

2015-16 ANNUAL REPORT



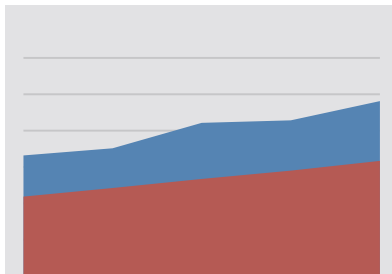
The Royal Automobile Club of Tasmania Limited



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Highlights



Stable Finances

20 consecutive years of surplus



Assisting members through storms



Holding government to account



There for you at the roadside



Growing regional tourism



Supporting communities throughout Tasmania



Investing in capability



Savings to members on fuel

President's Report



RACT members now save 6 cents per litre on fuel at participating United Petroleum sites all year round.

To date, 44 per cent of members have used the discount. Since the discount was introduced we have saved members more than \$1.5 million, which is a result we're incredibly proud of.

Writing my last Annual Report message as RACT President, I feel enormous satisfaction when reflecting on the way the RACT has developed under the direction of the current Board. In 2015/16, we can say that the RACT provides a wide range of motoring services, insurance, tourism and travel products, as well as exclusive member benefits.

This must be considered a positive outcome when you consider that the organisation was originally established in 1923 to assist members with the planning and hosting of motoring excursions and to represent the interests of Tasmanian motorists. It is just as pleasing to be able to report on a 20th successive year of surplus. In 2015/16 a surplus of \$5.36 million was achieved while continuing to maintain a strong service culture for our 178,000 members. Our vision is that we find ways to enhance life in Tasmania. An important part of our role is advocating on behalf of members and all Tasmanians.

The Australian Competition and Consumer Commission (ACCC), after extensive lobbying by the RACT, published its investigation on the Launceston petrol market.

While it was published outside the reporting period, it is important to acknowledge that the ACCC report found that petrol prices in Launceston were significantly higher than in the five largest cities in Australia for much of the period analysed.

While we are disappointed that retail margins in Tasmania continue to be unacceptably high at the time of writing, the RACT strongly believes greater transparency and better price information for consumers will ultimately lead to better price competition.

It is our hope the investigation completed in the North of the state will lead to cheaper petrol prices for all Tasmanians.

To reduce the cost of fuel on household budgets, the RACT introduced a new member fuel discount, helping our members to save money at the bowser. RACT members now save 6 cents per litre on fuel at participating United Petroleum sites all year round.

To date, 44 per cent of members have used the discount. Since the discount was introduced we have saved members more than \$1.5 million, which is a result we're incredibly proud of. Since then there have been a number of other petrol price discount offers introduced in the market that are resulting in some positive movements in the retail petrol price across the state.

The 2015/16 financial year saw the achievement of some strong results for the RACT Insurance business, despite the severe weather conditions during the month of June 2016. The storm events resulted in the flooding of many homes and businesses across the state and resulted in 769 storm-related claims totalling approximately \$11 million. As a Tasmanian company with a presence in nearly every community in the state, we were able to quickly deploy our on-ground assessing teams and Mobile Service Centre. Importantly, being on the ground allows us to get to customers quickly and provide them with the resources they need to begin rebuilding their homes and communities.

Our Roadside team continued their excellent service to members and logged nearly 75,000 jobs – that is about 205 callouts a day. The average wait time was just more than 27 minutes per callout. More than 5800 batteries were fitted to members' vehicles in Hobart and Launceston during the reporting period and battery failures remain the single greatest reason for our members to turn to us for help.

While we continue to be – and take very seriously – our role as the state's peak motoring organisation, we are well-placed to influence government (at all levels) across a range of areas and issues and provide counsel and advice on road safety and other road-related matters. To support this role we take counsel from our three regional advisory committees based in the North, South and North-West. They play a key part in the identification of local issues

President's Report

and lobbying for practical solutions and I would like to thank the members of these committees for their dedication and hard work during the year.

In the lead-up to the 2016 Federal Election, we encouraged community debate (and debate amongst candidates) about a number of relevant issues affecting Tasmania that an incoming Federal Government needed to consider and action.

While the RACT has previously stated that it strongly supports the 10-year upgrade of the Midland Highway and the work that has been completed and funded to date, the Liberal Federal Government must ensure that the remainder of the 10-year plan is funded to allow freight, visitors and locals to travel the length of the highway in a safe and efficient manner. We will continue to lobby for this important work.

The Liberal Party's announcements about remedial treatments on a number of dangerous intersections on the Bass Highway near Wynyard, which had been a priority for the RACT for a number of years, were also very welcome. The work is very important to reduce the risk of associated trauma from road crashes.

A proposed new four-lane Bridgewater Bridge was also identified as critical, as was traffic congestion being experienced on a regular basis by Hobart motorists.

With this in mind, we were very pleased to welcome a \$1 million commitment from the Tasmanian Government in its budget to alleviate traffic congestion in Greater Hobart, though we stand by our earlier stated position that a long-term plan is still urgently needed to address the problem.

The \$6.3 million in additional funds for capital works and visitor infrastructure to improve safety and the overall visitor experience on the Great Eastern Drive was also most welcome.

The RACT was concerned that there was no reduction in motor tax to commence in 2017 as previously promised and an underinvestment in new road infrastructure spending.

On a positive note, the Tasmanian Government's significant support of the Cradle Mountain Master Plan in its Budget was also most welcome.

The RACT is on the record as supporting any infrastructure development that is environmentally sensitive and enhances the total visitor experience and is keen to play a major role in the ongoing development of the broader Cradle Mountain experience.

On the subject of tourism, as noted in last year's Annual Report, we understand that our Destinations properties are very important to the communities in which they operate.

To March 2016, Tourism Tasmania reported a room night growth of nine per cent across the state, while our properties grew by 11 per cent (64.2 per cent occupancy over the full financial year). Tourism Tasmania also reported a two per cent increase in visitor arrivals (to March 2016), whereas Destinations recorded a 16 per cent increase.

The RACT believes it has a major role to play in stimulating the local economies in which its Destinations properties operate. These numbers demonstrate that we are doing just that.

At the end of the 2015/16 financial year, the RACT revised its proposed development for Freycinet Lodge on the East Coast.

Following consultation with our members and other external stakeholders, including Parks and Wildlife, it was determined that any development would now only occur within the RACT's existing footprint at the property.

Our long-term vision to expand our involvement in the Tasmanian tourism sector continues to be a major focus for the organisation. And we remain committed to further sensible investment for the benefit of our members and visitors to the state.

During the year, the RACT has supported communities throughout Tasmania with education programs, sponsorships and attendance at events. The RACT Mobile Service Centre was active around the state, delivering child safety support and advice at more than 30 locations. Our team also conducted more than 50 additional road safety presentations and practical activities with Tasmanians of all ages.

The RACT Community Fund provided assistance for 25 groups and clubs and a further 70 community organisations from Wynyard in the North-West to Sommers Bay in the South received support through our sponsorship program.

These programs demonstrate how we are working towards our goal of enhancing life in Tasmania.

In closing my final Annual Report message as President of the Club, can I thank my fellow Directors for their counsel, Group Chief Executive Harvey Lennon and the management team for the professional way they have managed the business during the reporting period, and all RACT employees and members for their ongoing and important support.

Peter Joyce

CEO's Report



We pride ourselves on the service we provide our members and as such we took great pleasure in being awarded the General Insurer of the Year Award 2015 in the Roy Morgan Customer Satisfaction Awards.

In my message in last year's Annual Report I wrote that 2014/15 had been a year of consolidation following the acquisition of the Federal Group's regional tourism businesses.

The 2015/16 financial year was the second full year of operations of these businesses at Freycinet Lodge on the East Coast, Strahan Village and Gordon River Cruises on the West Coast and the Cradle Mountain Hotel in the North-West.

Pleasingly, we are able to reflect on a highly positive performance for this part of our business.

For the reporting period, our properties reported an occupancy rate of more than 64 per cent, growing by 11 per cent compared to the previous financial year, and a growth in holiday visitation (arrivals) of 16 per cent.

For the second year in succession, RACT and Tourism Tasmania partnered to drive regional visitation into Tasmania, achieving a 27 per cent increase during the life of the campaign.

Further, while we are very pleased at the number of interstate guests arriving in the state and staying at one of our properties, RACT members redeemed more than \$100,000 worth of member discounts during the reporting period.

This is a good sign that Tasmanians are taking the opportunity to holiday at home, which obviously benefits the broader Tasmanian economy and the economies of the regional communities in which we operate.

The RACT supported and endorsed the Cradle Mountain Master Plan's focus on infrastructure development unveiled towards the end of the reporting period. We believe that, subject to confirmation, if it can be achieved in an environmentally sensitive way it will greatly enhance the total visitor experience.

While the RACT's hotel, café and wilderness gallery at Cradle Mountain receive high occupancy and strong demand from both overnight and day visitors, we are very supportive of any initiative that will enhance the visitor experience at Cradle Mountain.

We understand and appreciate that there is a global demand to visit iconic locations like Cradle Mountain, certainly in the Asian market, and we are keen to play an integral part in the ongoing development of the broader Cradle Mountain experience.

Work started in October 2015 on the \$10 million upgrade of the Hobart Apartment Hotel, jointly owned by RACT and RACV.

The works will include a new lounge with feature fireplace under a new glass atrium roof, a new reception area directly off Collins St, a fully renovated restaurant with floor-to-ceiling windows and two new kitchens.

The project also incorporates a gymnasium as well as restoration of the adjacent heritage-listed Cascade House that will be remodelled internally to provide a bar downstairs and an executive lounge upstairs.

The project is expected to be completed in the 2016 calendar year.

We pride ourselves on the service we provide our members and as such we took great pleasure in being awarded the General Insurer of the Year Award 2015 in the Roy Morgan Customer Satisfaction Awards. The award is based on independent customer satisfaction survey results that Roy Morgan Research carry out so is an excellent reflection of our hard-working and highly professional staff who do such an important role in delivering excellent member outcomes.

In addition the RACT Travel agency group again demonstrated why it is considered one of the best in the industry in July 2015 when it was named Best Travel Agency Retail (Multi-Location) at the National Travel Industry Awards in Sydney.

The awards are hosted by the Australian Federation of Travel Agents and recognise the industry's leading companies. We were obviously very pleased to be recognised and acknowledge the important role of all of our staff, suppliers and loyal clients.

CEO's Report

While the RACT is clearly a diverse organisation delivering a range of motoring services, insurance, tourism and travel-related products, we continue to be the state's peak motoring organisation.

The RACT is serious about helping to reduce the number of fatalities on our roads. That is why driver training continued to be a key activity during the year as we work to educate safe, life-long drivers. The RACT delivered 18,875 lessons across the state, including 1599 L2 assessments. Our Driver Trainers do a great job and are key to the continued growth in the number of lessons we have seen delivered this year.

The RACT's Mobile Service Centre was used across the state during the reporting period to provide a range of services to RACT members, providing advice on safety and an opportunity to showcase products and services.

The mobile centre visited Latrobe in the North-West to provide advice and assist with claim lodgement after the floods of June 2016; attended numerous community-based events in all regions, including Agfest and the Symphony Under the Stars concert; and numerous school-based events across the state that promoted road safety messages.

Unfortunately, the RACT estimates that 80 per cent of child restraints are fitted incorrectly, and in a small number of cases are not used at all.

It was a key reason behind the organisation's decision to develop an educational DVD for parents, grandparents and professionals who work with young families that demonstrates the correct way to install a child restraint.

The DVD highlights common mistakes made when fitting a child restraint in a vehicle.

The RACT also conducted free child restraint checks across the state throughout the year.

This service is focused on awareness, education and practical help to protect the lives of young people in motor vehicles – something that no parent or grandparent should ever take for granted.

The importance of this work was confirmed to the RACT after a free inspection at a Hobart childcare centre found many child restraints were either not safe or needed adjustment.

Of the 53 installed child restraints checked, 36 needed adjustment and 16 were not safe. And of the 16 found to be unsafe, five were not fastened to the vehicle in any way, three were top-tethered to luggage tie downs, which are not rated for child restraints, four had no top tether fixed at all and four had faulty belt buckles or were broken.

The results were the worst we have seen during an inspection of child car restraints. A correctly fitted child restraint is a crucial life-saving device.

The RACT provided a formal submission to the Australian Competition and Consumer Commission (ACCC) for its petrol price monitoring investigation in Launceston.



At the time we said Tasmania had been experiencing higher than average fuel prices. The ACCC itself identified that Launceston petrol prices were among the highest in Australia.

The RACT had previously written to ACCC chairman Rod Sims suggesting that Tasmania could provide useful data for an investigation because it operated in a separate and distinct island market. Given the importance the RACT – and Tasmanian motorists – placed on the issue, we were very pleased that the ACCC selected a Tasmanian location as one of three regions or rural areas across the country for an investigation.

While the final report was published outside the reporting period, we are very pleased that the work we did in 2015/16 and before led to the ACCC investigation in the first place.

In conclusion, I would like to highlight the result delivered by the organisation in 2015/16. As noted in the President's message, this was the 20th successive year of surplus.

I would like to thank all of our employees for their collective hard work in delivering this result.

I would also like to thank all Directors for their important contributions during Board discussions and the management team for their support and hard work during the reporting period.

Harvey Lennon



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 – Travel by RACT 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 we 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, not just 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 Hobart Apartment Hotel, our joint venture partnership with RACV.

Personal loans – Finance by RACT offers 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 member benefits 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, to 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

Corporate Social Responsibility



Communications & Advocacy

As the state's peak motorist organisation, one of RACT's key goals is to advocate on behalf of its members on road safety, mobility and tourism issues.

We also believe it is vitally important that the RACT supports community groups and events across Tasmania and ensures Tasmanians are educated on matters that benefit the broader community.

Community Engagement and Education

The RACT expanded its community engagement and education program through the delivery of a community engagement plan that enabled programs to be delivered across 29 different towns or regional communities in the state during 2015/16.

RACT's education program addresses a range of community needs across early childhood through to older drivers.

Through its free CarFit program, the RACT provided advice and information to older drivers to encourage safer driving and increased mobility.

At a CarFit session trained professionals, including a qualified occupational therapist, work through a simple checklist of questions with the driver about their car.

The driver is then shown recommended adjustments to ensure they and their car "fit" together.

Activities were also conducted at 15 childcare centres across the state. Based around an Elmo story, basic road safety and safe bike riding messages were delivered to preschool age children.

The RACT also supported bike safety by partnering with Bicycle Network to conduct Ride2School programs at eight primary schools across Tasmania.



RACT actively worked with the Road Safety Council and Tasmania Police to implement a series of activities during National Road Safety Week in May.

As a part of this program, RACT conducted a number of free education sessions that focused on driver distraction, the dangers of drink driving and safety inspections of child restraints.

The week culminated in a display at Agfest with RACT partnering with the Department of State Growth and ANCAP. Two ANCAP-tested crash cars were displayed to highlight the importance of purchasing a quality, star-rated vehicle.

RACT staff were provided with the opportunity to participate in a Volunteer Program that allows staff to offer their time and expertise to various charities and community groups. This year staff volunteered with programs such as Cancer Council's Daffodil Day, Ronald McDonald House, RSPCA and Royal Guide Dogs of Tasmania.

Public Advocacy

Reducing road trauma continues to be a key focus for the RACT and was reflected in the Federal Government election submission.

It listed a number of key areas for consideration by the Government in this space relating to:

- Driver inattention and distraction.
- Roadside workers being exposed to dangerous situations in high-speed environments.
- Continuation of high-profile policing on roads.

Corporate Social Responsibility



The Federal Government has previously supported the Keys2Drive program for learner drivers and the person teaching them to drive, so it is pleasing that this funding will be continued.

Learning to drive is an important life skill and the Keys2Drive initiative has a proven track-record when it comes to improving driver behaviour and creating safer drivers.

University research reveals that learner drivers who participate in the scheme are 40 per cent less likely to have a serious crash.

The program has seen the number of young drivers involved in serious crashes reduce during the past three years.

The RACT remains steadfast on a number of issues relating to general road maintenance and development.

The Midland Highway has historically featured sections that were unsafe for motorists because of narrow verges and high speeds. The RACT strongly endorses and supports the 10-year upgrade of the highway and the work that has been completed and funded to date. But the Federal Government needs to ensure that the remainder of the 10-year plan is funded to allow freight, visitors and locals to travel the length of the Midland Highway in a safe and efficient manner.

While the Midland Highway work needs to be adequately resourced to continue the desired rate of progression, other key road infrastructure improvements have been identified.

The RACT's key infrastructure requests were:

- Bass Highway intersections at Wynyard – rationalise the number of intersections and upgrade one to become the primary access/crossing point.

- Midland Highway – duplicate carriageway from Perth to Breadalbane, and upgrade Breadalbane Junction and safety improvement packages on various sections of the Midland Highway as outlined in the 10-year Midland Highway Action Plan.
- Eastern Hobart approach – Increase capacity and improve traffic flow on the eastern approach to the CBD, including the Sorell-Midway Point causeways, airport roundabout and Tasman Bridge.
- Bridgewater Bridge – Construct replacement four-lane Bridgewater Bridge and associated new junctions.

Prior to the 2016 Federal Election, the RACT publicly noted that any incoming Federal Government needed to support the development and implementation of a long-term plan to combat increasing congestion in Hobart's CBD.

While the RACT welcomed the \$1 million allocated to alleviate traffic congestion in Greater Hobart, it noted while the improvements were potentially beneficial, a long-term plan was still urgently required to address the problem.

As the population increases and the number of tourists visiting the state continues to rise, the congestion problems – which are worsening – will only be exacerbated.

The RACT called for an holistic, long-term plan taking into account the unique travel requirements of Hobart's population.

In addition, the connection between Sorell and Hobart was identified as requiring an immediate solution. Population growth to the east of Hobart has created a number of pinch points during peak times. Sorell is also a major thoroughfare to the East Coast and Tasman Peninsula, further impacting on these congestion issues.

Corporate Social Responsibility



The Liberal Party's \$30 million commitment to replace the roundabout near the Hobart Airport should be implemented as soon as practical as it should ease already increasing congestion issues on the highway and the approaches to Hobart.

The RACT welcomed comments attributed to Liberal Senator Eric Abetz in the Tasmanian media, immediately after the Coalition claimed victory in the election, assuring Tasmanians that all election promises would be kept.

Before the Federal Election, the Tasmanian Government handed down its 2016/17 Budget.

One of the major items called for in the RACT's State Budget submission was the development of a tourist road strategy.

In its submission provided to the Tasmanian Government, the RACT identified a number of key routes that needed to be improved to better provide for tourists in terms of their "safety and travelling convenience".

In addition, the RACT identified specific initiatives that should be funded, including multilingual signs, wide shoulders on tourist routes and a digital campaign to better educate motorists about the dangers of wildlife on the roads.

These initiatives were noted as particularly important given the Tasmanian Government's target to increase tourist visitor numbers to Tasmania to 1.5 million people by 2020.

The \$6.3 million in additional funds for capital works and visitor infrastructure to improve safety and the overall visitor experience on the Great Eastern Drive was therefore most welcome.

There is increasing recognition that Tasmanian roads can be quite challenging for interstate and international tourists.

The RACT still believes a long-term view is required in this area, taking account of other tourist routes. The Hastings Cave Road and the Arthur Highway at Eaglehawk Neck and Port Arthur are just two examples where urgent improvement works are required.

The Tasmanian Government's significant support of the Cradle Mountain Master Plan was most welcome.

The RACT is on the record as supporting any infrastructure development that is environmentally sensitive and enhances the total visitor experience. The RACT understands and appreciate that there is a global demand to visit iconic locations like Cradle Mountain and are keen to play a major role in the ongoing development of the broader Cradle Mountain experience.

Corporate Social Responsibility



Journeys

Journeys is the bi-monthly magazine for RACT members that provides a credible and reliable source of information and advice.

The magazine is distributed by mail to more than 100,000 households in Tasmania.

As a result, we estimate that about one-third of the Tasmanian population read each issue. This underpins the value of the publication to the RACT in terms of advocacy and local businesses in terms of advertising reach.

Each edition of the magazine is also available in digital format via a Realview 'click and page turn' application online.

The magazine features a mix of articles including news and views on road safety, motoring and related issues, information about RACT's numerous 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 RACT members.

The magazine also supports a substantial and popular travel advertorial section.



RACT Community Fund

The RACT Community Fund rounds for the 2015-16 financial year supported a range of community groups, school associations and community projects.

In round 15, held in October 2015, St Giles received funding to assist with The Little Car Yard project, specifically the purchase of four ride-in toy cars. These cars are modified, customised and made available to children with mobility difficulties to help them gain important independence.

The Hobart Model Aero Club was also successful in receiving assistance with the purchase of a small trailer unit to allow them to mobilise its fire equipment all over a 16 hectare property. This in turn allows the club to assist the Tasmania Fire Service with short-term control in the event of a bushfire.

In round 16, held in March 2016, the New Horizons Club received support for its outdoor growing gardening project. The funding was used to purchase four raised garden beds to allow the club to create a functional educational garden and outdoor socialising space for people with disabilities. This will help the members to gain another skill-set and contribute to healthier lifestyles.

Invermay Primary School established a new breakfast program and, with the support of the RACT Community Fund, was able to purchase a fridge and freezer, plus some other appliances to allow better promotion of healthy eating and lifestyles to their students.

Corporate Social Responsibility



The Tasmanian Wildlife Rehabilitation Council is using its RACT Community Fund contribution to develop an app that provides individuals with 24/7 immediate access to help and advice when involved in an accident with a native animal. The council is partnering with the University of Tasmania to help with this process and will also translate the app into Mandarin.

Round 15 recipients

- Beehive Playcentre
- Devonport Surf Life Saving Club
- Geeveston Community Centre
- Hobart Model Aero Club Inc
- John Paul II Catholic School
- Mole Creek Swimming Centre Association Inc
- Molesworth Volunteer Fire Brigade
- Orielton Community Hall
- Pegasus Riding Inc.
- Risdon Vale Volunteer Fire Brigade
- Rosebery Festival/Just Something Wonderful Club
- Royal Flying Doctor Service
- St Giles Society
- Suncoast Pony and Riding Club
- Tamar Region Natural Resource Management Strategy Reference Group

Round 16 recipients

- Boat Harbour Beach Surf Lifesaving Club
- New Horizons Club Inc
- St Helens District High School
- Cambridge Volunteer Fire Brigade
- Wynyards Vietnam Veterans memorial project
- Invermay Primary School
- Tasmanian Wildlife Rehabilitation Council
- Riding for the Disabled Kalang Inc
- Pete's Community Work Shed
- Strahan Primary School Parents and Friends



People and Culture

The skills and expertise of our staff are crucial to supplying the quality service our members expect and deserve.

Our training programs play a key role in this. As such, we remain committed to investing in learning and development activities that continue to develop our people.

One of the most fundamental curriculums we offer our people is an Induction program.

RACT has revamped its on-boarding and induction experience for new employees this year, with the new *The RACT WAY* program providing our people with a stronger understanding of RACT's history, culture, values and standards of service from day one of employment.

Through the RACT Learning Academy, we continue to provide learning opportunities to our people through short courses and formal qualifications offered by a range of providers.

This year we were able to offer 10 staff across the RACT Group a Certificate IV in Training & Assessment, as well as offer 16 staff the opportunity to participate in a Leadership Fundamentals program.

These planned development activities allow us to continue building individual and organisational capability within the RACT business.

Operations Review

Insurance



Strong result

Awarded General Insurer of the Year

\$11m flood-related claims

Online quoting improved

RACT Insurance saw the achievement of some strong results despite an increase in house fires and natural weather events across Tasmania.

The June 2016 storms affected many homes and businesses across the state and resulted in a total of 769 storm and flood-related claims with a value of approximately \$11 million.

RACT has a proud history of rallying behind its customers, communities and employees when natural disasters hit and the business is proud of the residents of Tasmania for coming together during this event.

Having taken a lot of learnings from the Dunalley fire event the RACT deployed its Mobile Service Centre quickly to Latrobe to provide welcome and timely support to our members in what were very traumatic circumstances.

Locally owned and operated, RACT Insurance is able to quickly deploy on-ground assessing teams allowing them to get to their customers quickly and provide them with the resources they need, providing a high level of service.

This was confirmed with the receipt of the Roy Morgan's General Insurer of the Year Award. The Roy Morgan Customer Satisfaction Awards are presented to businesses that top their respective fields with consistently high levels of customer satisfaction throughout the year – as judged by more than 50,000 Australian consumers.

To further improve the customer experience, RACT Insurance delivered a new online platform that enhanced the online experience, with 80 per cent of customers rating the service greater than eight out of 10.

The new tool reduced quote times for customers by more than 40 per cent and, with a key focus on mobile enablement, 30 per cent of online quotes are now being completed via mobile devices.

In the second half of the year, challenger brands created an increasingly competitive environment and continue to have a strong impact on the market, placing a downward pressure on pricing and volume growth. Switching behaviour from challenger brands to RACT Insurance has been positive with continued growth at the new business line and an overall reduction in cancellations.

The 2015/16 financial year saw the business working through the changes and challenges of a newly implemented insurance system. Post system implementation, RACT Insurance has focused on the regular optimisation of the core system and completed the claims diagnostic review, which has given rise to a number of work streams.

The overall results have significantly improved from a client, risk and premium growth perspective. This improved performance and positions the business strongly for the 2017 financial year.

Operations Review

Travel



**Awarded Best Travel Agency
for second year in a row**

**Greatest surplus from
operations ever**

**Always delivering on best
price guarantee**

RACT Travel continued to go from strength to strength with its highest surplus from operations in its history.

The dedication and skill of the highly professional team of travel advisors, who assisted thousands of RACT members during the year, is a key factor in this result. They provide excellent service standards while management maintains a focus on cost control throughout the business.

We are very confident in the value we can provide our members in assisting their travel bookings. It is this confidence that underpins our best price guarantee offered to members. It's a price guarantee that we've never failed to deliver on and why repeat customers are such a high proportion of our business.

It is pleasing that the acquisition of The Travel Studio business in the prior year is having the anticipated impact on the business with year-on-year growth and has increased RACT's corporate travel expertise, experience and market share in the Tasmanian corporate travel sector.

While growth in the retail travel space has continued year-on-year, future growth is likely to rely on the increasingly popular cruise market and corporate travel sector.

RACT Travel continued to focus on growing its share of the corporate travel market during 2015/16 through its market-leading online, airline, accommodation and car hire booking tool for business clients.

RACT Travel annually hosts the largest cruise event in Tasmania and this year it brought together more than 35 major cruise suppliers at its Cruise Sale Day, a key component of the cruise market growth strategy. Cruising is the biggest growth sector of the travel industry and is becoming the number one holiday option for many Tasmanians.

RACT Travel is part of the helloworld group. It is the largest national network of independent travel businesses, comprising more than 1000 offices in Australia and New Zealand. RACT Travel is one of the largest retailers in the group.

While RACT Travel operates independently, the partnership provides opportunities to leverage marketing, training and technical support through the Australasian group.

RACT Travel was for the second year running named Best Travel Agency Retail (Multi-Location) at the National Travel Industry Awards in Sydney. The award acknowledges the retail agency operating across two or more locations that demonstrates the best in agency management and service delivery. The prestigious awards are hosted by the Australian Federation of Travel Agents and recognise the industry's leading companies.

RACT Travel is a member of Virtuoso. Membership is by invitation only and is only extended to those agents considered to be leaders in their field. As a Virtuoso travel specialist, we provide a broad range of services that distinguishes us from other travel agents and well in front of any online service.

Operations Review

Tourism



\$100k in member discounts

Continued product improvement

High occupancy

Investing for future

The 2015/16 financial year was the second full year of operations of RACT's tourism businesses – Freycinet Lodge, Strahan Village, Gordon River Cruises and Cradle Mountain Hotel.

The RACT is pleased to be able to report on a highly positive and improved performance for this part of our business compared to last financial year.

For the reporting period, our properties achieved an occupancy rate of more than 64 per cent, growing 11 per cent year-on-year, with growth in holiday visitation of 16 per cent.

While the RACT was pleased at the number of interstate guests arriving in the state and staying at one of its properties, RACT members redeemed more than \$100,000 worth of member discounts during the reporting period.

Other notable highlights for 2015/16 included the official opening of Providore Wineglass at Freycinet Lodge, continued room improvements (upgrading televisions across the properties and upgrading bathrooms in the family cabins at Freycinet) and implementation of a new hotel operating system and websites for all hotels.

Room improvement work is an ongoing process and will therefore continue in 2016/17 with a remodelled restaurant and bar at Cradle Mountain Hotel likely to be a highlight for members and guests.

Looking forward, the prospects for tourism in Tasmania, and in regional areas in particular, are positive.

In October 2015 work started on a \$10 million upgrade to the Hobart Apartment Hotel, jointly owned by RACT and RACV.

The works include a new lounge with feature fireplace under a new glass atrium roof, a new reception area directly off Collins St, a fully renovated restaurant with floor-to-ceiling windows and two new kitchens.

The project also incorporates a new gymnasium as well as restoration of the adjacent heritage-listed Cascade House that will be remodelled internally to provide a bar downstairs and an exclusive lounge upstairs.

Existing function rooms at the Apartment Hotel will also be upgraded, and a new board room created for smaller meetings.

The works will complement the \$1.3 million upgrade to the hotel's 125 bathrooms that was finished last year.

At the end of the 2015/16 financial year, the RACT announced that it had revised its proposed development concept for Freycinet Lodge following consultation with members and other external stakeholders, including Parks and Wildlife.

Any development undertaken at the property will now only occur within the RACT's existing footprint.

Importantly, the RACT's long-term vision to expand its involvement in the Tasmanian tourism sector is unchanged.

The RACT will work with tourism entrepreneur Brett Torossi in 2016/17 to finalise a concept for the existing Freycinet site.

The development concept, at the time of writing, included a number of spa cabins, the addition of access rooms and enhanced amenities in the main Lodge building.

Operations Review

Roadside and Motoring



More than 200 jobs a day

**124,000 Tasmanians now
rely on our service**

**More than 91% of customers
retained**

RACT's Roadside team, which has been operating in Tasmania for more than 90 years, provides RACT members with peace of mind as we answer many thousands of calls for assistance.

The RACT's focus has always been to get members back on the road as quickly and as safely as possible, no matter where they are in the state.

During the year our Roadside team logged nearly 75,000 jobs – that is an average of more than 200 calls for assistance every day.

More than 40,000 metropolitan road service jobs were completed by Hobart and Launceston patrols with an average response time of approximately 27 minutes.

While we get there as quickly as we can, getting the vehicle back on the road safely is obviously a key outcome of our service.

During the reporting period, there were 21 RACT patrols operating in Hobart and Launceston, supported by 53 contractors statewide.

The value our members put on the trust, reliability and expertise of the Roadside service we provide is demonstrated by the fact that we have a retention rate of more than 91 per cent year-on-year.

We now have more than 124,000 Tasmanians (nearly one-quarter of the state's population) relying on our Roadside assistance service, which is at record levels.

RACT offers a range of motoring products that both support our Roadside service as well as providing our members with advice and products that they can trust.

Our most common cause for call-outs during the year was once again to deal with flat batteries. New batteries fitted to member vehicles in Hobart and Launceston totalled nearly 6000 in the reporting period.

The Club ensures that members can obtain comprehensive high-quality vehicle inspections to assist with pre-purchase decision-making in Hobart, Launceston and the North-West and provides accreditation for 42 approved repairers throughout the state.

In keeping with our strong advocacy on road safety, our staff demonstrate, advise, sell and fit a wide range of quality child restraints that conform to stringent safety requirements.

During the year we fitted and checked nearly 2000 child restraints so that our members can be assured that their children are travelling in child restraints that are as safe as possible.

Operations Review



RACT AutoServe

RACT AutoServe is an automobile servicing and repair business that offers members a 10 per cent discount on labour costs.

As AutoServe completed its third full year of trading in 2015/16, business grew by more than 30 per cent compared to the previous financial year.

With almost 2900 vehicles being serviced, repaired or inspected, and with RACT members receiving a 10 per cent discount off labor services as noted earlier, this totalled more than \$40,000 in member discounts.

The success of the Hobart operation has seen the AutoServe brand expand to Launceston, with a new store opening outside the reporting period in July 2016.

AutoServe is a business that is highly valued by our customers, who trust the brand to deliver a quality repair at a fair price while offering transparency on pricing.



RACT Auto Glass

RACT Auto Glass has provided windscreen repair and replacement services throughout Tasmania since August 2013.

For obvious reasons, the windscreen of a car is a vital component of driving safely day and night.

Damaged windscreens, even if it is a small chip or a crack, will reduce a driver's vision and compromise driving safety.

RACT Auto Glass provides a trusted and convenient mobile solution to any windscreen repair or glass replacement and uses only approved adhesives and seals.

The business experienced strong growth in 2015/16 across all areas.

In total there were more than 2000 jobs, of which approximately 75% were windscreen replacements.

RACT members receive a 15% discount on chip repairs and windscreen replacements.

Operations Review



Driver Training

RACT's Driver Training operation employs 19 highly qualified and experienced instructors who provide driver education, training and road safety throughout the state.

Learning to drive is an important life skill. Specifically our instructors provide the skills required to take our students through their driving lifetime, not just pass their tests.

The team delivered 18,875 lessons statewide, including 1599 L2 assessments (62 per cent in the South, 22 per cent in the North and 16 per cent in the North-West).

Overall, lesson numbers increased by two per cent on the previous financial year. L2 assessment numbers were up by 67 per cent compared to last year.

We are accredited to provide lessons under the federally funded Keys2drive scheme, which has a proven track record when it comes to improving driver behaviour and creating safer drivers.

The program has seen the number of young drivers involved in serious crashes reduce during the past three years, which is the time the RACT has been involved. So the RACT was very pleased that the Federal Budget delivered on its commitment to maintain the program going forward.

The RACT made a significant investment in the Rotary Youth Awareness Program, which continued in schools during the reporting period.



Mobile Service Centre

The RACT's Mobile Service Centre is used across the state to provide a range of services to RACT members and Tasmanians, providing advice on safety and an opportunity to showcase products and services.

During 2015/16 the mobile centre provided the backdrop for a number of activities across the state, including:

- In conjunction with KIDSAFE Tasmania, checking and providing advice on child restraints.
- Advice and claim lodgement during the floods of 2016 in Latrobe.
- School-based safety awareness activities, for example texting while driving.
- Community-based events, including AGFEST and Symphony Under the Stars in Launceston and Hobart.
- Winter safety and Car Fit activities.

The Mobile Service Centre also acts as our frontline emergency response hub during severe insurance events. It allows us to support our members and the communities impacted by major storms or bushfires such as at the Latrobe flooding in June this year.

Operations Review



Finance by RACT

RACT offers personal loans through our sister club RACV. Loan funding increased by 12 per cent compared to the previous financial year.

A car loan bundle was rolled out during the year in which lenders received free Roadside cover for 12 months, plus all the other benefits of membership.

A new online application form was introduced during the reporting period, making it easier and quicker to apply.

At the end of the financial year the total loan portfolio had reached \$3.5 million.

RACT members benefit from a 1% reduction to the interest rate on all loans taken out through the Club.

Member Benefits and Marketing

Our members benefited from the introduction of a new fuel discount partner, United Petroleum, with more than \$1 million in member savings occurring in the first three months of the partnership.

With more than 40 locations across Tasmania, the fuel discount program has proved popular with 44 per cent of members utilising the discount in the first few months of operation.

Repco continues to be a successful member partner, with RACT members availing themselves of discounts year-round and additional member-only double discount weekends being implemented across the year.

The Hobart Hurricanes Big Bash cricket team was also a popular new addition to the program, with members benefiting from reduced prices and money-can't-buy experiences.

The RACT Show Your Card & Save App was updated during the year to include new categories and the ability to store your member card details.

New member cards were distributed to all members and, for the first time, members were able to select their card design.

The RACT Member Hub continued to gain popularity and new functionality was added to allow members to purchase gift cards online via the Hub.

RACT's social media sites continued to grow in popularity and remain a critical communication channel for the business.

During the year the RACT supported a range of cultural, sporting and community events through sponsorships of Symphony under the Stars, Dark Mofo, Aurora Stadium, Hobart Hurricanes, Little Athletics and the City to Casino Fun Run. RACT also provided a scholarship program through the University of Tasmania Cradle Coast Campus.

Financial Commentary

Revenues up 6%

**Weather events
impacted result**

**Assets continued
to increase**

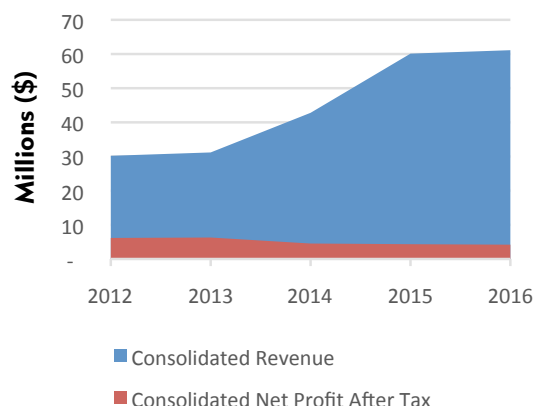
Group revenues increased 6% in the 2015/16 financial year, primarily as a result of continued growth in the tourism business. Membership subscriptions and motoring service revenues grew marginally. However, there was a small reduction in revenue from the distribution of insurance products due to softening of rates and a slowing of portfolio growth in a very competitive marketplace.

The performance of the Group's investment in RACT Insurance Pty Ltd was adversely impacted by a number of significant weather events and house fire claims in the 2015/16 financial year. RACT's Travel business produced another sound result and investments in RACT AutoServe Pty Ltd and Club Tasmania Holdings Pty Ltd (RACT/RACV Hobart Apartment Hotel) reported improved results.

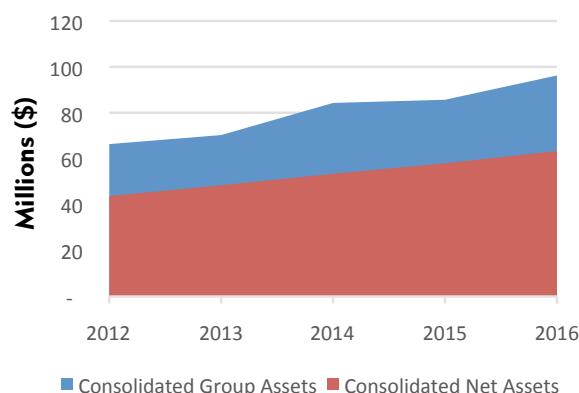
The overall growth in total assets is largely attributable to a \$6.5m investment in the Destinations Property Unit Trust, which owns the Group's tourism properties. The additional investment increased the RACT Group's holding in the Trust to 50%.

Total liabilities also increased in the 2015/16 financial year after additional borrowings were drawn to fund the purchase of units in the Trust.

**CONSOLIDATED GROUP REVENUE
AND NPAT 2012-2016**



**CONSOLIDATED GROUP ASSETS
AND NET ASSETS 2012-2016**



Directors' Report



In respect of the year ended 30 June 2016, the directors of The Royal Automobile Club of Tasmania Limited (RACT) 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)
Mr P A Dixon (Vice President)
Mrs K A Westwood (Vice President)
Mr S E Slade
Ms J M Archer
Mr E C Best, AM, JP (to 28 June 2016)
Mrs A J Flakemore
Ms J A Franks (from 24 September 2015)
Mr P C Jones
Mr R J Knightley (from 5 September 2016)
Mr C J Langdon
Mr R S Locke (to 22 September 2015)
Ms J A L Self
Ms S L Smith

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 \$4.190 million (2015, \$4.634 million) and total comprehensive income for the year ended 30 June 2016 was \$5.363 million (2015, \$4.572 million).

4. REVIEW OF OPERATIONS

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

5. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no 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 on page 22, this information has not been included in this report.

Directors' 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.

As at the date of this report the company had the following committees that support the RACT Board, each of which has a clear operating charter and reports to the Board on a regular basis:

- Audit Committee
- Risk Management Committee
- Governance & Remuneration Committee
- Road & Traffic Committee

The company restructured its committee structure during the year. Prior to November 2015 the company had an Audit & Risk Management Committee, the main responsibilities of which was to ensure that the audit process (both internal and external) is effective, that external reporting and corporate governance responsibilities are addressed, and that internal control and risk management structures are appropriate. The responsibilities of the Audit & Risk

Management Committee were split in November 2015 to two separate committees, the Audit Committee and the Risk Management Committee and additionally the company's Investment Committee was disbanded.

The members of all the committees that operated within the year and the number of times they met during the year can be found in the table below.

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, 28 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	Audit	Risk Management
Total meetings held during 2015/2016	11	5	4	1	3	2	2
Director	Attendance at Meetings						
J M Archer	10	4	*	*	*	*	*
E C Best AM JP	9	5	*	1	*	2	*
P A Dixon	11	5	4	*	3	*	*
A J Flakemore	11	*	4	*	*	2	2
J A Franks	8 (from 24 Sep 2015)	*	*	*	*	*	*
P C Jones	11	5	*	1	*	*	*
P J Joyce	11	*	*	*	3	*	*
C J Langdon	11	*	4	*	*	2	1
R S Locke	2 (to 22 Sep 2015)	*	3 (to 22 Sep 2015)	1 (to 22 Sep 2015)	*	*	*
J A L Self	11	*	4	*	*	2	2
S E Slade	11	*	*	1	3	*	2
S L Smith	11	5	*	*	*	2	*
K A Westwood	10	2	*	1	3	*	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 have 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 member's annual subscription at that time. As at 30 June 2016, the number of subscribing members was 120,385 (2015 - 119,596).

12. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 24 of the financial report.

Directors' Report

13. DIRECTORS' QUALIFICATIONS AND EXPERIENCE

Mr P J Joyce, LL.B, MAICD

Consultant, Butler McIntyre & Butler
Legal Practitioner
Chairman, Society of Trustee & Estate Practitioners,
Tasmanian Branch
Member, Taxation Institute of Australia (Tasmanian Division)
Director, Club Tasmania Holdings Pty Ltd
Director, RACT Insurance Pty Ltd
Director, RACT Destinations Pty Ltd
President, Australian Automobile Association

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

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

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

Manager Finance, Nyrstar

Ms J M Archer, FAICD, GMQ

Engagement and Marketing Manager of the Recovery
Program Network
Councillor, Australian Institute of Company Directors
(Tasmanian Division)
Chair, Tamar Community Peace Trust
Principal Consultant, Linking Tasmania
Director, RACT Auto Glass Pty Ltd (from 14 December 2015)

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

Formerly Director Cadbury Australia, Forestry Tasmania,
Trust Bank Tasmania

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

Principal and Audit Partner, Crowe Horwath
Chair, Tasmanian Chapter of the Institute of Internal Auditors
– Australia
Member, Disciplinary & Review Committee, Institute of
Internal Auditors - Australia
Director, RACT Destinations Pty Ltd
Independent Member of Audit Panel, Hobart City Council
Independent Chair of Audit Panel, Huon Valley Council

Mr P C Jones, BAppSc (Pharmacy), MPS, MAICD

Pharmacist
Director, Rosetta Holdings Pty Ltd
Director, P and R Holdings Pty Ltd
Director, RACT Destinations Pty Ltd

Ms J A Franks, GAICD

Principal Consultant, Jude Franks Consultancy
Director, Port Arthur Historic Sites Management Authority
Director, The Mount Wellington Cablecar Company
Director, Steamship Cartela Limited
Director, RACT Destinations Pty Ltd (from 24 November 2015)
Director, RACT Travel Pty Ltd (from 15 December 2015)

Mr R J Knightley, BEng(Civil), GDipGov, FIEAust, CPEng, NER

Civil Engineer
Principal Engineer, RJK Consulting Engineers
President of the Tasmania Division of Engineers Australia

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
Chairman, RACT Travel Pty Ltd

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

Chief Operating Officer, Anglicare Lifestyle
Director & Deputy Chair, ASBA Ltd
President, ASBA (Tas) Inc.

Mr S E Slade, CDC Dip, Grad Dip HSc, Grad Cert Risk Mgt, FAICD, MRMIA, CPMSIA, COHS Prof

Principal Consultant, ProRisk Global
Alderman, Glenorchy City Council
Director, RACT Insurance Pty Ltd (to December 2015)
Director, RACT Travel Pty Ltd

Ms S L Smith

Chair, Marine and Safety Tasmania
Director, Tasmanian Farmers and Graziers Association
Chair of Audit Panel's, Central Coast and Devonport City
Councils
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 20th September, 2016.

P A DIXON

DIRECTOR

A J FLAKEMORE

DIRECTOR

Auditor's Independence Declaration



Auditor's Independence Declaration

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

In relation to our audit of the financial report of The Royal Automobile Club of Tasmania Limited for the financial year ended 30 June 2016 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.

A handwritten signature in black ink, appearing to read 'H J Gibson'.

H J GIBSON
PARTNER
WISE LORD & FERGUSON

Date: 12 September 2016



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Statement of Comprehensive Income

for the financial year ended 30 June 2016

		CONSOLIDATED	
	NOTES	2016 \$'000	2015 \$'000
Revenue	2 (a)	56,402	53,211
Share of profit of associates	7	4,716	6,901
Personnel costs		(27,118)	(26,072)
Operating costs		(6,988)	(7,349)
Cost of goods sold		(5,408)	(5,319)
Marketing costs		(2,674)	(2,783)
Technology costs		(2,653)	(2,291)
Occupancy costs		(6,359)	(6,528)
Corporate costs		(2,618)	(2,362)
Interest costs		(675)	(693)
Depreciation and amortisation expense	2 (b)	(2,541)	(2,384)
Profit before income tax		4,084	4,331
Income tax benefit/(expense)	3	106	303
Profit for the period		4,190	4,634
Other comprehensive income			
Cash flow hedges:			
Gain/(loss) taken to equity	27	(280)	(133)
Actuarial gain/(loss) on defined benefit plans	21	(23)	44
Fair value revaluation/(devaluation) of land and buildings	11	1,771	-
Income tax on items of other comprehensive income	3	(295)	27
Total other comprehensive income		1,173	(62)
Total comprehensive income for the period		5,363	4,572

Notes to the Financial Statements are included on pages 29 to 56.

Statement of Financial Position

As at 30 June 2016

		CONSOLIDATED	
	NOTES	2016 \$'000	2015 \$'000
Current Assets			
Cash	22	4,604	3,415
Receivables	5	4,793	3,808
Inventories	9	798	838
Other current assets	10	817	1,365
Other financial assets	6	-	195
Total Current Assets		11,012	9,621
Non-Current Assets			
Intangibles	8	7,618	8,026
Property, plant and equipment	11	27,755	24,782
Deferred tax asset	3	2,447	2,605
Investment in associates	7	46,685	39,402
Other financial assets	6	726	1,226
Total Non-Current Assets		85,231	76,041
Total Assets		96,243	85,662
Current Liabilities			
Payables	12	3,444	3,008
Borrowings	15	14,063	9,508
Provisions	13	8,897	8,478
Total Current Liabilities		26,404	20,994
Non-Current Liabilities			
Derivative financial instruments	27	1,572	1,292
Borrowings	15	937	1,477
Provisions	14	382	353
Deferred tax liability	3	3,583	3,544
Total Non-Current Liabilities		6,474	6,666
Total Liabilities		32,878	27,660
Net Assets		63,365	58,002
Equity			
Retained earnings		62,146	57,972
Reserves		1,219	30
Total Equity		63,365	58,002

Notes to the Financial Statements are included on pages 29 to 56.

Statement of Changes in Equity

For the financial year ended 30 June 2016

	CONSOLIDATED			
	Cash flow hedge reserve \$'000	Asset revaluation reserve \$'000	Retained earnings \$'000	Total attributable to Equity holders of the entity \$'000
Balance at 1 July 2014	(811)	934	53,307	53,430
Profit for the period	-	-	4,634	4,634
Other comprehensive income	(93)	-	31	(62)
Balance at 30 June 2015	(904)	934	57,972	58,002
Profit for the period	-	-	4,190	4,190
Other comprehensive income	(196)	1,385	(16)	1,173
Balance at 30 June 2016	(1,100)	2,319	62,146	63,365

Notes to the Financial Statements are included on pages 29 to 56.

Statement of Cash Flows

For the financial year ended 30 June 2016

	NOTES	CONSOLIDATED	
		2016 \$'000	2015 \$'000
Cash flows from operating activities			
Receipts from customers		55,623	56,493
Payments made to employees and suppliers		(53,616)	(59,559)
Interest paid		(675)	(692)
Interest received		68	66
Dividends and distributions received		635	206
Income tax paid/(refunded)		492	(183)
Net cash from/(used in) operating activities	22	2,527	(3,669)
Cash flows from investing activities			
Payments for property, plant and equipment, and software		(3,466)	(1,673)
Proceeds from sale of property, plant and equipment		121	69
Investments in associates		(6,800)	(300)
Proceeds from redeemed investments		-	750
Loans to related party		59	25
Dividends received		4,734	4,000
Business acquisition		-	(20)
Net cash from/(used in) investing activities		(5,352)	2,851
Cash flows from financing activities			
(Repayment)/Proceeds of borrowings		4,014	(1,032)
Net cash from/(used in) financing activities		4,014	(1,032)
Net increase/(decrease) in cash held		1,189	(1,850)
Cash at the beginning of the financial year		3,415	5,265
Cash at the end of the financial year	22	4,604	3,415

Notes to the Financial Statements are included on pages 29 to 56.

Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2016

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').

For the purpose of preparing the consolidated financial statements, the Company is a for-profit entity.

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 Statements of Financial Position 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 10 'Consolidated 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 cost of acquisition exceeds the fair values of the identifiable net assets acquired, the deficiency is taken 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 2016

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.

Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2016

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(f) Property, Plant and Equipment (continued)

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.

Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2016

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(i) Derivative Financial Instruments and Hedging (continued)

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).

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.

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, 'loans and

receivables' and 'available for sale'. 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.

Available for sale

Non-derivative financial assets that are designated as available for sale or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

(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.

Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2016

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(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.

The Group has allocated goodwill to the following identified cash-generating units, being the independent operating segments of the Group's businesses:

- Driver training
- RACT Destinations Pty Ltd.

Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2016

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(q) Intangibles (continued)

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.

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.

(s) New accounting standards in future periods

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They have mandatory application dates for future reporting periods and the Club has decided not to early adopt.

- AASB 9: Financial Instruments (December 2014), and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2018).

- AASB 15: Revenue from Contracts with Customers (applicable for annual reporting periods commencing on or after 1 January 2017).

- AASB 16: Leases (applicable for annual reporting periods commencing on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

Although the directors anticipate that the adoption of AASB 16 will impact the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

If the above accounting standards had been adopted, the Club does not believe that there would have been a material impact to either the statement of financial position as at 30 June 2016 or the statement of comprehensive income for the year to 30 June 2016.

(t) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2016

2. REVENUE/EXPENSES

2. REVENUE/EXPENSES		CONSOLIDATED	
	NOTES	2016 \$'000	2015 \$'000
(a) Revenue			
Hospitality revenue		26,984	24,673
Membership subscriptions and entrance fees		13,472	12,994
Financial services		9,331	9,454
Motoring services		2,759	2,480
Rental revenue		1,675	1,637
Corporate services		1,069	685
Advertising		375	373
Dividends and distributions		635	787
Other revenues		34	23
Interest income		68	80
Profit on sale of property, plant & equipment		-	25
		56,402	53,211
(b) Expenses			
The following items are included within each item of specified expenses:			
Corporate costs include:			
Loss on sale property, plant & equipment		8	-
Bad debts written off		45	53
		53	53
Depreciation and amortisation expense includes:			
Depreciation - Plant & equipment	11	1,592	1,469
Depreciation - Buildings and leasehold improvements	11	313	340
Amortisation - Software	8	636	575
		2,541	2,384

Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2016

3. INCOME TAX EXPENSE (continued)

Taxable and deductible temporary differences arise from the following:

Amounts recognised in profit or loss

	2016 \$'000	2015 \$'000
Property, plant & equipment	544	600
Payables	99	33
Provisions	432	424
Other assets	110	112
Receivables	29	17
Other	87	205
Prepayments	(55)	(30)
Equity accounted investments	(3,463)	(3,473)
Tax losses	1,017	816
	(1,200)	(1,296)

Amounts recognised directly in other comprehensive income

Asset Revaluation	(386)	-
Interest Rate Swap	472	387
Defined Benefits fund	(22)	(30)
	64	357

Net deferred tax liabilities	(1,136)	(939)
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Movements

Opening balance	(939)	(1,332)
Under/(over) provision from prior year	(16)	402
Credited to income statement	114	(36)
Debited to equity	(295)	27
Closing Balance	(1,136)	(939)

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	-
	1,274,805

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 certain that future taxable capital gains will be available against which the Group can utilise those losses.

Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2016

4. REMUNERATION OF AUDITORS

Audit of the financial report

CONSOLIDATED	
2016 \$'000	2015 \$'000
50	53
50	53

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

3,382	2,492
(97)	(55)
3,285	2,437
1,454	1,284
54	87
4,793	3,808

(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 \$97,094 (2015 - \$55,361) has been recognised by the Group.

Movements in the provision for impairment loss were as follows:

At 1 July

Charge for the year

Amounts written off

At 30 June

55	15
87	93
(45)	(53)
97	55

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*
2016	3,382	2,248	123	93	821	97
2015	2,492	1,959	95	118	265	55

* 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.

Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2016

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

Loan to associates (ii)

(b) Non-current

Loan to associates

Equities (i)

Unit Trust (iii)

CONSOLIDATED	
2016 \$'000	2015 \$'000
-	195
-	195
80	80
646	646
-	500
726	1,226

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

(ii) Designated as a financial asset as loans and receivables

(iii) Designated as a financial asset as available for sale

7. INVESTMENT IN ASSOCIATES

Total Investment in Associates

Represented by:

CONSOLIDATED	
2016 \$'000	2015 \$'000
46,685	39,402

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

Share of profit after income tax

Dividends received

At 30 June

33,741	31,354
3,762	6,387
(4,004)	(4,000)
33,499	33,741

Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2016

7. INVESTMENT IN ASSOCIATES (continued)

(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:

	CONSOLIDATED	
	2016 \$'000	2015 \$'000
Current assets	98,782	87,234
Non-current assets	17,998	19,205
	116,780	106,439
Current liabilities	77,985	70,149
Non-current liabilities	5,014	2,023
	82,999	72,172
Net assets	33,781	34,267
Extract from associate's Statement of Comprehensive Income:		
Revenue	75,727	75,751
Net Profit	7,523	12,762

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	2,150	1,692
Share of profit after income tax	384	458
Dividends received	(192)	-
At 30 June	2,342	2,150

(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	2,741	2,359
Non-current assets	2,496	2,618
	5,237	4,977
Current liabilities	2,345	2,138
Non-current liabilities	150	370
	2,495	2,508
Net assets	2,742	2,469
Extract from associate's Statement of Comprehensive Income:		
Revenue	5,838	6,050
Net Profit	550	655

Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2016

CONSOLIDATED	
2016	2015
\$'000	\$'000

7. INVESTMENT IN ASSOCIATES (continued)

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 June 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	91	37
Share of profit after income tax	68	54
Dividends received	(50)	-
At 30 June	109	91

(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	294	261
Non-current assets	35	34
	329	295
Current liabilities	111	111
Non-current liabilities	1	1
	112	112
Net assets	217	183

Extract from associate's Statement of Comprehensive Income:

Revenue	891	669
Net Profit	135	108

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	-	-
Share of profit after income tax	-	-
At 30 June	-	-

Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2016

7. INVESTMENT IN ASSOCIATES (continued)

(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:

	CONSOLIDATED	
	2016 \$'000	2015 \$'000
Current assets	108	78
Non-current assets	7	10
	115	88
Current liabilities	44	34
Non-current liabilities	160	160
	204	194
Net assets	(89)	(106)
Extract from associate's Statement of Comprehensive Income:		
Revenue	407	336
Net Profit/(Loss)	20	(7)

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/RACT 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	3,420	3,118
Investment in Associate	300	300
Share of profit after income tax	15	2
At 30 June	3,735	3,420

(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	9,223	7,527
Non-current assets	32,929	28,043
	42,152	35,570
Current liabilities	3,421	568
Non-current liabilities	75	52
	3,496	620
Net assets	38,656	34,950
Extract from associate's Statement of Comprehensive Income:		
Revenue	6,324	5,730
Net Profit	148	23

Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2016

CONSOLIDATED	
2016	2015
\$'000	\$'000

7. INVESTMENT IN ASSOCIATES (continued)

Investment in Associate - Destinations Property Pty Ltd

RACT Pty Ltd has held shares in Destinations Property Pty Ltd, the Trustee of the Destinations Property Unit Trust since February 2014. On 14 March 2016, RACT Pty Ltd acquired further units in the trust resulting in RACT Pty Ltd obtaining significant influence. Prior to this date the investment was accounted for as a financial asset held as available for sale, note 6(b).

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

Transfer from fair value investment	500	-
Investment in Associate	6,500	-
Share of profit after income tax	487	-
Distributions	(487)	-
At 30 June	7,000	-

(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	433	-
Non-current assets	29,378	-
	29,811	-
Current liabilities	310	-
Non-current liabilities	15,500	-
	15,810	-
Net assets	14,001	-

Extract from associate's Statement of Comprehensive Income:

Revenue	3,613	-
Net Profit	1,629	-

Share of profit/(loss) of associates:

RACT Insurance Pty Ltd	3,762	6,386
RACT Travel Pty Ltd	384	459
RACT AutoServe Pty Ltd	68	54
Destinations Property Pty Ltd	487	-
Club Tasmania Holdings Pty Ltd	15	2
	4,716	6,901

Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2016

8. INTANGIBLES

a) Goodwill on driver training business:

Opening balance	154	134
Goodwill on acquisition	-	20
Closing balance	154	154

b) Goodwill on RACT Destinations Pty Ltd:

Opening balance	5,653	5,653
Closing balance	5,653	5,653

c) Computer software:

Opening balance	2,219	2,371
Additions	228	460
Write down	-	(37)
Amortisation expense	(636)	(575)
Closing balance	1,811	2,219
	7,618	8,026

9. INVENTORIES

At cost

Finished goods	798	838
	798	838

10. OTHER ASSETS

Current

Prepayments	775	580
Accrued revenue	42	352
Current tax receivable	-	433
	817	1,365

Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2016

11. PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED			
	2016			
	Freehold Land and Buildings (fair value) \$'000	Leasehold Improvements (cost) \$'000	Plant and Equipment (cost) \$'000	TOTAL \$'000
Gross Carrying Amount				
Balance at 30 June 2015	18,190	81	18,026	36,297
Additions	-	-	3,238	3,238
Disposals	-	-	(528)	(528)
Revaluations	870	(81)	-	789
Balance at 30 June 2016	19,060	-	20,736	39,796
Accumulated Depreciation				
Balance at 30 June 2015	665	4	10,846	11,515
Disposals	-	-	(397)	(397)
Depreciation expense	311	2	1,592	1,905
Revaluations	(976)	(6)	-	(982)
Balance at 30 June 2016	-	-	12,041	12,041
Net Book Value				
As at 1 July 2015	18,190	81	18,026	36,297
Accumulated depreciation	(665)	(4)	(10,846)	(11,515)
Net carrying amount	17,525	77	7,180	24,782
As at 30 June 2016				
Cost/fair value	19,060	-	20,736	39,796
Accumulated depreciation	-	-	(12,041)	(12,041)
Net carrying amount	19,060	-	8,695	27,755

	2015			
	Freehold Land and Buildings (fair value) \$'000	Leasehold Improvements (cost) \$'000	Plant and Equipment (cost) \$'000	TOTAL \$'000
Gross Carrying Amount				
Balance at 30 June 2014	18,190	74	17,049	35,313
Additions	-	7	1,207	1,214
Disposals	-	-	(230)	(230)
Balance at 30 June 2015	18,190	81	18,026	36,297
Accumulated Depreciation				
Balance at 30 June 2014	327	2	9,589	9,918
Disposals	-	-	(212)	(212)
Depreciation expense	338	2	1,469	1,809
Balance at 30 June 2015	665	4	10,846	11,515
Net Book Value				
As at 1 July 2014	18,190	74	17,049	35,313
Accumulated depreciation	(327)	(2)	(9,589)	(9,918)
Net carrying amount	17,863	72	7,460	25,395
As at 30 June 2015				
Cost/fair value	18,190	81	18,026	36,297
Accumulated depreciation	(665)	(4)	(10,846)	(11,515)
Net carrying amount	17,525	77	7,180	24,782

Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2016

12. PAYABLES

Sundry creditors and accrued expenses
GST payable
Current tax payable

CONSOLIDATED	
2016 \$'000	2015 \$'000
2,980	2,851
406	157
58	-
3,444	3,008

13. PROVISIONS (CURRENT)

Unexpired subscriptions (a)
Employee benefits (b)

7,133	6,797
1,764	1,681
8,897	8,478

14. PROVISIONS (NON-CURRENT)

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

455	454
(73)	(101)
382	353

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, long service leave and personal leave benefits.

15. BORROWINGS

(a) Interest-bearing loans

Current

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

7,383	7,505
6,140	-
-	1,500
540	503
14,063	9,508

Non - Current

Chattel mortgage (RACT Destinations Pty Ltd)

937	1,477
937	1,477

Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2016

15. BORROWINGS (continued)

(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	4,604	3,415
Receivables	4,793	3,808
Inventories	798	838
Other current assets	817	932
Other financial assets	-	195

Total current assets pledged as security

11,012 9,188

Non-current

Intangibles	7,618	8,026
Property, plant and equipment	27,755	23,402
Other non-current assets	2,447	2,605
Other financial assets	726	1,226

Total non-current assets pledged as security

38,546 35,259

Total assets pledged as security

49,558 44,447

(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 25 and 28.

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 2016, the number of subscribing members was 120,385 (2015 - 119,596).

Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2016

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) Crowe Horwath, of which Mrs A Flakemore is a Principal and Audit Partner of the company, provides financial and accounting services to the RACT group as and when required. All transactions between the two entities are undertaken on a normal commercial basis.

CONSOLIDATED	
2016 \$'000	2015 \$'000
-	195
80	80
80	275

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

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

Ms J M Archer	Mr P C Jones	Mr S E Slade
Mr E C Best, AM, JP (to 28 June 2016)	Mr P J Joyce	Ms S L Smith
Mr P A Dixon	Mr C J Langdon	Mrs K A Westwood
Mrs A J Flakemore	Mr R S Locke (to 22 September 2015)	
Ms J A Franks (from 24 September 2015)	Ms J A L Self	

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

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:

433	359
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- (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	1	-
\$20,000 - \$29,999	5	8
\$30,000 - \$39,999	4	3
\$40,000 - \$49,999	2	-
\$50,000 - \$59,999	-	1
\$60,000 - \$69,999	1	-
	13	12

- (c) Remuneration for key management personnel as listed:

Short term employee benefits	1,489	1,119
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Key management personnel:

Mr H Lennon - Chief Executive Officer
Mr B Charles - Executive General Manager, Business Excellence (to 12 February 2016)
Mr D Mason - Chief Financial Officer (from 1 April 2016)
Ms S Pennicott - Executive General Manager, Membership & Community
Mr A Sampson - Executive General Manager, Tourism
Mr D Turner - Executive General Manager, Member Services

Restructuring of Key Management Personnel was undertaken during 2016.

Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2016

19. PARENT ENTITY INFORMATION

Information relating to The Royal Automobile Club of Tasmania Limited:

	CONSOLIDATED	
	2016 \$'000	2015 \$'000
Current assets	8,148	19,743
Total assets	47,642	45,882
Current liabilities	11,233	9,648
Total liabilities	20,062	18,711
Net assets	27,580	27,171
Retained earnings	26,059	27,142
Cashflow hedge reserve	(1,184)	(905)
Asset revaluation reserve	2,705	934
Total equity	27,580	27,171
Profit/(loss) of parent entity	(1,060)	(905)
Other comprehensive income	(23)	(62)
Total comprehensive income of the parent entity	(1,083)	(967)

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:

	PERCENTAGE OF SHARES HELD	
	2016	2015
Parent entity		
The Royal Automobile Club of Tasmania Limited (i)	-	-
Controlled entities		
RACT Destinations Pty Ltd (ii)	100	100
RACT Pty Ltd (ii)	100	100
RACT Holdings Pty Ltd (ii)	100	100

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.

Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2016

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 2016 by Doug McBirnie, FIAA of Accurium 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.

	CONSOLIDATED	
	2016 \$'000	2015 \$'000
Amounts recognised in income in respect of these defined benefit plans are as follows:		
Current service cost	26	43
Interest cost/(income)	(6)	(2)
Total included in superannuation expense	20	41
Actuarial losses/(gains) incurred during the year and recognised in the Statement of Comprehensive Income	23	(44)
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	882	1,130
Fair value of plan assets	(994)	(1,326)
Adjustment for limit on net assets	39	95
Net liability/(asset) arising from defined benefit obligations	(73)	(101)

Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2016

CONSOLIDATED	
2016 \$'000	2015 \$'000

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	13	48
Cash at bank	4,591	3,367
	<u>4,604</u>	<u>3,415</u>

(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 unrepresented at that date.

Current facility amount	<u>150</u>	<u>150</u>
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(c) Reconciliation of Profit after Income Tax to Net Cash Flows from Operating Activities

Profit for the year	4,190	4,634
<i>Add/(less) items classified as investing activities</i>		
Share of profit of associates	(4,716)	(6,901)
Net (profit)/loss on sale of property, plant & equipment	8	(25)
<i>Add/(less) non-cash items</i>		
Depreciation and amortisation expense	2,540	2,385
<i>Changes in assets and liabilities</i>		
Decrease/(Increase) in receivables	(573)	658
Decrease/(Increase) in inventory	42	159
Decrease/(Increase) in other assets	(33)	(326)
Decrease/(Increase) in deferred tax assets	159	(1,285)
(Decrease)/Increase in payables	326	(3,833)
(Decrease)/Increase in unexpired subscriptions	261	221
(Decrease)/Increase in provision for employee benefits	96	(191)
(Decrease)/Increase in provision for income tax liabilities	227	809
(Decrease)/Increase in tax effect entries taken directly to equity	-	27
Net cash from/(used in) operating activities	<u>2,527</u>	<u>(3,669)</u>

Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2016

23. OPERATING LEASE COMMITMENTS

	CONSOLIDATED	
	2016 \$'000	2015 \$'000
Due not later than one year	2,796	2,743
Due later than one but not later than two years	5,466	5,529
Due later than two but not later than five years	8,541	8,364
Due later than five years	45,477	48,380
	62,280	65,016

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

24. EMPLOYEE BENEFITS

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

Provision for Employee benefits

Current	1,764	1,681
Non-current	455	454
	2,219	2,135

Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2016

25. 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
	%	\$'000	\$'000	\$'000	\$'000
2016					
Financial Assets					
Cash	1.21	4,604	-	-	4,604
Trade Debtors		-	-	3,382	3,382
Equities		-	-	35	35
Club Consortium		-	-	611	611
Loan to Associate		-	-	80	80
TOTAL		4,604	-	4,108	8,712
Financial Liabilities					
Borrowings	2.08	13,522	-	-	13,522
Chattel Mortgage	7.12	-	1,477	-	1,477
Trade Creditors		-	-	2,980	2,980
TOTAL		13,522	1,477	2,980	17,979
2015					
Financial Assets					
Cash	1.61	3,415	-	-	3,415
Trade Debtors		-	-	2,492	2,492
Equities		-	-	35	35
Unit trust		-	-	500	500
Club Consortium		-	-	611	611
Loan to Associate	7.00	195	-	-	195
Loan to Associate		-	-	80	80
TOTAL		3,610	-	3,718	7,328
Financial Liabilities					
Borrowings	2.52	9,005	-	-	9,005
Chattel Mortgage	7.12	-	1,980	-	1,980
Trade Creditors		-	-	2,850	2,850
TOTAL		9,005	1,980	2,850	13,835

(b) Capital Management

For the purpose of the Group's capital management, capital includes issued capital, 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. The Group monitors capital based on the measures prescribed by financial covenants including loan to value limitations and working capital requirements.

Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2016

26. 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 provides 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 2016				
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets:				
Financial assets at fair value	-	646	-	646
Other financial assets	-	80	-	80
Total financial assets recognised at fair value	-	726	-	726
Non-financial assets:				
Freehold land and buildings	-	19,060	-	19,060
Total non-financial assets recognised at fair value	-	19,060	-	19,060

30 JUNE 2015				
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets:				
Financial assets at fair value	-	1,146	-	1,146
Other financial assets	-	275	-	275
Total financial assets recognised at fair value	-	1,421	-	1,421
Non-financial assets:				
Freehold land and buildings	-	18,190	-	18,190
Total non-financial assets recognised at fair value	-	18,190	-	18,190

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 2016

CONSOLIDATED	
2016 \$'000	2015 \$'000
1,572	1,292

27. DERIVATIVE FINANCIAL INSTRUMENTS

(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 2.08%. 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 1.905% and 2.145% 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	(904)	(811)
Charged to other comprehensive income	(280)	(133)
Deferred tax	84	40
Closing balance	(1,100)	(904)

28. 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 Risk Management 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.

Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2016

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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.

29. CAPITAL COMMITMENTS

Due not later than one year

Due later than one, but not later than five years

CONSOLIDATED	
2016 \$'000	2015 \$'000
1,710	-
520	-
2,230	-

30. 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 A DIXON
DIRECTOR

A J FLAKEMORE
DIRECTOR

Hobart, 20 September 2016

Independent Auditor's Report



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

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 2016, 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 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 company 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.



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Move Forward

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Independent Auditor's Report

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

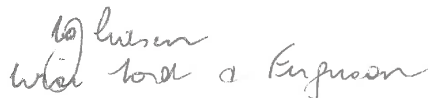
Independence

In conducting our audit we have complied with the independence requirements of the *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 2016 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 & FERGUSON

Date: 20 September 2016

Club Directory

ANNUAL REPORT 2015/2016

THE ROYAL AUTOMOBILE CLUB OF TASMANIA LIMITED
ABN 62 009 475 861

President

Peter Joyce

Vice Presidents

Kathryn Westwood

Peter Dixon

Board

Josephine Archer Chris Langdon

Alison Flakemore Jenny Self

Jude Franks Stuart Slade

Phillip Jones Sue Smith

Risden Knightley

Company Secretary

Michael Hopster

Honorary Life Members

David Catchpole

Trevor Challen, OAM

Roger Locke

Denis Nation

Anthony Stacey AM

Jean Trethewey OAM

Regional Advisory Committees

North: Josephine Archer; (Chairman);
Ron Bessell; Peter Dixon; Alana Fazackerley;
Kerry Holloway; Michael Johnston; Gary O'Keefe;
Robert Panitzki; David Pyke; Russell Reid; Lynda Robins;
Will Oakley (Secretary).

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

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

Registered Head Office 179 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);
Hobart (Salamanca Square)
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 8,
22 Elizabeth Street
Hobart, Tasmania, 7000

Bankers ANZ Banking Group Limited
Level 1, 61-63 Liverpool Street
Hobart, Tasmania, 7000

Leadership Team

Chief Executive Officer: Harvey Lennon

Chief Financial Officer: Dale Mason

Executive General Manager, Group Operations: Darren Turner

Executive General Manager, Membership & Community:
Stacey Pennicott

Executive General Manager, Tourism: Adrian Sampson

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

Travel by RACT: 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 – (Cruise Travel Centre)

Shop 1, 110 Collins Street, 7000

Phone: (03) 6222 9222

Hobart – Murray Street

179-191 Murray Street, 7000

Phone: (03) 6232 6300

Hobart – (The Travel Studio)

2/29 Salamanca Square, 7004

Phone: (03) 6224 7444

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 (Helloworld)

38 Reibey Street, 7315

Phone: (03) 6425 8050