



Annual concise report

For the year ended 30 June 2014

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



The President's report

It is my pleasure to provide my first Annual Report on the range of activities and initiatives delivered by the RAC over the past 12 months. The overall profit after tax for the year ended 30 June 2014 was \$37.945 million. This financial result strengthens RAC's financial position. It enables RAC to provide a range of services to members, and also to continue our focus on developing innovative strategies to deliver our advocacy priorities of safe, accessible and more sustainable mobility.

Advocacy through innovation is critical because of the many challenges we face.

The reality is, our road fatality rate continues to be above the national average and population growth will continue to place pressure on our transport network. Our community will need more transport options, more sustainable ways to move around our state and an even greater commitment to improving the safety of all road users.

Tragically, in 2013, one person, on average, died on our roads nearly every two days.

We also saw driver inattention emerge as a major factor in our state's poor road safety performance, with inattention now comparable to the impact of speed and drink driving on our community.

Through our focus on innovation and our commitment to road safety, the RAC launched the world's first Attention Powered Car in 2013 to raise awareness about inattention on our roads.

The Attention Powered Car features a neuro-headset that connects brain activity to the car's engine via customised software. The software then communicates with the car and when the driver's attention level drops the car safely slows down, alerting the driver to their lapse.

The Attention Powered Car was solely developed and launched by the RAC to raise awareness about the ways in which the attention levels of today's driver are being challenged, often by peripheral devices taken on the journey.

It also provides a timely and ongoing reminder of how often drivers are placing themselves in the position of not paying sufficient attention to the activities required for safe driving.

Inattention also featured in the RAC *bstreetsmart* event where more than 5,000 Year 10, 11 and 12 students attended the reenactment of a crash scene at Perth Arena.



This is the third year that RAC has staged this important road safety event in partnership with St John Ambulance, the Department of Fire and Emergency Services (DFES), WA Police and Royal Perth Hospital (RPH).

The RAC, for the first time, also delivered a second ***bstreetsmart*** to more than 2,000 regional students who were attending Country Week in Perth.

The RAC presented this second event to demonstrate to regional students the impact road trauma can have not only on themselves, but their friends, family and the community in which they live.

We will continue to develop road safety strategies that reach out to our regional communities, because tragically this year more than 50 per cent of road fatalities have occurred in the regions, despite only 22 per cent of the population living there.

Innovation is also required to keep our transport networks flowing. Congestion continues to have a major impact on our community and our state needs a better, smarter, and more integrated transport network.

Making the state's existing infrastructure work harder and smarter is one of the ways we can move towards relieving some of the pressure of congestion. Meeting the demand being placed on our transport network at peak times requires better planning and co-ordination.

This is why the RAC has focused on delivering solutions to help squeeze more out of our existing infrastructure. We have funded initiatives and partnered with Main Roads Western Australia to trial an alternate approach to traffic signal retiming using micro-simulation modelling at two sites in Perth.

The early signs are promising and have demonstrated a range of potential impacts including up to a 27 per cent reduction in vehicle delay. We have also called for funding to enable concepts such as managed motorways and other new road infrastructure technologies to be trialled in WA.

The RAC recognises the mobility choices that Western Australians make today should not negatively impact upon the lifestyle and choices of future generations. Our members have indicated they are concerned about the impact of their vehicle on the environment.

Building on the launch of the first ***Less Emissions Missions***, the RAC ran this important sustainability campaign again this year and encouraged members to reduce their carbon emissions by providing discounts to those with qualifying lower carbon dioxide emissions vehicles.

The RAC exists to benefit our members and the community and this year we were proud to again be confirmed as the sponsor of the state's dedicated 24-hour emergency rescue helicopter, RAC Rescue, based in Perth.

Sponsoring the emergency rescue helicopter is another way our organisation can help to make a real difference and we have been proudly supporting this service since 2003. The service is funded by the WA State Government with the assistance of RAC sponsorship and managed by the Department of Fire and Emergency Services (DFES).

During this time it has flown more than 3,800 missions and helped save hundreds of lives.

Over the past year as President it has been a pleasure to lead a committed RAC Council and to work with Terry Agnew RAC Group CEO and RAC's senior management team.

I also acknowledge the commitment of all RAC people and thank those who have worked tirelessly throughout the year to assist our members.

RAC is a proud Western Australian membership organisation and I would like to conclude by acknowledging you, our members, for your ongoing support.



Esme J Bowen

Esme Bowen

President

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

Date: 12 September 2014

The Group CEO's report

The RAC results for the 2013/14 financial year included Group revenue increasing to \$640.979 million, and the overall profit after tax for the year ended 30 June 2014 was \$37.945 million. The total net assets of the Group as at 30 June 2014 also grew to \$779.169 million.

RAC's financial result will assist to strengthen the organisation's financial position in the context of widespread forecasts which indicate a period of financial uncertainty for Western Australia, and an economy which is in transition.

The state is operating in an increasingly constrained fiscal environment which will make the delivery of the infrastructure and services we need to keep our members moving in a safe, efficient and sustainable way an even greater challenge.

In this context, RAC is focused on meeting the challenges ahead and our consistent message is that to offset the escalating economic and social costs brought on by road trauma and congestion, we must step-up rather than scale back our investment in infrastructure and other mobility initiatives.

Our focus is on delivering a safer, better, smarter and more integrated road and transport network so our members can have a better world of mobility, because our state's future depends on it, and the statistics back it.

Forecasts by the Australian Bureau of Statistics show that Perth's population will overtake Brisbane just before 2030. In addition, it is estimated that at least 3.9 million people or a maximum of 5.4 million people could call Perth home by 2050.

In 2012, RAC forecast an additional one million motorised vehicles on our roads by 2020. It is also estimated by then that congestion will cost our economy \$2.1 billion in lost productivity.

By 2031, Perth's public transport system will be required to carry more than twice as many passengers as it does now. However, there is already a gap between the community's growing appetite for public transport and the capacity of the existing funding approaches to deliver it.

Our regional cities are also growing. Between 2012 and 2026, the regional local government areas of the City of Albany, City of Bunbury and City of Greater Geraldton for example, are expected to experience increases in population of up to 15 to 29 per cent.



To meet these demands RAC has strongly advocated to ensure there is a renewed commitment to reducing deaths and serious injuries on our roads. This is because as a state our road safety performance is unacceptable. We need to do everything we can to help bring Western Australia's road fatality rate down.

This is why we have consistently advocated for increased funding to flow sensibly from the Road Trauma Trust Account to important road safety initiatives. We have also called for the mandatory display of vehicle safety ratings at the point of sale so the community can have vital access to important safety information when making their purchasing decisions.

Over the past 12 months RAC has also engaged with its members and the community through initiatives like the **Risky Roads** campaign to ensure you are provided with the opportunity to voice your concerns and experiences about the safety and condition of our roads, and encouraging feedback from all road users, including motorists, cyclists and pedestrians.

RAC's advocacy efforts have also focused on the investment needed in our regional and metropolitan road projects to maximise the capacity and safety of the existing network, and to build for the future, because while our road network will always be critical to facilitating mobility in this state, the reality is it cannot accommodate the demands being placed on it.

RAC has strongly advocated that the necessary expansion of the road network must be balanced against the need to make better use of the infrastructure we already have. We have also called for sustained and widespread investment in the public transport network and new funding models which will support the introduction of services in regional areas.

As a mobility organisation, we have broadened our engagement on the future planning requirements of our state to ensure our members have access to more options.

While transport and land-use planning are inextricably linked, we must plan our cities to ensure people travel shorter distances and travel less frequently.

RAC is expressing its views because we recognise the needs of our members in the future will continue to evolve as our state grows. The option of accessing jobs and services locally must be available.

Our state has so many wonderful opportunities and to deliver them we must plan and build for the future.

The RAC Council, led by President Esme Bowen, is committed to this task and to ensuring the RAC leads the charge for its members.

I would also like to acknowledge and thank our own RAC people who focus everyday on the needs of our 800,000 members. I have again this year been proud to hear so many stories of our people going above and beyond to meet those needs.

RAC strives to have a safe, healthy and happy workplace. Being awarded a Platinum Certificate of Achievement under the WorkSafe Plan is a significant achievement all RAC people can be proud of.

RAC's vision is to be Western Australia's most valued organisation by 2020. Our achievements in the past 12 months have continued to lay the foundations needed to achieve this goal, and to help improve the lives and lifestyles of our members and the whole WA community.



Terry Agrifew

Terry Agrifew

Group CEO

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

Date: 12 September 2014

Councillors' report

Annual Concise Report

30 June 2014

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 2014. 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 2014; 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 2014.

Signed of in accordance with a resolution of Councillors on 12 September 2014.

Esme J Bowen

Esme Bowen

President

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

Perth, W.A.

Date: 12 September 2014



Meeting of Councillors

The numbers of meetings of the Club Council and of each Council's committee held during the year ended 30 June 2014, 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 |
| Esme Bowen | 9 | 9 | 5 | 6 | 2** | 4 |
| Anthony Evans | 8 | 9 | 5 | 6 | * | * |
| Jacqueline Ronchi | 9 | 9 | 6 | 6 | 5 | 6 |
| Dennis Banks | 9 | 9 | * | * | 6 | 6 |
| Allan Blagaich | 7 | 9 | * | * | * | * |
| Freda Crucitti | 8 | 9 | * | * | * | * |
| Jill Darby | 7 | 9 | 5 | 6 | * | * |
| Ross Dowling | 9 | 9 | 3 | 3 | * | * |
| Dalton Gooding | 7 | 9 | * | * | * | * |
| Alden Halse | 9 | 9 | * | * | 6 | 6 |
| Stephen Klomp | 3 | 3 | * | * | * | * |
| Colin O'Sullivan | 9 | 9 | * | * | 6 | 6 |
| Elizabeth Re | 7 | 9 | * | * | * | * |
| Emmerson Richardson | 6 | 6 | * | * | * | * |
| Tim Shanahan | 8 | 9 | 2 | 2 | 2** | 2 |
| Julie Wadley | 9 | 9 | 6 | 6 | * | * |

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

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

* = Not a member of the relevant committee

** = Attended in their capacity as Club President

The changes during the year to the composition of the Club Council and Council committees are detailed in the Corporate Governance statement.

Independent auditor's report to the members



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

Report on the Concise Financial Report

We have audited the accompanying concise financial report of The Royal Automobile Club of W.A. (Incorporated) which comprises the consolidated balance sheet as at 30 June 2014, 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 ended on that date and related notes, derived from the audited financial report of The Royal Automobile Club of W.A. (Incorporated) for the year ended 30 June 2014. 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 *Associations 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 W.A. (Incorporated) for the year ended 30 June 2014. We expressed an unmodified audit opinion on the financial report in our report dated 12 September 2014. 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.

Independent auditor's report to the members continued



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 W.A. (Incorporated) for the year ended 30 June 2014 complies with Accounting Standard AASB 1039 *Concise Financial Reports*.

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

Ernst & Young
12 September 2014

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 Personal Members who have paid their subscription in full and 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 the Councillors. Where there is more than one candidate to fill the casual vacancy, Council determines the appointee by ballot.

Council members

The Councillors in office during the financial year were:

Esme Bowen

Anthony Evans

Jacqueline Ronchi

Dennis Banks

Allan Blagaich

Freda Crucitti

Jill Darby

Ross Dowling

Dalton Gooding

Alden Halse

Stephen Klomp
(until 6 November 2013)

Colin O'Sullivan

Tim Shanahan

Elizabeth Re

Emmerson Richardson
(from 6 November 2013)

Julie Wadley

- > Tim Shanahan retired as President on 6 November 2013, from which date Esme Bowen took office.
- > Esme Bowen retired as Senior Vice President on 6 November 2013, from which date Anthony Evans took office.
- > Anthony Evans retired as Vice President on 6 November 2013.
- > Jacqueline Ronchi was elected to the position of Vice President on 25 November 2013.
- > All of the above persons, other than Emmerson Richardson, were Councillors during the year ended 30 June 2013.

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 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

Corporate governance statement

continued

Council monitoring of progress against budget. This includes the establishment and monitoring of key performance indicators, both financial and non financial, for all significant business processes;

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

Subsidiary responsibilities

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.

Remuneration process and requirements

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.

Rule 15.4(c) of the Club's Rules provide that the Maximum Aggregate Amount and the aggregate amount of remuneration paid to all Councillors during a Financial year will be notified to Members each year.

The Maximum Aggregate Amount of remuneration that may be paid to

Councillors (in their roles as members of Council) during a Financial Year is \$400,000. The aggregate amount of remuneration that was paid to Councillors (in their roles as members of Council) in the 2014 Financial Year was \$243,758 (excluding superannuation).

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:

Esme Bowen
Chairman from 6 November 2013

Tim Shanahan
Chairman until 6 November 2013

Julie Wadley

Jill Darby

Anthony Evans

Jacqueline Ronchi

Ross Dowling
Appointed 16 December 2013

Terry Agnew
Chief Executive

Group Audit & Risk Committee

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

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

Colin O'Sullivan
Chairman

Alden Halse

Dennis Banks

Jacqueline Ronchi

Tim Shanahan
(until 6 November 2013)

Esme Bowen
(from 6 November 2013)

It is the committee's responsibility to ensure that an effective internal control framework exists within the Club. This includes internal controls to deal both with 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 risk 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 is committed to ensure that the members, on behalf of whom they act, are informed of the performance of the Council.

Information is communicated to the members through:

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

Consolidated income statement

| | Notes | Consolidated | |
|---|-------|------------------|----------------|
| | | 2014 \$'000 | 2013 \$'000 |
| Revenue | 2 | 640,979 | 560,254 |
| Other income | | 15,084 | 3,906 |
| Claims expense | | (235,765) | (197,447) |
| Outwards reinsurance premium expense | | (37,918) | (34,469) |
| Insurance policy acquisition costs | | (35,913) | (34,882) |
| Employee benefits expense | | (150,327) | (124,169) |
| Depreciation and amortisation expense | | (21,010) | (20,182) |
| Rent and outgoings | | (17,518) | (8,907) |
| Management and service fees | | (440) | (305) |
| Materials and consumables used | | (27,627) | (27,985) |
| Postage, printing and stationery | | (5,058) | (5,589) |
| Telecommunications expense | | (2,294) | (2,729) |
| Information technology expense | | (4,503) | (4,486) |
| Consulting expense | | (10,095) | (10,483) |
| Advertising and promotional expenses | | (12,826) | (8,610) |
| Towing and subcontractor expenses | | (15,399) | (15,051) |
| Acquisition costs | | (16) | (2,919) |
| Other expenses | | (28,832) | (24,898) |
| Impairment of goodwill and intangible assets | | (2,172) | - |
| Finance costs | | (8,792) | (9,631) |
| Share of net profit of associates accounted for using the equity method | | 409 | 1,079 |
| Profit before income tax | | 39,967 | 32,497 |
| Income tax benefit/(expense) | | (2,022) | 2,676 |
| Profit for the year | | 37,945 | 35,173 |

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

Consolidated statement of comprehensive income

| | Notes | Consolidated | |
|--|-------|-----------------|----------------|
| | | 2014 \$'000 | 2013 \$'000 |
| Profit for the year | | 37,945 | 35,173 |
| Other comprehensive income | | | |
| <i>Items that may be reclassified subsequently to the income statement</i> | | | |
| Changes in available-for-sale financial assets | | 25,966 | 29,715 |
| Transfer to the income statement on sale of available-for-sale financial assets | | (15,393) | (1,984) |
| Income tax relating to these items | | (3,172) | (8,319) |
| | | 7,401 | 19,412 |
| <i>Items that will not be reclassified subsequently to the income statement</i> | | | |
| Gain on revaluation of land and buildings | | 3,841 | 2,009 |
| Income tax relating to the revaluation of land and buildings | | (1,152) | (603) |
| | | 2,689 | 1,406 |
| Other comprehensive income for the year, net of tax | | 10,090 | 20,818 |
| Total comprehensive income for the year | | 48,035 | 55,991 |
| Total comprehensive income for the year is attributable to: Members of The Royal Automobile Club of W.A. (Incorporated) | | 48,035 | 55,991 |

The above 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 \$80.725m during the year.

This increase is primarily the result of insurance policy growth across both the Motor and Home portfolios. Revenue also includes consolidation of St Ives Group Pty Ltd and the entities it controlled, (together the "St Ives Group"), for a full year, whereas in the prior year the St Ives Group was consolidated from 28 November 2012. 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 the 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

The current period includes St Ives Group results consolidated into the RAC Group for a full year. Revenue for accommodation bonds retention, commissions and fees, property maintenance, subsidy and grants

Consolidated statement of comprehensive income continued

and retirement village revenue are higher than the prior year due to a full year of revenue being consolidated into the Group results, whereas in the prior year the St Ives Group was consolidated from 28 November 2012.

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 on the assets in which it invests.

Interest income from the St Ives business investment portfolio increased when compared to the prior year due to a full year of income being consolidated into the Group, whereas the prior year included income from 28 November 2012.

Interest income from the Group investment portfolio also reduced when compared to the prior year due to a general reduction in interest rates on the assets in which it invests.

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 the trusts in which the Group investment portfolio invests.

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

The decrease in current year is due to the full consolidation of the St Ives Group which is no longer equity accounted. The prior year included St Ives Group equity accounted income up to 28 November 2012.

Other income

Other income increased as a result of increased realised gains from the Group investment portfolio.

Main influences on costs of operations

Claims expense

Claims expenses have increased when compared to the prior year as a result of an increase in exposure due to insurance policy growth, higher frequency and average claim size, and the cost of events experienced during the year exceeding event costs in the previous year.

Outwards reinsurance premium expense

Outwards reinsurance premium expense increased during the year as a result of continued growth in the number of in-force policies, partially offset by reductions in risk adjusted reinsurance market prices.

Insurance policy acquisition costs

Amortisation of policy acquisition costs increased during the year as a result of an increase in the amortisation charge for previously deferred acquisition costs from the balance sheet to the income statement. The value of costs deferred during the year was comparable to the previous year.

Employee benefits expense

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

- > the consolidation of St Ives Group for the full year, whereas the prior year included employee benefits from 28 November 2012 onwards; and
- > the employment of additional staff to support the Group's business strategies together with a general salary increase across the Group's businesses.

Rent and Outgoings

Rent and Outgoings increased during the year as a result of the consolidation of St Ives Group rent expense for the full year, whereas the prior year included rent expenses from 28 November 2012 onwards.

Advertising and promotional expenses

Advertising and promotional expenses increased during the year as a result of the launch of the new Brand and associated promotional campaigns.

Acquisition Costs

Acquisition costs decreased during the year as a result of stamp duty and advisory service costs associated with the acquisition of St Ives in the prior year. There were no acquisitions in the current year, with small residual costs from the St Ives acquisition.

Other expenses

Other expenses increased during the year mainly due to the change in fair value of investment properties.

Impairment expense

Goodwill and customer relationship intangibles associated with the Driver Training and Education business were impaired during the financial year.

Other comprehensive income

Revaluation of property plant and equipment

The Group revalued its direct property holdings at 30 June 2014 by \$3.841m as per independent valuations.

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. Realised gains transferred to the income statement increased this year due to sales of investments.

| Consolidated balance sheet | Notes | Consolidated | |
|---|-------|------------------|------------------|
| | | 2014 \$'000 | 2013 \$'000 |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 3 | 81,605 | 79,787 |
| Trade and other receivables | | 145,926 | 131,651 |
| Loans and advances | | 93,964 | 72,913 |
| Reinsurance and other recoveries receivable | | 16,428 | 14,240 |
| Inventories | | 2,027 | 1,517 |
| Financial assets at fair value through profit or loss | | 103,081 | 115,748 |
| Available-for-sale financial assets | | 45,005 | 34,433 |
| Held-to-maturity investments | | 71,832 | 60,079 |
| Deferred acquisition costs | | 18,191 | 17,867 |
| Deferred development costs | | 127 | 4,221 |
| Total current assets | | 578,186 | 532,456 |
| Non-current assets | | | |
| Loans and advances | | 76,203 | 72,036 |
| Reinsurance and other recoveries receivable | | 3,005 | 2,778 |
| Investments accounted for using the equity method | | 3,552 | 3,835 |
| Financial assets at fair value through profit or loss | | 125,390 | 104,282 |
| Available-for-sale financial assets | | 207,267 | 195,064 |
| Property, plant and equipment | | 144,190 | 148,354 |
| Investment properties | | 249,708 | 229,269 |
| Intangible assets and goodwill | | 234,416 | 244,865 |
| Total non-current assets | | 1,043,731 | 1,000,483 |
| Total assets | | 1,621,917 | 1,532,939 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | | 125,584 | 120,065 |
| Interest bearing loans and borrowings | | 158,780 | 117,559 |
| Current tax liabilities | | 9,147 | 8,226 |
| Provisions | | 43,824 | 42,073 |
| Outstanding claims liability | | 57,598 | 50,061 |
| Unearned premium liability | | 193,541 | 182,699 |
| Retirement village resident loans | | 177,053 | 168,257 |
| Total current liabilities | | 765,527 | 688,940 |
| Non-current liabilities | | | |
| Outstanding claims liability | | 6,382 | 6,741 |
| Interest bearing loans and borrowings | | 36,849 | 68,591 |
| Deferred tax liabilities | | 28,019 | 31,504 |
| Provisions | | 5,971 | 6,029 |
| Total non-current liabilities | | 77,221 | 112,865 |
| Total liabilities | | 842,748 | 801,805 |
| Net assets | | 779,169 | 731,134 |
| Equity | | | |
| Reserves | | 66,809 | 56,719 |
| Retained earnings | | 712,360 | 674,415 |
| Capital and reserves attributable to members of The Royal Automobile Club of W.A. (Incorporated) | | 779,169 | 731,134 |
| Total equity | | 779,169 | 731,134 |

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

Consolidated balance sheet

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 with the largest increases being in the Insurance and St Ives Group businesses.

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.
- > an increase in St Ives Group subsidies receivables.

Loans and advances

Loans and advances increased compared to the prior year mainly as a result of strong growth in the property loan book in the Finance company. Consumer and property advances both exceeded budget whilst liquidations were lower than forecast.

Reinsurance and other recoveries

Reinsurance and other recoveries receivable have increased from the prior year as a result of a bushfire event in January 2014 and the larger balance of outstanding claims liabilities at 30 June 2014 compared to 30 June 2013.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit and 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.

Held-to-maturity investments

Held to maturity investments increased during the year due to a general inflow of funds received by the Group investment portfolio from Group operating businesses.

Deferred development costs

Deferred development costs in the prior year related to the participation and development costs incurred by a subsidiary as part of the redevelopment costs associated with a new residential land development. The majority of these funds have been received during the current year.

Property, plant and equipment

The Group revalued its direct property holdings at 30 June 2014.

Investment Properties

Investment Properties increased during the current year mainly as a result of the revaluation of individual units in retirement villages and additional units being built during the year.

Intangible assets and goodwill

Intangible assets and goodwill decreased during the year as a result of amortisation and impairment charges during the period.

Trade and other payables

Trade and other payables increased during the year due to additional accommodation bonds held by St Ives Group.

Interest bearing loans & borrowings

Interest bearing loans & borrowings increased compared to the prior year as a direct result of the strong growth in loans & advances by the Finance company. As the consumer and property loan books grow the company requires increased funding from interest bearing loans & borrowings to satisfy cash flow requirements.

Outstanding claims liability

The outstanding claims liability associated with the Insurance business increased as a result of an increase in the number of open claims, both Motor and Home, and an increase in the average claims size of open Home claims in the months immediately prior to 30 June 2014, when compared to the same months in 2013.

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

Resident loans increased over the year as a result of general increases in retirement village investment property values in line with property market movements.

Taxation

The movements in taxation balances during the year were predominantly driven by:

- > The deferred tax liability for the Group increased during the year by \$2.458m. This increase resulted from a movement in the value of deferred management fees, the amortisation of intangibles and

Consolidated balance sheet

continued

the recognition of the deferred tax liability on intangibles held by the St Ives Group.

- > The deferred tax assets of the group increased by \$5.943m. The main drivers of this were the recognition of previously unbooked deferred tax assets relating to land and buildings held by the St Ives Group and an increase in provisions and accruals. These movements have been offset by the deduction of previously recognised carry forward losses and movements in PP&E.
- > Deferred tax assets have been offset against the deferred tax

liability on the balance sheet.

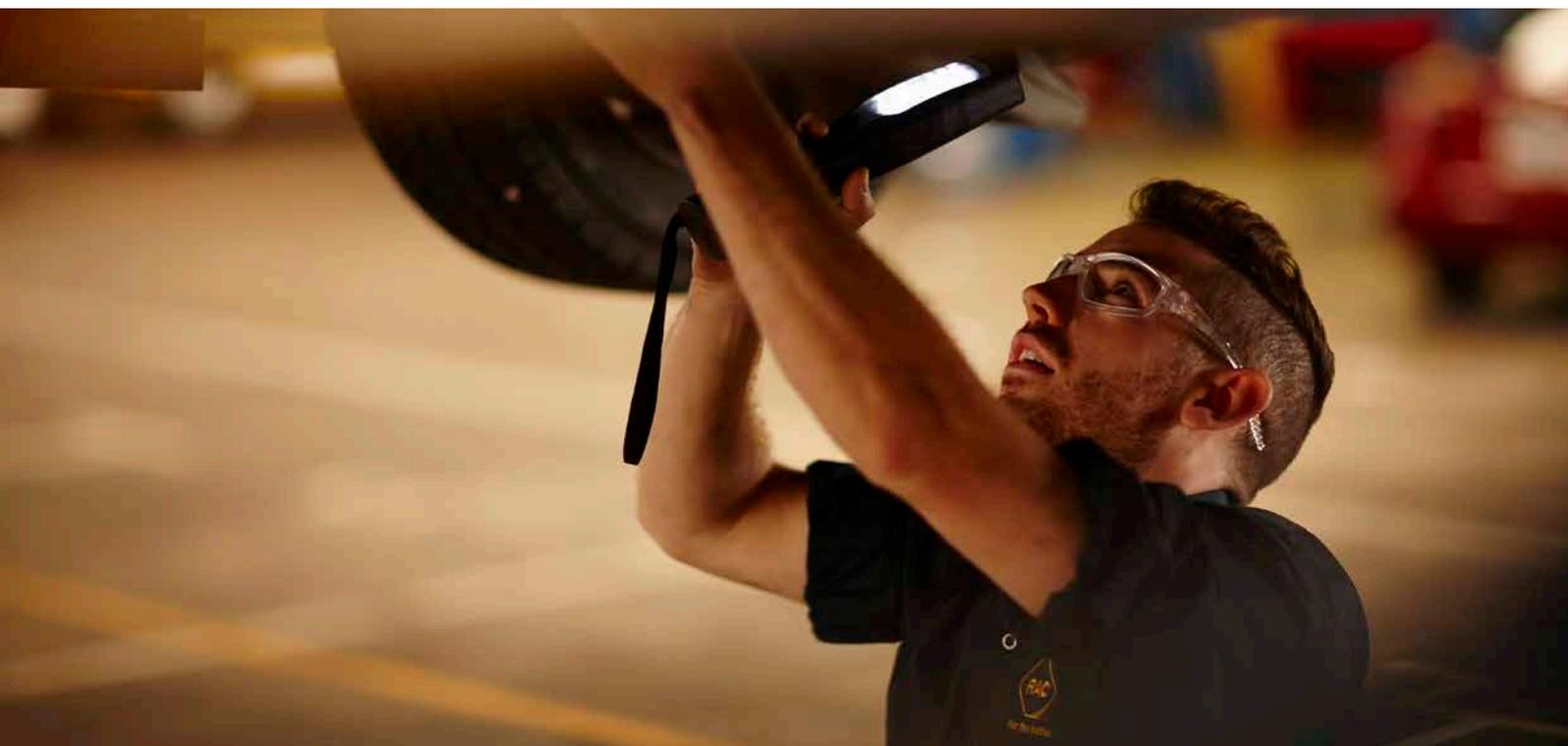
- > The accounting profit for the group was \$39.967m giving rise to an income tax expense of \$11.990m. However the net tax expense was \$2.022m as a result of the recognition of previously unbooked deferred tax assets on St Ives investment properties, adjustments for mutual income and expenses, expenses not recognised for tax purposes, amortisation of intangibles 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 and the revaluation of direct property holdings.

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 2012 | | 36,787 | 1,385 | 637,555 | 675,727 |
| Profit/(Loss) for the year | | - | - | 35,173 | 35,173 |
| Other comprehensive income | | 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 | - |
| Balance at 30 June 2013 | | 35,922 | 20,797 | 674,415 | 731,134 |
| Balance at 1 July 2013 | | 35,922 | 20,797 | 674,415 | 731,134 |
| Profit/(Loss) for the year | | - | - | 37,945 | 37,945 |
| Other comprehensive income | | 2,689 | 7,401 | - | 10,090 |
| Total comprehensive income/(loss) for the year | | 2,689 | 7,401 | 37,945 | 48,035 |
| Balance at 30 June 2014 | | 38,611 | 28,198 | 712,360 | 779,169 |

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 \$48.035m. This consisted of an increase in retained earnings of \$37.945m and a net increase in reserves of \$10.090m.

The net increase in reserves consisted of the following items:

- > an increase of \$2.689m from the revaluation of the Group's property portfolio; and
- > an increase of \$7.401m arising from the increase in value of the Group's available for sale financial assets.

Consolidated statement of cash flows

| | Notes | Consolidated | |
|---|-------|-----------------|-----------------|
| | | 2014 \$'000 | 2013 \$'000 |
| Cash flows from operating activities | | | |
| Receipts from customers (inclusive of goods and services tax) | | 212,227 | 201,387 |
| Premiums received | | 401,350 | 368,770 |
| Reinsurance and other recoveries received | | 41,829 | 47,336 |
| Payments to suppliers and employees (inclusive of goods and services tax) | | (313,014) | (252,480) |
| Claims paid | | (274,323) | (264,648) |
| Client fees and subsidies | | 40,597 | 24,129 |
| Outward reinsurance premium paid | | (38,734) | (36,110) |
| Insurance policy holder acquisition costs | | (36,237) | (35,948) |
| Net receipts from/(advances to) finance customers | | (25,452) | 8,588 |
| Net (repayment of)/ proceeds from finance borrowing | | 21,829 | (15,413) |
| Dividend and distributions received | | 9,101 | 6,832 |
| Interest and rental income received | | 13,116 | 16,293 |
| Income taxes received/(paid) | | (8,595) | 1,874 |
| Interest paid | | (8,901) | (7,676) |
| Other income received | | 449 | 268 |
| Net cash inflow from operating activities | | 35,242 | 63,202 |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | | (11,668) | (7,702) |
| Payments for intangibles | | (3,579) | (7,477) |
| Proceeds from sale of property, plant and equipment | | 304 | 714 |
| Payments for available-for-sale financial assets | | (98,888) | (92,165) |
| Proceeds for available-for-sale financial assets | | 77,100 | 85,576 |
| Dividends received from associates | | 409 | 153 |
| Purchase of financial assets at fair value through profit or loss | | (432,211) | (445,127) |
| Proceeds from sale of financial assets through profit or loss | | 423,808 | 422,996 |
| Receipts from/(payments for) investment in jointly controlled operations | | 5,389 | (4,221) |
| Payment for investment in joint venture | | 282 | (177) |
| Proceeds from sale of intangibles | | 77 | - |
| Payment for acquisition of subsidiary (net of cash acquired) | | - | (17,243) |
| Net cash (outflow) from investing activities | | (38,977) | (64,673) |
| Cash flows from financing activities | | | |
| Receipts from borrowings | | (4,052) | (832) |
| Retirement village resident loans received | | 4,701 | 2,815 |
| Accommodation bonds | | 4,904 | 9,534 |
| Net cash inflow from financing activities | | 5,553 | 11,517 |
| Net increase/ in cash and cash equivalents | | 1,818 | 10,046 |
| Cash and cash equivalents at the beginning of the financial year | | 79,787 | 69,741 |
| Cash and cash equivalents at end of year | 3 | 81,605 | 79,787 |

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

Discussion and analysis

Consolidated statement of cash flows

Insurance premiums received

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

Reinsurance and other recoveries received

Reinsurance and other recoveries received decreased primarily due to the previous year's cash flow containing significant receipts related to a reinsured event which occurred in June 2012.

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

Payment to suppliers and employees increased as a result of the consolidation of the St Ives Group, whereas the prior year included St Ives Group from 28 November 2012. 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 increased during the year as a result of increased exposure due

to insurance policy growth, higher frequency and average claim size, and the cost of events experienced during the year exceeding event costs in the previous year.

Net receipts from finance customers & net repayment of finance borrowings

Finance receivables increased during the year as a result of strong growth in the property loan book. Consumer and property advances both increased whilst liquidations were lower than forecast. As a result of the increase in outstanding receivables finance borrowings also increased over the year.

Client fees and subsidies

Client fees and subsidies increased during the year as a result of the consolidation of St Ives Group, whereas the prior year included the St Ives Group from 28 November 2012.

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.

Purchase of financial assets at fair value through profit or loss

The net purchase of financial assets at fair value through profit or loss was lower than during the previous year as a result of lower investment income generated by the investment portfolios and a lower proportion of operating cash flows being transferred to the investment portfolios.

Receipts from/(payments for) investment in jointly controlled operations

Deferred development costs in the prior year related to the participation and development costs incurred by a subsidiary as part of the redevelopment costs associated with a new residential land development. The majority of these funds have been received during the current year.

Payments for acquisition of subsidiary, net of cash acquired

The Group completed the acquisition of the St Ives Group on 28 November 2012. There were no acquisitions in the current year.



Notes to the consolidated financial statements

1. Basis of preparation of concise financial report

(a) Basis of preparation

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

The accounting policies adopted have been consistently applied to all the years presented, unless otherwise stated.

The Group has applied the following standards and amendments for the first time in their annual reporting period commencing 1 January 2013:

> AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, AASB 128 Investments in Associates and Joint Ventures, AASB 127 Separate Financial Statements and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards. The Group has reviewed its investments

in other entities to assess whether the conclusion to consolidate is different under AASB 10 than under AASB 127. No differences were found and therefore no adjustments to any of the carrying amounts in the financial statements are required as a result of the adoption of AASB 10;

> AASB 2012-10 Amendments to Australian Accounting Standards - Transition Guidance and other Amendments which provides an exemption from the requirement to disclose the impact of the change in accounting policy on the current period;

> AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13;

> AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011);

> AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle;

> AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities; and
> AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets - For the financial year ended 30 June 2014, the Group has early adopted AASB 2013-3 "Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets" which is effective for financial reporting periods beginning on or after 1 January 2014.

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

(b) Rounding of amounts

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

2. Revenue

| | Consolidated | |
|---|----------------|----------------|
| | 2014 \$'000 | 2013 \$'000 |
| Sales revenue | | |
| Sale of goods | 10,934 | 10,679 |
| Services | 41,862 | 43,665 |
| Commission received | 5,305 | 5,448 |
| Membership subscription and entrance fees | 66,601 | 62,904 |
| Finance interest income | 14,388 | 14,513 |
| Insurance premium revenue | 356,660 | 329,091 |
| Reinsurance and other recoveries revenue | 41,655 | 31,303 |
| Retirement village revenue | 11,240 | 6,750 |
| Accommodation bonds | 598 | 323 |
| Commissions and fees | 19,901 | 6,952 |
| Subsidies and grants | 37,660 | 21,341 |
| | 606,804 | 532,969 |

Notes to the consolidated financial statements continued

Other revenue

| | | |
|---|---------|---------|
| Rental Income | 1,101 | 695 |
| Interest from financial assets | 14,308 | 15,115 |
| Dividends and distributions from other corporations | 12,457 | 7,820 |
| Other | 6,309 | 3,655 |
| | 34,175 | 27,285 |
| | 640,979 | 560,254 |

3. Current assets - cash and cash equivalents

| | Consolidated | |
|---------------------------------|----------------|----------------|
| | 2014 \$'000 | 2013 \$'000 |
| Cash at bank and in hand | 77,131 | 76,313 |
| Deposits at call | 3,008 | 2,036 |
| Other cash and cash equivalents | 1,466 | 1,438 |
| | 81,605 | 79,787 |

(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 | |
|---|----------------|----------------|
| | 2014 \$'000 | 2013 \$'000 |
| Balances as above | 81,605 | 79,787 |
| Balances per consolidated statement of cash flows | 81,605 | 79,787 |

4. Contingencies

(a) Contingent liabilities

The Group had contingent liabilities at 30 June 2014 in respect of:

(i) Guarantees

RACWA Holdings Pty Ltd has provided a guarantee to Westpac Banking Corporation for \$0.059m (2013: \$0.059m) for premises rented for its Carousel travel branch, \$0.428m (2013: \$0.428m) for premises rented for RAC Motoring

Pty Ltd and RAC Distribution Pty Ltd from Edith Cowan University, and \$0.125m (2013: \$0.125m) for premises rented by Driver Training and Education Pty Ltd from Westralia Airports.

RAC Travel Services Pty Ltd has provided a guarantee to Westpac Banking Corporation for \$0.280m (2013: \$0.280m) in relation to IATA accreditation requirements under the provisions of their Australian Financial Criteria.

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 at Vasse. The Group is disputing the enforceability of a contract to purchase land. 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 Royal Automobile Club of W.A. (Incorporated) acquired the remaining 50.1% of the 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 the St Ives Group Pty Ltd.

The Group acquired the St Ives Group because it is expected to provide a financial return in a growth industry and it provides further diversification of the Group's assets.

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 \$55.066m and \$4.276m respectively.

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: | \$'000 |
|--------------------------------|---------------|
| Cash paid | 50,100 |

| Identifiable assets acquired and liabilities assumed: | Fair value recognised on acquisition (restated) \$'000 |
|--|---|
| Cash and cash equivalents | 6,849 |
| Other financial Assets | 26,008 |
| Trade receivables | 2,420 |
| Inventories | 64 |
| Plant and equipment | 6,215 |
| Other assets | 106 |
| Deferred tax asset | 2,693 |
| Investment property | 34,786 |
| Land and buildings | 30,467 |
| 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 | 44,198 |

Notes to the consolidated financial statements continued

| 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 |
| | 94,969 |
| Fair value of identifiable net assets acquired | (44,198) |
| Goodwill | 50,771 |

The net assets recognised in the 30 June 2013 financial statements were based on a provisional assessment of their fair value while the Group finalised independent valuations for land and buildings and investment properties. In November 2013, the valuation work was completed and the Land and Buildings were reduced by \$6.181m, Investment Property by \$1.052m. There was also a corresponding increase in goodwill of \$7.233m resulting in \$50.771m of total goodwill arising on the acquisition. 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. In addition \$26.008m of term deposits with maturities greater than 3 months have been reclassified to Other Financial Assets from Cash and cash equivalents. The 2013 comparatives have been restated for the finalisation of the business combination accounting.

6. Events occurring after the reporting period

On 11 July 2014 the RAC acquired the Pinnacles Caravan Park in Cervantes, WA for \$4.250m. In line with the Group's Tourism strategy the park will be developed over time with the provision of more modern self-contained accommodation and facilities.

There has been no other matter or circumstance that has arisen since 30 June 2014 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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