



Annual concise report

For the year ended 30 June 2017

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



For the better

RAC President Annual Report 2016/17

It is my pleasure on behalf of the RAC Council to present this President's Report, my first, for the 2016/17 financial year. For the year ended 30 June 2017, RAC's overall profit after tax was \$43.3 million.

During the past year a number of new member benefits and services have been introduced including a saving of four cents a litre on fuel at 68 participating Puma Energy, Gull and Peak service stations across WA, which ensures members can now simply show their membership card and save.

Reaching out to our youth is also a key focus for RAC and we have continued to develop and provide young Western Australians with road safety information and member benefits through two free child and youth membership programs - RAC Little Legends Club and the RAC Road Ready program.

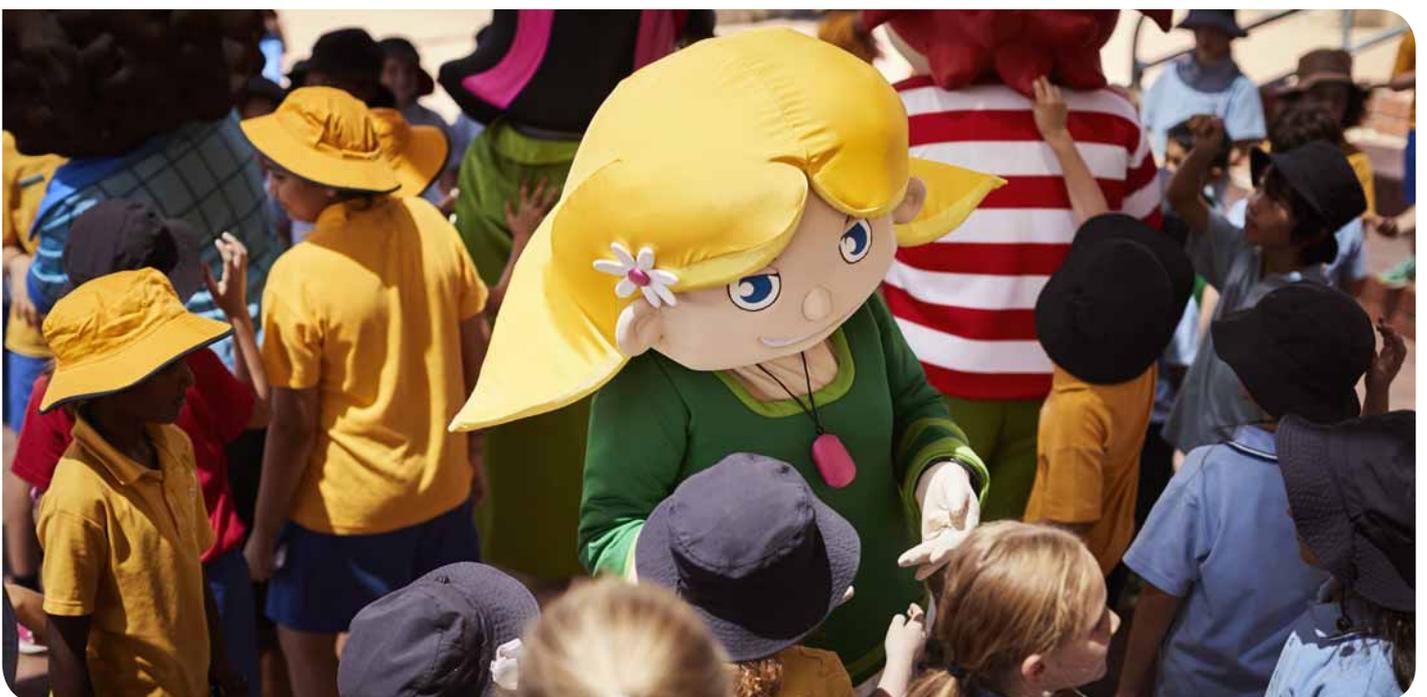
RAC Road Ready, our most recent youth membership, now provides 12 to 21 year olds with information about learning to drive, buying their first car and being safe on and around WA roads.

RAC Little Legends Club also provides a fun, free road safety membership for primary school students and helps them learn about bicycle, pedestrian and passenger safety on and around roads. It gives children and teachers access to online resources including multi-level interactive games, in-class presentations and road safety incursions.

Both these new road safety initiatives build on RAC bstreetsmart which has continued to provide an upfront, and at times confronting, re-enactment of a vehicle crash scene.

In March 2017, a record 8,500 year 10 - 12 students visited Perth Arena to watch RAC bstreetsmart, delivered in partnership with WA Police, the Department of Fire and Emergency Services, St John Ambulance, Royal Perth Hospital and the Theatrical Response Group.

Another new road safety initiative this year included the launch of the RAC Rescue Experience which provides an important insight into the incredible work undertaken by the RAC Rescue helicopters. This new experience enables members and the community to take to the sky with the crew using virtual reality technology, and is travelling to a number of locations across metropolitan and regional WA to raise awareness about road trauma and the work undertaken by emergency services personnel.



RAC is proud to also continue our sponsorship of both RAC Rescue helicopters, managed by the Department of Fire and Emergency Services (DFES). The RAC Rescue helicopters are WA's only emergency rescue helicopter service, flying critical paramedic services to emergencies and then transporting the injured directly to hospital where the best care can be given. Together the RAC Rescue helicopters have flown more than 5,500 missions, and in doing so, helped to save hundreds of lives.

Our advocacy over the past 12 months has continued to focus on the core priorities of making it safer, easier and more sustainable for our members to move around their communities and our great State.

These priorities underpinned a number of advocacy initiatives including the RAC Risky Roads Survey, which received more than 6,000 nominations from the community and placed an important spotlight on the State's most dangerous roads and intersections.

RAC's Elephant in the Wheatbelt campaign has continued to highlight the ongoing impact of road trauma in regional WA, where more than 60 per cent of WA's road fatalities tragically occurred in 2016.

During the year we also celebrated the contribution of more than one thousand RAC members who reached the milestone this year of being a member for 50 years. This is a wonderful milestone to reach, and provided the opportunity to reflect on the history of the organisation and its future.

RAC has grown to more than 950,000 members and it is through this support that we continue to deliver a range of initiatives and services, and advocate for a better WA.

On behalf of my Council colleagues, I would like to thank all of our people at RAC for their valued contribution and commitment during the year. I would also like to thank you, our members, for your continued support.



A handwritten signature in blue ink that reads "Anthony Evans".

Anthony Evans

RAC President

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

Date: 4 September 2017



RAC Group CEO Report 2016/17

The 2016/17 financial year saw the external operating environment remain uncertain for many, with the management of the economy, the condition of the State's finances and the cost of living all remaining at the centre of attention.

Perhaps one of the biggest risks to a WA recovery is if consumer confidence does not improve, and the biggest opportunity is to play to WA's strengths.

RAC's strength is its membership. Over the past 12 months, and into the future, RAC's focus continues to be to operate sustainably and grow the organisation through the delivery of new and improved services and benefits to its members. RAC has also continued to innovate and advocate, ensuring RAC members can move around our State safely, easily and sustainably.

This focus delivered RAC Group revenue for the year ended 30 June 2017 of \$683.1 million and an overall profit after tax of \$43.3 million.

The total net assets of the Group as at 30 June 2017 increased to \$845.6 million.

Mobility and innovation combined strongly this year for RAC with the on-road trial of the RAC Intellibus which was launched in South Perth on the 31 August 2016.

An Australian first and leading the world, the RAC Intellibus is exploring the possibilities of driverless vehicle technology, and will help deliver a roadmap of changes that will need to occur for driverless vehicles to safely transition on to our roads and become an integrated part of our transport system. At the time of preparing this report 3,450 people had ridden on the RAC Intellibus which has travelled over 3,300 kilometres along the streets of South Perth.

It is also pleasing to see that over 95 per cent of the participants who have experienced a ride on the RAC Intellibus believe it could be used as a service in WA in the future.

A key part of the trial is engaging members of the public, who are now travelling on public roads using autonomous vehicle technology. One of the biggest benefits is the potential to reduce road trauma, with almost 90 per cent of crashes caused by human error.

Delivering new services in tourism continued this year as part of RAC's Park and Resorts strategy. Delivering a range of consistent, reliable, quality accommodation options for RAC members, encouraging Western Australians to holiday in WA and supporting our regions builds on RAC's history in promoting tourism and opening up the State.



RAC Parks and Resort's vision is to create a portfolio of tourism accommodation properties in WA's key tourism destinations which now includes RAC Cervantes Holiday Park, RAC Monkey Mia Dolphin Resort in Shark Bay, RAC Exmouth Cape Holiday Park, RAC Busselton Holiday Park and Ningaloo Reef Resort in Coral Bay.

Earlier this year, and following feedback from members and guests, an extensive renovation of the RAC Cervantes Holiday Park was completed, with new and more family-friendly facilities now available for visitors. Approval has also recently been given for RAC to proceed with a major upgrade at the RAC Monkey Mia Dolphin Resort in Shark Bay.

The strong focus on advocacy continued this year through the delivery of the Give Me Time State Election campaign, which encouraged members to engage in RAC's advocacy on road safety, the cost of motoring, road and public transport infrastructure and cycling. The State Government has made a number of important election commitments on RAC priority projects and policies, including funding for the Thornlie Rail Line, the establishment of a Regional Enforcement Unit, an increase in drug and alcohol testing and the introduction of Slow Down Move Over laws, or SLOMO.

At the Federal level, RAC has continued to advocate on the need for a fairer share of funding for transport, and engaged directly with Federal Members of Parliament to ensure funding for WA remained allocated to road and rail projects to keep the community moving. It was pleasing to see almost \$45 million allocated by the Federal Government to regional road safety initiatives. It was also pleasing to see the Federal and State Government agree to a \$2.3 billion road and rail infrastructure package for Western Australia, following RAC's continued advocacy at both the State and National levels.

This year also marked 70 years since RAC's Insurance business commenced operations, and builds on RAC Roadside Assistance recently celebrating 90 years of service to RAC members.

I would like to acknowledge RAC Councillors for your ongoing support, and to thank our RAC people for your tireless contribution to deliver the variety of services to more than 950,000 RAC members, every day.

The power of membership continues to be at the heart of RAC and I would like to thank RAC members for your continuing support.



A handwritten signature in black ink that reads "Terry Agnew".

Terry Agnew
Group CEO

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

Date: 4 September 2017



Councillors' report

Annual Concise Report

30 June 2017

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 2017. This report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

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

Statement by Councillors

In the opinion of the Council, the accompanying concise financial report of The Royal Automobile Club of W.A. (Incorporated):

(a) gives a true and fair view of the state of affairs of The Royal Automobile Club of W.A. (Incorporated) and the entities it controlled as at 30 June 2017; 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 2017.

Signed in accordance with a resolution of Councillors on 4 September 2017.



Anthony Evans

RAC President

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

Perth, W.A.

Date: 4 September 2017



Meeting of Councillors

The numbers of meetings of the Club Council and of each Council's committee held during the year ended 30 June 2017, and the numbers of meetings attended by each Councillor were:

Councillor	Meetings of committees					
	Full meeting of councillors		Club Board meetings		Audit and risk committee	
	A	B	A	B	A	B
Anthony Evans	8	8	6	6	3**	4
Jacqueline Ronchi	8	8	6	6	4	5
Ross Dowling	8	8	5	6	*	*
Esme Bowen	8	8	3	3	2**	3
Dennis Banks	8	8	*	*	4	5
Allan Blagaich	2	2	*	*	*	*
Freda Crucitti	6	8	*	*	*	*
Jill Darby	7	8	6	6	*	*
Dalton Gooding	5	8	*	*	*	*
Alden Halse	8	8	*	*	5	5
Murray Lampard	5	6	*	*	*	*
Stephanie Proud	7	8	*	*	*	*
Elizabeth Re	7	8	*	*	*	*
Emmerson Richardson	6	8	3	3	*	*
Tim Shanahan	8	8	*	*	*	*
Julie Wadley	8	8	5	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 each Council committee is 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

Opinion

We have audited the concise financial report, which comprises the consolidated balance sheet as at 30 June 2017, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and related notes, derived from the financial report of The Royal Automobile Club of W.A. (Incorporated) (the "Association") and its subsidiaries (collectively the "Group") for the year ended 30 June 2017. The Concise Financial Report also includes discussion and analysis and the Councillors' declaration.

In our opinion, the accompanying concise financial report, including the discussion and analysis and the Councillors' declaration, complies with Accounting Standard AASB 1039 *Concise Financial Reports*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Concise Financial Report* section of our report. We are independent of the Association in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the concise financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Concise financial report

The concise financial report does not contain all the disclosures required by Australian Accounting Standards. Reading the concise financial report and the auditor's report thereon, therefore, is not a substitute for reading the financial report and the auditor's report thereon.

The financial report and our report thereon

We expressed an unmodified audit opinion on the audited Financial Report in our report dated 4 September 2017.

Responsibility of the Councillors' for the concise financial report

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

Independent auditor's report to the members continued



Auditor's responsibilities for the audit of the concise financial report

Our responsibility is to express an opinion on whether the concise financial report complies, in all material respects, with AASB 1039 *Concise Financial Reports* and whether the discussion and analysis complies with AASB 1039 *Concise Financial Reports* based on our procedures, which were conducted in accordance with Auditing Standard ASA 810 *Engagements to Report on Summary Financial Statements*.

A handwritten signature in black ink, appearing to read 'F Drummond'.

Ernst & Young

A handwritten signature in black ink, appearing to read 'F Drummond'.

F Drummond
Partner
Perth
4 September 2017

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

The composition of the Council is determined in accordance with the following principles and guidelines:

- > Councillors are elected from the membership of the Club and hold office for a period of three years;
- > only Honorary Life Members, Gold Life Members or Personal Members who have been entitled to vote for the preceding five years are entitled to hold office as a Councillor;
- > the Council elects from its members Councillors to hold the positions of President, Senior Vice President and Vice President;
- > a Councillor cannot hold the office of President for more than three consecutive years;
- > at each Annual General Meeting ('AGM') one third of the Council will retire from office and are eligible for re-election;
- > while a Councillor holds the position of President or Senior Vice President for the year commencing as at the date of the next AGM, or ceases to hold the position of President at the conclusion of the next AGM because their term as President has expired, or will be one of the directors of the Australian Automobile Association, then the Councillor shall not be required to retire from office; and
- > when a vacancy on Council occurs, the Council may fill the vacancy and the appointee holds office for the unexpired portion of the

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

Council members

The names of the Councillors in office during the financial year were:

Anthony Evans

Jacqueline Ronchi

Ross Dowling

Esme Bowen

Dennis Banks

Alan Blagaich (until 21 November 2016)

Freda Crucitti

Jill Darby

Dalton Gooding

Alden Halse

Murray Lampard (from 21 November 2016)

Stephanie Proud

Elizabeth Re

Emmerson Richardson

Tim Shanahan

Julie Wadley

- > Esme Bowen retired as President on 21 November 2016, from which point Anthony Evans took office.
- > Anthony Evans retired as Senior Vice-President on 21 November 2016, from which point Jacqueline Ronchi took office.
- > Jacqueline Ronchi retired as Vice President on 21 November 2016 and Ross Dowling was elected to the position on 28 November 2016.
- > All of the above persons, other than Murray Lampard, were also Councillors during the year ended 30 June 2016.

Council responsibilities

As the Council acts on behalf of, and is accountable to, the members, Council seeks to identify the expectations of the members, as well as other regulatory and ethical expectations and obligations. Each Councillor is bound by the terms of a Code of Conduct. In addition, Council is responsible for identifying areas of significant business risks and ensuring arrangements are in place to adequately manage those risks. Council seeks to discharge these responsibilities in a number of ways.

The responsibility for the operation and administration of the consolidated entity is delegated by Council to the Chief Executive and the executive team. Council ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the Chief Executive and the executive team.

Council is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by Council. Council has a number of mechanisms in place to ensure this is achieved. In addition to the establishment of the committees, these mechanisms include the following:

- > Council approval of a strategic plan, which encompasses the entity's vision, mission and strategy statements, designed to meet stakeholders' needs and manage business risk;
- > the strategic plan is a dynamic document and Council is actively involved in developing and approving initiatives and strategies designed to ensure the continued growth and success of the Club;

Corporate governance statement

continued

- > implementation of operating plans and budgets by management and Council, and monitoring of progress against budget. This includes the establishment and monitoring of key performance indicators, both financial and non financial, for all significant business processes;
- > monitoring occupational health and safety;
- > procedures to allow Councillors, in the furtherance of their duties, to seek independent professional advice at the Club's expense;
- > ensuring there are effective management processes in place and approving major corporate initiatives;
- > enhancing and protecting the reputation of the organisation; and
- > ensuring the significant risks facing the organisation, including those associated with its legal compliance obligations, have been identified and appropriate and adequate control, monitoring, accountability and reporting mechanisms are in place.

Remuneration process and requirements

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

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 \$432,501. The aggregate amount of remuneration that was paid to Councillors (in their roles as members

of Council) in the 2017 Financial Year was \$264,795 (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:

Anthony Evans
Chairman from 21 November 2016

Esme Bowen
Chairman & member until 21 November 2016

Julie Wadley

Jill Darby

Jacqueline Ronchi

Ross Dowling

Emmerson Richardson
Appointed 19 December 2016

Terry Agnew
Chief Executive Officer

Group Audit & Risk Committee

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

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

Jacqueline Ronchi
Councillor, Chairman

Alden Halse
Councillor & Subsidiary Non-Executive Director

Dennis Banks
Councillor & Subsidiary Non-Executive Director

Esme Bowen
Councillor (until 21 November 2016)

Helen Cook
Subsidiary Non-Executive Director

Anthony Evans
Councillor (from 21 November 2016)

It is the committee's responsibility to ensure that an effective risk and internal control framework exists within the Club. This includes internal controls to deal both with the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information as well as non financial considerations such as the benchmarking of risk key performance indicators.

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

The Group Audit and Risk Committee is also responsible for:

- > reporting to Council on compliance with internal controls existing within the Club;
- > directing and monitoring the internal audit function; and
- > nominating the external auditor and reviewing the adequacy of the scope and quality of the annual statutory audit.

The external auditor is invited to attend all Group Audit and Risk Committee meetings and is able to discuss any matters with the Group Audit and Risk Committee without management's presence.

Communication to members

Council aims to ensure that the members, on behalf of whom they act, are informed of the performance of the Council.

Information is communicated to the members through:

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

Consolidated statement of profit or loss

	Notes	Consolidated	
		2017 \$'000	2016 \$'000
Revenue	2	683,127	676,721
Other income		32,467	43,012
Claims expense		(295,287)	(274,940)
Outwards reinsurance premium expense		(37,548)	(38,240)
Insurance policy acquisition costs		(40,538)	(41,069)
Employee benefits expense		(132,208)	(168,023)
Depreciation and amortisation expense		(22,951)	(20,714)
Rent and property expenses		(15,153)	(14,376)
Materials and consumables used		(21,059)	(21,651)
Postage, printing and stationery		(6,007)	(5,726)
Telecommunications expense		(2,008)	(2,075)
Information technology expense		(8,242)	(9,448)
Consulting expense		(4,823)	(10,878)
Advertising and promotional expenses		(18,844)	(18,014)
Towing and subcontractor expenses		(25,361)	(24,885)
Acquisition costs		-	(497)
Other expenses		(22,535)	(28,424)
Finance costs		(6,190)	(5,830)
Share of loss from equity-accounted associates and joint ventures		(3,359)	(77)
Profit before income tax		53,481	34,866
Income tax expense		(10,133)	(4,542)
Profit for the year		43,348	30,324

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

Consolidated statement of comprehensive income

	Consolidated	
	2017 \$'000	2016 \$'000
Profit for the year	43,348	30,324
Other comprehensive income		
<i>Items that may be reclassified subsequently to the income statement</i>		
Changes in fair value of available-for-sale financial assets	6,958	(16,554)
Income tax thereon	(2,087)	4,966
Transfer to the statement of profit or loss on sale of available-for-sale financial assets	(14,692)	(4,557)
Income tax thereon	4,408	1,367
	(5,413)	(14,778)
<i>Items that will not be reclassified subsequently to the income statement</i>		
Loss on revaluation of land and buildings	(3,287)	(2,150)
Income tax thereon	986	645
	(2,301)	(1,505)
Other comprehensive loss for the year, net of tax	(7,714)	(16,283)
Total comprehensive income for the year	35,634	14,041
Total comprehensive income for the year is attributable to: Members of The Royal Automobile Club of W.A. (Incorporated)	35,634	14,041

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



Image supplied courtesy of Dalyellup College.

Consolidated statement of comprehensive income continued

Discussion and analysis

Consolidated statement of profit or loss and Consolidated statement of comprehensive income

Revenue from continuing operations

Revenue from operating activities of the Club and its controlled entities increased by \$6.406m compared to the prior year. The net increase was the result of revenue growth in the insurance, motoring and tourism businesses in the year. Tourism parks increased revenue as a result of a full year of revenue for the four tourist parks acquired during the prior financial year. The net increase in revenue was partially offset by a loss of revenue resulting from the sale of the St Ives Aged Care business in November 2015, the sale of the St Ives Home Care business in July 2016 and the closure of the Driver Training business in September 2016.

Trends in revenue arising from sales

Insurance premium revenue

There has been continued strong growth across both the Motor and Home insurance portfolios, with an increase in insurance premium revenue of 8.1% compared to prior year.

Services

There was a loss of revenue resulting from the closure of the Driver Training Centre in September 2016.

Subsidies and grants

There was a loss of revenue from both the sale of the St Ives Aged Care business in November 2015 and the sale of the St Ives Home Care business into a joint venture in July 2016. The interest in the Home Care joint venture is equity accounted with the financial results of the business no longer reflected across individual line items in the consolidated statement of profit or loss (P&L).

Tourism revenue

Four tourist holiday parks were acquired during the prior year, taking the portfolio to five. The park at Cervantes was redeveloped during the year. The increase in revenue for the current financial year reflects that all parks generated revenue for the Group for the full financial year.

Trends in revenue arising from other revenue

Dividends and distributions from other corporations

Trust distributions received in the Group's investment portfolio vary greatly each year and are dependent on economic activity. The trust distribution revenue in the current financial year was significantly higher than recent years.

Other income

Gains were realised on the sale of investments in the Group's investment portfolio and a gain was recognised on completion of stage 1 of the Carine retirement village. There was also a one-off gain from the sale of the St Ives Home Care business into a joint venture in July 2016. The prior year includes a one-off gain from the sale of the St Ives Aged Care business.

Main influences on costs of operations

Claims expense

Claims expense increased during the year in line with growth in the number of insurance policies issued. Moderate weather conditions together with risk management through reinsurance helped to maintain claims costs growth in line with revenue growth.

Employee benefits expense

There was a reduction in employee benefits expense resulting from the sale of St Ives Home Care into a joint venture in July 2016. The investment in the Home Care joint venture is equity accounted with the financial results of the business no longer reflected across individual line items in the P&L. In addition, the Driver Training Centre was closed in September 2016.

Consulting expense

Consulting expense reduced due to a decrease in project activity together with the implementation of cost management initiatives.

Other expenses

There was a reduction in other expenses resulting from the sale of St Ives Home Care into a joint venture in July 2016. The investment in the

Home Care joint venture is equity accounted with the financial results of the business no longer reflected across individual line items in the P&L.

Share of loss from equity-accounted associates and joint ventures

On 1 July 2016, the Group sold the St Ives Home Care business into a joint venture thereby changing the nature of the investment from a wholly owned subsidiary to a joint venture. In the current year, the Group's share of the results of the Home Care joint venture is reflected here. In the prior year, the results were reflected across individual line items in the P&L.

Income tax expense

The consolidated accounting profit for the Club was \$53.5m, which would give rise to a tax expense of \$16.0m. The net tax expense was reduced to \$10.1m due to franking credits received from the investment portfolio and the profit on sale of the St Ives Home Care business into a joint venture.

Other comprehensive income

Changes in fair value of available for sale financial assets

The change in the fair value of available for sale financial assets reflects the unrealised gains or losses on revaluation of the Group's investment portfolio. The portfolio performed strongly in the current year reflected by positive returns made up of higher distributions received, realised gains from sales of investments and unrealised gains from revaluations. The net return on the portfolio in the prior year was a small positive return, consisting of distributions receivable and realised gains offset by unrealised losses.

Revaluation of land and buildings

A weak property market in Western Australia and continued high vacancy rates in the Perth central business district resulted in a decline in the fair value of the Group's direct property holdings. External valuations were obtained to support property carrying values.

Consolidated balance sheet

	Notes	Consolidated	
		2017 \$'000	2016 \$'000
Assets			
Current assets			
Cash and cash equivalents	3	96,227	87,449
Trade and other receivables		189,769	171,124
Loans and advances		86,848	90,165
Reinsurance and other recoveries receivable		14,844	16,472
Inventories		1,754	1,560
Financial assets at fair value through profit or loss		112,937	94,618
Available-for-sale financial assets		36,082	38,094
Held-to-maturity investments		-	22,710
Current tax receivables		-	2,690
Deferred acquisition costs		21,052	19,072
		559,513	543,954
Assets classified as held for sale	6	-	41,814
Total current assets		559,513	585,768
Non-current assets			
Loans and advances		112,607	95,341
Reinsurance and other recoveries receivable		1,691	1,760
Investments accounted for using the equity method		72,841	7,200
Financial assets at fair value through profit or loss		121,175	125,753
Available-for-sale financial assets		208,248	216,036
Property, plant and equipment		138,753	147,425
Investment properties		313,297	277,306
Intangible assets and goodwill		140,219	145,608
Total non-current assets		1,108,831	1,016,429
Total assets		1,668,344	1,602,197
Liabilities			
Current liabilities			
Trade and other payables		50,773	44,606
Interest bearing loans and borrowings		133,470	131,709
Current tax liabilities		4,485	-
Provisions		50,616	47,869
Outstanding claims liabilities		66,848	65,505
Unearned premium liabilities		238,443	217,714
Retirement village resident loans		185,560	189,070
		730,195	696,473
Liabilities directly associated with assets classified as held for sale	6	-	17,864
Total current liabilities		730,195	714,337
Non-current liabilities			
Outstanding claims liability		10,106	8,191
Interest bearing loans and borrowings		56,842	46,034
Deferred tax liabilities		19,424	18,093
Provisions		6,195	5,594
Total non-current liabilities		92,567	77,912
Total liabilities		822,762	792,249
Net assets		845,582	809,948
Equity			
Reserves		36,730	47,173
Retained earnings		808,852	762,775
Capital and reserves attributable to members of The Royal Automobile Club of W.A. (Incorporated)		845,582	809,948
Total equity		845,582	809,948

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

Consolidated balance sheet continued

Discussion and analysis Consolidated balance sheet

Cash and cash equivalents

There was an increase in cash during the year reflecting strong operating performance. This was used for additional investment in the Home Care joint venture, the development of Stage 1 of the Carine retirement village and the development of the RAC Cervantes tourism park.

Trade and other receivables

Growth in the Insurance business has resulted in an increase in insurance premiums receivable. This relates to the annual premiums paid by members in monthly instalments. There was also a significant increase in the trust distributions receivable in the Group's investment portfolio accrued in June and received in July.

Loans and advances (current and non-current)

The consumer loan book achieved strong growth during the year. The property loan book reduced during the year as a result of liquidations and conservative lending practices given the weak Western Australian property market.

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

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

Available-for-sale financial assets

Investments in the Group's investment portfolio were sold to fund additional investment in the Home Care joint venture, development of Stage 1 of the Carine retirement village and redevelopment of the RAC Cervantes tourism park. The withdrawals from the investment portfolio exceeded the strong returns generated by the portfolio during the year.

Held-to-maturity investments

Held-to-maturity investments for the prior financial year comprised term deposits with a maturity greater than three months.

Assets and Liabilities associated with assets classified as held for sale

On 1 July 2016, the Group sold the St Ives Home Care business into a joint venture thereby changing the nature

of the investment from a wholly owned subsidiary to a joint venture. Consequently, the assets and liabilities of the Home Care business were presented as held for sale in the prior year.

Investments accounted for using the equity method

On 1 July 2016, the Group sold the St Ives Home Care business into a joint venture thereby changing the nature of the investment from a wholly owned subsidiary to a joint venture. The investment in the Home Care joint venture is equity accounted. Additional capital of \$32.0m was invested into the Home Care joint venture to support its growth through acquisitions.

Property, plant and equipment

The redevelopment of the RAC Cervantes tourism park was completed during the year. This was offset by the sale of the Balcatta property and a decline in the fair value of the Group's direct property holdings. A depreciation charge reflective of useful life is also booked each year against the Group's property, plant and equipment.



Consolidated balance sheet

continued

Investment properties

Construction of Stage 1 of the Carine retirement village was substantially completed by the end of the current year and a gain was recognised on revaluation of the development to fair value. This has been partially offset by the decline in value of retirement villages as a result of the weaker Western Australian residential property market.

Intangible assets and goodwill

A general amortisation charge is booked each year against the Group's finite life intangible assets. The useful lives of other technology assets were also reassessed during the year resulting in a higher amortisation charge. The resulting decrease in intangible assets was partially offset by capital expenditure to upgrade the Insurance system.

Trade and other payables

Trade and other payables increased as a result of growth in the Insurance business and purchases of investments in the Insurance investment portfolio that had not settled at year-end.

Interest bearing loans & borrowings

There was an increase in investment notes issued during the financial year by the Finance business to support the growth of its loan portfolio.

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

The weaker Western Australia residential property market has resulted in a decline in the value of St Ives Villages and the associated loans to residents.

Current tax receivable and net deferred tax liabilities

The current tax liability arises from the estimated tax on the Group's strong operating performance exceeding the tax instalments paid during the year. In the prior year, the current tax receivable arose from the refund of surplus tax instalments paid during that year.

The net deferred tax liabilities of the Group decreased by \$70m. This was due to derecognition of deferred tax balances on the sale of the St Ives Home Care business into a joint venture and the utilisation of prior year tax losses carried forward.

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

Reserves

The reserves contain unrealised gains on certain investments and property holdings. When those gains are realised, they are transferred from reserves to P&L (for investments) or retained earnings (for property). Gains were realised in the Group's investment portfolio through trust distributions and sales of investments. Gains were realised in the Group's property portfolio from the sale of the Balcatta property.

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	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 2015	36,015	27,441	732,451	795,907
Profit for the year	-	-	30,324	30,324
Other comprehensive loss	(1,505)	(14,778)	-	(16,283)
Total comprehensive income/(loss) for the year	(1,505)	(14,778)	30,324	14,041
Balance at 30 June 2016	34,510	12,663	762,775	809,948
Balance at 1 July 2016	34,510	12,663	762,775	809,948
Profit for the year	-	-	43,348	43,348
Other comprehensive loss	(2,301)	(5,413)	-	(7,714)
Total comprehensive income/(loss) for the year	(2,301)	(5,413)	43,348	35,634
Transfer of revaluation surplus	(2,729)	-	2,729	-
Balance at 30 June 2017	29,480	7,250	808,852	845,582

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 \$35.6m. This consisted of an increase in retained earnings of \$46.0m and a net decrease in reserves of \$10.4m.

The net decrease in reserves consisted of the following items:

- > a decrease of \$2.3m from the revaluation of the Group's direct property portfolio;

- > a decrease of \$2.7m from the sale of one property in the Group's direct property portfolio; and
- > a decrease of \$5.4m arising from sales of investments in the Group's investment portfolio.

Consolidated statement of cash flows

	Notes	Consolidated	
		2017 \$'000	2016 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		230,599	216,621
Insurance premiums received		480,620	441,890
Reinsurance and other recoveries received		49,338	43,930
Payments to suppliers and employees (inclusive of goods and services tax)		(304,301)	(346,599)
Claims paid		(341,533)	(317,870)
Client fees and subsidies		4,213	45,143
Outward reinsurance premium paid		(38,412)	(38,338)
Insurance policy holder acquisition costs		(42,518)	(39,498)
Net advances to finance customers		(9,838)	(26,386)
Net proceeds from finance borrowings		12,569	24,038
Dividend and distributions received		17,105	22,555
Interest income received		8,721	11,022
Income taxes received		1,679	5,574
Interest paid		(6,180)	(5,468)
Other income received		3,575	3,991
Net cash inflow from operating activities		65,637	40,605
Cash flows from investing activities			
Payments for property, plant and equipment		(12,509)	(6,577)
Payments for intangibles		(7,374)	(4,662)
Proceeds from sale of property, plant and equipment		6,098	414
Payments for investment property		(31,238)	(10,832)
Payments for available-for-sale financial assets		(57,928)	(52,316)
Proceeds from sale of available-for-sale financial assets		74,187	29,815
Dividends received from associates		-	409
Purchase of financial assets at fair value through profit or loss		(383,325)	(345,672)
Proceeds from sale of financial assets through profit or loss		368,880	347,638
Cash disposed on disposal of subsidiaries		(5,699)	-
Payment for investment in joint ventures and associates		(32,000)	(57)
Proceeds from sale of business		-	28,984
Payment for acquisition of business (net of cash acquired)		-	(41,292)
Receipts from held-to-maturity investments		22,710	1,983
Net cash outflow from investing activities		(58,198)	(52,165)
Cash flows from financing activities			
Repayment of borrowings		-	(25,213)
Proceeds from borrowings		-	15,593
Retirement village resident loans received		796	3,944
Accommodation bonds		-	3,615
Loans advanced to related party		(5,156)	(4,205)
Net cash outflow from financing activities		(4,360)	(6,266)
Net increase/(decrease) in cash and cash equivalents		3,079	(17,826)
Cash and cash equivalents at the beginning of the financial year		93,148	110,974
Cash and cash equivalents at end of year	3	96,227	93,148

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

continued

Discussion and analysis Consolidated statement of cash flows

Receipts from customers (inclusive of goods and services tax)

Higher tourism revenue, commissions revenue and membership subscription revenue resulted in higher receipts from customers. This was partially offset by lower receipts resulting from the closure of the Driver Training Centre.

Insurance premiums received

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

Reinsurance and other recoveries received

One large storm event in May 2016 resulted in higher reinsurance recoveries received in the current year.

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

There was a reduction in payments to suppliers and employees as a result of the sale of the St Ives Aged Care business in November 2015 and the sale of the St Ives Home Care business into a joint venture in July 2016. The investment in the Home Care joint venture is equity accounted so the cash flows of the business are no longer reflected across individual line items in the consolidated statement of cash flows.

Claims paid

There was an increase in claims paid during the year, in line with growth in the number of insurance policies issued.

Client fees and subsidies

There was a reduction in receipts from client fees and subsidies as a result of the sale of the St Ives Aged Care business in November 2015 and the sale of the St Ives Home Care business into a joint venture in July 2016. The investment in the Home Care joint venture is equity accounted so the cash flows of the business are no longer reflected across individual line items in the consolidated statement of cash flows.

Net receipts from finance customers and net repayment of finance borrowings

There was an increase in investment notes issued by the Finance business to fund growth in its lending activity.

Dividends and distributions received

Most of the trust distributions earned by the Group investment portfolio in the prior year were received in July 2016. These distributions were lower than the prior year and reflective of market activity at the time.

Income taxes received/(paid)

The Group received net refunds on tax previously paid as a result of a lower taxable profit in the prior year relative to instalments pre-paid. In the prior year, there were also refunds of tax paid resulting from changes in interpretations of tax law in relation to retirement villages.

Payments for property, plant and equipment

The redevelopment of the RAC Cervantes tourism park was completed during the year. This was in addition to normal capital refreshment and replacement across the Group.

Proceeds from sale of property, plant and equipment

The Balcatta property was sold during the year along with other minor property, plant and equipment.

Payments for investment property

Construction of stage 1 of the Carine retirement village was substantially completed by the end of the financial year. Construction commenced in the latter part of the prior year.

Payments for and proceeds from sale of available for sale investments

There was a net outflow from the Group's investment portfolio. Sales of investments to fund construction of stage 1 of the Carine retirement village and additional investment in the Home Care joint venture exceeded the reinvestment of trust distributions received and investment of operating cash surpluses.

Purchase of and proceeds from sale of financial assets at fair value through profit or loss

There was a net inflow to the Insurance investment portfolio. This is due to strong performance from the Insurance business partially offset by dividends paid to the Group and capital investment in technology assets.

Payment of investment in joint ventures and associates

On 1 July 2016, the Group sold the St Ives Home Care business into a joint venture thereby changing the nature of the investment from a wholly owned subsidiary to a joint venture. Additional capital was invested into the Home Care joint venture to support its growth through acquisition.

Proceeds from sale of business and payment for acquisition of business

In the prior year, the Group sold the St Ives Aged Care business and purchased four tourist parks. The sale of the St Ives Home Care business into a joint venture in July 2016 occurred via the issue of shares to the joint venture partner with no cash proceeds received by the Group.

Receipts from held-to-maturity investments

The funds held on deposit in the prior year were redeemed in the current year.

Repayment of borrowings

In the prior year, the proceeds from the sale of the St Ives Aged Care business were used to repay external borrowings.

Proceeds from borrowings

In the prior year, the Group received external borrowings to support the purchase of the four tourist parks.

Accommodation bonds

The accommodation bond receipts relate to the St Ives Aged Care business that was sold in the prior 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 are consistent with those of the prior year, except as follows. In the current year, the Group has adopted the following new standards and amendments to standards issued by the AASB that are relevant to its

operations and effective for the current annual reporting period:

- > AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation
- > AASB 2015-1 Amendments to Australian Accounting Standards - Annual improvements to Australian Accounting Standards 2012 - 2014 cycle, and
- > AASB 2015-2 Amendments to Australian Accounting Standards - Disclosure initiative: Amendments to AASB 101.

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

(b) Rounding of amounts

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

2. Revenue

	Consolidated	
	2017 \$'000	2016 \$'000
Sales revenue		
Sale of goods	12,175	12,683
Services	30,258	33,483
Commission received	8,716	6,450
Membership subscription and entrance fees	74,695	72,209
Finance interest income	14,354	14,037
Insurance premium revenue	427,253	395,267
Reinsurance and other recoveries revenue	44,963	46,460
Retirement village revenue	5,830	7,605
Retirement client and service fees	4,082	4,856
Subsidies and grants	-	37,342
Tourism revenue	19,706	13,448
	642,032	643,840
Other revenue		
Rental income	627	1,358
Interest from financial assets	8,542	10,748
Dividends and distributions from other corporations	26,848	16,186
Other items	5,078	4,589
	41,095	32,881
	683,127	676,721

Notes to the consolidated financial statements continued

Disposal of operating business

On 1 July 2016, the Group sold the St Ives Home Care business into a joint venture thereby changing the nature of the investment from a wholly owned subsidiary to a joint venture. The investment in the Home Care joint venture is equity accounted. The assets and liabilities of the St Ives Home Care business were presented as held for sale in the 2016 financial statements.

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

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

3. Cash and cash equivalents

	Consolidated	
	2017 \$'000	2016 \$'000
Current assets		
Cash at bank and in hand	83,466	83,662
Deposits at call	10,342	2,289
Cash deposits - trust account	2,419	1,498
	96,227	87,449

(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	
	2017 \$'000	2016 \$'000
Balances as above	96,227	87,449
Cash classified as held for sale	-	5,699
Balances per consolidated statement of cash flows	96,227	93,148

Notes to the consolidated financial statements continued

4. Contingencies

(a) Contingent liabilities

The Group had contingent liabilities at 30 June 2017 in respect of:

(i) Guarantees

The Group has issued a number of bank guarantees to third parties for various operational and legal purposes. These amounts are not material and it is not expected that these guarantees will be called upon.

(ii) Other

A Group subsidiary previously entered into contractual agreements to purchase land in the Vasse region in the South West of WA; but for reasons which are now the subject of proceedings commenced by the sellers against the company in the Supreme Court of WA, those purchases did not proceed. The parties to the Court proceedings have filed pleadings, completed discovery and briefed expert witnesses. The plaintiffs intend to resell the land and claim damages from the company, and to that end have entered into a conditional contract of sale with a third party; however only limited detail is available in relation to the progress of that contract. Accordingly, the quantum of damages sought by the plaintiffs remains unknown and final expert opinions remain pending as at the date of these accounts. Any further disclosure may be prejudicial to the proceedings. The impact is not considered material to the Group.

5. Business combinations

(a) Prior period

On 15 September 2015, RAC Tourism Assets Pty Ltd, a subsidiary of RACWA Holdings Pty Ltd, acquired 100% of the businesses of Exmouth Cape Holiday Park, Ningaloo Reef Resort, Monkey Mia Dolphin Resort and Shark Bay Airport, for cash consideration of \$33.5m, from the Aspen Park Property Fund. A gain on bargain purchase of \$0.2m was recognised on acquisition.

On 6 April 2016, RAC Tourism Assets Pty Ltd, a subsidiary of RACWA Holdings Pty Ltd, acquired 100% of the business of the Busselton Peppermint Park, a tourist park, for cash consideration of \$9.5m, from its private owners. Goodwill of \$2.9m was recognised on acquisition.



Notes to the consolidated financial statements continued

6. Assets and liabilities of disposal group classified as held for sale

(a) Description

As of 1 July 2016, the Group no longer has a controlling interest in Home Care Holdings Pty Ltd and its subsidiaries as a result of the issue of shares to Quadrant Private Equity to form a joint venture. From that date, the investment in Home Care Holdings Pty Ltd has been equity accounted as a joint venture investment. The associated assets and liabilities were consequently presented as held for sale in the 2016 financial statements.

The subsidiaries of Home Care Holdings Pty Ltd that were deconsolidated on 1 July 2016 are;

- > St Ives Care Pty Ltd,
- > Community Care Services Australia Pty Ltd,
- > Community Care Services Canberra Pty Ltd,
- > Community Care Services South Australia Pty Ltd,
- > Community Care Northern Territory Pty Ltd,
- > Home Care Finance Pty Ltd,
- > AT&A Pty Ltd,
- > Community Care Services Victoria Pty Ltd,
- > Community Care Services New South Wales Pty Ltd,
- > Community Care Services Queensland Pty Ltd,
- > Home Care Finance Holdings Pty Ltd,
- > Home Care Bidco Pty Ltd.

(b) Assets classified as held for sale

The following major classes of assets and liabilities are reclassified as held for sale in relation to the deconsolidation on 1 July 2016;

	Consolidated	
	2017 \$'000	2016 \$'000
Assets classified as held for sale		
Intangible assets	-	32,455
Property, plant and equipment	-	876
Trade and other receivables	-	1,916
Cash	-	5,699
Deferred tax assets	-	868
Total assets of disposal group held for sale	-	41,814

(c) Liabilities directly associated with assets classified as held for sale

	Consolidated	
	2017 \$'000	2016 \$'000
Liabilities directly associated with assets classified as held for sale		
Trade and other payables	-	7,444
Provisions	-	2,235
Deferred tax liabilities	-	8,185
Total liabilities of disposal group held for sale	-	17,864

7. Events occurring after the reporting period

On 3 August 2017, RAC Tourism Assets Pty Ltd executed a conditional contract for the purchase of a property in south-west Western Australia for \$3.6m. The contract of sale is conditional on a number of matters. This process is ongoing and is expected to be finalised in the coming months. The purchase is in line with the RAC's Tourism strategy.

On 28 August 2017, RACWA HC Investments Pty Ltd invested \$27.0m in the Home Care joint venture to support its growth through acquisition.

There has been no other matter or circumstance that has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.



For general enquiries call 13 17 03
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