2020–21 ANNUAL REPORT

RACT

Our Manifesto

Our Purpose: We support the lives of Tasmanians

Our Vision: By 2030, we will have a valued relationship with every Tasmanian

We believe: In the collective power of our members

In supporting our communities

That diverse and inclusive communities are strong communities

In the power of human empathy

That trustworthiness and integrity have never been more important

In putting members at the centre of our decisions and actions

That engaged, energised, empowered and passionate staff will help us achieve our Vision

That courage, innovation and continuous improvement are a recipe for success

In taking the long view to drive strategic, financial and environmental sustainability

We want to be different.
We want to be bravely different.
We want to be extraordinary.

Contents

Delivering for our members

Corporate

- **No. 1 brand** in Tasmania
- **4.9%** growth in RACT Group revenue
- **230** new employees inducted
- **316,965** calls through our call centre
- **79.6** Net Promoter Score (NPS)
- **209,516** members reached 30 June 2021

Motoring

- **16,090** new roadside members
- **10,142** total batteries sold
- Average of **179** roadside jobs per day
- Almost **16,000** driver training lessons
- **2135** P1 assessments delivered
- **424** Keys2drive sessions delivered
- **1816** child restraints fitted
- Almost **90%** of vehicles mobilised (metro areas)

Insurance

- Over **131,000** Tasmanians covered by RACT Insurance
- Average of **1746** claims finalised per month
- **$60m** paid in claims
- **$200,000** paid in community grants
- **95%** renewal rate

Member value

- **103,737** members saved **$3.75m** on their fuel at United Petroleum
- **13,469** downloads of RACT Fuel Saver app
- **$6.03m** saved by members in our rewards program
- **65** premium rewards partners
- More than **50%** of members accessed rewards
- **$29.41** - Average savings per member

Tourism

- **13,133** members stayed **24,734** nights at Destinations properties
- A total of **42,476** stays across all three properties
- **25,430** people experienced Gordon River Cruises

Community

- **3824** students and experienced drivers engaged in road safety programs
- **53** Tasmanian suburbs visited
- **1648** Year 3 and 4 students participated in RACT RoadSafe
- **453** Year 10-12 students participated in safe driving activities
- **695** infants engaged through our road safety storybook
- **862** senior drivers engaged in community programs
- **54** staff members helped **10** organisations through the staff volunteer program

President's and GCEO's report

This financial year RACT has taken significant steps forward in realising the ambitious targets in our FY21–26 Group Strategy. The strategy has a strong focus on the long-term financial sustainability of the Club, while always ensuring that our members remain at the heart of our decision-making.

The first year of the strategy included taking a series of divestment and investment opportunities to enable us to provide more for our members. The first step in this strategy was the sale of RACT's portfolio of tourism properties and experiences to our sister club, the NRMA. Our decision to sell these properties was made to allow us to focus on and re-invest in value opportunities for our members.

To this end, the Board decided to increase the Club's investment in insurance, signing an agreement to acquire the remaining 50% shares of the high-performing RACT Insurance business from our valued partner, Suncorp, subject to the regulatory approval process.

This means that we will now be Tasmania's only 100% owned and located General Insurer and that the RACT Group can focus even more strongly on improving the experience and value provided to our members.

This financial year has also seen a significant focus on improving road safety for all Tasmanians. It was a horrific year on our roads in 2020, and we've seen no improvement to this situation throughout the early part of 2021. We have advocated strongly for a re-think on road safety because if nothing changes, 175 Tasmanians could die on our roads in the next five years and 1500 be seriously injured.

During the 2021 state election, following extensive lobbying on behalf of our members, we were heartened to see our request for 10-year strategies for our main highways approved. We also prepared our submission to the Tasmanian Legislative Inquiry into road safety, which we see as critical to changing the narrative and addressing the issue.

We were also extremely pleased to gain agreement from the State Government to introduce changes to Slow Down, Move Over legislation to include our own roadside patrols, ensuring our people and our members are safer when breakdowns occur.

Member value

We've heard from our members that the cost of living is impacting them. One of the necessary but high-cost budget items for many of our members is fuel.

After many years of lobbying, including the lodgement of a petition signed by a significant number of our members, we were pleased to see the implementation of real-time fuel pricing in September 2020. Using the data provided from this initiative, RACT launched our Fuel Saver app in December 2020.

We've also helped our members save through our member rewards program with more than 114,000 members saving well over $6 million this financial year. From fuel to accommodation, dining and fitness, our members used their membership over 1.7 million times to gain valuable savings.

This year, the program grew through our 'Better Together' campaign, launched off the back of the hardship many businesses faced with the impacts of COVID-19. More than 100 Tasmanian businesses joined the program for free, with RACT promoting their business to our members, encouraging locals to shop local and help one another.

We also continued our COVID-19 hardship program for individuals, ensuring those hardest hit by the changing financial conditions were able to access assistance.

Having a state-wide presence in Tasmania is important to us and to our 209,000 members. This year we increased our local call centre presence in Burnie and expanded our virtual call centre network throughout Tasmania, creating regional job opportunities. Together with our branch network we continue to provide personal and accessible local service.

Our hardworking staff across the state continue to deliver on our promise of creating memorable experiences. Across our roadside delivery we helped 179 members every single day of the year, with almost 90% mobilised immediately, getting them back on the road as quickly as possible. Our driver trainers delivered almost 16,000 lessons and our community team presented education sessions to 3824 people, ensuring we have safer, more informed drivers on our roads.

The organisation

RACT's financial position is sound, with the impacts of COVID-19 being less than forecast. New sales growth and a focus on continual improvement have generated efficiencies, and combined with the sale of our Destinations portfolio, helped the Club to finish the financial year with a better-than-projected performance of $8m net profit after tax.

As a Board, we are also working to ensure our governance processes are appropriate for the business both now and into the future. The Board has undertaken a skills review process, and is building the appropriate assurance, risk and future-proofing structures to enable the RACT Group to prosper into the future.

After five years I will conclude my term as President and Chair and will hand over to a new President, to be elected at a meeting immediately following the November AGM. It has been an honour to have served on behalf of members in overseeing and positioning a stronger, member-focused RACT.

Similarly, we say farewell to our long-time Patron, former Governor Kate Warner, who has provided significant support to RACT during her term, and we warmly welcome Tasmania's new Governor, Her Excellency Barbara Baker, as the new Club Patron.

In closing, Mark and I acknowledge our RACT Board members, the Senior Leadership Team and our hardworking staff across the organisation for their dedication and valuable contributions throughout the 2020–21 financial year. It has been an intense and productive 12 months with significant change, and their unwavering commitment has helped RACT achieve some incredible goals and set the organisation up for a successful future.

Kathryn Westwood
President and Chair

Mark Mugnaioni
Group CEO

Corporate social responsibility

As one of Tasmania's most trusted brands, we're resolute in our commitment to retain that trust as we advocate for the interests of our 200,000 members, as well as the wider community.

Focusing on our key advocacy pillars of road safety and transport, we're pleased to have secured positive outcomes for all Tasmanians during the challenging 2020-21 financial year – a year that began during the state's COVID-19 lockdown. Our work continued to help make transport more sustainable, affordable, accessible, and efficient across the state, while our community education programs ensured that sound road safety habits were ingrained in our future motorists and embedded in our more experienced drivers.

Advocacy

Following our extensive lobbying of the Tasmanian State Government for real-time fuel price reporting, we welcomed the announcement that the state's fuel retailers were now required to report any changes to their fuel prices. In December 2020, we delivered price transparency to Tasmanian motorists with the launch of the RACT Fuel Saver app. As at 30 June 2021, the app had been downloaded 13,469 times.

Transport congestion continues to be a key issue for our members and all road users. We continued to urge governments at all levels to look beyond infrastructure and focus on improvements to public transport, future mobility, and long-term, considered urban planning. In the 2020-21 financial year we:

- Led infrastructure fast-tracking campaigns for
  - Kingston park and ride
  - Derwent River ferry service
  - Bass Highway upgrades
  - West Tamar Highway upgrades
- Saw the delivery of a long-term mobility vision for Greater Launceston, which is now being considered by councils for their own visions; and
- Continued to invest in the Greater Hobart Mobility Vision to address congestion.

Road safety remains a high-priority advocacy issue, reflecting not only our members' concerns but Tasmania's shocking road trauma record. Armed with knowledge that the state failed to meet National Road Safety Strategy targets at the end of 2020, we significantly lobbied the state government to hold an inquiry into Tasmania's road safety. On 29 June 2021, the inquiry was tabled and accepted by the Tasmanian Legislative Council. In addition to this successful campaign, we:

- Led two Road Safety Week campaigns, in November 2020 and May 2021
- Advocated for the coverage of roadside assistance vehicles in the 'slow down for emergency vehicles' legislation, which was approved by the Road Safety Advisory Council; and
- Led a comprehensive member-based State Election campaign that saw all three major parties commit to 10-year road plans and peripheral support for new enforcement technologies.

In December 2020, we delivered price transparency to Tasmanian motorists with the launch of the RACT Fuel Saver app.

Community

Our visibility in the community continued to grow through our community education programs. We presented a variety of free programs across diverse age groups to deliver road safety awareness all over Tasmania. In 2020-21 we presented road safety programs to more than 3800 community members, including preschool students, primary school students, parents/guardians, high school students and seniors.

RACT RoadSafe is our interactive online resource that enables children to learn about road safety via video material, activities and quizzes. Designed for Years 3 and 4 students, RACT RoadSafe revealed valuable insights into road usage, knowledge and behaviour that will inform our future program content.

Our online learning hubs, developed during the COVID-19 lockdown, continued to bring quality safety education to our younger community. We added to the knowledge bank of the four hubs: Child safety hub; Primary school students hub; High school students hub; and Staying mobile hub.

We expanded our community education suite with the creation of the rhythm-and-rhyme story book *Yippee* in collaboration with the South Australian Auto Club, RAA. The book introduces basic road safety concepts to children up to the age of six. We shared this program with just under 700 infants across Tasmania during the 2020-21 financial year.

With the support of the Motor Accidents Insurance Board (the Injury Prevention and Management Foundation), we piloted a bespoke community education program to support regional Tasmanian learner drivers at Mountain Heights School and St Marys District School.

Given many professional driver trainers are based in cities, a hurdle for regional learner drivers is accessing on-road experience with trained driving instructors. The program involves learner drivers and their parents/guardians experiencing road safety classroom presentations, and driving lessons with our driving instructors in their regional hometown and closest urban centre.

The COVID-19 lockdown sparked a period of innovation and improvement for our internal communications.

Communication

Our external communications are an important way we create value for our members; engaging them, empowering them, and sharing with them the work we're doing to support our communities. *Journeys* magazine, eNews, our website, Member Hub and social media are our main channels of communication.

As Tasmania's largest-circulation print magazine, delivered to almost 118,000 households bi-monthly, *Journeys* remains highly valued by our members. During the 2020-21 financial year, we partnered with Hardie-Grant Publishing to further enhance *Journeys*. This has ensured we continue to deliver a high-quality product whilst retaining the Tasmanian focus and feel, and importantly, a sense of community. *Journeys* remains free to members, bringing them updates about our activities and engaging content covering motoring, car reviews, lifestyle, travel, and member benefits.

Our digital version of *Journeys* is now emailed to just over 100,000 members, bringing them all the stories from the print version, as well as extra content, straight to their inbox. There are clear environmental and financial benefits to a digital offering, and this is something we'll explore with our members more over the next period.

More than 106,000 subscribers now get our digital newsletter, eNews. This monthly communication gives members the latest partner offers, road safety news, as well as tips for making motoring, and life in general, easier. With an above-average open rate of 32.8% and click-through rate of 17.1%, eNews is carefully curated to be meaningful and engaging to members.

Our Member Hub expanded its considerable suite of content, which comprises self-service tools for our members, news, motoring information, competitions, special offers and more. The Hub had 36,620 total registered users as of 30 June 2021, with 12,500 of those added during the 2020-21 financial year. Our website attracted 916,000 visits during this period, with 2.4 million pages viewed. Sixty per cent of people viewed our website on a mobile device.

The COVID-19 lockdown period of 2020 sparked a period of innovation and improvement for our internal communications. A streamlined Staff Memo keeps us up-to-date with our people, our community, health, key dates and more. We encourage staff to contribute in order to engage, energise and promote connection. We continue to broadcast regular 'Town Halls', hosted by our GCEO and members of our Senior Leadership Team, allowing our people to ask questions and important messages to be communicated. These sessions are recorded and available to view on our internal communication channel, which continues to gain traction as another tool for connecting staff.

People

Caring for our people

During the 2020-21 financial year, the psychological health and safety of our employees continued to be a primary focus of our Safety and Wellbeing team. We implemented a systematic approach to mental health to mitigate the risk of psychological injury and create a positive culture for our people to thrive in.

COVID safety remained critical, and we worked towards continual improvement in this space, keeping up with best practice in line with public health advice. Priorities included:

- rolling out QR code systems to all of our locations
- auditing our COVID-19 Safety Plans
- risk-assessing current protocols to ensure their efficacy
- updating our action plan for a snap lockdown.

We launched a monthly Safety Moment via our internal communications channel. These engaging multimedia messages promoted health and wellbeing events, and awareness and education around safety. These were designed to remind our teams, in an informal way, to stay on top of their health and safety.

Engaging our people

Following on from the 2020 Staff Engagement Survey results, a cross-organisational, cross-level Employee eXperience (EX) team was formed. These passionate and committed staff ambassadors were tasked with working with our people to interpret the results from our annual survey.

The EX team identified communication as the theme running through almost all conversations – whether in relation to content, timing, consistency, or delivery. These findings empowered senior leaders to act on survey recommendations, crafting and implementing initiatives such as the new Staff Memo, the GCEO's ad hoc catch-ups with individuals, as well as summaries for the regular GCEO-led 'Town Halls'.

In the lead-up to the 2021 Staff Engagement Survey, workshops were held with staff across the state, mapping staff engagement experiences and identifying areas for improvement. We ended up with a 64% participation rate in this year's survey and an engagement result of 57%.

Listening to our people

We recognise the increasing importance of flexible working arrangements in maintaining a diverse, inclusive, adaptable and engaged workforce. During 2020-21, we collaborated with our people to design and implement a formal policy on flexible working arrangements across the business.

Flexible working arrangements provide many benefits, including higher staff retention and productivity, and the ability to attract and select from a broader pool of talent.

Empowering our people

To modernise our learning management system (LMS) capabilities, remain agile in a digital era and create exceptional service experiences for our people, we needed to implement a new platform. The system enables us to:

- efficiently and effectively manage individual learning needs
- create learning plans based on career pathways
- support individual professional development
- enhance organisational capability; and
- provide a self-service area where our people can proactively take ownership for their own professional development.

The system provides a comprehensive catalogue of learning courses – more than 400 professional development resources. We continue to add offerings and it's a powerful tool to build our people's skills, enhance their professional journeys and support our organisational goals.

Operations review

Insurance

Resilience and member experience was once again a key focus throughout the 2020-21 financial year. With the emerging threat of COVID-19, we were dependable and agile in our response for both members and staff, ensuring business continuity and delivering unrivalled member experience to Tasmanians when times were tough.

In response to the pandemic we activated measures to assist our members and the Tasmanian public in times of potential hardship. We completed a statewide community grant program that saw $200,000 in funding spread across organisations when and where they needed it most. We offered Financial Hardship options for our members, such as delaying part or all their premiums for a period, and we launched a brand awareness campaign that let Tasmanians know we're here for them.

Throughout COVID-19, our member touchpoints adapted and Digital-First became a strong channel of choice. We continued to focus on delivering more features to manage each member's insurance online, including the ability to track the progress of claims, as well as a number of back-end system upgrades that gave us a stronger foundation to build our member experience on. Almost a quarter of all our Insurance sales were completed online last year.

Despite the adversity we face, our members come first, and this was reflected with an industry-leading NPS result of 75. This, coupled with a 95% renewal rate and 5% policy growth, saw what was forecast to be a below-average outcome deliver solid growth for us, thanks to the trust in our brand.

2020-21 was a period of strong growth requiring a response to rapid change. We now insure 1 in 3 Tasmanians' most valuable assets.

Tourism

The 2020-21 financial year was momentous for our involvement in tourism. In March 2021, we announced that our sister auto club NRMA would acquire our portfolio of hotels and marine tourism services.

Included in the divestment were our award-winning Destinations assets, comprising Freycinet Lodge, Cradle Mountain Hotel, Strahan Village and Gordon River Cruises. We were pleased to 'hand over the keys' to NRMA, a like-minded organisation that is keen to continue to invest in Tasmanian tourism, and brings a wealth of expertise and experience to the industry.

We're proud of our role in improving and adding value to these businesses since 2014. Our investment significantly raised the standard of the offering, creating internationally recognised experiences such as the Coastal Pavilions at Freycinet Lodge and the quiet cruising technology of the Spirit of the Wild on the Gordon River.

We'll work with NRMA to provide our unique Tasmanian insights into their operation and will continue to deliver value offerings to our members. Current and future member bookings weren't affected by the change of ownership, and our members still get exceptional deals for stays at these locations.

Our members' uptake of our properties during this uniquely challenging year was pleasing, with 13,133 members staying a total of 24,734 nights at Destinations properties, and 42,476 stays across all three properties.

Our members' uptake of our properties during this uniquely challenging year was pleasing, with 13,133 members staying a total of 24,734 nights at Destinations properties.

The major Tourism awards were on hiatus during the 2020-21 financial year due to the impacts of COVID-19.

In 2021, we partnered with the Tourism Industry Council of Tasmania to find Tassie's Top Tourism Towns, drawing thousands of votes. Being involved with this award is beneficial for us – as we celebrate these outstanding destinations, we strengthen our relationships with our communities and partners, and help to encourage intrastate travel.

The 2021 winners were Stanley (Spirit of Tasmania Top Tourism Town Award) and New Norfolk (RACT Small Tourism Town Award), with St Helens and Richmond runners-up.

Our roadside patrols, supported by our contractors, logged an average of 179 roadside assistance jobs per day. Almost 90% of vehicles were mobilised without needing to be towed.

Roadside assistance

Our flagship service continued to give Tasmanian motorists peace of mind as we helped them get back on the road safely and quickly, 24 hours a day.

During the 2020-21 financial year, our roadside patrols, supported by our contractors, logged an average of 179 roadside assistance jobs per day. Almost 90% of vehicles (metro areas) were mobilised without needing to be towed.

In addition, 10,142 batteries were sold statewide during the 2020-21 financial year.

AutoServe

Our local mechanics in our two AutoServe workshops located in Launceston and Hobart, continue to keep Tasmania's vehicles in safe and reliable shape. With their emphasis on transparency with customers, quality of work and peace of mind for car buyers, these mechanics are highly valued by our community. AutoServe offers our members a 10% discount on labour and work.

With 3465 vehicles serviced, repaired or inspected in the Hobart and Launceston locations, the member benefits passed on totalled approximately $50,900.

Driver training

Our professional driver trainers delivered our safety-focused education in Hobart, Launceston, Devonport and Burnie during the 2020-21 financial year.

The P1 program, which began in 2019-20, continued to offer P1 assessments statewide to give learner drivers more options when it comes to completing assessments. A total of 2135 P1 assessments were conducted during 2020-21.

We remain involved with the national Keys2drive program, designed to help curb the poor safety record of P-platers. The program offers a free lesson, and we offered an extra free lesson with a qualified driving instructor. We delivered 424 Keys2drive sessions and almost 16,000 driver training lessons in 2020-21.

We continued to add to our online learning hub, which contains resources for learner drivers and supervisors in the form of articles, videos and quizzes.

Finance

We offer personal loans through our partner RACV. In the 2020-21 financial year, we promoted loans for cars, debt consolidation and personal finance. Members get a 1% per annum discount off the standard base rate for used car loans (terms and conditions apply). The average interest rate for this financial year was 6.9%.

A total of 159 loans were funded for the 2020-21 financial year - this was 112% against budget. At the end of the financial year, the total loan portfolio was $7.3 million.

Member value

Our member rewards program continues to go from strength to strength. During the 2020-21 financial year, we offered members a substantial pool of 65 premium partners, with discounts and benefits across eight categories.

More than 50% of our almost 210,000 members accessed the program, according to statistics supplied by our partners. However, our own member survey indicated that the figure was closer to 80%. Members saved on average $29.41 – this figure was up 18% year-on-year.

The Better Together campaign, launched to support all Tasmanians during the COVID-19 lockdown, continued into 2020-21. More than one hundred local businesses became free directory partners providing exclusive offers to our members. We also extended free Lifestyle membership to all Tasmanians.

Our fuel discount partner United Petroleum remains our most utilised partner. In the 2020-21 financial year, 103,737 members used their United Fuel discount, saving a total of $3.75 million.

Total discounts were up 17%, with members saving $6.03 million.

Child restraints

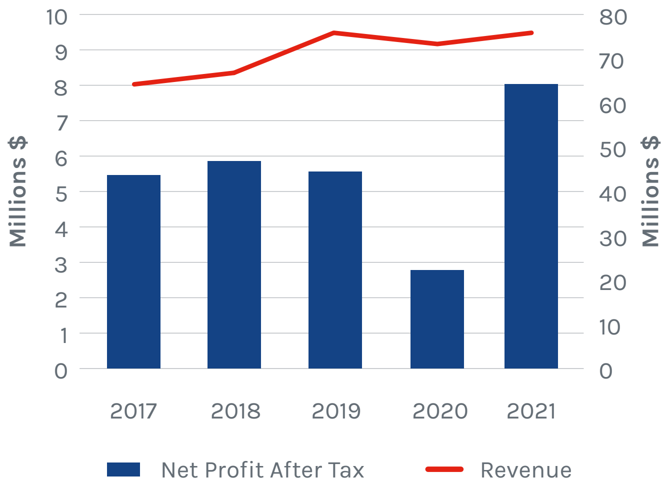
Keeping little ones safe with correctly fitted child car seats is a service we're proud to continue offering at our Hobart and Launceston locations. We offer free fittings when customers buy seats from us, and at various community events. These fittings, by specially trained staff, are an important way we can put into practice our road safety message and solidify our community goodwill.

Child restraint fittings were conducted regularly at our Hobart branch and Launceston AutoServe during the 2020-21 financial year. With COVID-19 continuing to affect both fittings and sales of child restraints, we conducted 1816 fittings.

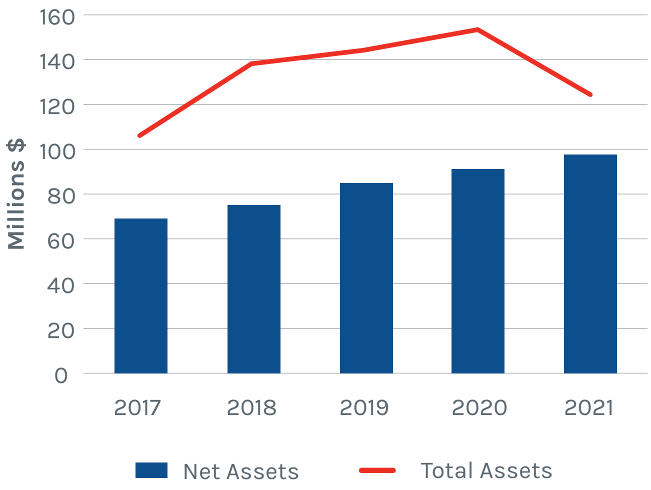
Our fuel discount partner United Petroleum remains our most utilised partner. In the 2020-21 financial year 103,737 members used their United Fuel discount, saving a total of $3.75 million.

Financial commentary

Financial performance



Financial position



Group revenue and share of joint venture profits increased by 4.9% to $74.7m in FY21 from $71.2m in FY20, despite the impacts of COVID-19.

Underlying revenue from members and guests increased to $61.9m in FY21, up on $60.1m in FY20 but below the pre-COVID FY19 of $64.2m.

Group revenue also included the gain on the sale of the RACT Destinations tourism business in April 2021, together with the 10 months of tourism revenue.

Revenue from membership subscriptions recorded strong growth, increasing by 7.7% to $18.1m in FY21 from $16.8m in FY20.

Commissions on the distribution of RACT Insurance products increased by 9.7% to $12.4m in FY21 from $11.3m in FY20, as a result of increased sales due to competitive pricing and a strong, trusted brand.

Tourism revenue of $27.0m in FY21 was slightly above FY20's $26.9m but down on FY19's pre-COVID $32.5m. Tourism activity remained strong up to the date of sale, with activity being domestically focused, but at reduced room rates.

Earnings from joint ventures and investments, being primarily the half interest in RACT Insurance Pty Ltd, were down. The share of income from RACT Insurance was $4.8m in FY21 compared to FY20's $6.4m, as a result of higher claims in FY21.

Net profit after tax (NPAT) for the year was $8.0m up on FY20's NPAT of $2.9m, driven by increased revenue, strong expense management and the gain on the sale of Destinations. Tax expense increased due to the higher profit.

In line with the Group's strategy to redirect capital and seek an owner to further develop the iconic Destinations assets, the Group successfully sold the three hotels and Gordon River Cruise business to fellow auto club NRMA in a competitive sale process. Funds received from the sale were used to repay all borrowings and contributed to the increased cash on hand of $46.4m at 30 June 2021.

The recent purchase by the Group of the outstanding half share of RACT Insurance from Suncorp will see RACT Insurance become wholly owned, the purchase being funded from cash on hand and new borrowings.

Capital investment for the year was $1.8m, which was lower than FY20's $3.3m. FY21 saw a shift in the treatment of IT and digital development costs from capital to operating expenditure, as more development was undertaken as part of software as a service, rather than internal RACT development. FY20 also included a higher capital spend on Destinations' assets.

Total equity strengthened by 9.1% to $97.1m at year end from FY20's $89.0m, driven by NPAT performance. Total assets reduced, with the sale of assets previously held by Destinations, being offset by a corresponding reduction in liabilities after repayment of borrowings.

Directors' report

Mrs K A Westwood (President)

Mr P A Dixon (Vice President)

Mrs A J Flakemore

Ms J M Archer

Mr R P Doedens

Ms J A Franks

Mr P C Jones

Mr P J Joyce

Mr R J Knightley

Mr P A W Kolkert

Mrs J A L Richardson

Ms S L Smith

In respect of the year ended 30 June 2021, 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:

Mrs K A Westwood (President)

Mr P A Dixon (Vice President until 4 November 2020)

Mrs A J Flakemore (Vice President from 4 November 2020)

Ms J A L Richardson (Vice President from 4 November 2020)

Ms J M Archer

Mr R P Doedens

Ms J A Franks

Mr P C Jones

Mr R J Knightley

Mr P A W Kolkert

Ms S L Smith

Mr P J Joyce (until 4 November 2020)

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, general insurance distributor and, until 30 April 2021, a regional tourism operator.

3. Financial results of the consolidated entity

The consolidated entity's profit for the period was $7.950 million (2020, $2.865 million) and total comprehensive income for the year ended 30 June 2021 was $8.104 million (2020, $4.038 million).

4. Review of operations

A review of operations is included in the President's and Group Chief Executive Officer (GCEO's) Report, which accompanies this report.

5. Significant changes in state of affairs

On 30 April 2021 the Group successfully divested its regional tourism properties and businesses to sister auto club NRMA.

6. Future developments

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

Directors' report

7. Meetings of Directors

The Board generally meets monthly, with additional meetings arranged when required. The monthly meetings are split between formal Board meetings and strategic workshops. Only the attendance at the formal Board meetings is recorded in the table below.

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 & Nomination Committee
- Community & Advocacy Committee.

In addition, ad-hoc Committees are formed by the Board as and when required.

The members of the permanent Committees listed above 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 through the Club's outsourced external assurance program. 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 (ract.com.au).

During the financial year, 40 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	Community & Advocacy	Governance & Remuneration	Audit	Risk Management
Total meetings held during 2020/2021	13	6	11	5	5
Director			**Attendance at Meetings**		
J M Archer	12	6	*	*	*
P A Dixon	12	5	11	3 out of 3 (from 4 Nov 2020)	*
R P Doedens	11	*	*	5	2 out of 2 (to 4 Nov 2020)
A J Flakemore	13	*	11	2 out of 2 (to 4 Nov 2020)	1 out of 2 (to 4 Nov 2020)
J A Franks	13	6	*	*	*
P C Jones	13	*	*	5	*
P J Joyce (to 4 November 2020)	4 out of 4 (to 4 Nov 2020)	*	*	*	*
R J Knightley	12	5	*	*	2
P A W Kolkert	12	*	*	*	5
J A L Richardson	13	*	3 out of 3 (to 4 Nov 2020)	2 out of 2 (to 4 Nov 2020)	5
S L Smith	13	6	*	2 out of 2 (to 4 Nov 2020)	*
K A Westwood	13	*	11	*	*

** Director not a member of this committee*

Directors' report

8. Subsequent events

On 1 July 2021 RACT entered into a binding agreement with the Suncorp Group to acquire its 50% joint venture interest in RACT Insurance Pty Ltd for $83.8m. Completion of the sale is subject to regulatory approval and is expected to occur in the financial year ending 30 June 2022. Following acquisition the investment in RACT Insurance Pty Ltd will be accounted for in accordance with consolidation principles and business combinations as per Note 1 (b) and (c) and a revaluation of this investment is likely to occur.

Otherwise 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 M 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

The consolidated entity 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 consolidated entity and the Co-operative Mutual Enterprise Governance Principles as they apply to the company.

As at the date of this report the RACT Board comprises 11 non-executive directors, 10 of which are member-elected and one of whom, Kathryn Westwood was Board-appointed with effect from 4 November 2020. RACT's Constitution, a new version of which was adopted by members during the year, requires the composition of the Board to be amended to nine member-elected directors and up to three Board-appointed directors from the 2021 AGM. The Board 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 company'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 consolidated entity
- Monitors risk management and internal compliance and control
- Approves and monitors major capital expenditure programs
- Arranges the employment of the GCEO and ensures a clear relationship between performance and executive remuneration
- Manages appropriate succession planning and renewal of the Board
- Represents members in line with RACT's constituted purpose and ensures that the members are fully informed of material developments.

The Group Chief Executive Officer (GCEO) is responsible for the day-to-day management of the consolidated entity with all powers, discretions and delegations authorised, from time to time, by the Board. The GCEO leads the senior management team, which meets regularly to review and report on the consolidated entity'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 up to $2. As at 30 June 2021, the number of eligible members was 135,863 (2020 - 125,508).

12. Auditor's Independence Declaration

The auditor's independence declaration is included on page 19 of the financial report.

Directors' report

13. Directors' qualifications and experience

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

Company Director
Director, RACT Insurance Pty Ltd
Member, National Council, Australian Automobile Association
Director, Forestry Tasmania
(trading as Sustainable Timber Tasmania)
Chair, Blue Line Laundry, Inc
Chair, DPAC Audit and Risk Committee

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

Chartered Accountant and Company Director
Senior Partner - Audit & Assurance, Crowe
Advisory Board Member, Findex Community Fund
(until 31 December 2020)

Ms J A L Richardson, JP, MBA, CMgr FIML, FAICD, FGIA, CAHRI

Executive and Company Director
Director Corporate Services, Glenorchy City Council
Chair, RACT Destinations Pty Ltd
(from 4 November 2020 to 30 June 2021)

Ms J M Archer, FAICD, GMQ

Consultant and Company Director
Principal Consultant, Linking Tasmania
Trustee, Tamar Community Peace Trust

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

Lecturer, College of Business & Economics,
University of Tasmania
Legal Practitioner
Notary Public

Mr R P Doedens B.Com (Acc) FCPA, GAICD

Executive Officer and Company Director
Executive Officer, Supported Affordable
Accommodation Trust

Ms J A Franks, GAICD

Consultant and Company Director
Principal Consultant, Jude Franks Consultancy Pty Ltd
Director, The Mount Wellington Cablecar Company Pty Ltd
Director, Steamship Cartela Limited
Director, RACT Destinations Pty Ltd (until 30 June 2021)
Director, Gongola Pty Ltd

Mr P C Jones, BAppSc (Pharmacy), MAICD

Pharmacist and Company Director
Director, Rosetta Holdings Pty Ltd
Director, P and R Holdings Pty Ltd
Director, RACT Destinations Pty Ltd (until 30 June 2021)
Director, RACT AutoServe Pty Ltd

Mr P J Joyce, LL.B, MAICD (until 4 November 2020)

Company Director
Director, RACT Insurance Pty Ltd
Chair, RACT Destinations Pty Ltd (until 4 November 2020)
Director, Destinations Property Pty Ltd
(until 4 November 2020)

Mr R J Knightley, FIE Aust CPEng Eng Exec NER APEC Engineer Int (PE) Aust MAICD

Civil Engineer and Company Director
Director and Principal Engineer, RJK Consulting Engineers

Mr P A W Kolkert, FAICD

CEO and Company Director
CEO, Director & Secretary of Intuit Technologies Pty Ltd
Director & Secretary, Ditech Holdings Pty Ltd
Director & Secretary, Managed Technology Services Pty Ltd
Director & Secretary of DPJ (TAS) Properties Pty Ltd
Director, RACT Destinations Pty Ltd (until 30 June 2021)

Hon S L Smith, AM

Company Director
Chair, Marine and Safety Tasmania (until 5 March 2021)
Member, Local Government Code of Conduct Panel

This report is signed in accordance with a resolution of directors pursuant to section 298(2) of the *Corporations Act 2001*, this 28th day of September, 2021

K A WESTWOOD
DIRECTOR

R P DOEDENS
DIRECTOR

Auditor's Independence Declaration

WLF ACCOUNTING & ADVISORY

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 2021, 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.

N CARTER
Partner
Wise Lord & Ferguson

Date: 14/9/2021

Liability limited by a scheme approved under Professional Standards Legislation.

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Statement of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

	NOTES	CONSOLIDATED 2021 $'000	CONSOLIDATED 2020 $'000
Revenue	2 (a)	69,788	64,772
Share of profit of associates	7	4,910	6,435
Personnel costs		(29,919)	(30,322)
Operating costs		(8,109)	(9,766)
Cost of goods sold		(5,272)	(5,386)
Marketing costs		(2,009)	(2,347)
Technology costs		(4,032)	(3,653)
Occupancy costs		(4,919)	(5,270)
Corporate costs		(2,793)	(941)
Interest costs		(2,234)	(1,983)
Impairment of property		-	(2,043)
Impairment of goodwill		-	(2,640)
Depreciation and amortisation expense	2 (b)	(5,654)	(6,530)
Profit before income tax		**9,757**	**326**
Income tax benefit/(expense)	3	(1,807)	2,539
Profit for the period		**7,950**	**2,865**
Other comprehensive income			
Cash flow hedges:			
Gain/(loss) taken to equity	25 (c)	220	103
Fair value revaluation/(devaluation) of land and buildings	11	-	1,573
Income tax on items of other comprehensive income	3	(66)	(503)
Total other comprehensive income		**154**	**1,173**
Total comprehensive income for the period		**8,104**	**4,038**

Notes to the Financial Statements are included on pages 24 to 49.

Statement of Financial Position

FOR THE FINANCIAL YEAR AS AT 30 JUNE 2021

	NOTES	CONSOLIDATED 2021 $'000	CONSOLIDATED 2020 $'000
Current Assets			
Cash	22 (a)	46,425	13,127
Receivables	5	5,366	5,080
Inventories	9	13	882
Other current assets	10	1,472	1,904
Total Current Assets		**53,276**	**20,993**
Non-Current Assets			
Intangibles	8	3,479	7,480
Property, plant and equipment	11	24,505	79,167
Deferred tax asset	3	4,014	7,454
Investment in associates	7	32,605	31,461
Right-of-use leased assets	12	2,811	8,373
Other financial assets	6	698	753
Total Non-Current Assets		**68,112**	**134,688**
Total Assets		**121,388**	**155,681**
Current Liabilities			
Payables	13	4,460	4,074
Borrowings	16	-	3,591
Lease liabilities	12	876	1,414
Provisions	14 / 15	11,705	12,375
Total Current Liabilities		**17,041**	**21,454**
Non-Current Liabilities			
Derivative financial instruments	25	-	902
Borrowings	16	-	29,987
Provisions	15	421	712
Lease liabilities	12	2,091	7,325
Deferred tax liability	3	4,740	6,310
Total Non-Current Liabilities		**7,252**	**45,236**
Total Liabilities		**24,293**	**66,690**
Net Assets		**97,095**	**88,991**
Equity			
Retained earnings		90,979	81,850
Reserves		6,116	7,141
Total Equity		**97,095**	**88,991**

Notes to the Financial Statements are included on pages 24 to 49.

Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

	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 2019	**(648)**	**6,616**	**78,985**	**84,953**
Profit for the period	-	-	2,865	2,865
Other comprehensive income	72	1,101	-	1,173
Balance at 30 June 2020	**(576)**	**7,717**	**81,850**	**88,991**
Profit for the period	-	-	7,950	7,950
Other comprehensive income	154	-	-	154
Cash flow hedge termination	422	-	(422)	-
Revaluation reversal on sale of asset	-	(1,601)	1,601	-
Balance at 30 June 2021	**-**	**6,116**	**90,979**	**97,095**

Notes to the Financial Statements are included on pages 24 to 49.

Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

	NOTES	CONSOLIDATED 2021 $'000	CONSOLIDATED 2020 $'000
Cash flows from operating activities			
Receipts from customers		66,017	64,618
Payments made to employees and suppliers		(57,222)	(59,460)
Interest paid		(2,234)	(1,942)
Interest received		38	106
Dividends and distributions received		250	56
Income tax paid/(refunded)		(3)	-
Net cash from/(used in) operating activities	22 (b)	**6,846**	**3,378**
Cash flows from investing activities			
Payments for property, plant and equipment, and software		(1,888)	(3,335)
Net proceeds from sale of regional tourism business assets		59,564	-
Proceeds from sale of property, plant and equipment (excl. tourism business assets)		154	65
Loans to related party		5	76
Dividends received from Associates		3,767	5,270
Net cash from/(used in) investing activities		**61,602**	**2,076**
Cash flows from financing activities			
(Repayment)/proceeds of borrowings		(34,258)	(2,224)
Payment of principal portion of lease liabilities		(892)	(987)
Net cash from/(used in) financing activities		**(35,150)**	**(3,211)**
Net increase/(decrease) in cash held		**33,298**	**2,243**
Cash at the beginning of the financial year		13,127	10,884
Cash at the end of the financial year	22 (a)	**46,425**	**13,127**

Notes to the Financial Statements are included on pages 24 to 49.

Notes to and forming part of the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

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 affects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

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

Significant Accounting Policies

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

(a) Cash and Cash Equivalents

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

(b) Principles of Consolidation

The consolidated Statement of Financial Position is prepared by combining the Statement of Financial Positions of all the entities that comprise the consolidated entity, being The Royal Automobile Club of Tasmania Limited (the company) and its subsidiaries as defined in Accounting Standard AASB 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 consolidated entity as at acquisition date. Associated transaction costs that the consolidated entity 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).

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

1. Summary of accounting policies (continued)

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

Tax consolidation

The company and all its wholly-owned Australian resident entities are part of a tax consolidated group under Australian taxation law. The Royal Automobile Club of Tasmania Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the company (as head entity in the tax-consolidated group).

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

(e) Goods and Services Tax

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

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

ii. for receivables and payables which are recognised inclusive of GST.

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

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

(f) Property, Plant and Equipment

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

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

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

Plant and equipment	4 to 15 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

1. Summary of accounting policies (continued)

relating to the particular asset being sold is transferred to retained earnings.

Disposal

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

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

(g) Impairment of Assets

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

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

(h) Inventories

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

(i) Derivative Financial Instruments and Hedging

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

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

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

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

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

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 Instruments

Financial assets and financial liabilities are recognised when the consolidated entity becomes a party to the contractual provisions of the instrument.

1. Summary of accounting policies (continued)

Financial assets

i. Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the consolidated entity's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the consolidated entity initially measures a financial asset at its fair value.

In order for a financial asset to be classified and measured at amortised cost it needs to give rise to cash flows that are 'solely payments of principal and interest' (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The consolidated entity's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

ii. Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in five categories:

- Other financial assets at amortised cost
- Other financial assets at fair value through other comprehensive income
- Investments in equity instruments designated at fair value through other comprehensive income
- Other financial assets at fair value through profit or loss
- Other financial assets designated at fair value through profit or loss.

Financial assets at amortised cost

The consolidated entity measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The consolidated entity's financial assets at amortised cost includes trade receivables and other financial assets.

iii. Derecognition

A financial asset is derecognised when:

- The rights to receive cash flows from the asset have expired or
- The consolidated entity has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
  - the consolidated entity has transferred substantially all the risks and rewards of the asset, or
  - the consolidated entity has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the consolidated entity has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the consolidated entity continues to recognise the transferred asset to the extent of its continuing involvement together with associated liability.

iv. Impairment

Trade receivables

For trade receivables that do not have a significant financing component, the consolidated entity applies a simplified approach in calculating expected credit losses (ECLs) which requires lifetime expected credit losses to be recognised from initial recognition of the receivables.

Therefore, the consolidated entity does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

Debt instruments other than trade receivables

For all debt instruments other than trade receivables and debt instruments not held at fair value through profit or loss, the consolidated entity recognises an allowance for expected credit losses using the general approach. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the consolidated entity expects to receive, discounted at an approximation of the original effective interest rate.

The consolidated entity considers a financial asset to be in default when internal or external information indicates that the consolidated entity is unlikely to receive the outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Notes to and forming part of the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

1. Summary of accounting policies (continued)

Financial liabilities

i. Initial recognition and measurement

Financial liabilities are classified, at initial recognition, at amortised cost unless or at fair value through profit or loss.

All financial liabilities are recognised initially at fair value and, in the case of financial liabilities at amortised cost, net of directly attributable transaction costs.

The consolidated entity's financial liabilities include trade and other payables and borrowings.

ii. Subsequent measurement

Financial liabilities at amortised cost

After initial recognition, trade payables are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in 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.

At inception of a contract, the consolidated entity assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability is recognised by the consolidated entity where the consolidated entity is a lessee. However, all contracts that are classified as short-term leases (lease with remaining lease term of 12 months or less) and leases of low-value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially, the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the consolidated entity uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- lease payments under extension options if lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Subsequently, the lease liability is measured by a reduction to the carrying amount of any payments made and an increase to reflect any interest on the lease liability.

The right-of-use assets is an initial measurement of the corresponding lease liability less any incentives and initial direct costs. Subsequently, the measurement is the cost less accumulated depreciation (and impairment if applicable).

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the consolidated entity anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

(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.

1. Summary of accounting policies (continued)

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 the product or assets to the customer. For such transactions, this is when the goods are delivered or collected by the customer. Revenue from these sales is based on the sales price stipulated in the contract. Revenue is then only recognised to the extent that there is a high probability that a significant reversal of revenue will not occur. The segment categories are detailed in note 2.

A receivable will be recognised when the goods are delivered or collected. The consolidated entity's right to consideration is deemed unconditional at this time as only the passage of time is required before payment of that consideration is due.

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 consolidated 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 15 Revenue from Contracts with Customers. The Company's policy to comply with the requirements of AASB 15 is to provide for unexpired subscriptions having regard to the due dates of the subscriptions.

(p) Investment in Associates

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

Under the equity method, the investments in the associate entities are carried in the consolidated Statement of Financial Position at cost plus post-acquisition changes in the consolidated entity'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 consolidated entity determines whether it is necessary to recognise any additional impairment loss with respect to the consolidated entity's net investment in the associate entities. The consolidated Statement of Comprehensive Income reflects the consolidated entity'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 consolidated entity recognises its share of any changes through profit and loss.

The reporting dates of associate entities and the consolidated entity are identical and the consolidated entity'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 consolidated entity'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 consolidated entity's cash-generating units, or consolidated entity's of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the consolidated entity are assigned to those units or consolidated entity's of units. Each unit or consolidated entity of units to which Goodwill is so allocated:

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

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

- RACT Destinations Pty Ltd (until 30 April 2021 when Goodwill was derecognised on the disposal of the tourism business assets and operations)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (consolidated entity of cash-generating units), to which the Goodwill relates. When the recoverable amount of the cash-generating unit (consolidated entity of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

Notes to and forming part of the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

1. Summary of accounting policies (continued)

When Goodwill forms part of a cash-generating unit (consolidated entity 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.

An impairment loss for goodwill was recognised at 30 June 2020 as a result of an assessment of the business value of the cash-generating units. An independent valuation was undertaken at 30 June 2020 which included assumptions and estimates around the impact of COVID-19 on business profitability and length of border closures impacting on the interstate market.

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 10 years.

(r) Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, time in lieu and personal 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.

(s) New Accounting Standards for Application in Future Periods

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2021 reporting periods and have not been adopted by the consolidated entity. There are no standards that are not yet effective and would be expected to have a material impact on the consolidated entity in the current or future reporting periods and on foreseeable future transactions.

(t) Comparative Figures

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

(u) Key estimates

Impairment

The Group assesses impairment at the end of each reporting period by evaluating the conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions. The Group presently doesn't have any goodwill as a result of the sale of Destinations business.

Employee benefits

For the purpose of measurement, AASB 119 : Employee Benefits defines obligations for short-term employee benefits as obligations expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. As the Group expects that most employees will not use all of their annual leave entitlements in the same year in which they are earned or during the following 12-month period, obligations for annual leave entitlements are classified under AASB 119 as other long-term employee benefits and, therefore, are required to be measured at the present value of the expected future payments to be made to employees.

Valuations of Property

In the current environment with uncertainty around the impact of COVID-19 is having on the valuations, interest rates, travel restrictions and other factors surrounding property, valuations of property may change significantly and unexpectantly over a relatively short period of time. Given this uncertainty noted, in determining the property values of the Group, the valuer has taken into account only factors and conditions that were present at the date of valuation and not factors that have occurred since this date. The estimates and judgements are based on the best available information at the time of preparing the valuers report, however, as additional information is known then the actual result may differ from the estimates.

Estimation of useful lives

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Right of use assets lease term

The Group considered any extension options on buildings and have determined that due to market rent reviews and the remaining term of the non-cancellable lease term, it is not reasonably certain that the Group will choose to exercise the option and therefore the lease payments that would arise during the optional extension periods have not been included in the lease liability.

Notes to and forming part of the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

2. Revenue/Expenses

	NOTES	CONSOLIDATED 2021 $'000	CONSOLIDATED 2020 $'000
(a) Revenue			
Continued operations			
Revenue from contracts with customers		61,864	60,138
Other sources of revenue		7,924	4,634
		69,788	64,772
Disaggregated revenue			
The Consolidated Entity has disaggregated revenue into the following categories by service line:			
Hospitality revenue		26,954	26,888
Membership subscriptions		18,063	16,807
Financial services		12,439	11,319
Motoring services		2,615	3,054
Corporate services		1,622	1,795
Advertising		171	275
		61,864	60,138
Dividends and distributions		250	56
Rental revenue		2,245	2,517
Other revenues		2,158	1,902
Interest income		38	106
Profit on sale of property, plant & equipment		3,233	53
		7,924	4,634
(b) Expenses			
The following items are included within each item of specified expenses:			
Corporate costs include:			
Bad debts written off	5 (a)	15	72
		15	72
Depreciation and amortisation expense includes:			
Depreciation - Plant and equipment	11	2,185	2,661
Depreciation - Buildings and leasehold improvements	11	1,265	1,432
Amortisation - Software	8 (b)	1,043	1,084
Depreciation - Right-of-use leased assets	12	1,161	1,353
		5,654	6,530

3. Income Tax Expense

	CONSOLIDATED	
	2021 $'000	2020 $'000
(a) Income Tax Expense		
The components of tax expense comprise:		
Current Tax Expense	157	-
Deferred tax	1,553	(1,565)
Under/(over) provision from previous years	97	(974)
	1,807	(2,539)
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Prima facie tax on profit before income tax at 30% (2020:30%)	2,927	98
Add tax effect of:		
Mutual profits/(loss)	209	78
Non mutual deductions	(257)	(145)
Non deductible expenses	2	2
Tax credits	(1,171)	(1,598)
Under/(over) provision from previous years	97	(974)
Total	1,807	(2,539)
(c) Deferred tax recognised directly in other comprehensive income		
Relating to revaluation of property	-	472
Relating to valuation of interest rate swap	(66)	31
	(66)	503
(d) Current and Deferred Tax Balances		
Assets		
Current/Non-current		
Deferred tax asset	4,014	7,454
TOTAL	4,014	7,454
Liabilities		
Current/Non-current		
Deferred tax liability	4,740	6,310
TOTAL	4,740	6,310

3. Income Tax Expense (continued)

(d) Current and Deferred Tax Balances (continued)

	CONSOLIDATED	
Taxable and deductible temporary differences arise from the following:	2021 $'000	2020 $'000
Amounts recognised in profit or loss		
Property, plant and equipment	(804)	(938)
Inventories	-	(27)
Investments	(229)	(229)
Payables	95	45
Provisions	330	554
Other assets	179	202
Receivables	20	20
Other liabilities	-	279
Prepayments	-	(21)
Equity accounted investments	(2,846)	(2,472)
Tax losses	2,482	2,540
Intangibles	-	792
Right of use assets	47	110
Other	-	22
	(726)	877
Amounts recognised directly in other comprehensive income		
Interest rate swap	-	270
	-	270
Net deferred tax liabilities	(726)	1,147
Movements		
Opening balance	1,147	(889)
Under/(over) provision from prior year	(97)	974
Credited to income statement	(1,710)	1,565
Debited to equity	(66)	(503)
Closing balance	(726)	1,147

4. Remuneration of Auditors

	CONSOLIDATED 2021 $'000	CONSOLIDATED 2020 $'000
Audit of the financial report	54	54
	54	54

5. Receivables

	2021 $'000	2020 $'000
Trade and Other Receivables		
Trade receivables/sundry debtors	3,499	3,203
Allowance for expected credit loss (a)	(68)	(65)
	3,431	3,138
Related party receivables (b)		
Associates - (Receivable from RACT Insurance Pty Ltd (unsecured))	1,932	1,942
Associates - (Receivable from RACT Club Assist Pty Ltd (unsecured))	3	-
Associates - (Receivable from RACT AutoServe Pty Ltd (unsecured))	-	-
Carrying amount of trade and other receivables	5,366	5,080

(a) Allowance for expected credit loss

Trade receivables are not interest bearing and are generally on 30-90 day terms.
An allowance for expected credit loss is recognised when there is objective evidence that an individual trade receivable is impaired. An impairment loss of $67,531 (2020 - $65,077) has been recognised by the consolidated entity and reflects assumptions and estimates for expected credit loss particularly for Destinations debtors as a result of economic conditions impacting some businesses in the tourism sector.

Movements in the provision for impairment loss were as follows:

	2021 $'000	2020 $'000
At 1 July	65	18
Charge for the year	(12)	(25)
Amounts written off	15	72
At 30 June	68	65

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

	Total	0-30 days	31-60 days	61-90 days	+ 91 days PDNI*	+ 91 days CI**
2021	3,431	3,139	50	106	69	68
2020	3,138	2,836	55	23	160	65

** 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.

(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 consolidated entity's policy to transfer (on-sell) receivables to special purpose entities.

Notes to and forming part of the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

6. Other Financial Assets

	CONSOLIDATED 2021 $'000	CONSOLIDATED 2020 $'000
Non-current		
Loan to associates	-	55
Equities (i)	698	698
	698	753

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

7. Investment in Associates

	2021	2020
Total Investment in Associates	32,605	31,461

Represented by:

Investment in Associate - RACT Insurance Pty Ltd.

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

	2021	2020
(a) Movements in the carrying amount of the Consolidated Entity's investment in associate		
At beginning of period	31,332	30,166
Share of profit after income tax	4,788	6,376
Dividends received	(3,667)	(5,210)
At 30 June	32,453	31,332

(b) Summarised financial information:

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

	2021	2020
Extract from the Associate's Statement of Financial Position		
Current assets	140,634	110,454
Non-current assets	10,994	8,708
	151,628	119,162
Current liabilities	114,135	85,198
Non-current liabilities	5,801	4,515
	119,936	89,713
Net assets	31,692	29,449
Extract from Associate's Statement of Comprehensive Income		
Revenue	110,614	102,869
Net Profit	9,576	12,752

7. Investment in Associates (continued)

	CONSOLIDATED	
	2021 $'000	2020 $'000
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 provides general mechanical services to RACT members and the greater public from 8 October 2012.

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

	2021 $'000	2020 $'000
At beginning of period	129	130
Share of profit after income tax	122	59
Dividends received	(100)	(60)
At 30 June	151	129

(b) Summarised financial information

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

	2021 $'000	2020 $'000
Extract from the Associate's Statement of Financial Position		
Current assets	532	341
Non-current assets	14	29
	546	370
Current liabilities	234	106
Non-current liabilities	9	5
	243	111
Net assets	303	259
Extract from Associate's Statement of Comprehensive Income		
Revenue	1,802	1,576
Net Profit	244	117

Notes to and forming part of the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

7. Investment in Associates (continued)

	CONSOLIDATED	
	2021 $'000	2020 $'000
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 provided general auto glass repairs and installations to RACT members and the greater public. RACT Auto Glass Pty Ltd is in the process of deregistration.		
(a) Movements in the carrying amount of the Consolidated Entity's investment in Associate		
At beginning of period	-	-
Share of profit after income tax	-	-
At 30 June	-	-
(b) Summarised financial information		
The following table illustrates summarised financial information relating to the Consolidated Entity's associate:		
Extract from the Associate's Statement of Financial Position		
Current assets	-	110
Non-current assets	-	-
	-	110
Current liabilities	-	9
Non-current liabilities	-	160
	-	169
Net assets	-	(59)
Extract from Associate's Statement of Comprehensive Income		
Revenue	-	-
Net Profit	-	(14)

	2021 $'000	2020 $'000
Share of profit/(loss) of Associates:		
RACT Insurance Pty Ltd	4,788	6,376
RACT AutoServe Pty Ltd	122	59
RACT Auto Glass Pty Ltd	-	-
	4,910	6,435

8. Intangibles

	CONSOLIDATED	
	2021 $'000	2020 $'000
a) Goodwill on RACT Destinations Pty Ltd		
Opening balance	3,013	5,653
Goodwill impairment/ sale of business	(3,013)	(2,640)
Closing balance	-	3,013
b) Computer software		
Opening balance	4,467	3,890
Additions	114	892
Disposals	(59)	-
Transfers from plant and equipment	-	769
Amortisation expense	(1,043)	(1,084)
Closing balance	3,479	4,467
	3,479	7,480

9. Inventories

	CONSOLIDATED 2021 $'000	CONSOLIDATED 2020 $'000
At cost		
Finished goods	13	882
	13	882

10. Other Assets

	CONSOLIDATED 2021 $'000	CONSOLIDATED 2020 $'000
a) Current		
Prepayments	1,352	1,728
Accrued revenue	120	176
	1,472	1,904

11. Property, Plant And Equipment

	CONSOLIDATED 2021			
	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 2020	63,724	996	35,866	100,586
Additions	-	268	1,507	1,775
Disposals *(i)*	(42,121)	(407)	(23,023)	(65,551)
Transfers	501	163	(664)	-
Balance at 30 June 2021	22,104	1,020	13,686	36,810
Accumulated Depreciation				
Balance at 30 June 2020	663	88	20,668	21,419
Disposals *(i)*	(754)	(103)	(11,707)	(12,564)
Depreciation expense	1,214	51	2,185	3,450
Balance at 30 June 2021	1,123	36	11,146	12,305
Net Book Value				
As at 1 July 2020	63,724	996	35,866	100,586
Accumulated depreciation	(663)	(88)	(20,668)	(21,419)
Net carrying amount	63,061	908	15,198	79,167
As at 30 June 2021	22,104	-	13,686	36,810
Accumulated depreciation	(1,123)	(36)	(11,146)	(12,305)
Net carrying amount	20,981	(36)	2,540	24,505

(i) On 30 April 2021, all property, plant, and equipment held by Destinations Property Pty Ltd (as trustee for Destinations Property Unit Trust) and RACT Destinations Pty Ltd was sold to NRMA. The written down value of the property, plant, and equipment on the date of disposal was $52.687 million.

	CONSOLIDATED 2020			
	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 2019	63,864	224	39,752	103,840
Additions	-	1,747	696	2,443
Disposals	(125)	-	(3,813)	(3,938)
Transfers	1,173	(975)	(769)	(571)
Revaluations *(i)*	1,529	-	-	1,529
Devaluations	(2,717)	-	-	(2,717)
Balance at 30 June 2020	63,724	996	35,866	100,586
Accumulated Depreciation				
Balance at 30 June 2019	-	36	21,427	21,463
Disposals	-	-	(3,618)	(3,618)
Depreciation expense	1,345	87	2,661	4,093
Transfers	35	(35)	198	198
Revaluations *(i)*	(43)	-	-	(43)
Devaluations	(674)	-	-	(674)
Balance at 30 June 2020	663	88	20,668	21,419
Net Book Value				
As at 1 July 2019	63,864	224	39,752	103,840
Accumulated depreciation	-	(36)	(21,427)	(21,463)
Net carrying amount	63,864	188	18,325	82,377
As at 30 June 2020	63,724	996	35,866	100,586
Accumulated depreciation	(663)	(88)	(20,668)	(21,419)
Net carrying amount	63,061	908	15,198	79,167

(i) RACT Destinations revalued and restated its land and buildings at 30 June 2020 as an out of cycle (normally three year policy) revaluation to reflect the impact of COVID-19 on the business. In conjunction with this the valuation of the businesses value was also used to test goodwill impairment (Note 8). This valuation is based on a number of assumptions and best estimates at a volatile and uncertain time.

12. Leases

(a) Description of Lease Activities

Real estate leases

The consolidated entity leases land and buildings for its office and retail stores. Staff accommodation and tourism operations were leased until 30 April 2021. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Leases range from a fixed period of 1 to 35 years and may include extension options which provide operational flexibility.

Vehicle leases

The consolidated entity leases vehicles for roadside assistance operations, driving school and daily operations of the business. Leases range from 3 to 7 years.

IT hardware

The consolidated entity also leases IT hardware to support the operations of the consolidated entity. The average contract duration is 3 years.

b) AASB 16 Related Amounts Recognised in the Statement of Financial Position

	CONSOLIDATED 2021			
	Land & Building Leases $'000	Motor Vehicle Leases $'000	IT Hardware Leases $'000	TOTAL $'000
Right of use assets				
Right of use assets	2,529	1,612	252	4,393
Accumulated amortisation	(853)	(577)	(152)	(1,582)
Total right of use assets	1,676	1,035	100	2,811
Movement in carrying amounts				
Balance at 1 July 2020	6,971	1,227	175	8,373
Additions	149	328	-	477
Disposals	(4,678)	(200)	-	(4,878)
Depreciation expense	(766)	(320)	(75)	(1,161)
Balance at 30 June 2021	1,676	1,035	100	2,811
Lease liabilities				
Current	(497)	(307)	(72)	(876)
Non-current	(1,302)	(758)	(31)	(2,091)
Total lease liabilities	(1,799)	(1,065)	(103)	(2,967)

	CONSOLIDATED 2020			
	Land & Building Leases $'000	Motor Vehicle Leases $'000	IT Hardware Leases $'000	TOTAL $'000
Right of use assets				
Right of use assets	7,757	1,717	252	9,726
Accumulated amortisation	(786)	(490)	(77)	(1,353)
Total right of use assets	6,971	1,227	175	8,373
Movement in carrying amounts				
Balance at 1 July 2019	7,364	1,170	252	8,786
Additions	393	547	-	940
Depreciation expense	(786)	(490)	(77)	(1,353)
Balance at 30 June 2020	6,971	1,227	175	8,373
Lease liabilities				
Current	(889)	(444)	(81)	(1,414)
Non-current	(6,423)	(804)	(98)	(7,325)
Total lease liabilities	(7,312)	(1,248)	(179)	(8,739)

12. Leases (continued)

	CONSOLIDATED	
c) AASB 16 related amounts recognised in the Statement of Comprehensive Income	**2021 $'000**	**2020 $'000**
Depreciation expense	1,162	1,353
Interest expense on lease liabilities	413	457
Short-term lease expense	86	109
Low value asset leases expense	-	11
Variable lease payment expense	107	118
Income from subleasing right of use assets	309	166
d) AASB 16 related amounts recognised in the Statement of Cash Flows		
Total cash outflows for leases	1,497	1,681

13. Payables

	2021 $'000	2020 $'000
Sundry creditors and accrued expenses	4,105	3,614
GST payable	355	460
	4,460	4,074

14. Provisions – Unearned Revenues

	2021 $'000	2020 $'000
Current		
Unearned revenues *(i)*	10,032	10,086

(i) Unearned revenues includes unearned portions of amounts for Roadside memberships and driving lessons.

15. Provisions - Employee Benefits

	2021 $'000	2020 $'000
Current		
Employee benefits *(i)*	1,673	2,289
Non - Current		
Employee benefits *(i)*	421	712

(i) The provision for employee benefits represents amounts for annual leave, long service leave and personal leave benefits.

16. Borrowings

(a) Interest-Bearing Loans

	2021 $'000	2020 $'000
Current		
Secured bank loan (The Royal Automobile Club of Tasmania Limited)	-	631
Secured bank loan (RACT Destinations Pty Ltd)	-	2,282
Chattel mortgage (RACT Destinations Pty Ltd)	-	678
	-	3,591
Non - Current		
Secured bank loan (The Royal Automobile Club of Tasmania Limited)	-	4,172
Secured bank loan (RACT Destinations Pty Ltd)	-	22,418
Chattel mortgage (RACT Destinations Pty Ltd)	-	3,397
	-	29,987

16. Borrowings (continued)

(b) Assets Pledged as Security

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

	CONSOLIDATED	
	2021 $'000	2020 $'000
Current		
Cash and cash equivalents	-	13,127
Receivables	-	5,080
Inventories	-	882
Other current assets	-	1,904
Total current assets pledged as security	-	20,993
Non-current		
Intangibles	-	7,480
Property, plant and equipment	-	79,167
Other non-current assets	-	7,454
Other financial assets	-	753
Total non-current assets pledged as security	-	94,854
Total assets pledged as security	-	115,847

(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 24 and 26.

17. 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 up to $2.
As at 30 June 2021, the number of subscribing members was 135,863 (2020 - 125,508).

18. 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) Director - Related Party Disclosures

Intuit Technologies, of which Mr P Kolkert, is CEO together with being a director and part owner of its ultimate parent company Ditch Holdings, provides Information Technology services to the consolidated entity. All transactions between the two entities are undertaken on a normal commercial basis.

18. Related Party Disclosures (continued)

	CONSOLIDATED 2021 $'000	CONSOLIDATED 2020 $'000
(c) Loan to RACT Auto Glass Pty Ltd (short-term, unsecured)	-	55
	-	55

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

Ms J M Archer	Ms J A Franks	Mr P A W Kolkert
Mr P A Dixon	Mr P C Jones	Ms J A L Richardson
Mr R P Doedens	Mr P J Joyce (until 4 November 2020)	Ms S L Smith
Mrs A J Flakemore	Mr R Knightley	Mrs K A Westwood

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

19. Key Management Personnel Compensation

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

	2021 $'000	2020 $'000
(a) RACT Directorship Fees[1]	388	398
Amounts due to directors for additional roles[2]	32	35
Ancillary amounts paid to directors[3]	38	39
Total remuneration for directors:	458	472

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

	2021	2020
$0 - $9,999	-	-
$10,000 - $19,999	1	-
$20,000 - $29,999	-	-
$30,000 - $39,999	6	7
$40,000 - $49,999	4	4
$50,000 - $59,999	-	-
$60,000 - $69,999	1	1
	12	12

(c) Remuneration for key management personnel as listed:

The totals of remuneration paid to key management personnel (KMP) of the Group during the year as follows:

	2021 $'000	2020 $'000
Short-term employee benefits	1,716	1,888
Post-employment benefits	160	174
Other long-term benefits	-	-
Termination benefits	15	85
	1,891	2,147

[1] *Amounts allocated in accordance with cl.9.15(a) of the Constitution as approved by a resolution members passed in November 2020*
[2] *Amounts payable and excluded from the member approved amount in accordance with cl.9.15(g)*
[3] *Amounts payable and excluded from the member approved amount in accordance with cl's.9.15(b) & 9.15(f)*

Key management personnel:

Mr G Bailey - Chief Advocacy Officer (from 22 March 2021)
Mr B Callaway - Chief Mobility Officer (from 16 August 2021)
Mr G Eyers - Chief Mobility Officer (from 3 May 2021 - 17 May 2021)
Mr J Holliday - Chief Information Officer
Mr M Hopster - Company Secretary
Mr S Lester - Acting Chief Mobility Officer (from 18 May 2021 - 16 August 2021)
Mr S Lester - Chief Risk Officer
Mr S Lester - Acting Chief Financial Officer (from 23 August 2021)
Mr M Mugnaioni - Group Chief Executive Officer
Mr A Paynter - Chief Member Operating Officer, Destinations (until 30 April 2021)
Ms S Pennicott - Chief Member Experience Officer
Ms A Robertson - Chief Financial Officer (until 20 August 2021)
Ms I Shannon-Smith - Chief People Officer (from 13 September 2021)
Ms D Underwood - Chief People Officer (from 27 July 2020 - 20 August 2021)

20. Parent Entity Information

	CONSOLIDATED 2021 $'000	2020 $'000
Information relating to The Royal Automobile Club of Tasmania Limited:		
Current assets	15,893	12,026
Non-current assets	34,780	36,901
Total assets	50,673	48,927
Current liabilities	12,614	13,696
Non-current liabilities	5,961	2,928
Total liabilities	18,575	16,624
Net assets	32,098	32,303
Retained earnings	25,983	26,763
Cashflow hedge reserve	-	(575)
Asset revaluation reserve	6,115	6,115
Total equity	32,098	32,303
Profit/(loss) of parent entity	(359)	483
Other comprehensive income	(220)	72
Total comprehensive income of the parent entity	(579)	555

The Parent has issued the following guarantees in relation to the debts of it 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 Limited 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.

21. Details Of Controlled Entities

	PERCENTAGE OF SHARES HELD 2021	2020
Parent entity		
The Royal Automobile Club of Tasmania Limited (i)		
Controlled entities		
RACT Destinations Pty Ltd (ii)	100	100
Destinations Property Pty Ltd (as trustee for Destinations Property Unit Trust)(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 2021

22. Notes To The Statement Of Cash Flows

	CONSOLIDATED	
	2021 $'000	2020 $'000
(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	13
Cash at bank	46,412	13,114
	46,425	13,127
(b) Reconciliation of Profit after Income Tax to Net Cash Flows from Operating Activities		
Profit for the year	7,950	2,865
Add/(less) items classified as investing activities		
Share of profit of associate	(4,911)	(6,435)
Net (profit)/loss on sale of property, plant and equipment	(3,232)	(53)
Unrealised gains on investments	-	(52)
Add/(less) non-cash items		
Depreciation and amortisation expense	5,654	6,530
Devaluation of property, plant and equipment	-	2,043
Impairment of goodwill	-	2,640
Changes in assets and liabilities		
Decrease/(Increase) in receivables	(981)	(400)
Decrease/(Increase) in inventory	868	51
Decrease/(Increase) in other assets	206	(389)
Decrease/(Increase) in deferred tax assets	3,440	(4,087)
(Decrease)/Increase in payables	320	(1,518)
(Decrease)/Increase in unexpired subscriptions	746	645
(Decrease)/Increase in provision for employee benefits	(1,578)	(12)
(Decrease)/Increase in provision for income tax liabilities	(1,570)	2,053
(Decrease)/Increase in tax effect entries taken directly to equity	(66)	(503)
Net cash from/(used in) operating activities	6,846	3,835

23. Financial Instruments

(a) Interest Rate Risk

The following table details the Consolidated Entity'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
2021	**%**	**$'000**	**$'000**	**$'000**	**$'000**
Financial Assets					
Cash	0.60	46,425	-	-	46,425
Trade Debtors		-	-	3,499	3,499
Equities		-	-	87	87
Club Consortium		-	-	611	611
Loan to Associate		-	-	-	-
TOTAL		**46,425**	**-**	**4,197**	**50,621**
Financial Liabilities					
Borrowings		-	-	-	-
Chattel Mortgage		-	-	-	-
Trade Creditors		-	-	4,105	4,105
TOTAL		**-**	**-**	**4,105**	**4,105**

	Average Interest Rate	Variable Interest Rate	Fixed Interest Rate	Non-Interest Bearing	Total
2020	**%**	**$'000**	**$'000**	**$'000**	**$'000**
Financial Assets					
Cash	0.60	6,127	7,000	-	13,127
Trade Debtors		-	-	3,203	3,203
Equities		-	-	87	87
Club Consortium		-	-	611	611
Loan to Associate		-	-	55	55
TOTAL		**6,127**	**7,000**	**3,956**	**17,083**
Financial Liabilities					
Borrowings	2.87	9,200	20,303	-	29,503
Chattel Mortgage	3.72	-	4,075	-	4,075
Trade Creditors		-	-	3,614	3,614
TOTAL		**9,200**	**24,378**	**3,614**	**37,192**

23. Financial Instruments (continued)

(b) Capital Management

For the purpose of the consolidated entity'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 consolidated entity'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 consolidated entity'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 consolidated entity manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. The consolidated entity monitors capital based on the measures prescribed by financial covenants including loan to value limitations and working capital requirements.

24. Fair Value Measurements

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

Freehold land and buildings, financial assets and loan to associates

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

	30 JUNE 2021			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial Assets:				
Financial assets at fair value	-	698	-	698
Loan to associates	-	-	-	-
Total financial assets recognised at fair value	**-**	**698**	**-**	**698**
Non-Financial Assets:				
Freehold land and buildings	-	20,981	-	20,981
Total Non-Financial Assets recognised at fair value	**-**	**20,981**	**-**	**20,981**

	30 JUNE 2020			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial Assets:				
Financial assets at fair value	-	698	-	698
Loan to associates	-	55	-	55
Total Financial Assets recognised at fair value	**-**	**753**	**-**	**753**
Non-Financial Assets:				
Freehold land and buildings	-	63,061	-	63,061
Total Non-Financial Assets recognised at fair value	**-**	**63,061**	**-**	**63,061**

Borrowings, note 16, 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.

25. Derivative Financial Instruments

	CONSOLIDATED	
	2021 $'000	2020 $'000
(a) Interest Rate Swap Contracts - Cash Flow Hedges	-	902

(b) Interest Rate Swap - Cash Flow Hedges

The consolidated entity terminated its interest rate swap contract in May 2021 to coincide with the early settlement of its interest-bearing loans. The interest rate swap was previously held to protect against rising interest rates through a right to receive interest at variable rates and to pay interest at fixed rates. The swap covered approximately 99% of the principal outstanding and was timed to expire at the renewal date of the loan. The fixed interest rate for the swap was 6.07% and the variable rates ranged between 1.15% and 2.10% for the period

The interest rate swap required 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 was matched directly against the loan and interest expense and as such was considered effective. It is settled on a net basis. The swap was measured at fair value and all gains and losses attributable to the hedged risk were taken directly to equity and re-classified into profit or loss when the interest expense was recognised.

(c) Movement in Cash Flow Hedge Reserve	2021 $'000	2020 $'000
Opening balance	(576)	(648)
Charged to other comprehensive income	220	103
Deferred tax	(66)	(31)
Cash flow hedge termination	422	-
Closing balance	-	(576)

26. Financial Risk Management Objectives and Policies

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

The consolidated entity manages its exposure to key financial risks, including interest rate risk in accordance with the consolidated entity's financial risk management policy. The objective of the policy is to support the delivery of the consolidated entity's financial targets whilst protecting future financial security.

The main risks arising from the consolidated entity's financial instruments are interest rate risk, price risk and credit risk. The consolidated entity 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.

Risk Exposures and Responses

a) Interest Rate Risk

The consolidated entity's exposure to market interest rates relates to the consolidated entity'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 was aligned with the loan draw down schedule and commenced in the 2010 financial year. The interest rate swap was terminated in April 2021.

The consolidated entity 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.

26. Financial Risk Management Objectives and Policies (continued)

Risk Exposures and Responses (continued)

b) Price Risk

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

c) Credit Risk

The credit risk on financial assets, which comprise cash and cash equivalents and trade and other receivables but exclude investments of the consolidated entity 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 consolidated entity 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 consolidated entity's exposure to bad debts is not significant. The consolidated entity is not materially exposed to any individual customer.

27. Capital Commitments

	CONSOLIDATED	
	2021 $'000	2020 $'000
Less than 1 Year	-	35
1 to 5 Years	-	-
	-	35

28. Subsequent Events

On 1 July 2021 RACT entered into a binding agreement with the Suncorp Group to acquire its 50% joint venture interest in RACT Insurance Pty Ltd for $83.8m. Completion of the sale is subject to regulatory approval and is expected to occur in the financial year ending 30 June 2022. Following acquisition the investment in RACT Insurance Pty Ltd will be accounted for in accordance with consolidation principles and business combinations as per Note 1(b) and (c) and a revaluation of this investment is likely to occur.

Otherwise 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.

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 s295(5) of the *Corporations Act 2001*.

K A WESTWOOD
DIRECTOR

R P DOEDENS
DIRECTOR

Hobart, 28th September 2021

Independent Auditor's Report

Independent Auditor's Report to the Members of The Royal Automobile Club of Tasmania Limited

Opinion

We have audited the financial report of The Royal Automobile Club of Tasmania Limited which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the company is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated financial position of the company as at 30 June 2021 and of its consolidated financial performance for the year then ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the company's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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03 6223 6155
Move Forward
email@wlf.com.au
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Independent Auditor’s Report

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor’s Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent Auditor's Report

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the company to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

N CARTER

Partner
Wise Lord & Ferguson

Date: 28 September 2021

Club Directory

ANNUAL REPORT 2020-2021
THE ROYAL AUTOMOBILE CLUB OF TASMANIA LIMITED
ABN 62 009 475 861

President

Kathryn Westwood

Vice Presidents

Alison Flakemore
Jenny Richardson

Board

Josephine Archer
Peter Dixon
Ralph Doedens
Jude Franks
Phillip Jones
Risden Knightley
Pieter Kolkert
Sue Smith

Company Secretary

Michael Hopster

Honorary Life Members

Mr AJ Beck*
Mr EC Best AM
Mr DM Catchpole
Mr TG Challen OAM*
Mr BB Cox*
Mr GW Fysh*
Mr PJ Joyce
Mr KM Kidd*
Mr CJ Langdon
Mr HD Loane OBE*
Mr RS Locke
Mr HR Mitchell*
Mr DC Nation
Mr CAS Page OBE*
Mr TAC Preston*
Prof P Scott AO OBE*
Mr CL Sherry*
Mr RC Southee*
Mr AC Stacey AM
Mr TA Stephens*
Mrs JM Trethewey OAM*

**Deceased*

Regional Advisory Committees

North: Peter Dixon (Chair), Kerry Holloway, David Pyke, Katrina Hill, Ella Dixon, Ian Howard, Gary O'Keefe, Bob Panitzki, Alana Fazackerley, Jo Archer, Michael Johnston.

North-West: Sue Smith (Chair), Bill Enkelaar, Bruce Clark, Rodney Medwin, Bruce Buxton, Garry Hills, Michelle Harwood, Leon Peck.

South: Jude Franks (Chair), Bill Lawson, Ian Holloway, Chris Breen, David Paton, Jim Nicholson, Ralph Doedens, Alison Hetherington, Michael Edrich, Brian Edmonds, Rahul Rajan, Chris Boron.

Representatives of relevant stakeholder bodies also attend meetings of the Regional Advisory Committees.

Registered Head Office	179-191 Murray Street, Hobart, Tasmania, 7000
Postal Address	GPO Box 1292, Hobart, Tasmania, 7001
Contact Details	Telephone: 13 27 22 Website: ract.com.au
Branches	Hobart (Murray Street); Launceston; Devonport; Burnie; Rosny Park; Glenorchy; Kingston
Auditors	Wise Lord & Ferguson 160 Collins Street Hobart, Tasmania, 7000

Senior Leadership Team as at 28 September 2021

Mr G Bailey - Chief Advocacy Officer
Mr B Callaway - Chief Mobility Officer
Mr J Holliday - Chief Information Officer
Mr M Hopster - Company Secretary
Mr S Lester - Chief Risk Officer/Acting Chief Financial Officer
Mr M Mugnaioni - Group Chief Executive Officer
Ms S Pennicott - Chief Experience Officer
Ms I Shannon-Smith - Chief People Officer

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
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Devonport
68 Rooke Street Mall, 7310

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Cnr Main Road & Terry Street, 7010

Hobart – Murray Street
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Kingston
Shop 60, Channel Court, 7050

Launceston
Corner York & George Streets, 7250

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