

RACT



The Royal Automobile Club of Tasmania Limited

Annual Report 2013/14



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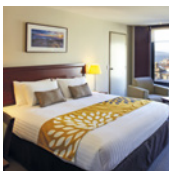
Major Tourism Investment

RACT is now a proud tourism operator in iconic regional locations of Tasmania pictured above



Member Hub completed

A new way for Members to keep informed about their membership and the benefits it can bring



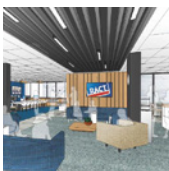
Hobart Apartment Hotel

Quality accommodation in Hobart now provided in partnership with RACV



Back on the Road

Our Roadside Patrols got over 90% of our Members vehicles running again from the roadside



Branch of the Future

Burnie branch refurbished to break new ground in service delivery for our Members



Employer of choice

RACT achieves Tasmanian Employer of Choice accreditation in 2014



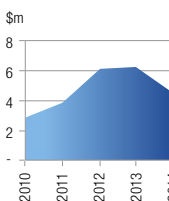
Infrastructure Funding Secured

Federal and State election campaigns bring major spending on our roads including the Midland and Brooker Highways



Award Winning App

RACT's Driving School App wins at the Australian Mobile & App Design Awards 2014



Security of services assured

18th year in a row of surplus



A Winning RACT Way

RACT's communication of its core values wins at the Australian Marketing Institute Awards for Marketing Excellence



WE FIND WAYS TO ENHANCE LIFE IN TASMANIA

HOW WE CAN HELP

Insurance – RACT Insurance can provide our members with all their general insurance needs, be it home and contents or vehicle.

Experiences – visit iconic Tasmanian locations:

Cradle Mountain: experience the unforgettable alpine wilderness at Cradle Mountain Hotel

Freycinet: experience an intimate connection with the scenic environment of Freycinet National Park at Freycinet Lodge

Strahan: Escape to where the rivers, mountains and rainforests of Tasmania's World Heritage wilderness are at your fingertips at Strahan Village and experience the award winning wilderness experience by cruising on the Gordon River aboard the sleek, purpose built vessel the Lady Jane Franklin II

Travel – RACT Travelworld and their expert travel consultants can assist with any travel enquiry, from itinerary planning and cruises to providing a professional corporate travel solution for Tasmanian businesses.

Roadside Assistance – our Ultimate and Advantage roadside products provide our members with the security of knowing that help is only a phone call away and that we'll do our utmost to get them back on the road.

RACT AutoServe – quality servicing and repairs with a commitment to transparency in everything they do.

RACT Auto Glass – windscreen replacement and repair you can trust throughout Tasmania.

Driver Training – teaching learners the necessary skills to take them through their whole driving lifetime, as well as pass their tests.

Motoring – within our Technical Services division we also offer child restraint advice, sale and fitting, battery sales, vehicle inspections and advice along with the accreditation of approved repairers throughout the state.

Accommodation – quality and convenience in the heart of Hobart at the newly acquired Hobart Apartment Hotel, our joint venture partnership with RACV.

Health Insurance – RACT Health Insurance provides flexible health cover to cater for all lifestyles.

Personal loans – Finance by RACT offer competitive rates for car loans, personal loans or debt consolidation with lower interest rates for members.

Member Benefits and Savings – with membership comes a wide range of special offers through the RACT Show Your Card and Save Program, a Journeys magazine subscription and much more.

OUR GOALS

- We strive to deliver world-best service and expertise for the benefit of our members
- We aim to be recognised as the most valued membership organisation in Tasmania by providing a defining customer experience that aligns with our vision and values
- We will, either through the Club or with the help of our joint venture enterprises, provide a range of quality services for the benefit of our members
- We will ensure the Club's long term sustainability by understanding that positive return on our investments has to underpin all our services and distribution networks
- We will represent the interests of our members and Tasmanians generally in all our areas of endeavour
- We will actively engage with and support the Tasmanian community

OUR VALUES

Integrity – we take actions that justify trust

Courage – to make changes, be proactive and to innovate

Fairness – we treat people with dignity and take a balanced view

Resourcefulness – we work hard to find the right solutions for our members

Caring – we listen and are community-minded

Vibrancy – we are enthusiastic and engaged in everything we do



"RACT's service culture is at the cornerstone of everything we do and we feel that's what makes hospitality a natural fit for our organisation."

INVESTING IN TASMANIA

It is perhaps too early to regard the green shoots of recovery we have seen appear in the Tasmanian economy this year as the start of a long term trend, but they are a very welcome sight. However our economy still lags behind the rest of the country in most important indicators such as unemployment rate and growth. Confidence of consumers and businesses at times like these is crucial to stimulate spending and investment and this year the RACT has certainly shown that we're backing Tasmania with our purchase of a number of tourism businesses across the State.

Given our purchase of the Freycinet Lodge, Strahan Village, Gordon River Cruises and Cradle Mountain Hotel businesses and investment in the RACV/RACV Hobart Apartment Hotel it is pleasing to see that the recent surge in retail spending has been attributed to a strong upturn in tourism that Tasmania is currently enjoying. We feel that our investment in these businesses will not only help our future financial sustainability, but also provides us with additional ways to provide benefits to you our members.

A NATURAL STEP FORWARD

RACV's service culture is at the cornerstone of everything we do and we feel that's what makes hospitality a natural fit for our organisation. It's interesting to remember that the Club provided hospitality services for our Members in Hobart for almost 70 years and now we do so again, but this time at iconic locations around the State.

We're very excited by the opportunity we have to attract tourists into Tasmania and hope to provide them with some of the best wilderness experiences Tasmania has to offer. We are conscious that our Destinations businesses are very important to the local economies where they are located and with our future success we hope to stimulate regional tourism in Tasmania and the communities that rely on it.

SUPPORTING ALL REGIONS OF TASMANIA

Stimulating local economies isn't the only way we provide assistance to Tasmanian communities of course. RACV supports not for profit community organisations across the State with offers of grants twice yearly through the RACV Community Fund. This year 17 organisations received grants including Burnie and Devonport Girl Guides and the Delta Therapy Dogs Program in the North West; Deviot Community Hall and Heybridge Improvement Association in the North; the West Moonah Volunteer Program and Riding for the Disabled in the South as well as grants to Strahan and Swansea primary schools on the West and East coasts.

RACV's mission is that we aim to enhance life in Tasmania and our support of community events across the State is a crucial part of that. This year we contributed to organisations or sponsored events such as the Night on the Terrace in Burnie, state-wide sponsorship of Little Athletics, Tasmanian Rostrum Voice of Youth, the City to Casino fun run, Symphony Under the Stars, AFL football through Aurora Stadium and North Melbourne game sponsorships, Breath of Life music festival and Dark Mofo.

Our regional focus doesn't just relate to our support for community projects as we continue to maintain our branch network with a branch in every region. Also through our roadside patrols and country agents we have on the ground roadside support wherever you are in Tasmania and need help.

DEDICATED STAFF AND LOYAL MEMBERSHIP

We know that our Members appreciate the expert assistance our staff provide either face to face or over the telephone. The many messages of thanks from members we receive are testament to the dedication they show and the high level of service they provide. We aim for world's best service and without the contribution of all of our team it would not be possible. The Club was awarded Employer of Choice accreditation this year and I hope that the progressive and supportive working practices that led to this recognition go some way to thanking

Chairman's Report

our staff for everything they do on behalf of Members. I would like to add my thanks on behalf the Board to our fine team and I am honoured to be associated with them.

Perhaps our staff are the reason why we have such a loyal membership base. This year we celebrated with 292 members across functions in Launceston, Hobart and Burnie who all became members of the Club 50 years ago and have been members ever since. They're great occasions that we hold each year and it is amazing to think of the changes to motoring over that time and it's important to the Club that we make sure our members concerns regarding road safety are well represented.

ENSURING OUR MEMBERS VOICES HEARD

We believe we are strongly positioned within the Tasmanian community to influence government policy and provide advice on road safety and mobility in Tasmania. This is no more important than in an election year and of course over the past year we have had a change in government at both Federal and State levels.

At State level we campaigned strongly on what our Members have consistently told us is important to them, fixing our roads, increasing police visibility and protecting road users. We will continue to hold the new government to account and make sure they deliver on the promises they have made.

At a Federal level we joined forces with our sister motoring clubs and took an active part in the first national election campaign coordinated through the Australian Automobile Association of which RACT is a member and I am Vice President. The Demand Better Roads campaign asked all political parties for a commitment to action on a number of measures including stronger investment in transport infrastructure, a focus on road safety and consumer protection on right to repair and fuel pricing. A priority list of infrastructure projects was provided by RACT and significant commitments were made for Tasmania for the Midland and Brooker highways as well as other projects such as upgrading parts of the Huon and Tasman Highways. In all almost \$450m was committed and we are very proud of our part in the campaign.

WORKING FOR MEMBERS

There was more to our advocacy efforts than just our election campaigns though and we called upon our three Regional Advisory Committees in the North, South and North West to provide advice and focus for local councils and decision makers across the State. I cannot speak highly enough of the vital connection they give the Club to our Members' road safety concerns and of the dedicated commitment the committee members give in volunteering their time and energy.

Their work is part of a state-wide approach to road safety that is overseen by an RACT Board committee, the Road & Traffic Committee. It monitors reports from management and the regional committees and receives expert submissions on technical aspects relating to safety on our roads. The committee plays a fundamental role in shaping the Club's motoring policies that are approved by the Board, details of which can be found on the RACT website.

The RACT Board is made up of Members who act as independent non-executive directors and have responsibility for setting the goals and strategies of the RACT and monitoring management performance and results. The Board is also responsible for identifying and managing business risks and to assist in this capacity it has the support of its Audit and Risk Management Committee. In order to monitor the Club's investments and to assess new investment proposals the Board receives recommendations from its Investment Committee.

The Board itself has seen changes during the year with Robin Holmes and Bruce Clark leaving the Board after 12 and 6 years respectively of dedicated service to the Board. Bruce continues to be a member of our North West Regional Advisory Committee for which he has been a member for many years. I'd like to take this opportunity to thank them both personally and on behalf of the Board for all they have done to assist with the governance of the Club over the years. They have been replaced on the Board by two new directors in Jenny Self and Sue Smith who are of a very high calibre. Jenny is the Business Manager of Hutchins School and a former finalist of the Telstra Tasmanian Business Women's Award. Sue was the first woman to become President of Tasmania's Legislative Council and has dedicated the majority of her career to serving Tasmania's North West community and the State as a whole.

In addition I had the honour of being elected President of the Club in November in place of Stuart Slade who stood down from the position after three years. I'd like to thank Stuart for his assistance since I became President and I am very much looking forward to working with the Board during my tenure as Chairman.

Finally I'd like to pay respect to His Excellency the Honourable Peter Underwood AC, our patron who sadly passed away during the year. He was a very popular Vice Regal representative and always supportive of the Club and the State and is greatly missed.



Peter Joyce



"The professionalism and expertise of our workforce is the cornerstone of all that we aim to achieve for our Members and the embodiment of this culture is what we call the RACT Way which sets out our core values."

TRANSFORMATIONAL CHANGE

This year saw the RACT Group take a huge step in progressing what has been one of its key strategies for a number of years through completing our acquisition of the Federal Group's regional tourism businesses: Freycinet Lodge, Strahan Village, Gordon River Cruises and Cradle Mountain Hotel. It is no exaggeration to regard this investment as being transformational for the Group when you consider that these businesses are likely over a full year's trading to add \$25m to our revenues and they more than double our number of staff.

The Group has operated across its three traditional businesses of Motoring, Insurance and Travel for many years and the Board and management were keen to add a fourth pillar to the organisation as a way of diversifying and ensuring the sustainability of the Group for the future.

As Tasmania is best known as a Drive Tourism destination RACT is now uniquely well positioned to promote Drive Tourism straddling as it does both motoring and tourism concerns. Furthermore our strengths stem from the great service we provide our members and we know that the RACT Way will resonate well in hospitality and the feedback we have received since taking over operations in February has been encouraging.

Being able to offer our Members some truly memorable experiences at some of Tasmania's most well known and loved areas is also a great way for RACT to offer additional benefits to Members through

exclusive offers and events as well as accommodation discounts. Over the first 5 months we have operated the businesses we have provided \$77k in Member discounts.

In terms of diversification our new Tourism operations are important to the Group, as unlike our other divisions, they will generate revenue from outside of the State. This means that our successful growth of these businesses will not be solely dependent on Tasmanian economic conditions which have lagged behind the rest of the country for some years now.

WEATHERED A STAGNANT ECONOMY WELL

RACT has consistently performed well in what have been challenging economic conditions in Tasmania for a number of years and this year is no different where the Group has achieved a surplus of over \$5m before tax. This represents a reduction from the previous year, but that is largely attributable to additional costs incurred to acquire our tourism businesses.

In terms of the Tasmanian economy the unemployment rate has fallen and participation rate increased over the year and these are encouraging signs, but the State is still some distance behind the rest of the country and we need to see further improvements over a longer period for that to change significantly.

Members with Roadside Assistance increased in number to 118,710 which although only a small increase on the prior year is very pleasing given it is such a longstanding product. This is achieved by ensuring great service delivery across the 75,000 callouts our teams received this year. Our patrols successfully got our Members back on the road from the roadside in over 90% of cases and in the minority of cases where a tow was required we could call on one of the 17 tow trucks to which we have access across the State to assist our Members.

INVESTING IN INNOVATION

The insurance market in Australia is meeting with increasing competition from new foreign entrants to the market and Tasmania is not immune to that. RACT Insurance is competing well and investing heavily in a new insurance system to ensure it continues to be able to provide products to our Members that best fit Tasmania. RACT's branch network allows our Members the ability of face to face contact with our knowledgeable and dedicated customer service staff and a level of service that so many of our competitors cannot offer. We know this is important to our Members and we believe this plays a large part in RACT Insurance producing results ahead of target in such a competitive market.

In Burnie we completed the refurbishment of our branch there with fantastic results. It now offers a modern environment where our Members can conduct their business and receive our aim of world's best service. It offers a great community space and an area where Members can relax and look at all the RACT can offer them. It's our blueprint for future branch refurbishments and we are very proud of it.

CEO's Report

During the year we completed the return of the remaining franchised Driver Training operations in Burnie and Devonport which was important to us as we see Driver Training as a crucial first contact with the motorists, and we hope members, of the future. To enhance the experience we offer our learners we launched a digital logbook application that can be downloaded to mobile phones and records all the information you need including the hours you drive in a format that once printed will be accepted by Tasmanian Testing Centres. The RACT Driver Training App was a winner at the Australian Mobile & App Design Awards 2014 in the Education and Family category which is great recognition of what really is a convenient and innovative way to help with the formalities of learning to drive.

RACT's innovation in the digital space doesn't stop there and during the year we completed work on our new online Member Hub. This will be an additional way that we can keep our Members up to date with news and information of interest to them and make them aware of offers that may be available to them. As well as a great social space for our Members it will also enhance the way Members can interact with RACT by giving us feedback or view all their membership products and update their personal details whenever it is convenient to them. To access the Member Hub you need to register and instructions on how to do that are available on our website www.ract.com.au.

GREAT SERVICES, GREAT PARTNERSHIPS

Our Travel business provided an improved result this year in what has been a difficult market relying as it does on Tasmanian discretionary spending. The result is recognition of a lot of hard work by our staff and our partners in the business who pride themselves on the quality of service they offer. The quality of this partnership is borne out by our partners winning the Best Multi-location Retail Travel Agency at the Australian Federation of Travel Agents awards this year.

Last year I was pleased to inform you of our new partnerships RACT AutoServe and RACT Auto Glass. RACT AutoServe achieved a great result this year and we receive excellent feedback from Members about the service they receive. The company offers car repairs and servicing that they can trust from qualified technicians that are committed to being transparent about everything they do. Members get a 10% labour discount and AutoServe also provide 'Know your car' sessions to help Members maintain and understand their vehicles.

RACT Auto Glass now operates state-wide and offers quality windscreen replacement and chip repairs. We've received great feedback from Members about the quality of work they have received, but it's a highly competitive market and we are still in the process of building awareness of the operation and what we can offer, which includes a member discount of 15%.

Our health insurance and finance operations saw good growth in the year with Health Insurance by RACT achieving 9% growth in new policies and Finance by RACT achieving portfolio growth albeit at a lower rate than the previous year.

During the year RACT partnered with RACV to acquire the property now known as the Hobart Apartment Hotel. Operations began in September 2013 and have proven very popular with our Members, with over 2,000 having stayed at the hotel prior to the end of the financial year. A great deal of effort has gone in to making improvements at the hotel with upgrades to the bathrooms and lighting as well as operationally within the connected restaurant Charcoal. It is intended that further development will take place over the coming year to remodel the entrance and create lounge areas, improve the gym, bar and restaurant areas and conference facilities to reinforce its position as one of the best hotels in Hobart.

INVESTMENT IN OUR PEOPLE

The professionalism and expertise of our workforce is the cornerstone of all that we aim to achieve for our Members and the embodiment of this culture is what we call the RACT Way which sets out our core values. The RACT Way was recognised by winning the national award at The Australian Marketing Institute Awards for Marketing Excellence in the Internal Marketing category this year and the enthusiasm our staff showed for the programme was inspirational. I would like to thank each and every member of the RACT team for their efforts this year which was one characterised by change which can be a difficult time for staff with increased workloads, but they have once more proved themselves to be first class.

The levels of service we provide comes about not only because of the dedication and hard work of all of our staff, but also from the investment in training, work health & safety and facilities that RACT provides. This year we became a Tasmanian Employer of Choice and we are very proud of the low amount of turnover we have within our staff and the number of them that stay with us for the majority of their careers - we currently have 24 employees that have been with us for over 20 years.

I'd like to thank all of the directors who served on the Board during the year for their support and encouragement in what has been a very successful period for the organisation as well as thanking and paying my respect to our dearly departed patron, His Excellency the Honourable Peter Underwood AC.



Harvey Lennon

Communications and Advocacy

RACT's mission 'We Find Ways to Enhance Life in Tasmania' isn't just about the products we offer our Members, but also that as the peak motorist body in Tasmania we have a role to advocate on behalf of Members on road safety and mobility issues. In addition we think it is important that the RACT supports community groups and events in the State as well as provide education on matters we believe will benefit the community.

Community Engagement and Education

The past year was the first year of operating our community program with a dedicated Community Engagement and Education Manager in place.

As part of RACT's commitment to the United Nation's Decade of Action for Road Safety 2011-2020, we focused our attention this year on reducing the measurable incidence of serious injuries due to lack of, or incorrect, use of seat belts and child restraints. This included public information sessions as well as working with Resource Tip Shops to encourage them not to sell out of date, old or damaged restraints. At the end of the campaign, restraints collected were destroyed and \$5 for every restraint collected was donated to Headway.

RACT's latest educational program CarFit is designed to provide advice and information to older drivers. The program is based on the American CarFit program that has been successfully operating for many years. At a Carfit session, trained professionals including a qualified occupational therapist go through a simple checklist of questions with the driver about their car. The driver is then shown recommended adjustments on how they and their car can 'fit' together to maximise personal safety and comfort. Carfit is not an assessment of an individual's driving ability, and the service is provided free of charge.

During the year Driver training conducted 14 workshops around the State that were available free of charge for anyone to attend with their

learner driver. The 90 minute interactive workshop provided information on getting your Ls, L2s and p-plate, the role of the supervisor and the graduated licensing system.

During the year 48% of staff took part in RACT's Staff Volunteer Program where RACT allows staff to offer their time and expertise to various charities and community groups. This year staff volunteered with programs such as Cancer Council Australia's Daffodil Day, Ronald McDonald House and Save the Children shops as well as many others across the State.



RACT Community Fund

The RACT Community Fund provides small grants to non-profit community organisations in two tranches each year. RACT is committed to providing this assistance to grassroots community organisations, often operated by volunteers, to help them deliver local projects that help improve the lives of their communities. Amongst the 17 recipient organisations this year, who were spread across the State, were Riding for the Disabled who received funds to upgrade their riding track and Glengarry Fire Brigade who were provided with a defibrillator.

In addition the Parents and Friends of Strahan Primary School received funds to provide fridges to the school to store the children's lunches and the Heybridge Improvement Association, a volunteer maintained community space in the North of the State, who received mowing and painting equipment.

The Delta Therapy Dogs Program benefitted from the RACT Community Fund with funding towards their new program Classroom Canines which will concentrate on children who have difficulties with reading and writing, but who are not part of a remedial reading program.

Burnie Girl Guides were able to purchase training equipment, Devonport Girl Guides received funding towards new uniforms and the Deviot Town Hall received funding to replace their 1970's hot water system with an energy efficient heat pump system.



Corporate Social Responsibility



Public Advocacy

The year was dominated by two major elections, one federal in September 2013 and a Tasmanian state election in March 2014. Both saw the defeat of incumbent Labor governments.

At the federal level the RACT joined with Australia's other motoring clubs for a major campaign: Demand Better Roads. A priority list of RACT projects in Tasmania included upgrading the Midland Highway, the Brooker Highway, the Illawarra Main Rd, and a replacement for the ageing Bridgewater Bridge.

The RACT was pleased by coalition promises to significantly upgrade both the Midland and Brooker highways, and these projects were subject to detailed planning by the end of the financial year. In addition, the first Coalition budget committed funds for land acquisition ahead of any construction of a potential new Bridgewater Bridge.

At a state level, the RACT advocated strongly and successfully in terms of a Tasmanian contribution to upgrading the Midland Highway, increased funding for state roads, restoration of Police funding, and no new taxes on motorists.

As part of its campaign the RACT drew up a document, RACT Priorities, State Election 2014, containing detailed proposals under four main themes: Fix our Roads; Fund our Police; Focus on Vulnerable Road Users; and Freeze Increases in the Costs of Owning and Operating a Vehicle.

The RACT also maintained a strong focus on the future of transport infrastructure. The Club was part of a forum on the future of Hobart ferry services and mounted its own public forum – attended by all major political parties – on an arterial road transport plan for Hobart. This forum revived a decades old debate on planning for Hobart's future

traffic needs, particularly through traffic as opposed to local traffic.

During the year, the RACT continued its strong focus on child restraints including a public forum that attracted expert speakers. This is part of the RACT's commitment to the UN Decade of Action for Road Safety 2011-2020, which sees the club focussing advocacy and education efforts in Tasmania on trying to reduce the incidence of seat belt and child restraint-related serious casualties over coming years.



Journeys Magazine

Journeys is the magazine for members of the RACT and provides a credible and reliable source of information and advice and was published bi-monthly throughout the year. The magazine is distributed by mail to well over 100,000 Tasmanian households on a bi-monthly basis. It maintained its position as being Tasmania's highest-circulation magazine during the year and is widely read by RACT members who find it an informative resource.

Each edition of the magazine is also available in digital format via a Realview 'click and page turn' presentation. In addition this year RACT launched a dedicated Journeys app so that members can more easily read the magazine on tablet or smartphone.

In terms of content *Journeys* magazine features a mix of articles including news and views on road safety; motoring and related issues; information about RACT's advocacy activities on behalf of members; new car reviews and test-drives; articles by travel journalists; details of events in and around Tasmania; highlights of travel products; and a range of exclusive offers for members of the RACT. The magazine also supports a substantial travel advertorial section that proves to be both popular and effective and helps support the ongoing success of RACT Travel.

We believe that *Journeys* is an excellent means of engaging with our members as the latest market research that was carried out in 2013 showed that readership was at 93% and that the magazine has a pass-on rate of 1.5. This means that approximately one third of the Tasmanian population read each issue of *Journeys* which underpins its value to RACT in terms of advocacy and local businesses in terms of advertising reach.

The magazine would not be possible without the support of our partners involved in its publication, including Digital Ink, advertising consultant Artemis, printer Hannanprint, mailhouse D&D, distributors Australia Post as well as all of our regular contributors and writers. We would like to thank all involved in what has been another great year for our magazine.



People and Culture

This year saw the workforce of RACT effectively double with the acquisition of RACT's new tourism businesses. As well as additional numbers the tourism businesses bring with them new factors that were not present in RACT's existing workforce requirements. For example the Tourism industry is highly seasonal and the workforce is supplemented each summer with a significant percentage of transient casual workers, many of whom are only in the country for a short while.

The need for a large influx of temporary workers each year brings with it significant demands on the business as you need to be able to attract the right number of quality candidates. It is also essential to ensure that they are sufficiently trained in a short period of time while ensuring service delivery is not impacted by the higher turnover of staff in frontline roles. RACT's first high season operating the businesses is still to come but we are confident that the recruitment and induction processes that have been established will ensure that we are able to supplement our highly skilled and experienced permanent teams at the properties with high calibre casual workers.

The goal of all RACT staff is to provide worlds-best service and expertise and in order for this to be achieved the Group believes it is crucial that it continues to develop a supportive and constructive culture. The challenge of transitioning our new hospitality staff was made easier by the parallels between the hospitality industry and the type of service levels our existing workforce strive for and attain within branches and on patrols.

In order to monitor staff engagement we regularly undertake staff surveys. This year's was completed by 69% of staff and we were very pleased with results which were in line with the prior year despite the huge amount of change the business has gone through over the year.

Through our engagement survey and organisational culture inventory questionnaire we get valuable feedback about how our staff feel about working for RACT and we are very proud of the results.

The results show that our staff are proud to work for a community minded, Tasmanian owned and operated company and appreciate the opportunity to be personally involved in some of the community activities with which RACT is involved. This year 48% of staff participated in our Employee Volunteer Day program, an increase of 45% on the prior year.

The degree of satisfaction demonstrated by our staff led to RACT being recognised as a Tasmanian Employer of Choice and can also be seen in the long service of a great number of staff within the Group. This year another 5 staff celebrated 20 years of service with RACT and we now have 24 members of this exclusive club.

RACT has continued to invest in our Workplace Health & Safety resources with an additional full time Group WHS Manager added since we acquired our new tourism businesses. We have been very successful in increasing awareness of the safe environment in which we would like to operate and feel confident that we have made huge steps towards a culture where all incidents, hazards or near misses are reported and the various operational WH&S committees are successfully reducing risks throughout the Group.

During the year we had 11 workers compensation claims of which 2 were in our tourism businesses and lost time injuries were less than 0.5% of total hours worked across the Group as a whole and our new tourism operations.

Particular attention was given to safe towing procedures during the year and all our tow trucks have been retrofitted with remote control winching mechanisms so that our operators can control the winch from within the vehicle being towed and stop the vehicle if it breaks loose. In addition a secondary strap has been developed so that if the tow attachment fails on the car, which is the most common incident in relation to towing vehicles, the car will be stopped over a very short distance before momentum has been built up.

Insurance



Standing strong in competitive market

renewal rate of 94%

Working hard to keep premiums down

repair costs reduced

Popular Choice

quote conversion ahead of target

Future Assured

New Insurance System project underway

RACT delivered a strong result in the face of difficult market conditions in 2013/14 and has performed well in comparison with its larger competitors.

The Insurance market within Australia has been increasingly competitive over the last few years with new companies entering the market from overseas, such as Youi, and other Australian brands entering the insurance market such as Woolworths. In addition established insurance companies have launched internet only brands to try and take advantage of consumer perceptions of value in reducing customer service channels.

These trends have been less prevalent in Tasmania than the rest of the country but during the year the impact of the increased competitive environment has been felt in the Tasmanian market. Marketing spend by the new market entrants has been considerable and RACT's share of media voice has been reduced. This has impacted the company in reducing the number of new customers requesting quotes. What we believe is telling though is that RACT's quote conversion rate is ahead of target which we know represents the value proposition our high level of service and product quality provides to Members.

Growth in the number of separate risks RACT Insurance provides cover for was largely static during the year at approximately 211,000. This is in line with the Tasmanian market as increases in passenger vehicles growth and home ownership were negligible in the year, but below the usual level of growth that has been enjoyed by RACT over recent years. New business sales volumes were up on the year with respect to the Motor portfolio but down in relation to the Home

portfolio and overall. This performance was supported by a 35% increase in the take-up via RACT Insurance's online quoting tool. While the number of members using the online tool is still small in proportion to the number who obtain insurance through our more established channels it is encouraging to see a higher level of interest in our online facilities during the year.

The renewal rates for RACT Insurance remain very high and we believe acknowledge the excellent service levels and claims experience members get from our highly qualified staff and the fact that our products are tailored for Tasmanians. Surveys are taken of members who utilise the service and the results of these surveys show a very encouraging satisfaction level amongst members of which we are very proud.

Given the competitive market RACT Insurance have increased focus on cost reduction during the year, particularly in terms of cost of repair and recovery, with the introduction of competitive quoting for repairs. Claims frequency was below expectations in the year but the severity of claims was higher than expected. Overall claims were favourable during the year and supported the overall strong result of RACT Insurance.

During the year RACT Insurance committed to a major infrastructure project. RACT's insurance system will be replaced within 2014/15 which will allow RACT Insurance to use its knowledge of Tasmanian conditions to ensure that it can offer premiums as competitive as possible while fully incorporating the risks relating to the items to be insured. Once successfully implemented, this will significantly contribute to the ongoing sustainability of RACT's insurance business.

Travel



Year on Year Improvement

5 of 8 Travel branches improve performance in 2013/14

New RACT Travel Call Centre launched

Travel Insurance, Car Hire and Accommodation available over the phone

You're cruising with us

Number 1 Cruise retailer in Tasmania

RACT Travel generated its best ever result as the Australian Outbound travel market continues to grow. In Tasmania discretionary spending has lagged behind the rest of the country which has impacted the retail travel industry in the State. Despite this RACT Travel achieved an increase in revenues of over 10% and an operating surplus that more than doubled the prior year figure. RACT Travel is able to call on an intricate global network including personal relationships with the best hoteliers, resorts, tour and vacation operators and cruise lines. We don't just book trips, we create life-changing travel experiences.

With five of the eight RACT Travel branches providing an improved performance in the year it can be seen that business has improved across the State. This excellent result has been a result of RACT Travel being able to provide excellent service while controlling costs. This is in no small part due to the dedication and skill of our highly professional travel advisors who assisted thousands of RACT members with their travel needs over the year. RACT members benefit from RACT Travel's Low Price Promise where any price members find elsewhere for the exact same holiday is guaranteed to be improved upon.

The Australian travel market is valued at approximately \$35 billion and is forecast to grow by 5%. Within the travel market, the cruise market is expected to grow at the greatest rate. In the last year it grew by 20% and it is expected that 1 million Australians will cruise annually by 2016. RACT Travel is the largest provider of cruise holidays in the State and with a dedicated Cruise Travel Centre in our Collins St, Hobart branch, staffed by cruise specialists, RACT is well positioned to provide a better service to members in this exciting market.

To do this we plan to bring exclusive offers like our recent 14 day European celebrity river cruise with Mick and Jane from 7HOFM in August 2014 as well as continuing to host RACT Travel's Cruise Sale Day. Our Cruise Sale Day brings together around 20 of the major cruise companies under one roof offering one day only exclusive prices. It is getting bigger every year and is the busiest day of the year for cruise bookings and is the largest cruise event in the State.

During the year RACT Travel introduced a dedicated travel call centre to provide travel insurance and car hire options as well as handle telephone sales for RACT's new tourism properties.

One of RACT Travel's key strategies is to grow its share of the Corporate Travel market. Through our joint venture partners the Hunter Travel Group we offer a market leading online, airline, accommodation and car hire booking tool for business clients. This product is a seamless solution that provides all the best price information on a single web page avoiding having to swap between airline, hotel and car hire websites. Not only this but it stores all the travellers profiles for future bookings and can provide 88 different business reports. RACT's partnership with Hunter Travel Group is very beneficial to our travel business as is demonstrated by their recent win at the AFTA National Travel Industry Awards where they were named Australia's best multi-branch travel agency.

Tourism



RACT's purchase in February 2014 of the Federal Group's Tasmanian regional tourism businesses marks a major step forward for the RACT. It fulfils a long-held strategic objective to create a fourth pillar for the Group and increasing diversification of revenues that will assist with sustainability for the future.

In the first 5 months of trading RACT has provided Member discounts amounting to \$77,000 and demonstrates the potential for member benefit present in tourism and increases the value proposition of an RACT membership.

Introducing our new businesses:

FREYCINET LODGE

Overlooking the endless blue waters of Great Oyster Bay, and with the rugged beauty of The Hazards range as its backdrop, Freycinet Lodge offers you an intimate connection with the scenic environment of Freycinet National Park through its excellent cabin style accommodation and dining facilities.

STRAHAN VILLAGE

Strahan Village offers you a warm welcome after exploring the untouched scenery with its stylish collection of exceptional cottage and hotel style accommodation, on Tasmania's west coast.

Set on a quiet bay of Macquarie Harbour, the fishing port of Strahan is the gateway to the Tasmanian Wilderness World Heritage Area and Franklin-Gordon Wild Rivers National Park.

Transformational Investment

RACT acquires tourism businesses in iconic Tasmanian locations

Hobart Apartment Hotel

Hobart accommodation provided in partnership with RACV

Member Benefits

\$77,000 provided in Member discounts by RACT

GORDON RIVER CRUISES

Departing from Strahan on Tasmania's west coast, Gordon River Cruises offers half day cruises on the Gordon River. On board the Lady Jane Franklin II, you'll glide across Macquarie Harbour to Hells Gates and into the lower reaches of the Gordon River. Here you'll experience some of the world's last temperate rainforest and discover the natural, cultural and human stories of this extraordinary place.

CRADLE MOUNTAIN HOTEL

Cradle Mountain Hotel is the perfect base for exploring the pristine environment of Cradle Mountain. Spend your days walking among the snow-dusted peaks, lush forests, and glacial lakes of the Tasmanian wilderness. Discover the tranquillity of Dove Lake, take in the dramatic views from Marion's Lookout or experience the grandeur of the Cradle Mountain summit on one of the park's many hiking trails.

RACT/RACV HOBART APARTMENT HOTEL

In addition to our own businesses we also entered into a joint venture partnership with RACV during the year to offer quality accommodation in Hobart. Operations began in September 2013 and within the financial year more than 2,000 RACT members have taken advantage of the discounts available to them.

The hotel offers a selection of accommodation types. Whether you're travelling with family, visiting on business, or looking for that home away from home, the Hobart Apartment Hotel can cater for all your needs.

Roadside



In Demand

Average of over 200 Roadside Calls every day

On Time

Over 25% reduction in Members waiting over 60 minutes

Peace of Mind

Over 23.8% of Tasmanian population covered by Roadside Service

Our Roadside team have given peace of mind to our Members for over 90 years but their ability to provide great service stems from a focus on continual improvement. Our Members rely on us in their many thousands to answer their calls for assistance, get to them quickly wherever they may be in the State and get them back on the road safely.

This year we have concentrated our efforts on reducing the number of Members who may have to wait longer because their breakdown has occurred in a peak period. As you would imagine our callouts do not occur uniformly throughout the year, week or day. We therefore have to ensure we have sufficient resources to cope in our peak periods around rush hour travelling, especially in winter when these peaks are exaggerated. We are very proud that we have managed to achieve a reduction of over 25% in the number of Members waiting over 60 minutes from the prior year. This excellent result means that 95% of our calls were responded to within an hour.

We've also improved our processes so that if there are delays our Members are kept updated on the likely wait via text messages reassuring them that we are on our way. Our call centre delivered on their targets with over three quarters of calls answered within 30 seconds with our staff receiving tremendous feedback from Members once again.

We receive on average over 200 calls for assistance every day and this year reduced the average response time in metro areas down to a little over 26 minutes which is an improvement of 3.6% reduction from the prior year. We didn't just improve the speed with which we got to our Members this year, but also the percentage of vehicles we managed to re-start at the roadside. We now get our Members going more than 9 times out of 10 and on those occasions when the matter can't be immediately fixed we have 17 tow vehicles that we can call upon to assist our Members. This improved mobilisation rate has been achieved following continued investment to equip and train our patrols on the latest technology so that they are able to access manufacturer and technical support on vehicles while on a call.

RACT operated with 22 corporate roadside patrols and a further 55 metropolitan and country contractors in the year. From Dover to Smithton and from Strahan to St Helens we have experts operating on our behalf helping to ensure that RACT can efficiently cover all regions of Tasmania.

The value our members put on the reliability of the service we provide is demonstrated by the fact that we have a retention rate of over 90% year on year. We now have over 122,000 Tasmanians relying on our Roadside assistance service, more than ever before. This means that we offer the security of knowing that we will be there when they need us to almost 24% of the Tasmanian population.

RACT AutoServe

RACT AutoServe has had a successful year, with demand increasing through the year. It is RACT's Hobart-based quality servicing and repair business offering members a 10% discount on labour costs. The excellent service provided to its customers and positive feedback from Members has allowed RACT to transition Vehicle Inspection operations in Hobart to RACT AutoServe during the year. The similarities of the skills required between the servicing and inspection businesses mean that RACT AutoServe are better able

to manage the variable demand of the Vehicle Inspection business with increased efficiency.

RACT AutoServe's success is based on providing transparency in all their dealings with their customers. It's an approach that is backed up by the experience and quality of workmanship of their highly trained mechanics and means customers have got the information they can trust to decide what they want to do.

RACT Auto Glass

RACT Auto Glass has provided quality windscreen repair and replacement services throughout the State since August 2013 having begun operating out of Launceston in February 2013.

RACT believe that the business is an excellent fit for our Members as the windscreen of a car is a vital component of your driving safety day and night. It is an integral part of the vehicle body shell that contributes to overall strength and stiffness. Damaged windscreens, even if it is a small chip or a crack, will reduce a driver's vision and compromise their driving safety. RACT Auto Glass provides a convenient mobile solution to any windscreen repair or glass replacement and only use original equipment, approved adhesives and seals to ensure maximum driving safety.

The business has seen demand from Members increase during the year offering a 15% member discount on windscreen replacement. It is hoped that with increased awareness of the business in the wider market that demand will increase further and the business will continue to grow.



Distribution Network

Our distribution network is crucial to the Group's success and relies heavily on the service excellence of our customer service teams. As part of RACT's ongoing drive to deliver world's best service to Members our customer service teams are provided with one on one coaching and personal development from dedicated and professional trainers.

During the year we have begun to utilise our new member relationship management system so that its ability to provide a single view of each of our Members is best used to improve the member experience. Our Members, both new and long-standing have benefitted from this investment in support of our staff and that service is no doubt reflected in the above target conversion rate on insurance quotes and insurance renewal rates.

Our network includes nine branch offices, our customer service call centre as well as our online platform. Utilisation of our website for online quoting increased during the year although is still below industry averages. We continue to invest in both online and traditional channels and this year we completed a major refurbishment of our Burnie branch. Burnie is now our blueprint for future RACT branches and incorporates a modern design and zoning to allow a better quality of interaction between our staff and Members as well as providing a space for local community groups to use. We have received excellent feedback



from Members on the new design and we are very excited by the opportunities it brings.

Our retail branch network continues to deliver a great standard of service and acts as a point of real differentiation across our Insurance, Travel, Roadside assistance and other motoring products. In addition our Members continued to take advantage of our books, maps, discounted movie tickets and international driving permit solutions.

Driver Training

RACT has now brought back in house all of its previously franchised Driver Training operations and have experienced high levels of demand throughout the year. We now operate with 13 highly qualified and experienced instructors providing driver education, training and road safety throughout the State. They provide the skills required to take our trainees through their driving lifetime as well as pass their tests. We are accredited to provide lessons under the federally funded Keys2drive scheme and during the year our comprehensive driver training programmes provided 10,400 lessons in Hobart and Launceston and achieved a high pass rate. Our trainers took advantage of an offer to receive a free year's roadside membership through the purchase of a multi-lesson package that resulted in 130 new members joining the Club this year.

We also offer our trainees use of our multi-award winning Learner Driver App that was introduced during the year and allows them to record their hours on their phone so that the record can be printed and accepted by DIER as part of qualifying for their drivers licence.



Finance by RACT

The personal loans that we offer through our sister club RACV continue to be very competitive and our Members receive a further reduction of 1% from the standard interest rate offered. This product is designed to be customer friendly, easy to access and have a fast approval process which drove excellent portfolio growth in the year.



Health Insurance by RACT

Our health insurance product is provided through our joint venture partners GMHBA, with more than 75 years of experience providing health insurance solutions. As is common within the health insurance market it can be difficult to convince people to switch health insurance

provider but RACT has achieved 10% growth in active policies during the year. This growth is based on both the quality of the cover options provided and the ease by which we can transition coverage from other suppliers and the quality of service and support that is provided during the process.

Motoring

RACT offers a range of motoring products that both support our Roadside assistance service and our Members desire to receive advice and products that they can trust.

We carry out comprehensive high-quality vehicle inspections and offer pre-purchase advice on behalf of members and commercial clients. In Hobart this operation has been transitioned to RACT AutoServe to enable operational efficiencies while still providing a quality service that we know is valued by Members.

Our vehicle battery sales and fitting service provided on the spot solutions for battery problems during the year which remain the most common cause of Roadside assistance callouts. It is crucial to our members therefore that we offer a more permanent solution to their difficulties as well as being able to get them moving again and we aim to be able to do this on the spot in 90% models of cars.

Over 1000 child restraints were fitted by our accredited staff during the year, ensuring members most valuable cargo are as safe as



possible and offer an excellent range of child restraints for sale in our Hobart and Launceston branches.

As at the end of the financial year RACT provided accreditation for 43 approved repairers throughout the state. To receive the accreditation the repairers must be qualified and abide by a code of conduct that is centred around transparency regarding pricing and in notification of the work required on a vehicle.

Member Benefits

Once again this year we have increased our range of operations for which our Members receive discount rates. Our new Tourism properties alone provided \$77k in Member discounts during the first 5 months of our operating the businesses. In addition Members have benefitted from discounted rates at the RACT/RACV Hobart Apartment Hotel, with RACT AutoServe, RACT Auto Glass, Finance by RACT and Health Insurance by RACT. What with RACT Travel also having provided several member exclusive offers during the year it is easy to see why membership of RACT is so valued by our Members and rates of renewal are so high.

The RACT Show Your Card and Save program and App provides access to a range of member discounts available throughout the country and special member events. This includes discounted cinema tickets and Woolworth's vouchers as well as a host of savings offered by a wide range of local businesses. Overall they offer a great benefit to Members and further details of offers can be found within the Membership section of the RACT website and are regularly advertised in Journeys magazine.

Through the sponsorships RACT and its partners provide we were also able to offer unique member opportunities such as meet and greets with AFL players, actors, artists and tv personalities. Members also got to experience back stage tours and opportunities for discounted tickets to a range of events.

Marketing

With the acquisition of RACT's new Tourism businesses it has been a very busy year for our marketing team. We have increased internal resources within the department to cope with the increased workloads that the move into Tourism has required.

As well as this as you will have no doubt seen RACT have recently launched a new 'Right Royal Service' advertising campaign that for the first time will provide a collective umbrella campaign for all of our products. The campaign has resonated extremely well with our staff, who have enthusiastically embraced the concept as they see that our culture of service excellence is at its heart.

Recognition relating to the RACT Way which forms the embodiment of the core values of the RACT was received during the year with RACT winning at the Australian Marketing Institute for Marketing Excellence.

Further improvements to the RACT website have been launched including increased mobile device functionality as well as new websites for each of our Tourism businesses. An exciting new facility within the website was completed during the year and launched recently called the RACT Member Hub. Once Members register they will get access to member competitions and hot offers as well as being able to interact with RACT, including updating their personal details, in a new way at their leisure.



RACT supported a wide range of cultural and sporting events during the year through sponsorship including AFL in Tasmania with two games at Blundstone Arena and by sponsoring a main grandstand at Aurora stadium in Launceston, Symphony under the Stars, Breath of Life Music Festival, A Night on the Terrace, Dark MoFo and the City to Casino Fun Run.

RACT believes that through its support of these and other events it helps to achieve its mission to enhance life in Tasmania.

Business Systems

The focus for the Business Systems team is to provide staff throughout the organisation with the systems that make the RACT's aim to provide world's best service possible. This is an ongoing and often incremental process but over the past year a couple of projects in particular stand out.

During the year we completed the development and implemented RACT's Member Relationship Management system, whereby for

the first time, we have brought together on a single screen all the information we have about individual members.

The transition of Information and Communication Technology systems at the newly acquired Tourism businesses was a huge task for RACT, but one that was completed very successfully over an intensive period of eight days where the team often had to work well into the night.

As RACT moves forward we are developing a 5 year IT strategic plan, to assess and make best use of technology that will enable us to provide a consistent and seamless experience to our members.

Total Revenue up

by over \$10m

RACT Group consolidated surplus

\$4.5m after tax

Net assets up

over 10% to \$53.4m

New Tourism operations

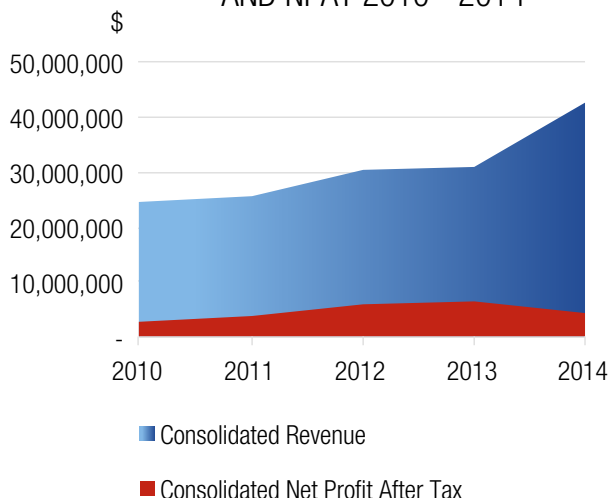
add \$9.4m in revenue

In the 2014 financial year the consolidated RACT Group has continued to provide a surplus. An increase in overall revenue of over \$10m was largely attributable to the tourism business acquisition which took place mid February 2014. The contribution to revenue from this business was \$9.4m in the 2014 financial year. Roadside subscription income again increased at a modest rate and the consistently strong performance of the insurance business resulted in a moderate increase in sales commission received. Generally levels of expenditure have remained consistent year on year for the Parent entity however additional costs attributable to the tourism business acquisition and its ongoing operations have been introduced. Associated transactional costs have also been expensed.

RACT Insurance Pty Ltd continued to contribute significantly to the share of profit in associates. RACT Travel Pty Ltd returned a higher operating profit than the previous financial year due to a 9% increase in total revenues. RACT AutoServe Pty Ltd returned a profit in its first full year of operations. RACT Auto Glass and Club Tasmania Holdings both recognised a loss for fiscal 2014.

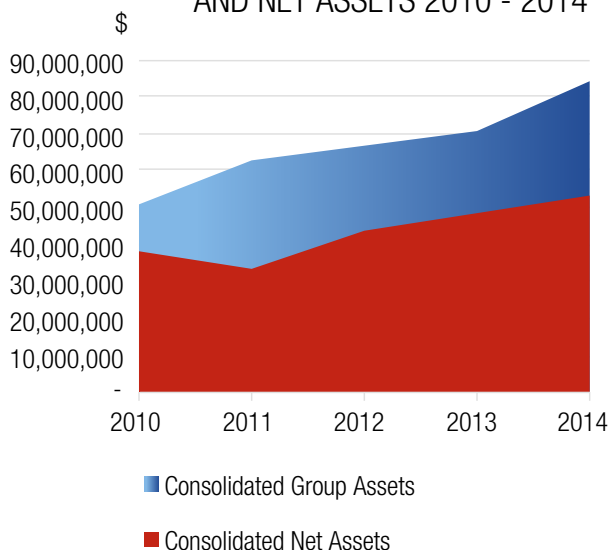
The RACT Group saw an overall increase in total assets that was attributable to an increase in non-current assets, most notably intangibles as a result of the tourism business acquisition in mid February and the investment in Club Tasmania Holdings Pty Ltd in August 2013. This increase has been offset by a subsequent decrease in short term financial assets, namely term deposits and an increase in borrowings. The tourism business acquisition has also led to a major change to operations and has resulted in an increase in trade debtors and creditors from previous years which in turn has increased the balances of both Receivables and Payables. A higher carrying balance for inventories is also attributable to tourism business operations.

CONSOLIDATED GROUP REVENUE
AND NPAT 2010 - 2014



During the year RACT entered into new borrowings that consist of a short term \$3m loan facility and chattel mortgage with ANZ. The principle amount of the existing ANZ loan required for the construction of RACT House has been reduced as per schedule. Otherwise an increase on valuation for the Burnie and Launceston sites contributed to a modest increase the carrying value for property, plant and equipment.

CONSOLIDATED GROUP ASSETS
AND NET ASSETS 2010 - 2014



Directors' Report



Mr P J Joyce (President)



Mrs K A Westwood
(Vice President)



Mr P A Dixon
(Vice President)



Mr S E Slade (Immediate Past
President)



Ms J M Archer



Mr E C Best AM, JP



Mrs A J Flakemore



Mr P C Jones



Mr C J Langdon



Mr R S Locke



Ms J A L Self



Ms S L Smith

In respect of the year ended 30 June 2014, the directors of The Royal Automobile Club of Tasmania Limited (RACT Ltd) present the following report made out in accordance with a resolution of the directors.

1. DIRECTORS

The names of the directors during and since the end of the financial year are:

Mr P J Joyce (President from 13 November 2013)

Mr P A Dixon (Vice President)

Mrs K A Westwood (Vice President)

Mr S E Slade (President to 13 November 2013)

Ms J M Archer

Mr E C Best, AM, JP

Mr B F Clark (to 27 May 2014)

Mrs A J Flakemore (from 27 August 2013)

Mr R H Holmes (to 13 November 2013)

Mr P C Jones (from 27 August 2013)

Mr C J Langdon

Mr R S Locke

Ms J A L Self (from 13 November 2013)

Ms S L Smith (from 21 June 2014)

Directors are all members in accordance with the Constitution.

Directors' qualifications and experience are provided in section 13 of this report.

2. PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity are to act as a roadside assistance provider, travel agent, general insurance distributor and regional tourism operator.

3. FINANCIAL RESULTS OF THE CONSOLIDATED ENTITY

The consolidated entity's profit for the period was \$4,526,411 (2013, \$6,285,870) and total comprehensive income for the year ended 30 June 2014, was \$4,986,191 (2013, \$4,728,340).

4. REVIEW OF OPERATIONS

A review of operations is included in the Chairman's and CEO's Reports which accompany this report.

5. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the year the consolidated Group moved into tourism and hospitality as a result of the acquisition of three Tasmanian regional hotel businesses operating from Freycinet Lodge, the Cradle Mountain Hotel and the Strahan Village including the Gordon River Cruises. The acquisition is aligned with the RACT strategy to diversify into the tourism and hospitality sector in Tasmania and to provide additional services and benefits to members. The acquired businesses are expected to contribute \$25M of revenues to the Group over a full financial year.

There were no other significant changes in the state of affairs of the consolidated entity during the year.

6. FUTURE DEVELOPMENTS

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Except as disclosed in 8 below, this information has not been included in this report.

7. MEETINGS OF DIRECTORS

The Board generally meets monthly, with additional meetings being arranged when required. In addition to formal meetings, workshops are held during each year in relation to strategic planning and particular strategic initiatives as they arise.

The company has an Audit & Risk Management Committee which met 6 times during the financial year. The members of this committee during the year were Mr C J Langdon (Chair from 13 November 2013), Mr R H Holmes (Chair to 13 November 2013), Mr P A Dixon, Mr P J Joyce (to 13 November 2013), Mrs A J Flakemore (from 13 November 2013), Mr R S Locke and Ms J A L Self (from 13 November 2013). The Audit & Risk Management Committee's main responsibilities are to ensure that the audit process (both external and internal) is effective, that external reporting and corporate governance responsibilities are addressed, and that internal control and risk management structures are appropriate.

In addition to the Audit & Risk Management Committee there are three further standing committees that support the RACT Board, each of which has a clear operating charter and reports to the Board on a regular basis.

- Investment Committee
- Governance and Remuneration Committee
- Road and Traffic Committee

Additional committees are established to deal with specific issues as necessary.

During the year there was ongoing scrutiny of the RACT's processes and procedures by the club's outsourced internal auditor. The Board regularly undertakes a review of its performance and that of its committees to ensure its responsibilities are being carried out in the best possible manner. The Board periodically engages the assistance of external consultants to facilitate formal Board performance reviews.

An extensive system of documented and controlled policies and procedures is in place throughout RACT including risk management, disaster recovery, fraud assessment and business continuity.

Information about the RACT Board and its Committees, the RACT Constitution and By-Laws, the RACT Board Charter, and a full Corporate Governance Statement can be found on the RACT Website (www.ract.com.au).

During the financial year, 31 meetings of directors (including committees but excluding informal workshops) were held. The number of meetings attended by each director during the year is disclosed in the following table.

| Board/Committee | Board | Road & Traffic | Audit & Risk Management | Investment | Governance & Remuneration |
|--------------------------------------|-----------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Total meetings held during 2013/2014 | 13 | 5 | 6 | 5 | 2 |
| Director | Attendance at Meetings | | | | |
| J M Archer | 11 | 4 | * | * | * |
| E C Best AM JP | 12 | 5 | * | 4 | * |
| B F Clark | 11 of 12 (to 27 May 2014) | 5 of 5 (to 27 May 2014) | * | * | * |
| P A Dixon | 12 | 5 | 5 | 3 of 3 (to 17 Dec 2013) | 1 of 1 (from 13 Nov 2013) |
| A J Flakemore | 10 of 10 (from 27 Aug 2013) | * | 2 of 2 (from 13 Nov 2013) | * | * |
| R H Holmes | 5 of 5 (to 13 Nov 2013) | * | 4 of 4 (to 13 Nov 2013) | * | * |
| P C Jones | 9 of 10 (from 27 Aug 2013) | 3 of 3 (from 13 Nov 2013) | * | 1 of 2 (from 13 Nov 2013) | * |
| P J Joyce | 13 | 2 of 2 (to 13 Nov 2013) | 4 of 4 (to 13 Nov 2013) | 3 of 3 (to 13 Nov 2013) | 2 |
| C J Langdon | 12 | * | 6 | 2 of 3 (to 13 Nov 2013) | * |
| R S Locke | 10 | * | 5 | 1 of 2 (from 13 Nov 2013) | 1 of 1 (to 13 Nov 2013) |
| J A L Self | 7 of 8 (from 13 Nov 2013) | * | 2 of 2 (from 13 Nov 2013) | * | * |
| S E Slade | 12 | * | * | 4 | 2 |
| S L Smith | 1 of 1 from (21 Jun 2014) | 0 of 0 (from 21 Jun 2014) | * | * | * |
| K A Westwood | 12 | 2 of 3 (from 13 Nov 2013) | * | 5 | 2 |

* Director not a member of this committee

Directors' Report

8. SUBSEQUENT EVENTS

There are no other matters or circumstances that have arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

9. INDEMNITY OF OFFICERS AND AUDITORS

During the financial year, the company paid a premium in respect of a contract insuring the directors of the company (as named above), the company secretary, Mr Michael Hopster, and all other executive officers of the company and of any related body corporate, against a liability incurred as such a director, secretary or executive officer, to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

10. CORPORATE GOVERNANCE

RACT (being the Royal Automobile Club of Tasmania) and its controlled entities is committed to conducting its affairs consistent with the highest standards of corporate governance. The Board supports the Corporate Governance Principles and Recommendations as amended and published by the ASX Corporate Governance Council as those Principles and Recommendations apply to a non-listed entity such as the RACT.

The RACT Board comprises 12 non-executive directors and is responsible for setting and reviewing the strategic direction of the RACT and monitoring the implementation of that strategy. The Board is also responsible for the management and control of the affairs of the organisation in accordance with the Club's Constitution, statutory and compliance obligations. In particular, the Board:

- Promotes ethical and responsible decision-making
- Ensures compliance with laws, regulations and all appropriate accounting standards
- Establishes long term business goals and approves strategic plans to achieve those goals
- Approves the annual operating budget
- Monitors the operating and financial performance of the RACT Group
- Monitors risk management and internal compliance and control
- Approves and monitors major capital expenditure programs
- Ensures a clear relationship between performance and executive remuneration
- Ensures that the members are fully informed of material developments

The Chief Executive Officer is responsible for the day-to-day management of the RACT Group with all powers, discretions and delegations authorised, from time to time, by the Board. The CEO leads the senior management team, which meets regularly to review and report on RACT's business activities including operations, financial and investment performance and strategic direction.

All directors have the right to seek independent legal and accounting advice (at the company's expense) concerning any aspect of the company's operations or undertakings.

11. OWNERSHIP

The Company is incorporated under the Corporations Act 2001 as a company limited by the guarantee of the members. If the company is wound up, its Constitution states that each subscribing member may be required to contribute an amount not exceeding 10% of the members annual subscription at that time. As at 30 June 2014, the number of subscribing members was 118,710 (2013 - 117,707).

12. AUDITORS INDEPENDENCE DECLARATION

The Auditors independence declaration is included within the financial report.

13. DIRECTORS' QUALIFICATIONS AND EXPERIENCE

Mr P J Joyce LL.B., MAICD

Chairman, Butler McIntyre & Butler
Legal Practitioner
Member, Taxation Institute of Australia (Tasmanian Division)
Director, Club Tasmania Holdings Pty Ltd (from 26 July 2013)
Director, RACT Insurance Pty Ltd (from 13 November 2013)
Director, RACT Destinations Pty Ltd (from 17 December 2013)
Vice President, Australian Automobile Association
(from 21 November 2013)

Mr P A Dixon LL.B., BD (Hons), MBA, MAICD

Lecturer, Tasmanian School of Business & Economics,
Faculty of Business, University of Tasmania
Legal Practitioner
Notary Public
Director, RACT AutoServe Pty Ltd

Mrs K A Westwood B.Com, GAICD, FIPA, ASA, MRMIA

Manager Finance, Nyrstar

Ms J M Archer FAICD, GMD

Engagement and Marketing Manager of the Recovery
Program Network
Director, The National Trust Tasmania
Councillor, Australian Institute of Company Directors
(Tasmanian Division)

Mr E C Best AM, JP, BSC, BE, MBA, FIE Aust., FAICD

Formerly Director Cadbury Australia, Forestry Tasmania,
Trust Bank Tasmania

Mr B F Clark MAICD

Company Director
Retired Managing Director

Mrs A J Flakemore B.Com (Hons), CA, RCA, GAICD, AMIIA

Principal and Audit Partner, Crowe Horwath
Vice President, Tasmanian Chapter of the Institute of
Internal Auditors – Australia
Director, RACT Destinations Pty Ltd (from 11 March 2014)

Mr R H Holmes AASA, MAICD

Company Director
Retired Company General Manager

Mr P C Jones BAppSci (Pharmacy), MPS

Pharmacist
Director, Rosetta Holdings Pty Ltd
Director, P and R Holdings Pty Ltd
Director, RACT Destinations Pty Ltd (from 17 December 2013)

Mr C J Langdon MAICD

Company Director
Retired Chartered Accountant
Director, RACT Auto Glass Pty Ltd

Mr R S Locke BE, Grad Dip Prof Mgt, FIE Aust., MAICD

Chartered Professional Engineer
Director, RACT Insurance Pty Ltd (to 13 November 2013)
Chairman, RACT Travel Pty Ltd

Ms J A L Self JP, MBA, FAICD, FAIM

Business Manager, The Hutchins School
Director, Anglicare
Director & President, ASBA Ltd
President, ASBA (Tas) Inc

Mr S E Slade CDC Dip, Grad Dip HSc, Grad Cert Risk Mgt, FAICD, MRMIA, CPMSIA, RSP (Aust)

Principal Consultant, Business Continuity Institute of Australia
Mayor, Glenorchy City Council
Director, RACT Insurance Pty Ltd
Vice President, Australian Automobile Association (to 21 November 2013)
Director, RACT Travel Pty Ltd

Ms S L Smith

Former Legislative Council President
Director, Tasmanian Farmers and Graziers Association
Director, Viewbanks Pty Ltd
Director, Abbotsham Superannuation Fund

This report is signed in accordance with a resolution of directors pursuant to section 298(2) of the *Corporations Act 2001*, this 23rd September, 2014.

P J JOYCE
DIRECTOR

C J LANGDON
DIRECTOR

Auditor's Independence Declaration



Wise Lord & Ferguson
Chartered Accountants
advice to advantage

Auditor's Independence Declaration

Auditor's Independence Declaration to the Directors of The Royal Automobile Club of Tasmania Ltd

In relation to our audit of the financial report of The Royal Automobile Club of Tasmania Ltd for the financial year ended 30 June 2014 to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

H J GIBSON
PARTNER
WISE LORD & FERGUSON

Date: 16 September 2014



1st Floor 160 Collins Street Hobart TAS 7000 GPO Box 1083 Hobart TAS 7001
Tel: (03) 6223 6155 Email: email@wlf.com.au Internet: www.wlf.com.au

Partners: Harvey Gibson, Danny McCarthy, Douglas Thomson, Joanne Doyle, Stuart Clutterbuck,
Ian Wheeler, Dean Johnson, Marg Marshall, Paul Lyons, Alicia Leis, Nick Carter
Managers: Melanie Richardson, Simon Jones, Trent Queen, Rachel Burns, Nathan Brereton,
Melissa Johnson, Donna Powell, Chris Harper, Rebecca Meredith
Consultant: Peter Beven

Statement of Comprehensive Income

for the financial year ended 30 June 2014

| | NOTES | CONSOLIDATED | |
|--|-------|------------------|--------------------|
| | | 2014 \$ | 2013 \$ |
| Revenue | 2 | 36,971,947 | 26,305,945 |
| Share of profit of associates | 2 | 5,798,907 | 4,880,143 |
| Other revenue | 2 | 20,188 | 5,425 |
| Roadside agents expenses | | (3,033,796) | (2,889,423) |
| Cost of goods sold | | (2,293,822) | (733,113) |
| Employee benefits expense | | (16,961,460) | (10,995,296) |
| Marketing expense | | (1,742,449) | (1,408,313) |
| Hospitality expense | | (603,289) | - |
| IT & communications expense | | (2,185,137) | (1,781,777) |
| Occupancy & maintenance expense | | (3,266,685) | (1,118,007) |
| Financial & consultation fee expense | | (2,258,523) | (1,749,978) |
| Depreciation & amortisation expense | | (1,887,839) | (1,445,369) |
| Roadside fleet & maintenance expense | | (667,744) | (538,356) |
| Other expenses | | (2,708,562) | (2,281,605) |
| Profit before income tax | | 5,181,736 | 6,250,276 |
| Income tax benefit/(expense) | 3 | (655,325) | 35,594 |
| Profit for the period | | 4,526,411 | 6,285,870 |
| Other comprehensive income | | | |
| Cash flow hedges: | | | |
| Gain/(loss) taken to equity | | (107,607) | 324,701 |
| Actuarial gain/(loss) on defined benefit plans | | 140,184 | 108,265 |
| Fair value revaluation/(devaluation) of land and buildings | | 377,625 | (2,208,356) |
| Income tax on items of other comprehensive income | | 49,578 | 217,860 |
| Total other comprehensive income | | 459,780 | (1,557,530) |
| Total comprehensive income for the period | | 4,986,191 | 4,728,340 |

Notes to the Financial Statements are included on page 27 to 54.

Statement of Financial Position

as at 30 June 2014

| | NOTES | CONSOLIDATED | |
|--------------------------------------|-------|-------------------|-------------------|
| | | 2014 \$ | 2013 \$ |
| Current Assets | | | |
| Cash assets and cash equivalents | 22 | 5,264,831 | 5,626,271 |
| Receivables | 5 | 3,801,645 | 2,594,021 |
| Inventories | 9 | 998,041 | 137,675 |
| Other current assets | 10 | 632,116 | 364,764 |
| Other financial assets | 6 | 775,244 | 5,795,000 |
| Total Current Assets | | 11,471,877 | 14,517,731 |
| Non-Current Assets | | | |
| Intangibles | 8 | 8,157,921 | 827,289 |
| Property, plant and equipment | 11 | 25,395,039 | 22,732,520 |
| Deferred tax asset | 3 | 1,319,955 | 961,794 |
| Investment in associates | 7 | 36,200,747 | 30,501,840 |
| Other financial assets | 6 | 1,420,766 | 746,004 |
| Total Non-Current Assets | | 72,494,428 | 55,769,447 |
| Total Assets | | 83,966,305 | 70,287,178 |
| Current Liabilities | | | |
| Payables | 12 | 4,703,734 | 2,699,257 |
| Borrowings | 15 | 2,526,186 | 555,600 |
| Provisions | 13 | 8,505,010 | 7,357,686 |
| Current tax liability/(receivable) | 3 | (313,868) | 21,032 |
| Total Current Liabilities | | 15,421,062 | 10,633,575 |
| Non-Current Liabilities | | | |
| Derivative financial instruments | 28 | 1,159,143 | 1,051,535 |
| Borrowings | 15 | 10,991,387 | 8,055,400 |
| Provisions | 14 | 312,022 | 240,777 |
| Deferred tax liability | 3 | 2,652,171 | 1,861,562 |
| Total Non-Current Liabilities | | 15,114,723 | 11,209,274 |
| Total Liabilities | | 30,535,785 | 21,842,849 |
| Net Assets | | 53,430,520 | 48,444,329 |
| Equity | | | |
| Retained earnings | | 53,308,279 | 48,624,388 |
| Reserves | | 122,241 | (180,059) |
| Total Equity | | 53,430,520 | 48,444,329 |

Notes to the Financial Statements are included on page 27 to 54.

Statement of Changes in Equity

For the financial year ended 30 June 2014

| | CONSOLIDATED | | | |
|--------------------------------|----------------------------|------------------------------|-------------------|--|
| | Cash flow hedge reserve | Asset revaluation reserve | Retained earnings | Total attributable to equity holders of the entity |
| | \$ | \$ | \$ | \$ |
| Balance at 1 July 2012 | (963,366) | 2,764,372 | 41,914,983 | 43,715,989 |
| Profit for the period | - | - | 6,285,870 | 6,285,870 |
| Other comprehensive income | 227,291 | (2,208,356) | 423,535 | (1,557,530) |
| Balance at 30 June 2013 | (736,075) | 556,016 | 48,624,388 | 48,444,329 |
| Profit for the period | - | - | 4,526,411 | 4,526,411 |
| Other comprehensive income | (75,325) | 377,625 | 157,480 | 459,780 |
| Balance at 30 June 2014 | (811,400) | 933,641 | 53,308,279 | 53,430,520 |

Notes to the Financial Statements are included on page 27 to 54.

Statement of Cash Flows

For the financial year ended 30 June 2014

| | NOTES | CONSOLIDATED | |
|---|-------|--------------------|------------------|
| | | 2014 \$ | 2013 \$ |
| Cash flows from operating activities | | | |
| Receipts from customers | | 22,778,428 | 11,765,311 |
| Other income | | 17,555,730 | 18,944,077 |
| Payments made to employees and suppliers | | (36,450,303) | (27,141,987) |
| Interest received | | 209,733 | 253,941 |
| Interest paid | | (596,096) | (572,552) |
| Dividends received | | 85,293 | 26,640 |
| Income tax (paid)/refund | | (314,616) | (352,260) |
| Net cash from operating activities | 22 | 3,268,169 | 2,923,170 |
| Cash flows from investing activities | | | |
| Proceeds from sale of property, plant and equipment | | 35,773 | 45,673 |
| Proceeds from sale of investments | | 5,000,000 | - |
| Payments for property, plant and equipment | | (5,864,428) | (2,033,518) |
| Investment in Associate | | (3,150,000) | (29,999) |
| Purchase of investments | | (500,005) | (3,450,000) |
| Dividends received | | 3,250,000 | 5,959,500 |
| Loans to related party | | (155,000) | 135,000 |
| Acquisition of business | | (5,652,522) | (120,000) |
| Net cash from investing activities | | (7,036,182) | 506,656 |
| Cash flows from financing activities | | | |
| (Repayment)/Proceeds of borrowings | | 3,406,573 | (555,600) |
| Net cash (used in) financing activities | | 3,406,573 | (555,600) |
| Net increase/(decrease) in cash held | | (361,440) | 2,874,226 |
| Cash at the beginning of the financial year | | 5,626,271 | 2,752,045 |
| Cash at the end of the financial year | 22 | 5,264,831 | 5,626,271 |

Notes to the Financial Statements are included on page 27 to 54.

1. SUMMARY OF ACCOUNTING POLICIES

Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001*, Accounting Standards, and complies with other requirements of the law. Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with the A-IFRS ensures that the consolidated financial statements and notes of the consolidated entity comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 23 September 2014.

Basis of Preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

In the application of A-IFRS, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of A-IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

Significant Accounting Policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts.

(b) Principles of Consolidation

The consolidated Statement of Financial Position is prepared by combining the Statement of Financial Positions of all the entities that comprise the consolidated entity, being The Royal Automobile Club of Tasmania Limited (the company) and its subsidiaries as defined in Accounting Standard AASB 127 'Consolidated and Separate Financial Statements'. Consistent accounting policies are employed in the preparation and presentation of the consolidated Statement of Financial Position.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as Goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceeds the cost of acquisition, the deficiency is credited to Profit and Loss in the period of acquisition.

The consolidated Financial Statements include the information and results of each subsidiary from the date on which the company obtains control and until such time as the company ceases to control such entity.

In preparing the consolidated Statement of Financial Position, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

(c) Business combinations

Business combinations are accounted for using the acquisition method.

The cost of acquisition is measured as the fair value of the assets acquired and the liabilities assumed by the RACT Group as at acquisition date. Associated transaction costs that the Group incurs in relation to the business combination such as legal fees, professional and consulting fees are expensed as incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities are measured at their fair values as at acquisition date. If the cost of the acquisition is greater than the fair value of the identifiable net assets acquired, the excess is recorded as Goodwill.

(d) Income Tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2014

1. SUMMARY OF ACCOUNTING POLICIES (Continued)

(d) Income Tax (Continued)

Deferred tax

Deferred tax is accounted for using the comprehensive Statement of Financial Position liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the Statement of Financial Position and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/consolidated entity intends to settle its current tax assets and liabilities on a net basis.

Tax consolidation

The company and all its wholly-owned Australian resident entities are part of a tax consolidated group under Australian taxation law. The Royal Automobile Club of Tasmania Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members

of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

(e) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(f) Property, Plant and Equipment

Property is stated at fair value. Plant and equipment and leasehold improvements are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

| | |
|------------------------|---------------|
| Plant & equipment | 4 to 10 years |
| Leasehold improvements | 7 years |
| Buildings | 40 years |

Revaluations of land and buildings

Any revaluation increment is credited to the asset revaluation reserve included in the equity section of the Statement of Financial Position, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss.

Any revaluation decrease is recognised in profit or loss, except to the extent that it offsets a previous revaluation increase for the same asset, in which case the decrease is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

Additionally, any accumulated depreciation as at the revaluation date is eliminated against gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets.

Upon disposal or derecognition, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the year the asset is derecognised.

(g) Impairment of Assets

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill cannot subsequently be reversed. Refer also to note 1(q).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount

rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses (other than goodwill), the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

(h) Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

(i) Derivative Financial Instruments and Hedging

The consolidated entity uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value.

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Derivative assets and liabilities are classified as non-current when the remaining maturity is more than 12 months, or current when the remaining maturity is less than 12 months.

The fair values of interest rate swaps are determined using a valuation technique based on cash flows discounted to present value using current market interest rates. Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as cash flow hedges, are taken directly to profit or loss for the year.

For the purposes of hedge accounting, hedges are classified as either:

- i. Cash flow hedges when they hedge the exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a forecast transaction.
- ii. Fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment. (The consolidated entity does not currently have any fair value hedges).
- iii. Hedges of net investment. (The consolidated entity does not currently have any hedges of net investment).

Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2014

1. SUMMARY OF ACCOUNTING POLICIES (Continued)

(i) Derivative Financial Instruments and Hedging (Continued)

Cash flow hedges

The consolidated entity tests designated cash flow hedges for effectiveness on an annual basis both retrospectively and prospectively using the dollar offset method. If the testing results fall within the 80:125 range, the hedge is considered highly effective and continues to be designated as a cash flow hedge. Any ineffective portion is taken to other expenses in the statement of comprehensive income.

If the forecast transaction is no longer expected to occur, amounts recognised in equity are transferred to the statement of comprehensive income. If the hedging instrument is sold, terminated or exercised without a replacement or rollover, or if its designation as a hedge is revoked (due to being ineffective), amounts previously recognised in equity remain in equity until the forecast transaction occurs.

(j) Financial Assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially recognised at cost, being the fair value of consideration given, net of transaction costs.

Investments in subsidiaries are measured at cost.

Investment in associates is presented in note.1(p).

Investments and financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either 'financial assets at fair value through profit and loss', 'held-to-maturity' investments, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit. At balance date these investments are adjusted for market value through profit and loss accounts.

Held-to-maturity investments

Bills of exchange and term deposits are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Loans and receivables

Trade receivables, which generally have 30-90 day terms are recognised at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts.

(k) Payables

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

(l) Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(m) Leased Assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(n) Provisions

Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

(o) Revenue recognition

Sale of goods and disposal of assets

Revenue from the sale of goods and disposal of other assets is recognised when the consolidated entity has transferred to the buyer the significant risks and rewards of ownership of the goods.

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract.

Interest

Revenue is recognised using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset as the interest accrues.

Dividends

Revenue is recognised when the entity's right to receive the payment is established.

Commission income

Commission income is recognised when the right to receive payment is established.

Subscriptions and recognition of contracts relating to vehicle break-down services

Under A-IFRS, the accounting treatment for income and expenditure relating to vehicle breakdown services is recognised in accordance with AASB 4 Insurance Contracts. The Company's policy to comply with the requirements of AASB 4 is to provide for unexpired subscriptions having regard to the due dates of the subscriptions.

(p) Investment in Associates

The Group's investment in its associates are accounted for using the equity method of accounting in the consolidated financial statements. The Group has significant influence over the jointly controlled associates.

Under the equity method, the investment in the associate entities are carried in the consolidated Statement of Financial Position at cost plus post-acquisition changes in the Group's share of net assets of the entity. Goodwill relating to associated entities is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate entities. The consolidated Statement of Comprehensive Income reflects the Group's share of the results of the operations of the associate entities.

Where there has been a change in the associate entity's equity, the Group recognises its share of any changes through profit and loss.

The reporting dates of associate entities and the Group are identical and the Group's accounting policies conform to those used by the associate entities for like transactions and events in similar circumstances.

(q) Intangibles

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which goodwill is so allocated:

- represents the lowest level within the Group at which goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill cannot be subsequently reversed.

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2014

1. SUMMARY OF ACCOUNTING POLICIES (Continued)

(q) Intangibles (Continued)

Computer Software

Computer Software is recognised at cost less accumulated amortisation. Maintenance costs associated with maintaining computer software are expensed when incurred.

Amortisation is calculated on a straight line basis and amortised over the estimated useful life. The estimated useful life of Computer Software is between 5 to 6 years.

(r) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their recorded values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when incurred.

Defined benefit plans

For defined benefit superannuation plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial calculations being carried out at each reporting date and are presented in the Statement of Comprehensive Income.

Past service cost is recognised immediately to the extent that the benefits are already vested, otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The defined benefit obligation recognised in the Statement of Financial Position represents the present value of the defined benefit obligation, adjusted for unrecognised past service cost, net of the fair value of the plan assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

2. REVENUE/EXPENSES

Revenue consisted of the following items:

(a) Revenue

Interest from other bodies corporate
Distributions from funds under management
Rental revenue
Membership subscriptions and entrance fees
Other services and activities
Advertising & other income
Hospitality revenue
Dividends

NOTES

| CONSOLIDATED | |
|--------------|------------|
| 2014 | 2013 |
| \$ | \$ |
| 23,227 | 21,998 |
| 195,234 | 260,165 |
| 1,630,709 | 1,530,290 |
| 12,014,367 | 11,561,832 |
| 13,097,438 | 12,399,824 |
| 459,951 | 505,196 |
| 9,479,981 | - |
| 71,040 | 26,640 |
| 36,971,947 | 26,305,945 |
| 5,798,907 | 4,880,143 |
| 5,798,907 | 4,880,143 |
| 20,188 | 5,425 |
| 20,188 | 5,425 |
| 42,791,042 | 31,191,513 |
| 1,102,379 | 799,757 |
| 340,417 | 409,330 |
| 445,043 | 236,282 |
| 1,887,839 | 1,445,369 |
| 7,694 | 5,415 |
| 975,304 | 195,306 |
| 310,969 | 206,405 |
| 1,286,273 | 401,711 |

(b) Share of Profit of Associates

Share of profit of Associates

7

(c) Other Revenue

Gain on disposal of property, plant and equipment

Profit before income tax has been arrived at after charging the following expenses and losses from operations:

(d) Expenses

Depreciation and amortisation of non-current assets:

Plant & equipment
Buildings
Software

11
11
8

Bad debts written off

Transfer to provisions for:

Employee benefits
Unexpired subscriptions

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2014

3. INCOME TAX EXPENSE

(a) Income tax expense

The components of tax expense comprise:

| | |
|--|--|
| Current tax | |
| Deferred tax | |
| Under/(over) provision from previous years | |

(b) Numerical reconciliation of income tax expense to prima facie tax payable

Prima facie tax on profit before income tax at 30% (2013:30%)

Add tax effect of:

| | |
|--|--|
| Mutual profits/(loss) | |
| Non mutual deductions | |
| Non deductible expenses | |
| Tax credits | |
| Under/(over) provision from previous years | |

Total

(c) Deferred tax recognised directly in other comprehensive income

| | |
|---|--|
| Relating to revaluation of property | |
| Relating to valuation of interest rate swap | |
| Relating to defined benefits | |

(d) Current and Deferred tax balances

Assets

Current/Non-current

| | |
|--------------------|--|
| Deferred tax asset | |
|--------------------|--|

TOTAL

Liabilities

Current/Non-current

| | |
|------------------------|--|
| Current tax liability | |
| Deferred tax liability | |

TOTAL

| CONSOLIDATED | |
|--------------|-------------|
| 2014 | 2013 |
| \$ | \$ |
| (21,867) | 396,111 |
| 671,512 | (431,705) |
| 5,680 | - |
| 655,325 | (35,594) |
| 1,554,521 | 1,875,083 |
| 221,192 | (171,336) |
| (110,856) | 36,727 |
| 9,178 | 19,531 |
| (996,312) | (1,795,842) |
| (22,398) | 243 |
| 655,325 | (35,594) |
| (59,351) | (347,750) |
| (32,282) | 97,410 |
| 42,055 | 32,480 |
| (49,578) | (217,860) |
| 1,319,955 | 961,794 |
| 1,319,955 | 961,794 |
| 313,868 | (21,032) |
| (2,652,171) | (1,861,562) |
| (2,338,303) | (1,882,594) |

3. INCOME TAX EXPENSE (continued)

Taxable and deductible temporary differences arise from the following:

2014

Deferred tax liabilities:

| | |
|-----------------------------|-------------|
| Property, plant & equipment | - |
| Accrued income | (12,371) |
| Prepayments | (12,491) |
| Investment in associates | (1,836,700) |
| Defined benefit funds | - |

Deferred tax assets:

| | |
|-----------------------------|---------|
| Property, plant & equipment | 292,259 |
| Payables | - |
| Other assets | - |
| Receivables | 4,500 |
| Provisions | 225,076 |
| Interest rate swap | 315,461 |
| Other | 104,297 |
| Other liabilities | - |
| Investments in associates | 3,619 |
| Defined benefit funds | 16,582 |

| CONSOLIDATED | | | |
|-----------------|------------------------------|------------------------------|-----------------|
| Opening balance | Credited/(charged) to income | Credited/(charged) to equity | Closing balance |
| \$ | \$ | \$ | \$ |
| - | (758) | - | (758) |
| (12,371) | 1,658 | - | (10,713) |
| (12,491) | 1,397 | - | (11,094) |
| (1,836,700) | (770,728) | - | (2,607,428) |
| - | 3,294 | (25,472) | (22,178) |
| (1,861,562) | (765,137) | (25,472) | (2,652,171) |
| 292,259 | (204,729) | 59,349 | 146,879 |
| - | 43,483 | - | 43,483 |
| - | 119,760 | - | 119,760 |
| 4,500 | - | - | 4,500 |
| 225,076 | 265,497 | - | 490,573 |
| 315,461 | - | 32,283 | 347,744 |
| 104,297 | 47,209 | - | 151,506 |
| - | 15,510 | - | 15,510 |
| 3,619 | (3,619) | - | - |
| 16,582 | - | (16,582) | - |
| 961,794 | 283,111 | 75,050 | 1,319,955 |
| (899,768) | (482,026) | 49,578 | (1,332,216) |

2013

Deferred tax liabilities:

| | |
|-----------------------------|-------------|
| Property, plant & equipment | (72,644) |
| Accrued income | (3,904) |
| Prepayments | (10,481) |
| Investment in associates | (2,156,888) |

Deferred tax assets:

| | |
|-----------------------------|---------|
| Property, plant & equipment | - |
| Receivables | 4,500 |
| Provisions | 171,119 |
| Defined benefit funds | 44,979 |
| Interest rate swap | 412,871 |
| Investment in associates | - |
| Other | 59,987 |

| CONSOLIDATED | | | |
|-----------------|------------------------------|------------------------------|-----------------|
| Opening balance | Credited/(charged) to income | Credited/(charged) to equity | Closing balance |
| \$ | \$ | \$ | \$ |
| (72,644) | 72,644 | - | - |
| (3,904) | (8,467) | - | (12,371) |
| (10,481) | (2,010) | - | (12,491) |
| (2,156,888) | 320,188 | - | (1,836,700) |
| (2,243,917) | 382,355 | - | (1,861,562) |
| - | (55,491) | 347,750 | 292,259 |
| 4,500 | - | - | 4,500 |
| 171,119 | 53,957 | - | 225,076 |
| 44,979 | 4,083 | (32,480) | 16,582 |
| 412,871 | - | (97,410) | 315,461 |
| - | 3,619 | - | 3,619 |
| 59,987 | 44,310 | - | 104,297 |
| 693,456 | 50,478 | 217,860 | 961,794 |
| (1,550,461) | 432,833 | 217,860 | (899,768) |

Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2014

3. INCOME TAX EXPENSE (continued)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following:

| | |
|-------------------------------|------------------|
| Capital losses – prior year | 1,274,805 |
| Capital losses – current year | - |
| | <u>1,274,805</u> |

The capital losses do not expire under current taxation legislation. A deferred tax asset has not been recognised in respect of these losses because it is not probable that future taxable capital gains will be available against which the Group can utilise those losses.

4. REMUNERATION OF AUDITORS

Audit of the financial report

| CONSOLIDATED | |
|---------------|---------------|
| 2014 | 2013 |
| \$ | \$ |
| 52,000 | 24,200 |
| <u>52,000</u> | <u>24,200</u> |

5. RECEIVABLES

Trade and Other Receivables

Trade receivables / sundry debtors

Allowance of impairment loss / doubtful debtors (a)

Related party receivables (b)

Associates - (Receivable from RACT Insurance Pty Ltd (unsecured))

Associates - (Receivable from RACT Travel Pty Ltd (unsecured))

Carrying amount of trade and other receivables

| | |
|------------------|------------------|
| 2,445,060 | 1,382,640 |
| (15,000) | (15,000) |
| <u>2,430,060</u> | <u>1,367,640</u> |
| 1,283,120 | 1,170,276 |
| 88,465 | 56,105 |
| <u>3,801,645</u> | <u>2,594,021</u> |

(a) Allowance for impairment loss

Trade receivables are not interest bearing and are generally on 30-90 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. An impairment loss of \$15,000 (2013 - \$15,000) has been recognised by the Group.

Movement in the provision for impairment loss were as follows:

At 1 July

Charge for the year

Amounts written off

At 30 June

| | |
|---------------|---------------|
| 15,000 | 15,000 |
| 7,694 | 5,415 |
| (7,694) | (5,415) |
| <u>15,000</u> | <u>15,000</u> |

At 30 June, the ageing analysis of trade receivables is as follows:

| CONSOLIDATED | | | | | | |
|--------------|-----------|-----------|------------|------------|-----------------|---------------|
| | Total | 0-30 days | 31-60 days | 61-90 days | + 91 days PDNI* | + 91 days CI* |
| 2014 | 2,445,060 | 2,090,509 | 34,270 | 290,981 | 14,300 | 15,000 |
| 2013 | 1,382,640 | 1,316,819 | 31,776 | 9,079 | 9,966 | 15,000 |

* Past due not impaired (PDNI*) * Considered Impaired (CI*)

Payment terms on these amounts have not been re-negotiated, each operating unit has been in contact with the relevant debtor and is satisfied that payment will be received in full. Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

5. RECEIVABLES (continued)

(b) Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate fair value.

The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

6. OTHER FINANCIAL ASSETS

(a) Current

Term deposits
Loan to associates

(b) Non-current

Loan to associates
Equities (i)
Unit Trust (i)

(i) Designated as a financial asset at fair value through profit and loss.

7. INVESTMENT IN ASSOCIATES

Total Investment in Associates

Represented by:

Investment in Associate – RACT Insurance Pty Ltd.

RACT Holdings Pty Ltd has held shares as part of a joint venture in RACT Insurance Pty Ltd since 1 September 2007. RACT Insurance Pty Ltd is incorporated in Australia and provides general insurance products that are distributed by The Royal Automobile Club of Tasmania Ltd.

(a) Movements in the carrying amount of the Group's investment in Associate

| | | |
|----------------------------------|-------------|-------------|
| At beginning of period | 28,961,936 | 30,085,421 |
| Share of profit after income tax | 5,642,449 | 4,836,015 |
| Dividends received | (3,250,000) | (5,959,500) |
| At 30 June | 31,354,385 | 28,961,936 |

(b) Summarised financial information:

The following table illustrates summarised financial information relating to the Group's Associate:

Extract from the Associate's Statement of Financial Position:

| | | |
|-------------------------|------------|------------|
| Current assets | 85,908,559 | 78,980,416 |
| Non-current assets | 10,956,476 | 8,607,153 |
| | 96,865,035 | 87,587,569 |
| Current liabilities | 65,246,787 | 60,914,314 |
| Non-current liabilities | 2,113,874 | 1,953,780 |
| | 67,360,661 | 62,868,094 |
| Net assets | 29,504,374 | 24,719,475 |

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2014

7. INVESTMENT IN ASSOCIATES (continued)

(c) Extract from Associate's Statement of Comprehensive Income

Revenue
Net Profit

| CONSOLIDATED | |
|--------------|------------|
| 2014 | 2013 |
| \$ | \$ |
| 72,609,794 | 67,679,005 |
| 11,284,899 | 9,672,030 |

Investment in Associate – RACT Travel Pty Ltd.

RACT Holdings Pty Ltd has held shares as part of a joint venture in RACT Travel Pty Ltd since 1 July 2010. RACT Travel Pty Ltd is incorporated in Australia and acts as a travel agency providing products and services to RACT members and the greater public.

(a) Movements in the carrying amount of the Group's investment in Associate

At beginning of period
Share of profit/(loss) after income tax
At 30 June

| | |
|-----------|-----------|
| 1,521,967 | 1,465,776 |
| 169,564 | 56,191 |
| 1,691,531 | 1,521,967 |

(b) Summarised financial information:

The following table illustrates summarised financial information relating to the Group's Associate:

Extract from the Associate's Statement of Financial Position:

Current assets
Non-current assets

Current liabilities
Non-current liabilities

| | |
|-----------|-----------|
| 2,029,965 | 1,866,886 |
| 1,409,891 | 1,232,255 |
| 3,439,856 | 3,099,141 |
| 1,363,418 | 1,389,537 |
| 262,861 | 138,260 |
| 1,626,279 | 1,527,797 |
| 1,813,577 | 1,571,344 |

(c) Extract from Associate's Statement of Comprehensive Income

Revenue
Net Profit

| | |
|-----------|-----------|
| 4,224,111 | 3,872,915 |
| 242,234 | 80,272 |

7. INVESTMENT IN ASSOCIATES (continued)

| CONSOLIDATED | |
|--------------|------|
| 2014 | 2013 |
| \$ | \$ |

Investment in Associate - RACT AutoServe Pty Ltd.

RACT Holdings Pty Ltd has held shares as part of a joint venture in RACT AutoServe Pty Ltd since 14 Jun 2012. RACT AutoServe Pty Ltd is incorporated in Australia and began trading as general mechanical services to RACT members and the greater public on 8 October 2012.

(a) Movements in the carrying amount of the Group's investment in associate

| | | |
|---|--------|----------|
| At beginning of period | 17,937 | - |
| Investment in associate | - | 29,999 |
| Share of profit/(loss) after income tax | 19,144 | (12,062) |
| At 30 June | 37,081 | 17,937 |

(b) Summarised financial information:

The following table illustrates summarised financial information relating to the Group's associate:

Extract from the Associate's Statement of Financial Position:

| | | |
|-------------------------|---------|--------|
| Current assets | 139,699 | 56,525 |
| Non-current assets | 5,401 | 10,338 |
| | 145,100 | 66,863 |
| Current liabilities | 70,282 | 30,749 |
| Non-current liabilities | 651 | 236 |
| | 70,933 | 30,985 |
| Net assets | 74,167 | 35,878 |

(c) Extract from Associate's Statement of Comprehensive Income

| | | |
|-------------------|---------|----------|
| Revenue | 397,867 | 162,754 |
| Net Profit/(Loss) | 38,288 | (24,124) |

Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2014

7. INVESTMENT IN ASSOCIATES (continued)

| CONSOLIDATED | |
|--------------|------|
| 2014 | 2013 |
| \$ | \$ |

Investment in Associate – RACT Auto Glass Pty Ltd.

RACT Holdings Pty Ltd has held shares as part of a joint venture in RACT Auto Glass Pty Ltd since 18 September 2012. RACT Auto Glass Pty Ltd is incorporated in Australia and provides general auto glass repairs and installations to RACT members and the greater public.

(a) Movements in the carrying amount of the Group's investment in associate

| | | |
|---|---|-----|
| At beginning of period | - | - |
| Investment in associate | - | 1 |
| Share of profit/(loss) after income tax | - | (1) |
| At 30 June | - | - |

(b) Summarised financial information:

The following table illustrates summarised financial information relating to the Group's associate:

Extract from the Associate's Statement of Financial Position:

| | | |
|-------------------------|----------|----------|
| Current assets | 77,801 | 43,541 |
| Non-current assets | 14,671 | 18,464 |
| | 92,472 | 62,005 |
| Current liabilities | 31,836 | 17,980 |
| Non-current liabilities | 160,000 | 90,000 |
| | 191,836 | 107,980 |
| Net assets | (99,364) | (45,975) |

(c) Extract from Associate's Statement of Comprehensive Income

| | | |
|----------|----------|----------|
| Revenue | 185,011 | 21,010 |
| Net Loss | (53,503) | (45,861) |

7. INVESTMENT IN ASSOCIATES (continued)

| CONSOLIDATED | |
|--------------|------|
| 2014 | 2013 |
| \$ | \$ |

Investment in Associate - Club Tasmania Holdings Pty Ltd

RACT Holdings Pty Ltd has held fully paid shares as part of a joint venture in Club Tasmania Holdings Pty Ltd since 17 September 2013. Club Tasmania Holdings Pty Ltd is incorporated in Australia and is the owner operator of the RACV/RACV Hobart Apartment Hotel on Collins St in Hobart.

(a) Movements in the carrying amount of the Group's investment in associate

| | | |
|---|-----------|---|
| At beginning of period | - | - |
| Investment in associate | 3,150,000 | - |
| Share of profit/(loss) after income tax | (32,250) | - |
| At 30 June | 3,117,750 | - |

(b) Summarised financial information:

The following table illustrates summarised financial information relating to the Group's associate:

Extract from the Associate's Statement of Financial Position:

| | | |
|-------------------------|------------|---|
| Current assets | 5,691,553 | - |
| Non-current assets | 26,433,469 | - |
| | 32,125,022 | - |
| Current liabilities | 745,409 | - |
| Non-current liabilities | 32,358 | - |
| | 777,767 | - |
| Net assets | 31,347,255 | - |

(c) Extract from Associate's Statement of Comprehensive Income

| | | |
|----------|-----------|---|
| Revenue | 5,030,397 | - |
| Net Loss | (322,504) | - |

| CONSOLIDATED | |
|--------------------------------|-----------|
| 2014 | 2013 |
| \$ | \$ |
| RACT Insurance Pty Ltd | 4,836,015 |
| RACT Travel Pty Ltd | 56,191 |
| RACT AutoServe Pty Ltd | (12,062) |
| RACT Auto Glass Pty Ltd | (1) |
| Club Tasmania Holdings Pty Ltd | - |
| | 4,880,143 |

Share of profit of associates:

| | | |
|--------------------------------|-----------|-----------|
| RACT Insurance Pty Ltd | 5,642,449 | 4,836,015 |
| RACT Travel Pty Ltd | 169,564 | 56,191 |
| RACT AutoServe Pty Ltd | 19,144 | (12,062) |
| RACT Auto Glass Pty Ltd | - | (1) |
| Club Tasmania Holdings Pty Ltd | (32,250) | - |
| | 5,798,907 | 4,880,143 |

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2014

8. INTANGIBLES

a) Goodwill on driver training business:

| |
|-------------------------|
| Opening balance |
| Goodwill on acquisition |
| Closing balance |

b) Goodwill on RACT Destinations Pty Ltd acquisitions:

| |
|-------------------------|
| Opening balance |
| Goodwill on acquisition |
| Closing balance |

c) Computer software:

| |
|---------------------------------------|
| Opening balance |
| Additions |
| Transferred in from Plant & Equipment |
| Disposals |
| Amortisation expense |
| Closing balance |

| CONSOLIDATED | |
|--------------|-----------|
| 2014 | 2013 |
| \$ | \$ |
| 134,422 | - |
| - | 134,422 |
| 134,422 | 134,422 |
| - | - |
| 5,652,522 | - |
| 5,652,522 | - |
| 692,867 | 540,903 |
| 1,235,239 | 428,494 |
| 887,914 | - |
| - | (40,248) |
| (445,043) | (236,282) |
| 2,370,977 | 692,867 |
| 8,157,921 | 827,289 |
| 998,041 | 137,675 |
| 998,041 | 137,675 |
| 556,728 | 341,121 |
| 75,388 | 23,643 |
| 632,116 | 364,764 |

9. INVENTORIES

At cost

| |
|----------------|
| Finished goods |
|----------------|

10. OTHER ASSETS

Current

| |
|-----------------|
| Prepayments |
| Accrued revenue |

11. PROPERTY, PLANT AND EQUIPMENT

2014

Gross Carrying Amount

| | Freehold Land and Buildings (fair value) | Leasehold Improvements (cost) | Plant and Equipment (cost) | TOTAL |
|--------------------------------|--|-------------------------------|----------------------------|------------|
| | \$ | \$ | \$ | \$ |
| Balance at 30 June 2013 | 17,880,000 | 45,734 | 13,912,230 | 31,837,964 |
| Additions | - | 28,345 | 4,600,844 | 4,629,189 |
| Transfers to Intangibles | - | - | (887,914) | (887,914) |
| Disposals | - | - | (576,181) | (576,181) |
| Revaluation Land and Buildings | 310,000 | - | - | 310,000 |
| Balance at 30 June 2014 | 18,190,000 | 74,079 | 17,048,979 | 35,313,058 |

Accumulated Depreciation

| Balance at 30 June 2013 | 55,211 | 1,106 | 9,049,127 | 9,105,444 |
|--------------------------------|----------|-------|-----------|-----------|
| Disposals | - | - | (562,596) | (562,596) |
| Revaluation Land and Buildings | (67,625) | - | - | (67,625) |
| Depreciation expense | 339,087 | 1,330 | 1,102,379 | 1,442,796 |
| Balance at 30 June 2014 | 326,673 | 2,436 | 9,588,910 | 9,918,019 |

Net Book Value

| As at 1 July 2013 | 17,880,000 | 45,734 | 13,912,230 | 31,837,964 |
|--------------------------|------------|---------|-------------|-------------|
| Accumulated depreciation | (55,211) | (1,106) | (9,049,127) | (9,105,444) |
| Net carrying amount | 17,824,789 | 44,628 | 4,863,103 | 22,732,520 |
| As at 30 June 2014 | | | | |
| Cost / fair value | 18,190,000 | 74,079 | 17,048,979 | 35,313,058 |
| Accumulated depreciation | (326,673) | (2,436) | (9,588,910) | (9,918,019) |
| Net carrying amount | 17,863,327 | 71,643 | 7,460,069 | 25,395,039 |

2013

Gross Carrying Amount

| Balance at 30 June 2012 | 20,880,000 | 8,826 | 12,627,239 | 33,516,065 |
|--------------------------------|-------------|--------|------------|-------------|
| Additions | - | 36,908 | 1,568,319 | 1,605,227 |
| Disposals | - | - | (283,328) | (283,328) |
| Revaluation Land and Buildings | (3,000,000) | - | - | (3,000,000) |
| Balance at 30 June 2013 | 17,880,000 | 45,734 | 13,912,230 | 31,837,964 |

Accumulated Depreciation

| Balance at 30 June 2012 | 438,330 | 301 | 8,526,876 | 8,965,507 |
|--------------------------------|-----------|-------|-----------|-----------|
| Disposals | - | - | (278,847) | (278,847) |
| Revaluation Land and Buildings | (791,644) | - | - | (791,644) |
| Depreciation expense | 408,525 | 805 | 801,098 | 1,210,428 |
| Balance at 30 June 2013 | 55,211 | 1,106 | 9,049,127 | 9,105,444 |

Net Book Value

| As at 1 July 2012 | 20,880,000 | 8,826 | 12,627,239 | 33,516,065 |
|--------------------------|------------|-------|-------------|-------------|
| Accumulated depreciation | (438,330) | (301) | (8,526,876) | (8,965,507) |
| Net carrying amount | 20,441,670 | 8,525 | 4,100,363 | 24,550,558 |

As at 30 June 2013

| Cost / fair value | 17,880,000 | 45,734 | 13,912,230 | 31,837,964 |
|--------------------------|------------|---------|-------------|-------------|
| Accumulated depreciation | (55,211) | (1,106) | (9,049,127) | (9,105,444) |
| Net carrying amount | 17,824,789 | 44,628 | 4,863,103 | 22,732,520 |

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2014

12. PAYABLES

Sundry creditors and accrued expenses
GST payable

13. PROVISIONS (CURRENT)

Unexpired subscriptions (a)
Employee benefits (b)

14. PROVISIONS (NON-CURRENT)

Employee benefits (b)
Net liability arising from defined benefit obligations

| CONSOLIDATED | |
|--------------|-----------|
| 2014 | 2013 |
| \$ | \$ |
| 4,091,205 | 2,376,801 |
| 612,529 | 322,456 |
| 4,703,734 | 2,699,257 |
| 6,575,896 | 6,203,426 |
| 1,929,114 | 1,154,260 |
| 8,505,010 | 7,357,686 |
| 385,952 | 185,502 |
| (73,930) | 55,275 |
| 312,022 | 240,777 |

The provisions disclosed in notes 13 & 14 represent the following:

(a) The provision for unexpired subscriptions represents the unearned portion of amounts for Roadside membership.

(b) The provision for employee benefits represents amounts for annual leave and long service leave benefits.

15. BORROWINGS

(a) Interest-bearing loans

Current

Secured bank loan (Royal Automobile Club of Tasmania Ltd)
Unsecured bank loan (RACT Destinations Pty Ltd)
Chattel mortgage (RACT Destinations Pty Ltd)

Non-Current

Secured bank loan (Royal Automobile Club of Tasmania Ltd)
Unsecured bank loan (RACT Destinations Pty Ltd)
Chattel mortgage (RACT Destinations Pty Ltd)

| | |
|------------|-----------|
| 555,600 | 555,600 |
| 1,500,000 | - |
| 470,586 | - |
| 2,526,186 | 555,600 |
| 7,499,800 | 8,055,400 |
| 1,500,000 | - |
| 1,991,587 | - |
| 10,991,387 | 8,055,400 |

(b) Assets pledged as security

The carrying amounts of assets pledged as security for current and non-current interest-bearing borrowings are:

Current

Cash and cash equivalents
Receivables
Inventories
Other current assets
Other financial assets
Total current assets pledged as security

Non-current

Intangibles
Property, plant and equipment
Other non-current assets
Other financial assets
Total non-current assets pledged as security

Total assets pledged as security

| | |
|------------|------------|
| 5,264,831 | 5,626,271 |
| 3,801,645 | 2,594,021 |
| 998,041 | 137,675 |
| 632,116 | 364,764 |
| 775,244 | 5,795,000 |
| 11,471,877 | 14,517,731 |
| 8,157,921 | 827,289 |
| 24,015,039 | 21,352,520 |
| 1,319,955 | 961,794 |
| 1,420,766 | 746,004 |
| 34,913,681 | 23,887,607 |
| 46,385,558 | 38,405,338 |

15. BORROWINGS (continued)

(c) Terms and conditions

The terms and conditions relating to the financial assets are as follows:

Present and future assets, undertaking and unpaid/uncalled capital are pledged against the secured bank loan on a fixed and floating charge.

(d) Interest rate risk

Details regarding interest rate risk are disclosed in notes 26 and 29.

16. OWNERSHIP

The Company is incorporated under the *Corporations Act 2001* as a company limited by the guarantee of the members. If the company is wound up, its Constitution states that each subscribing member may be required to contribute an amount not exceeding 10% of the members annual subscription at that time. As at 30 June 2014, the number of subscribing members was 118,710 (2013 - 117,707).

17. RELATED PARTY DISCLOSURES

- (a) Transactions between directors and director-related entities are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The directors may obtain discounted services from the consolidated entity.

These services are obtained on the same terms and conditions as those obtained by employees of the consolidated entity.

- (b) Butler McIntyre & Butler, of which Mr P Joyce, a Director of the company, is Chairman, provides legal advice to the RACT group as and when required. All transactions between the two entities are undertaken on a normal commercial basis.

- (c) Loan to RACT Travel Pty Ltd (unsecured)

Loan to RACT Travel Pty Ltd (short-term, unsecured)

Loan to RACT Auto Glass Pty Ltd (short-term, unsecured)

| CONSOLIDATED | |
|--------------|---------|
| 2014 | 2013 |
| \$ | \$ |
| - | 100,000 |
| 220,000 | - |
| 80,000 | 45,000 |
| 300,000 | 145,000 |

- (d) The names of directors who have held office during the financial year are:

Ms J M Archer

Mrs A J Flakemore

Mr R S Locke

Mr E C Best, AM, JP

Mr R H Holmes

Ms J A L Self

Mr B F Clark

Mr P C Jones

Mr S E Slade

Mr P A Dixon

Mr P J Joyce

Ms S L Smith

Mr C J Langdon

Mrs K A Westwood

- (e) The Royal Automobile Club of Tasmania Limited is the ultimate parent entity.

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2014

18. KEY MANAGEMENT PERSONNEL COMPENSATION

The aggregate compensation of the key management personnel of the consolidated entity and the company is set out below:

(a) Total remuneration for directors:

(b) The number of directors of the consolidated entity whose remuneration (including superannuation contributions) fell within the following bands are:

\$0 - \$9,999
\$10,000 - \$19,999
\$20,000 - \$29,999

(c) Remuneration for key management personnel as listed:

Short term employee benefits

Key management personnel:

Mr H Lennon - Chief Executive Officer
Mr C Petterwood - Chief Operations Officer
Ms J Dew - Chief Financial Officer
Mr I Farquhar - Chief Information Officer
Mr D Turner - General Manager, Retail Distribution
Mr D Moody - General Manager, Roadside & Technical Services
Ms L Shephard - General Manager, People & Culture
Ms S Pennicott - General Manager, Membership & Marketing
Mr V Taskunas - General Manager, Communication & Advocacy (to 17 April 2014)

| CONSOLIDATED | |
|--------------|-----------|
| 2014 | 2013 |
| \$ | \$ |
| 187,515 | 180,894 |
| | |
| 1 | - |
| 12 | 11 |
| 1 | 1 |
| 14 | 12 |
| | |
| 1,590,199 | 1,453,217 |

19. PARENT ENTITY INFORMATION

Information relating to The Royal Automobile Club of Tasmania Limited:

Current assets
Total assets
Current liabilities
Total liabilities
Net assets

Retained earnings
Cashflow hedge reserve
Asset revaluation reserve
Total equity

Profit/(loss) of parent entity
Other comprehensive income
Total comprehensive income of the parent entity

| COMPANY | |
|------------|-------------|
| 2014 | 2013 |
| \$ | \$ |
| 22,084,906 | 22,192,078 |
| 47,593,194 | 46,706,992 |
| 10,634,034 | 10,077,976 |
| 20,087,762 | 19,993,779 |
| 27,505,432 | 26,713,213 |
| | |
| 27,383,191 | 26,893,272 |
| (811,400) | (736,074) |
| 933,641 | 556,015 |
| 27,505,432 | 26,713,213 |
| | |
| 332,439 | 951,610 |
| 459,780 | (1,557,530) |
| 792,219 | (605,920) |

The Parent has issued the following guarantees in relation to the debts of its subsidiaries:

Pursuant to ASIC Class Order 98/1418, relief has been granted to RACT Pty Ltd, RACT Holdings Pty Ltd and RACT Destinations Pty Ltd from the *Corporations Act 2001* requirement for preparation, audit and lodgement of a financial report and a directors report. As a condition of the Class Order The Royal Automobile Club of Tasmania Limited, RACT Pty Ltd, RACT Holdings Pty Ltd and RACT Destinations Pty Ltd have entered into a deed of cross guarantee on 27 June 2014.

The effect of the deed is that The Royal Automobile Club of Tasmania Limited has guaranteed to pay any deficiency in the event of winding up of any controlled entity or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to guarantee. The controlled entities have also given a similar guarantee in the event that the Royal Automobile Club of Tasmania is wound up or if it does not meet its obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee.

20. DETAILS OF CONTROLLED ENTITIES

The following entities constitute The Royal Automobile Club of Tasmania Limited Group:

Parent entity

The Royal Automobile Club of Tasmania Limited (i)

Controlled entities

RACT Destinations Pty Ltd (ii)

RACT Pty Ltd (ii)

RACT Holdings Pty Ltd (ii)

RACT Holdings Pty Ltd is 50% owned by RACT Pty Ltd and 50% owned by The Royal Automobile Club of Tasmania Limited. The shares in the Financial Statements of RACT Pty Ltd and The Royal Automobile Club of Tasmania Limited are recorded at \$1.00 each.

All companies are incorporated in Australia.

(i) The Royal Automobile Club of Tasmania Limited is the head entity within the tax consolidated group.

(ii) These companies are members of the tax consolidated group.

| PERCENTAGE OF SHARES HELD | |
|---------------------------|------|
| 2014 | 2013 |
| \$ | \$ |
| - | - |
| 100 | - |
| 100 | 100 |
| 100 | 100 |

21. DEFINED BENEFIT SUPERANNUATION PLANS

The consolidated entity provides defined benefit superannuation arrangements for employees who elected to take this option prior to 30 June 1997 when the arrangements were closed to new members. Under the defined benefit arrangements, the employees are entitled to retirement benefits varying between 15% and 20% of final average salary for each year of service. The consolidated entity contributes to defined contribution plans for other employees.

The most recent actuarial investigation was carried out as at 30 June 2014 by Doug McBirnie, FIAA of Bendzulla Actuarial Pty Ltd. The actuary has recommended that employer contributions continue to be made at a rate of 1.5 times member contributions. Funding recommendations are made by the actuary based on a target funding approach referencing the members' vested benefits.

The consolidated entity has a legal liability to make up a deficit but no legal right to use any surplus to further its own interests.

Amounts recognised in income in respect of these defined benefit plans are as follows:

Current service cost

Past service cost

Interest cost

Expected return on plan assets

Total included in superannuation expense/(income)

Actuarial losses/(gains) incurred during the year and recognised in the Statement of Comprehensive Income

The amount included in the Statement of Financial Position arising from the entity's obligations in respect of its defined benefit plans is as follows:

Present value of funded defined benefit obligations

Fair value of plan assets

Net liability/(asset) arising from defined benefit obligations

| CONSOLIDATED | |
|--------------|-------------|
| 2014 | 2013 |
| \$ | \$ |
| 33,914 | 37,399 |
| - | 28,518 |
| 697 | 23,066 |
| - | (50,688) |
| 34,611 | 38,295 |
| (140,184) | (108,265) |
| 1,114,985 | 1,099,381 |
| (1,188,915) | (1,044,106) |
| (73,930) | 55,275 |

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2014

22. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

For the purpose of this Statement of Cash Flows, cash includes cash on hand and in banks, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position:

Cash on hand

Cash at bank

(b) Financing Facilities

A bank overdraft facility secured over the freehold property of the company is maintained to meet short term cash requirements. The facility was not drawn against as at the balance date and any reference to bank overdraft relates to cheques unpresented at that date

Current facility amount

(c) Reconciliation of Profit after Related Income Tax to Net Cash Flows from Operating Activities

Profit after related income tax

Non cash flows in operating profit

Depreciation

Net loss/(profit) on sale of property, plant & equipment

Share of profit of associate

Change in provision for unexpired subscriptions in advance

Changes in assets and liabilities

Provision for employee entitlements

(Increase)/decrease in prepayments

(Increase)/decrease in receivables

(Increase)/decrease in stock

(Increase)/decrease in other assets

Increase/(decrease) in trade creditors

(Increase)/decrease in deferred tax assets

Increase/(decrease) in deferred tax liabilities

Increase/(decrease) in tax effect entries taken directly to equity

Increase/(decrease) in tax payable

(Increase)/decrease in provisions

Increase/(decrease) in GST payable

Cash flows from operations

| CONSOLIDATED | |
|--------------|-------------|
| 2014 | 2013 |
| \$ | \$ |
| 48,715 | 12,305 |
| 5,216,116 | 5,613,966 |
| 5,264,831 | 5,626,271 |
| 150,000 | 150,000 |
| 4,526,411 | 6,285,870 |
| 1,887,839 | 1,445,369 |
| (20,188) | (1,147) |
| (5,798,907) | (4,880,144) |
| 310,969 | 206,405 |
| 780,137 | 195,306 |
| (1,067,944) | (56,066) |
| (322) | 836 |
| (860,365) | 29,262 |
| (267,352) | (76,232) |
| 2,775,067 | 279,397 |
| (162,994) | (268,338) |
| 790,610 | (382,355) |
| 49,578 | 217,860 |
| (306,751) | 90,716 |
| 342,309 | (149,936) |
| 290,072 | (13,633) |
| 3,268,169 | 2,923,170 |

23. OPERATING LEASE COMMITMENTS

| |
|--|
| Due not later than one year |
| Due later than one but not later than two years |
| Due later than two but not later than five years |
| Due later than five years |

Operating lease commitments relate to shop front leases and tourism properties with lease terms between three to twenty years.

24. SOFTWARE LEASE COMMITMENTS

| |
|---|
| Due not later than one year |
| Due later than one but not later than two years |

25. EMPLOYEE BENEFITS

The aggregate employee benefits liability recognised and included in the financial statements is as follows:

Provision for Employee benefits

| |
|-------------|
| Current |
| Non-current |

Number of employees at end of financial year:

The Royal Automobile Club of Tasmania Ltd.

Number of employees of subsidiaries at end of financial year:

RACT Destinations Pty Ltd.

Number of employees of joint venture related entities at end of financial year:

| |
|---------------------------------|
| RACT Insurance Pty Ltd |
| RACT Travel Pty Ltd |
| Club Tasmania Holdings Pty Ltd. |
| RACT AutoServe Pty Ltd |
| RACT Auto Glass Pty Ltd |

| CONSOLIDATED | |
|--------------|-----------|
| 2014 | 2013 |
| \$ | \$ |
| 2,635,043 | 359,138 |
| 5,151,111 | 178,179 |
| 8,026,628 | 309,392 |
| 47,790,678 | 29,020 |
| 63,603,460 | 875,729 |
| 141,756 | 170,108 |
| - | 141,756 |
| 141,756 | 311,864 |
| 1,929,114 | 1,154,260 |
| 385,952 | 185,502 |
| 2,315,066 | 1,339,762 |
| 2014 | 2013 |
| 166 | 157 |
| 181 | - |
| 82 | 74 |
| 39 | 37 |
| 34 | - |
| 4 | 3 |
| 2 | 1 |
| 161 | 115 |

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2014

26. FINANCIAL INSTRUMENTS

(a) The following table details the Group's exposure to interest rate risk as at the reporting date.

| CONSOLIDATED | | | | | |
|------------------------------|-----------------------|------------------------|---------------------|----------------------|-------------------|
| | Average Interest Rate | Variable Interest Rate | Fixed Interest Rate | Non-Interest Bearing | Total |
| | % | \$ | \$ | \$ | \$ |
| 2014 | | | | | |
| Financial Assets | | | | | |
| Cash | 1.77 | 5,264,831 | - | - | 5,264,831 |
| Term Deposits | 3.65 | 750,000 | - | - | 750,000 |
| Trade Debtors | - | - | - | 2,445,060 | 2,445,060 |
| Equities | - | - | - | 34,804 | 34,804 |
| Unit trust | - | - | - | 500,005 | 500,005 |
| Club Consortium | - | - | - | 611,200 | 611,200 |
| Loan to Associate | 7.00 | 220,000 | - | - | 220,000 |
| Loan to Associate | - | - | - | 80,000 | 80,000 |
| TOTAL | | 6,234,831 | - | 3,671,069 | 9,905,900 |
| Financial Liabilities | | | | | |
| Borrowings | 2.67 | 11,055,400 | - | - | 11,055,400 |
| Chattel Mortgage | 7.12 | - | 2,462,173 | - | 2,462,173 |
| Trade Creditors | - | - | - | 4,091,205 | 4,091,205 |
| TOTAL | | 11,055,400 | 2,462,173 | 4,091,205 | 17,608,778 |
| CONSOLIDATED | | | | | |
| | Average Interest Rate | Variable Interest Rate | Fixed Interest Rate | Non-Interest Bearing | Total |
| | % | \$ | \$ | \$ | \$ |
| 2013 | | | | | |
| Financial Assets | | | | | |
| Cash | 2.42 | 5,626,271 | - | - | 5,626,271 |
| Term Deposits | 4.04 | 5,750,000 | - | - | 5,750,000 |
| Trade Debtors | - | - | - | 1,382,640 | 1,382,640 |
| Equities | - | - | - | 34,804 | 34,804 |
| Club Consortium | - | - | - | 611,200 | 611,200 |
| Loan to Associate | 3.21 | 100,000 | - | - | 100,000 |
| Loan to Associate | - | - | - | 45,000 | 45,000 |
| TOTAL | | 11,476,271 | - | 2,073,644 | 13,549,915 |
| Financial Liabilities | | | | | |
| Bank Loan | 3.30 | 8,611,000 | - | - | 8,611,000 |
| Trade Creditors | - | - | - | 2,376,801 | 2,376,801 |
| TOTAL | | 8,611,000 | - | 2,376,801 | 10,987,801 |

(b) Capital Management

For the purpose of the Group's capital management, capital includes issued capital, convertible preference shares, and all other equity reserves attributable to the equity holders of the parent entity. The primary purpose of the Group's capital management is to maximise member benefit by way of return on capital and ensuring there is sufficient provision for future capital requirements while complying with financial covenants.

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current period.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure within the Group, there may be adjustments to dividend payments to shareholders, the return of capital to shareholders or issues of new shares. The Group monitors capital based on the measures prescribed by financial covenants including loan to value limitations and working capital requirements. The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and short-term deposits, excluding discontinued operations.

27. FAIR VALUE MEASUREMENTS

The Group measures and recognises the following assets at fair value on a recurring basis after initial recognition:

Freehold land and buildings

The following table provide the fair values of the Group's assets and liabilities measured on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

| | 30 June 2014 | | | |
|--|--------------|------------|---------|------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets: | | | | |
| Financial assets at fair value through profit and loss | - | 1,146,009 | - | 1,146,009 |
| Other financial assets | 750,000 | 300,000 | - | 1,050,000 |
| Total financial assets recognised as fair value | 750,000 | 1,446,009 | - | 2,196,009 |
| Non-financial assets: | | | | |
| Freehold land and buildings | - | 18,190,000 | - | 18,190,000 |
| Total non-financial assets recognised at fair value | - | 18,190,000 | - | 18,190,000 |

| | 30 June 2013 | | | |
|--|--------------|------------|---------|------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets: | | | | |
| Financial assets at fair value through profit and loss | - | 646,004 | - | 646,004 |
| Other financial assets | 5,750,000 | 145,000 | - | 5,895,000 |
| Total financial assets recognised as fair value | 5,750,000 | 791,004 | - | 6,541,004 |
| Non-financial assets: | | | | |
| Freehold land and buildings | - | 17,824,789 | - | 17,824,789 |
| Total non-financial assets recognised at fair value | - | 17,824,789 | - | 17,824,789 |

Borrowings, Note 15, fall under the fair value hierarchy level 2 using current commercial borrowing rates.

There has been no change in the valuation techniques used to calculate the fair values disclosed in the financial statements.

Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2014

28. DERIVATIVE FINANCIAL INSTRUMENTS

| CONSOLIDATED | |
|--------------|-------------|
| 2014 | 2013 |
| \$ | \$ |
| (1,159,143) | (1,051,535) |

(a) Interest rate swap contracts – cash flow hedges

(b) Interest rate swap – cash flow hedges

Interest-bearing loans of the Group currently bear an average variable interest rate of 3.3%. In order to protect against rising interest rates the Group has entered into an interest rate swap contract under which it has a right to receive interest at variable rates and to pay interest at fixed rates. The swap in place covers approximately 99% of the principal outstanding and is timed to expire at the renewal date of the loan. The fixed interest rate for the swap is 6.07% and the variable rates ranged between 2.92% and 3.63% for the period.

The interest rate swap requires monthly settlement of net interest receivable or payable. The settlement dates closely coincide with the dates on which interest is payable on the underlying debt. The swap is matched directly against the loan and interest expense and as such is considered highly effective. It is settled on a net basis. The swap is measured at fair value and all gains and losses attributable to the hedged risk are taken directly to equity and re-classified into profit or loss when the interest expense is recognised.

(c) Movement in cash flow hedge reserve

| | | |
|---------------------------------------|-----------|-----------|
| Opening balance | (736,074) | (963,365) |
| Charged to other comprehensive income | (107,607) | 324,701 |
| Deferred tax | 32,281 | (97,410) |
| Closing balance | (811,400) | (736,074) |

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise receivables, payables, borrowings, bank overdrafts, shares, cash, short-term deposits and investments.

The Group manages its exposure to key financial risks, including interest rate risk in accordance with the Group's financial risk management policy.

The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The main risks arising from the Group's financial instruments are interest rate risk, price risk and credit risk. The Group uses different methods to measure and manage different types of risks to which it is exposed.

These include monitoring levels of exposure to interest rate risk and assessments of market forecasts for interest rates.

Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

Primary responsibility for identification and control of financial risks rests with the Investment Committee under the authority of the Board.

The Board reviews and agrees policies for managing each of the risks identified below including interest rate risk, credit allowances, and future cash flow forecast projections.

Risk Exposures and Responses

Interest rate risk

The Group's exposure to market interest rates relates to the Group's short-term cash investments and borrowings.

Subsequent to the loan agreement for the building project, RACT Ltd entered into a forward start interest rate swap agreement designated as a cashflow hedge. The swap agreement is aligned with the loan draw down schedule and commenced in the 2010 financial year. The interest rate swap will continue for the 15 year term of the loan agreement.

The Group constantly analyses its interest rate exposure. Within the analysis, consideration is given to potential renewals of existing positions, alternative financing and the mix of fixed and variable interest rates.

Price Risk

Price risk arises from investments in equity and unit based securities. To limit this risk the Group diversifies its portfolio in accordance with limits set by the Board's Investment Policy.

Credit Risk

The credit risk on financial assets, which comprise cash and cash equivalents and trade and other receivables but exclude investments of the Group which have been recognised on the Statement of Financial Position, is the carrying amount, net of any provision for impairment losses. Exposure at reporting date is addressed in each applicable note.

The Group minimises concentration of credit risk by undertaking transactions with a large number of customers and counterparts. Receivables balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The Group is not materially exposed to any individual customer.

30. BUSINESS COMBINATIONS

(a) Business acquisitions

On the 12th of February 2014, RACT Destinations Pty Ltd a wholly owned subsidiary of the RACT acquired the operating businesses, chattels and working capital for Freycinet Lodge located at Coles Bay, the Cradle Mountain Chateau and the Strahan Village including the Gordon River Cruises for the total consideration of \$9.36M. Since settlement date these three Tasmanian hotel properties and the Gordon River Cruise business have been fully operated by RACT Destinations. This acquisition is aligned with RACT's strategy to diversify into the Tasmanian tourism and hospitality sector while extending the current range of services offered to members.

From the date of acquisition RACT Destinations has contributed \$9.47M of revenue and a loss of \$758,750 from continuing operations to the consolidated entity in the 2014 financial year.

Assets acquired and liabilities assumed

Assets

| | 2014 \$ |
|-------------------------|------------|
| Plant and equipment | 3,356,005 |
| Cash & cash equivalents | 35,750 |
| Trade receivables | 67,096 |
| Prepaid expenses | 281,118 |
| Inventories | 922,675 |
| Deferred tax asset | 195,167 |

4,857,811

Liabilities:

| | |
|---------------------------------|---------|
| Trade payables | 497,083 |
| Provision for employee benefits | 650,557 |

1,147,640

Total identifiable net assets at fair value

3,710,171

Goodwill arising on acquisition

5,652,522

Purchase consideration transferred

9,362,693

(b) Purchase consideration

Outflow of cash on purchase of the business, chattels and working capital:

| | |
|---------------------|-----------|
| Cash consideration | 9,362,693 |
| Total consideration | 9,362,693 |

Acquisition related costs of \$367,691 relating to the acquisition have been included in other expenses in the Statement of Comprehensive Income and in payments to employees and suppliers in the Statement of Cash Flows.

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2014

31. SUBSEQUENT EVENTS

There are no other matters or circumstances that have arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Registered Office

179 Murray Street
HOBART TAS 7000
Tel: (03) 6232 6300

Principal Place of Business

179 Murray Street
HOBART TAS 7000
Tel: (03) 6232 6300

DIRECTORS' DECLARATION

The Directors declare that:

- a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- b) in the directors' opinion the attached financial statements and notes thereto are in accordance with *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the company and the consolidated entity.

Signed for and on behalf of the Board of Directors and in accordance with a resolution of the Board, made pursuant to s.295(5) of the *Corporations Act 2001*.

P J JOYCE
DIRECTOR

Hobart, 23 September 2014.

C J LANGDON
DIRECTOR



Wise Lord & Ferguson

Chartered Accountants

advice to advantage

Independent auditor's report to the members of The Royal Automobile Club of Tasmania Ltd

Report on the financial report

We have audited the accompanying financial report of The Royal Automobile Club of Tasmania Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company The Royal Automobile Club of Tasmania Limited and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Royal Automobile Club of Tasmania Limited are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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



1st floor 160 Collins Street Hobart 7000, PO Box 1083 Hobart TAS 7001
Tel: (03) 6223 6155 Fax: (03) 6223 8993 Email: email@wlf.com.au Internet: www.wlf.com.au

Partners: Harvey Gibson, Danny McCarthy, Douglas Thomson, Joanne Doyle, Stuart Clutterbuck, Ian Wheeler, Dean Johnson, Marg Marshall, Paul Lyons, Alicia Leis, Nick Carter.

Managers: Melanie Richardson, Simon Jones, Trent Queen, Rachel Burns, Nathan Brereton
Melissa Johnson, Donna Powell, Chris Harper, Rebecca Meredith.

Consultant: Peter Beven.

Independent Audit Report

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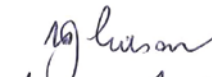
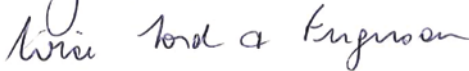
Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. We confirm that the Auditor's Independence Declaration would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- a. the financial report of The Royal Automobile Club of Tasmania Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

H J GIBSON
PARTNER
WISE LORD AND FERGUSON

Dated: 23 September 2014

ANNUAL REPORT 2013/2014
THE ROYAL AUTOMOBILE CLUB OF TASMANIA LIMITED
ABN 62 009 475 861

President
 Peter Joyce

Vice Presidents
 Kathryn Westwood
 Peter Dixon

Board
 Josephine Archer Roger Locke
 Edward Best AM Jenny Self
 Alison Flakemore Stuart Slade
 Phillip Jones Sue Smith
 Chris Langdon

Company Secretary
 Michael Hopster

Honorary Life Members
 David Catchpole
 Trevor Challen, OAM
 Denis Nation
 Anthony Stacey AM
 Jean Trethewey OAM

Regional Advisory Committees

North: Peter Dixon (Chairman); Josephine Archer; Ron Bessell; Bruce Doolan; Alana Fazackerley; Kerry Holloway; Michael Johnston; Gary O'Keefe; Robert Panitzki; Russell Reid; Craig Petterwood (Secretary).

North West: Kay Kidd (Chairman); John Bloomfield; Bruce Clark; Bill Enkelaar; Rodney Medwin; Leon Peck; Dale Prosser; Sue Smith; Michael Dixon (Secretary).

South: Phillip Jones (Chairman); Ian Holloway ESM; Bill Lawson AM; Jim Nicholson; Neil Noye AM; Betty Parssey; David Paton APM; Kathryn Westwood; Darren Moody (Secretary).

Registered Head Office 179-191 Murray Street,
 Hobart, Tasmania, 7000

Postal Address GPO Box 1292, Hobart, Tasmania, 7001

Contact Details Telephone: (03) 6232 6300
 Facsimile: (03) 6234 8784
 Email address: info@ract.com.au
 Internet site: www.ract.com.au

Branches Hobart (Murray Street); Hobart
 (Collins Street); Launceston; Devonport;
 Ulverstone; Burnie; Rosny Park;
 Glenorchy; Kingston.

Solicitors Butler McIntyre and Butler
 20 Murray Street
 Hobart, Tasmania, 7000

External Auditors Wise Lord & Ferguson
 160 Collins Street
 Hobart, Tasmania, 7000

Internal Auditors Deloitte Touche Tohmatsu
 ANZ Centre, Level 9,
 22 Elizabeth Street
 Hobart, Tasmania, 7000

Bankers ANZ Banking Group Limited
 40 Elizabeth Mall
 Hobart, Tasmania, 7000

Leadership Team

Chief Executive Officer: Harvey Lennon
Executive General Manager, Business Excellence: Brendan Charles
Executive General Manager, Member Services: Darren Turner
Executive General Manager, Membership & Community: Stacey Pennicott
Executive General Manager, Tourism: Adrian Sampson
Chief Financial Officer: Judith Dew
Chief Information Officer: Ian Farquhar
General Manager, Member Assist, Roadside and Technical: Darren Moody
General Manager, People & Culture: Lyndell Shephard
General Manager, Strategy & Collaboration: Craig Petterwood

Useful Numbers:

RACT General Enquiries: 13 27 22

RACT Roadside Assistance: 13 11 11

RACT Ultimate Members: 1800 088 865

RACT AutoServe: 1300 127 684

RACT Auto Glass: 1300 230 440

RACT Driving Lessons: 1300 761 429

Freycinet Lodge: 03 6256 7222

Strahan Village: 03 6471 4200

Cradle Mountain Hotel: 03 6492 1404

Gordon River Cruises: 03 6471 4300

RACT/RACV Hobart Apartment Hotel: 03 6270 8600

RACT Travelworld: 1300 368 111

**Burnie**

24 North Terrace, 7320
Phone: (03) 6434 2933

Devonport

119 Rooke Street Mall, 7310
Phone: (03) 6421 1933

Glenorchy

Cnr Main Road & Terry Street, 7010
Phone: (03) 6212 9588

Hobart – Collins Street (Travel only)

Shop 1, 110 Collins Street, 7000
Phone: (03) 6222 9222

Hobart – Murray Street

179-191 Murray Street, 7000
Phone: (03) 6232 6300

Kingston

Shop 60, Channel Court, 7050
Phone: (03) 6242 3200

Launceston

Corner York & George Streets, 7250
Phone: (03) 6335 5633

Rosny Park

Rosny Mall, 2 Bayfield Street, 7018
Phone: (03) 6212 6755

Ulverstone (Travel only)

38 Reibey Street, 7315
Phone: (03) 6425 8050