,366	69,741

The above Consolidated statement of cashflows should be read in conjunction with the accompanying notes.

Discussion and analysis

Consolidated statement of cash flows

Receipts from members and customers (inclusive of goods and services tax)

Receipts from members and customers increased during the year as a result of growth in the classic and ultimate membership products together with a general membership price increase and insurance policy growth across both its Motor and Home portfolios. Following the acquisition of the remaining 50.1% of the St Ives Group on 28 November 2012 receipts from its customers are now consolidated into the Group cashflow.

Insurance Premiums received

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

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

Payment to suppliers and employees increased as a result of the acquisition of the St Ives Group from 28 November 2012 and the consolidation of supplier and employee costs now being consolidated into the Group cashflow. Further, additional staff were employed to support the Group's business strategies together with a general salary increase across the Group's businesses.

Claims paid

Claims paid decreased during the year as the prior year as a result of favourable weather conditions resulting in fewer storms which has led to a reduction in overall claims expenses made.

Outward reinsurance premium paid

The outwards reinsurance premium increased during the year as a result of an increase in the total policy growth

together with a general reinsurance price increase.

Net receipts from finance customers & net repayment of finance borrowings

Finance receivables decreased during the year as a result of consumer loan receivables outstanding remaining constant, offset by higher than anticipated payouts from property loans associated with land subdivisions due to improved property market conditions. As a result of reduction in outstanding receivables Finance borrowings also reduced over the year.

Dividends and Distributions received

The decrease in the current year was a result of unit Trusts investments held by the Group reducing their distributions when compared to the prior year. The value of these investments increased over the financial year as per the Available-for-sale financial assets on the balance sheet.

Interest and rental income received

Interest income decreased during the year as a result of cash held within the Group investment portfolio being applied to the acquisition of the St Ives Group on 28 November 2012.

Income taxes received/(paid)

Income tax installments paid during the year, based on the 2012 financial year result, decreased following a reduction in the Group's taxation installment rate.

Client fees and subsidies, Accommodation bonds and Resident loans received

Client fees and subsidies, Accommodation bonds and Resident loans received have been recognised during the year following the acquisition of the St Ives Group on 28 November 2012.

Payment for investment property

In the prior year investment property units associated with the wind up of a Property joint venture were acquired by the Group. No similar transactions occurred during the current year.

Payments for available for sale & Proceeds from sale of available-for-sale investments

Payments for investments increased in the current year which is reflective of more activity in the portfolio. In addition proceeds from sale of available-for-sale investments increased due to term deposits redeemed in order to complete the acquisition of the St Ives Group on 28 November 2012.

Payments for acquisition of subsidiary, net of cash acquired

The Group completed the acquisition of the St Ives Group on 28 November 2012. In addition cash assets held within the St Ives group have now been consolidated into the Cashflow.

Proceeds from sale of 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.

Payment of deferred development costs

The payment of deferred development costs was a result of the acquisition of St Ives Group on 28 November 2012 and the subsequent consolidation of the cash flow.

Notes to the consolidated financial statements

1. Basis of preparation of concise financial report

(a) Basis of preparation

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

The accounting policies adopted 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.

2. Revenue

	Consolidated	
	2013 \$'000	2012 \$'000
Sales revenue		
Sale of goods	10,679	10,873
Services revenue	43,665	41,655
Commission received	5,448	5,145
Membership subscription and entrance fees	62,904	58,878
Finance interest income	14,513	16,873
Insurance premium revenue	329,091	297,076
Reinsurance and other recoveries revenue	31,303	43,813
Retirement village revenue	6,750	3,530
Retirement accommodation bonds	323	-
Retirement commissions and fees	6,952	-
Retirement subsidies and grants	21,341	-
	532,969	477,843
Other revenue		
Rental income	695	497
Interest from financial assets	15,115	19,081
Dividends and distributions from other corporations	7,820	5,631
Other	3,655	5,117
	27,285	30,326
	560,254	508,169

3. Current assets - Cash and cash equivalents

	Consolidated	
	2013 \$'000	2012 \$'000
Cash at bank and in hand	108,892	61,610
Deposits at call	2,036	6,755
Other cash and cash equivalents	1,438	1,376
	112,366	69,741

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

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

	Consolidated	
	2013 \$'000	2012 \$'000
Balances as above	112,366	69,741
Balances per consolidated statement of cash flows	112,366	69,741

4. Contingencies

(a) Contingent liabilities

The Group had contingent liabilities at 30 June 2013 in respect of:

(i) Guarantees

RACWA Holdings Pty Ltd has provided a guarantee to Westpac Banking Corporation for \$0.059m (2012: \$0.076m) for premises rented for its Carousel travel branch, \$0.428m (2012: \$0.428m) for premises rented for RAC Motoring and Distribution from Edith Cowan University, and \$0.125m (2012: \$0.125m) for premises rented for the Driver Training Education Centre from Westralia Airports.

RAC Travel Services Pty Ltd has provided a guarantee to Westpac Banking Corporation for \$0.280m (2012: \$nil) in relation to IATA accreditation requirements under the provisions of their Australian Financial Criteria.

RACWA Holdings Pty Ltd had entered into a guarantee facility agreement with St Ives Group Pty Ltd for an amount not exceeding \$20.000m (2012: \$20.000m) on commercial terms, this facility expired in November 2012 when the business became fully owned by the Group.

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

(ii) Other

A Group subsidiary has entered into contractual obligations to purchase land. The offer and acceptance was contingent on a number of conditions. In the Directors opinion, these conditions have not been met and as such they are of the opinion no contractual obligation exists at the balance sheet date. Any costs in relation to the above contract have been expensed in the year. Any further disclosure would prejudice the position of the subsidiary in a dispute with the other party. The impact is not considered material to the Group.

Notes to the consolidated financial statements (continued)

5. Business combination

(a) Summary of acquisition

On 28 November 2012 the Group acquired the remaining 50.1% of St Ives Group Pty Ltd, a provider of accommodation and aged care facilities, for a cash consideration of \$50.100m. The Royal Automobile Club of W.A. (Incorporated) now owns 100% of St Ives Group Pty Ltd.

The acquisition of the St Ives Group Pty Ltd provided the opportunity for the Group to invest in a growing sector of the WA economy.

For the five months prior to completing the acquisition on 28 November 2012, the Group's interest in the St Ives Group Pty Ltd was treated as an associate and contributed \$0.925m net profit.

The acquired business contributed revenues of \$31.256m and net profit after tax of \$0.981m to the Group for the period from 28 November 2012 to 30 June 2013. If the acquisition had occurred on 1 July 2012, consolidated revenue and consolidated profit for the year ended 30 June 2013 would have been \$56.546m and \$3.176m respectively.

The cash outflow for the acquisition of St Ives Pty Ltd (net of cash acquired) was \$17.243m.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

Purchase consideration (refer to (b) below):	\$'000
Cash paid	50,100
Identifiable assets acquired and liabilities assumed:	Fair value \$'000
Cash and cash equivalents	32,856
Trade receivables	2,420
Inventories	64
Plant and equipment	6,215
Other assets	106
Deferred tax asset	2,693
Investment property	35,838
Land and buildings	36,648
Intangible assets	62,706
Trade payables	(3,531)
Borrowings	(30,240)
Accommodation bonds	(64,488)
Provision for employee benefits	(2,132)
Provision for taxation	(212)
Deferred tax liability	(25,612)
Resident loans	(1,901)
Net identifiable assets acquired	51,430

Goodwill	\$'000
Goodwill was recognised as a result of the acquisition as follows	
Total consideration transferred	50,100
Fair value of pre-existing interest in St Ives	44,869
Total	94,969
Fair value of identifiable net assets acquired	(51,430)
Goodwill	43,539

The fair value of the trade receivables amounts to \$2.420m. The gross amount of the trade receivables is \$2.420m. None of the trade receivables have been impaired and it is expected that the full contractual amount can be collected.

The goodwill is attributable mainly to the expected synergies arising from the acquisition and the growth in the expected returns. None of the goodwill recognised is expected to be deductible for income tax purposes.

The remeasurement to fair value of the Groups existing 49.9% interest in St Ives Group did not result in any gain or loss.

(b) Purchase consideration - cash outflow

Acquisition-related costs

Acquisition-related costs of \$2.919m are included in other expenses in the income statement and in the operating cash flows included in the statement of cash flows.

6. Events occurring after the reporting period

There has been no matter or circumstance that has arisen since 30 June 2013 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.



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