2021 – 22 ANNUAL REPORT

RACT

Our Manifesto

Our Purpose.

We're Tasmania's shoulder to lean on and voice when it matters.

Our Vision.

By 2030, RACT 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**

CONTENTS

Delivering for our mem

CORPORATE

69% employee engagement result

Roy Morgan General Insurer of the Year 2021

Slow down legislation changed to include roadside breakdowns

Net promoter score **81.5** and **#1** brand

210,169 members

MOBILITY

130,940
Tasmanians covered

6,500 people saved on the roadside each month

10.8k total batteries fitted statewide

17.7k driver training lessons delivered

1034 Keys2Drive lessons delivered

1061 P1 assessments delivered

1559 Child restraints fitted

316 Child restraints sold

INSURANCE

138,000
Tasmanians covered

1,800
claims finalised per month (average)

$80m
paid in claims

14,000
vehicle claims finalised

94%
renewal rate

Launched online self-service windscreen bookings

Launched new Travel Insurance product

bers

OUR PEOPLE

Developed and launched our new **purpose and values**

Increased focus on employee wellbeing – COVID-19, mental health, improved WHS practices

Attained Gold Mental Health First Aid Skilled Workforce accreditation

Recruited and inducted **126** new starters

MEMBER VALUE

107,386

members saved $3.4m on fuel at United Petroleum

50%+

members accessed rewards

$4.67m

saved across our members rewards program

487

daily users (average) of the RACT fuel Saver App

498,000+

visitors to ract.com.au

200,000+

members supported across our network, with total calls 382,504 across the year

COMMUNITY

4,300k students and experienced drivers engaged in road safety programs

Our eduction program visited **52** Tasmanian suburbs

1,168 Year 3 & 4 students participated in RACT RoadSafe programs

325 Year 10-12 students participated in safe driving activities

2,101 infants engaged through our road safety storybook

765 senior drivers engaged in community programs

President's and GCEO's report

Alison Flakemore
PRESIDENT AND CHAIR

Mark Mugnaioni
GROUP CEO

The 2021/22 financial year has been one of both change and consolidation. The first half of the financial year saw us progress plans to purchase an additional 50% of RACT Insurance, taking full ownership in December 2021 to become Tasmania's only 100% locally owned and located general insurer.

The acquisition aligns with our strategic intent to improve member experience and increase the value we provide to our members. Integrating the insurance business with the wider RACT Group allows us to implement a range of improvements and efficiencies that will be beneficial for our members and our employees. It will assist us to create a more streamlined approach to the way we deliver our services and with a strong record of return, the purchase also solidifies our financial position.

Importantly during our period of consolidation our focus was to ensure that our people continued to deliver for our members.

The start of 2022 brought significant challenges with our people and our services impacted by the outbreak, but we were well prepared to manage these, having implemented hybrid working practices throughout the business. It's a credit to our teams, and the goodwill of our members, that we've managed to continue our services throughout this period and while some services have been impacted, our Net Promoter Scores during the year have been our highest on record and we were thrilled to have been named the Roy Morgan General Insurer of the Year.

As a newly integrated Group we've worked through a new purpose so that we can continue to focus on the right things for our members, and the Tasmanian community more broadly.

Our new purpose – 'we are Tasmania's shoulder to lean on and voice when it matters'

– will be our defining light. It will be our touchstone when making decisions that affect our members and it will influence the way in which we deliver member value.

We also worked with our teams to create a new set of values that combined with our purpose, and will ensure that we continue to deliver for our members well past our 100-year birthday in 2023.

Member Value

Our members tell us that cost-of-living pressures are impacting their lives. Our rewards program continues to help members with our fuel discounts the most popular offer, helping 107,886 members receive almost $3.5 million in discounts throughout the financial year. In total, members saved almost $4.7 million with our reward partners.

With a road toll this year well above previous years, we've continued our advocacy focus on road safety. We were pleased that after significant lobbying, our roadside patrols and our members will be safer on the roads following the introduction of slow down legislation that incorporates roadside services. We were also extremely pleased with the large investment in Tasmania's road infrastructure during the election period, with our main priority – the Tasman Highway – receiving $131 million from both state and federal governments this year.

Data shows that almost one in three fatalities and serious injuries on Tasmanian roads is linked to excessive speed. We strongly advocated for and welcome the introduction of mobile automated enforcement cameras to address this issue. We recognise that more must be done, and we'll continue to advocate for outcomes following the recent Legislative Council review into Tasmania's road safety performance.

The organisation

Our newly consolidated Group has delivered a strong financial result for the financial year. The consolidated net profit after tax of $57.2 million included an extraordinary $53.1 million one-off fair value adjustment arising from the purchase of RACT Insurance. Despite considerable headwinds from external factors that have impacted supply chains we have been able to deliver a $4.1 million underlying net profit after tax excluding the extraordinary item.

Our insurance business continued its strong growth, and roadside revenue also performed well above the previous year's result. We were also pleased to see travel insurance perform strongly, well ahead of projected performance in its first few months since launch.

I was honoured to have been elected as President and Chair of the RACT Group in November, taking over the role from immediate past President, Kathryn Westwood. Kathryn led us through significant change and I would like to thank her for her commitment and passion during her 15 years on the Board.

We also farewelled Jo Archer, who was a director since 2006, and Phil Jones who was a board director for 8 years. Jo and Phil were both passionate advocates for our members, participating not only on our Board but on our regional advisory groups for many years.

Cost-of-living pressures are impacting our members lives. This year 107,886 members received almost $3.5 million in reward partner discounts.

As we head toward our 100-year anniversary next year, we reflect on the contribution of the many Tasmanians who have either worked for, with or been members of RACT. As an organisation that started as a group of people with a common interest in the fast-changing world of the early 1920's we've come a long way, but our commitment to Tasmania and to our members remains strong, as does our purpose.

In closing Mark and I would like to thank our 210,000 members for continuing to support and place their trust in us.

We'd also like to acknowledge our Board members, executives, and our people who have delivered outstanding results in a challenging year. Through their unwavering commitment, our team has delivered more than ever, and remain engaged and focused on delivering outstanding experiences for our members. We're excited to continue our journey into our 100th year in Tasmania.

Corporate social responsibility

Our great strength as one of Tasmania's most admired brands is the trusted voice of our 210,000 members. Our members want to be protected on our roads, they want an efficient transport network, they want to keep their transport costs down, and they want Tasmania to remain one of the safest and most liveable places on the planet.

We secured a series of positive outcomes for all Tasmanians in 2021-22 – from road safety, to transport, infrastructure, and community engagement – in the shadow of the pandemic and amid great pressures on the social fabric of our state. The credit lies with the dedication of our people across the group and the engagement of our members whose voice we amplify every day.

Advocacy

Challenges and opportunities were the hallmarks of our advocacy program in 2021-22.

The clear challenge was the impact of the COVID-19 pandemic as the three tiers of government were highly focused – quite rightly – on managing its impact.

However, there was also a series of state political catalysts for change in the road safety sphere that presented new opportunities for advocacy and reform.

These included:

- The State Government's determination to keep Tasmanians safe – a mantra that must be extended to safety on our roads.
- The appointment of a Legislative Council Select Committee on Road Safety in Tasmania.
- The re-election of the State Liberal Government and its 2021-22 State Budget that delivered road safety initiatives.

We outlined 38 recommendations for change in road safety policy in our submission to the Select Committee.

The report by the committee will be the foundation of a vigorous road safety advocacy campaign over the years ahead in the face of an appalling level of road trauma.

Tasmania still has the worst safety record of any state – double that of the best-performing state, Victoria.

Our biggest advocacy win was securing a new network of automated enforcement technology on our roads, after a decade of neglect.

Tasmania will get eight new mobile enforcement cameras in 2022 and a further eight in 2023.

The views of our members were a vital part of our campaign. No government could ignore the fact that 83% of our members surveyed backed introduction of the new enforcement technology.

We also delivered a change to laws that currently apply to emergency services attending incidents on Tasmanian roads. Our Roadside Assist operations are now covered by the law that requires motorists to slow down to 40 km/h when they see the flashing lights of emergency crews.

This is the culmination of three years of lobbying to keep not just our people safe on the roadside, but also our members who seek our assistance.

Advocacy around mobility and infrastructure is also delivered pleasing results.

The Greater Hobart Plan, supported by the Hobart, Clarence, Glenorchy and Kingborough councils, and released for consultation in June 2022, essentially mirrors our 30-year Greater Hobart Mobility Vision released in 2019.

Similarly, the Greater Launceston 30-year Mobility Vision closely aligns with plans by northern councils.

We strongly supported the Derwent ferry trial, and its success has resulted in plans to extend the service.

We also helped secure $100 million for the Great Eastern Drive section of the Tasman Highway, in partnership with the Break O' Day and Glamorgan Spring Bay Councils, and the peak tourism organisation, East Coast Tourism.

That funding was the key element in our federal election campaign targeting the electorate of Lyons. We'll continue to advocate for a long-term 10-year Federal-State funding pipeline to upgrade the highway, which is regarded by our members as the worst in the state.

Our members want to be protected on our roads, they want an efficient transport network and they want to keep their transport costs down.

Community and People by numbers

4,359 Tasmanians engaged in the free road safety program

We attained the Gold Mental Health First Aid Skilled Workforce Accreditation

50% of our members accessed discounts and benefits

Community

The COVID-19 pandemic in 2021-22 created new challenges for the delivery of our community education programs.

There was a reduction in the number of primary and secondary schools requesting our free road safety education programs, and community groups also cut back their participation because of COVID-19 restrictions on the number of people able to participate.

However, there was a substantial recovery in program delivery as pandemic restrictions eased and this is reflected in the performance of our community programs across the state.

By actively canvassing communities and schools, we succeeded in delivering an increase in road safety programs compared with 2020-21.

In 2021-22 a total of 3,869 Tasmanians – 3,104 students and 765 experienced drivers engaged in the free road safety program, compared with 3,800 in 2020-21.

This result, given the impact of the pandemic, is a tribute not just to our teams but to the importance the Tasmanian community, particularly school communities, place in road safety.

The importance of the program is recognised by the State Government, which has agreed to fund it for the next four years.

We'll continue to advocate for road safety education to be delivered in all Tasmanian schools. This was one of the key recommendations we made to the Legislative Council Select Committee into Road Safety in Tasmania.

Through our community programs 765 senior drivers were engaged, indicating that life-long learning is a critical element of our programs.

These important programs, which aim to keep Tasmanians safe on our roads, directly address our ambition to have a relationship with every Tasmanian – including those RACT members of the future.

Another important element of our engagement is our volunteer program. In 2021-22, 20 staff members gave their time to assist community organisations.

Communications

Our member magazine – Journeys – remains Tasmania's most widely circulated magazine, delivered to around 114,000 households and read by more than one reader per household each edition.

Our regular member email is sent to over 100,000 members and attracts an above industry benchmark level of engagement.

In addition to these regular member communications, we have a range of other interesting and related content sources across social media platforms, our website and our Member Hub.

During FY22 our website received an upgrade, and it now attracts almost 500,000 unique visitors annually.

As a newly integrated Group, we introduced a refreshed suite of internal communication channels. We upgraded our internal intranet site and expanded our suite of online collaboration tools. As a statewide organisation, with hybrid working practices, it has been important to elevate the way we communicate with each other, adapting to changes as we've worked more from home and more remote locations than ever before.

Member Value

During the 2021-22 financial year, we offered members more than 60 partners across the member rewards program. Consistent with the 2020-21 financial year, 50% of our members accessed discounts and benefits. And, despite the ongoing impacts of pandemic and partnership changes, both transactions and unique members increased by 3.93% and 2.14% respectively. Members saved on average $40.49.

The Better Together campaign, launched to support all Tasmanians during the COVID-19 lockdown, continued into its second financial year.

This initiative saw more than one hundred local businesses provide exclusive offers to our members, with a number of these to be onboarded as official partners in the 2022-23 financial year.

Our fuel discount partner United Petroleum remains our most popular partner. In the 2021-22 financial year, 108,073 members used their United fuel discount, saving a total of $3.5 million. We recorded a 4.6% increase in transactions and a 4.13% uplift in unique members accessing the program.

People

Supporting and caring for our people

Throughout the 2021-22 financial year the health and wellbeing of our people was our primary focus. We continued to monitor and adjust our approach to COVID to keep our teams and members safe.

Working closely with our Technology team, we've put in place our hybrid ways of working so that almost every team member can work from home in a safe and connected way without impacting collaboration.

We were delighted to attain the Gold Mental Health First Aid Skilled Workforce Accreditation, achieved two years ahead of schedule. This accreditation provides skills across the group to support our teams.

The 2021-22 year saw the merger of RACT with RACT Insurance. The integration of the two businesses provided an opportunity to develop a new Purpose and set of Values.

This was a highly collaborative process with our people helping to define what was important to us and our members. Our new Purpose,'we're Tasmania's shoulder to lean on and voice when it matters', clearly shows our commitment to our members, and our new values – Engage with Heart, Unleash Potential, Walk the Talk and Together We Thrive, are values that are very much reflective of our team and how we work and collaborate.

Following the merger, our combined staff engagement survey provided the first opportunity to fully understand how our people had adjusted to our new group structure. We were delighted to have a participation rate of 81% of all staff with an engagement score of 69%, well above our 2021 engagement scores, and above industry standard for a business of our size.

Throughout the last year we've had a strong focus on recruitment, to attract and retain the right people to deliver for our members. We've focussed on learning and development, particularly for our people leaders to ensure they have the right skills to manage during times of change.

We value a diverse and inclusive workforce. Almost all of our staff benefit from flexible work arrangements that balance work life and individual needs. To assist, we introduced our Hybrid Workplace Policy
Our approach has been designed to meet the needs of employees and teams in a way that empower us to work flexibly, supporting an adaptable, engaged and energised workforce to deliver our strategic goals. We believe work is not where you go, it's what you do.

Operations review

Insurance

Delivering on our promise to members was critical during another year significantly impacted by COVID-19 and other global challenges. Supply chain issues meant delays in getting motor vehicle spare parts and building supplies. We worked closely with our repair partners to manage through these challenges and deliver the best possible outcomes.

Our people were amazingly resilient during this time, as they continued to navigate the complexities of working from home, supply chain shortages, and the strains of personal and family illness. We're proud that we could ensure good outcomes for our members, many of whom were also dealing with multiple personal challenges. Our members still gave us an industry leading net promotor score of 75. It was also heartening to win the General Insurer of the Year Award in the Roy Morgan Customer Satisfaction awards for 2021.

This award is particularly valued by us, as it's voted on by our members. It's the sixth time we've won this award in the last seven years.

Having completed the buy-back of the 50% share of the insurance company from Suncorp, we're now Tasmania's only 100% locally owned and located General Insurer. We understand the trust our members place in us, and we look forward to providing that local support when it's most needed.

Travel Insurance

In February we launched RACT Travel Insurance, delivered through a relationship with Tokio Marine. This project was led by the product team, who had significant support from teams across the whole business to ensure its success.

The product launch was timed well with the opening of international borders, and far exceeded original targets.

Operations by numbers

RACT is Tasmania's only 100% locally owned and located general insurer

We logged an average of 213 roadside assist jobs per day

10,800 new batteries were fitted state-wide

It was heartening to win the Roy Morgan General Insurer of the Year Award in the Customer Satisfaction awards for 2021. This award is particularly valued by us, as it's voted on by our members.

Car loans and financial products

A range of loans are provided to our members in partnership with RACV Finance. Our members are eligible for a 1% per annum discount off the standard base rate for used car loans (terms and conditions apply). The 2021-22 financial year proved challenging for both the new and used car markets, reducing supply and impacting the ability of members to take advantage of loan approvals. Despite this, the number of loans provided was in line with FY21 figures, with a large number of opportunities still available once the market for vehicles improves.

Roadside assistance

For 99 years we've been providing Tasmanian motorists with peace of mind as we help them get back on the road safely and quickly, 24 hours a day.

During the 2021-22 financial year, our roadside patrols, supported by our network of agents and contractors, logged an average of 213 roadside assistance jobs per day and pleasingly almost 90% of vehicles were mobilised without needing to be towed.

Our battery service continues to grow with our members enjoying the convenience of being able to buy a battery and have it fitted for free when they find themselves broken down due to a dead battery. During the 2021-22 financial year we sold and fitted 10,800 new batteries state-wide.

AutoServe

Our AutoServe mechanical workshops located in Launceston and Hobart, have a strong focus on customer service and the quality of their work. In addition to servicing and mechanical repairs, our AutoServe locations also complete pre-purchase inspections to provide peace of mind assist when buying a car and are also licensed to perform vehicle registration inspections.

Driver Training

Our professional driver trainers delivered road safety focused driver education across the state during the 2021-22 financial year. During this period, we delivered over 17,500 training lessons. All these lessons were delivered in new, dual controlled vehicles with a 5-star ANCAP safety rating.

The state government have authorised us to offer P1 assessments state-wide giving learner drivers more options when it comes to completing assessments. A total of 1,061 P1 assessments were conducted during 2021-22.

We're a keen supporter of the national Keys2drive program, designed to help curb the poor safety record of P-platers. The program offers a free lesson for supervisory and learner drivers, and we've teamed up with the state government to offer an additional free lesson to students via the state-funded Plates Plus program. Both these programs are gaining in popularity with 1,034 Keys2drive lessons and 542 Plates Plus lessons delivered.

Operations by numbers

During 2021-22 17,500 driver training lessons, 1,034 Keys2drive and 542 Plates Plus lessons were delivered

1,559 child seats were fitted

We achieved an above target result of 99.97% overall critical systems availability

Child seats

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 members buy seats from us. These fittings by our specially trained staff, are just one of the ways we can deliver our important messages about road safety as our statistics show that correct fitment of car seats remains a significant issue across Tasmania.

The 2021-22 financial year was another busy year for our team, conducting 1,559 fittings.

Technology

Our Portfolio Management Office was established and new governance and operational processes put in place to manage the range of projects across a newly integrated Group. With a focus on productivity having a range of major and minor projects were assessed and prioritised to ensure we continue to work on what matters most.

Our Cyber Operations team continued to protect our staff and member data and ensure business continuity. We continued our program of testing and preparing for major

incidents and increased our staff awareness levels in an effort to ensure that our people are aware of and manage phishing and other cyber related issues appropriately.

A number of projects were undertaken in order to enhance our member experience, including the introduction of a new online windscreen booking platform for members and the implementation of an automated insurance claims allocation tool.

We achieved an above target result of 99.97% overall critical systems availability.

Risk

The Compliance & Risk team is responsible for ensuring our practices are compliant with relevant laws, regulations, and licensing requirements. In FY22 the Compliance & Risk division also centralised into a Group function with oversight of enterprise risk and risk appetite.

The last two years have seen sweeping changes to processes and training to implement wide-ranging regulatory reforms. These reforms have largely arisen in response to the Financial Services Royal Commission and were intended to improve consumer outcomes. In addition, we've implemented a new General Insurance Code of Practice and updated systems and processes to respond to ASIC's new Regulatory Guide on internal dispute resolution.

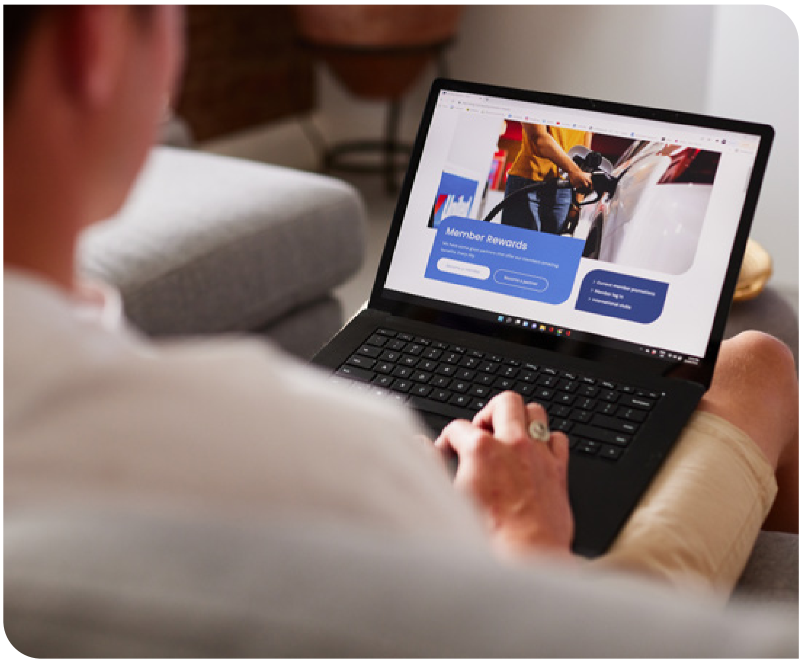
These changes are not only intended to meet compliance requirements but also to ensure we meet member expectations.

We supported the intent of the legislation to ban hawking and related sales practices, and the product design and distribution obligations which required issuers to design products that would meet the needs of consumers for whom they were intended.

On 1 January 2022, insurance claims handling became a licensed financial service, highlighting the importance of the insurance claims process in ensuring our members are supported in their time of need.

We manage risk through an effective governance framework, including the three lines of defence model which sees the front-line business as the key to success. Compliance & Risk plays a support role in providing the tools and advice to assist in achieving our strategic objectives.

In order to enhance our member experience, we introduced a new online windscreen booking platform for members and implemented an automated insurance claims allocation tool.



Financial commentary
for the 2020-21 financial year

GROUP REVENUE and share of joint venture profits increased significantly in the current financial year. This was largely driven by the inclusion of RACT Insurance as a 100% owned subsidiary of the Group from 1 December 2021 and the associated unrealised gain on investments connected with the merger.

Insurance revenue over the 7-month period contributed $81.8 million to total revenue. This was driven by strong retention across the portfolio, competitive pricing and a strong, trusted brand.

Revenue from member subscriptions recorded strong growth, increasing by 7.8% to $19.5 million in FY22 from $18.1 million in FY21.

Investment income was impacted by negative performance in equity markets across the period moving from a $0.3 million gain in FY21 to a loss of $0.5 million in FY22.

Earnings from joint venture operations were reduced due to the insurance company no longer being a joint venture now that the entity is wholly owned.

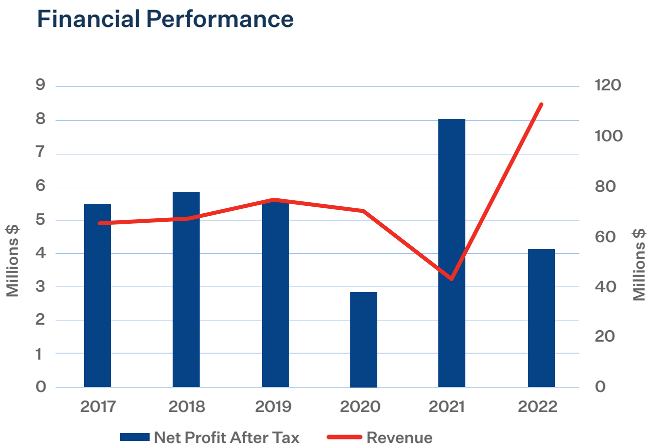
The Group has delivered a strong financial result for the financial year. The consolidated net profit after tax of $57.2 million included extraordinary $53.12 million one-off fair value adjustment arising from the purchase of RACT Insurance. Despite considerable headwinds from external factors that have impacted supply chains we have been able to deliver a $4.12 million underlying net profit after tax excluding the extraordinary item.

Financial position

During the year the Group purchased the outstanding half share of RACT Insurance from Suncorp which has brought RACT Insurance into the group as a wholly owned subsidiary. The purchase was funded from cash on hand and new borrowings of $55 million.

Following the acquisition, the assets and liabilities of RACT Insurance are now included in the Group's balance sheet and software and Intangible assets of $27 million and goodwill $128 million.

Total equity strengthened by 60% to $155 million driven by NPAT performance. Total assets significantly increased due to the recognition of Insurance assets which included the recognition of goodwill on the purchase of the Insurance business. This was partially offset by the associated recognition of Insurance liabilities



*Revenue and Net Profit After Tax excludes the fair value adjustment on the acquisition of the Insurance entity

Directors' Report

IN RESPECT of the year ended 30 June 2022, 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 A J Flakemore (President from 30 November 2021)
Ms J A L Richardson (Vice President)
Ms J M Archer (to 30 November 2021)
Mr A M Coleman (from 23 September 2022)
Ms E M Dixon (from 14 March 2022 to 25 March 2022)
Mr P A Dixon
Mr R P Doedens (excluding the period from 1 December 2021 to 13 March 2022)
Ms J A Franks
Mr P C Jones (to 30 November 2021)
Mr R J Knightley
Mr P A W Kolkert
Ms S L Smith
Mrs K A Westwood (President) (to 30 November 2021)

Directors are all members in accordance with the Constitution. Directors' qualifications and experience are provided in section 13 of this report.

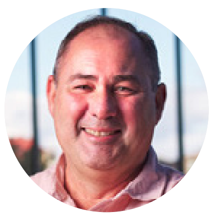

Mrs A J Flakemore


Ms J A L Richardson


Mr A M Coleman


Mr P A Dixon


Ms J A Franks


Mr R J Knightley


Mr R P Doedens


Mr P A W Kolkert


Ms S L Smith

2 Principal activities

The principal activities of the consolidated entity are to act as a roadside assistance provider, general insurance distributor and, from 30 November 2021, a general insurance underwriter.

3 Financial results of the consolidated entity

The consolidated entity's profit including discontinued operations for the period was $57.217 million (2021, $7.950 million) and total comprehensive income for the year ended 30 June 2022 was $57.217 million (2021, $8.104 million).

4 Review of operations

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

5 Significant changes in state of affairs

On 30 November 2021 the Group successfully acquired the remaining 50% of the RACT Insurance business from Suncorp. Following the transaction, as a wholly-owned subsidiary of the RACT Group, its result for the year has been accounted for in accordance with consolidation principles and business combinations as per Note 1(a) and (b) and a revaluation of this investment has occurred as detailed in Note 7. The transaction was partly funded through external debt and the Group's borrowings increased to $55m as a result.

6 Future developments

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

7 Meetings of directors

The Board generally meets monthly, with additional meetings being arranged when required. The monthly meetings are split between formal Board meetings, education sessions and strategic workshops. Only the attendance at the formal Board meetings is recorded in the table on page 16.

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 Committee
- Governance, Remuneration & Nomination Committee
- Community & Advocacy Committee

Directors' Report

In addition temporary Committees are formed by the Board as and when required. In the year to 30 June 2022 this included committees in relation to the preparation for, and oversight of, the acquisition of the remaining 50% of RACT Insurance (met 8 times in the year to 30 June 2022) and a review of RACT governance structures, processes and Board performance (met once in the year to 30 June 2022).

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. Since the completion of the acquisition of RACT Insurance on 30 November 2021 the governance structures and processes of RACT and RACT Insurance have been increasingly aligned with policy frameworks being combined into a single group-wide framework wherever regulations allow. The Boards of the two companies hold joint strategic and education sessions to assist in alignment and the transfer of knowledge and information and RACT's Board committees incorporate joint sessions with the equivalent committee's of RACT Insurance within their quarterly agendas.

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

During the financial year, 27 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 & Nomination	Audit	Risk
Total meetings held during 2021/2022	**11**	**3**	**7**	**3**	**3**
Director					
J M Archer (to 30 November 2021)	4 (out of 4)	1 (out of 1)	*	*	*
E M Dixon (from 14 March 2022 to 25 March 2022)	0 (out of 0)	*	*	*	*
P A Dixon	11	3	7	3	*
R P Doedens (excluding the period from 1 December 2021 to 13 March 2022)	7 (out of 8)	*	*	2 (out of 2)	*
A J Flakemore	11	*	7	2 (out of 2)	*
J A Franks	11	1 (out of 1)	*	*	2 (out of 2)
P C Jones (to 30 November 2021)	4 (out of 4)	*	*	1 (out of 1)	*
R J Knightley	11	1 (out of 1)	*	*	3
P A W Kolkert	11	*	*	*	3
J A L Richardson	11	2 (out of 2)	6 (out of 6)	1 (out of 1)	1 (out of 1)
S L Smith	10	3	*	*	*
K A Westwood (to 30 November 2021)	4 (out of 4)	*	1 (out of 1)	*	*

* Director is not a member of this Committee.

8 Subsequent events

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

9 Indemnity of officers and auditors

During the financial year, the company paid a premium in respect of a contract insuring the directors of the company (as named above), the directors and secretaries of RACT Insurance Pty Ltd and all other executive officers of the company and of any related body corporate, against a liability incurred by 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 any other officer or auditor of the company or of any related body corporate against a liability incurred by 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 nine non-executive directors. RACT's Constitution requires the compostion of the Board to be nine member-elected directors and up to three Board-appointed directors. 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 2022, the number of eligible members was 132,932 (2021 – 130,618).

12 Auditor's Independence Declaration

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

13 Directors' qualifications and experience

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

Chartered Accountant and Company Director
Senior Partner – Audit & Assurance, Crowe

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

Executive and Company Director
Director Corporate Services, Glenorchy City Council

Ms J M Archer
FAICD, GMQ (to 30 November 2021)

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

Mr A M Coleman
BA, MBA, Hon D.Bus (Macq), FIAA, CERA, FAICD (from 23 September 2022)

Actuary and Company Director
Director, RACT Insurance Pty Ltd
Director, Munich Re Insurance (Australia and NZ)

Directors' Report

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

Management 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 AutoServe Pty Ltd (from 30 November 2021)

Director, Gongola Pty Ltd

Mr P C Jones
BAppSc (Pharmacy), MAICD (To 30 November 2021)

Pharmacist and Company Director

Director, Rosetta Holdings Pty Ltd

Director, P and R Holdings Pty Ltd

Director, RACT AutoServe Pty Ltd (to 30 November 2021)

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

Executive and Company Director

Executive Director & Secretary, Ditech Holdings Pty Ltd

Director & Secretary of DPJ (TAS) Properties Pty Ltd

Director, Glass Wall Labs Pty Ltd (from 3 September 2021)

Director & Secretary, 39 Sandy Bay Road Pty Ltd

Director, Treklok Pty Ltd

Hon S L Smith, AM

Company Director

Chair, Local Government Board Tasmania (from 1 December 2021)

Member, Local Government Code of Conduct Panel (to 1 December 2021)

Mrs K A Westwood
B.Com, GAICD, FIPA, ACPA, MRMIA (to 30 November 2021)

Company Director

Director, RACT Insurance Pty Ltd

Member, National Council, Australian Automobile Association (to 30 November 2021)

Director, Forestry Tasmania (trading as Sustainable Timber Tasmania)

Chair, Blue Line Laundry, Inc

Chair, DPAC Audit and Risk Committee

Directors declaration

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, 2022.

A J FLAKEMORE
DIRECTOR

R P DOEDENS
DIRECTOR

Auditor's Independence Declaration

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of The Royal Automobile Club of Tasmania

I declare that, to the best of my knowledge and belief, in relation to the audit of The Royal Automobile Club of Tasmania for the financial year ended 30 June 2022 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Sascha Adams

Partner

Hobart, Tasmania

28 September 2022

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Statement of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

	NOTE	CONSOLIDATED 2022 $'000	CONSOLIDATED 2021 $'000 Restated[1]
Continuing operations			
Insurance revenue	2	81,846	–
Fair value adjustment on acquisition of controlled entity	16	53,108	–
Revenue from contracts with customers	2	29,107	34,910
Investment Income	2	(515)	288
Other income	2	2,409	2,473
Total revenue		**165,955**	**37,671**
Share of profit of associates	7	697	4,910
Total income		**166,652**	**42,581**
Expenses			
Insurance claims expense	17	(49,710)	–
Outward reinsurance premium expense	17	(9,496)	–
Personnel costs		(26,418)	(19,476)
Other underwriting and acquisition costs		(1,813)	–
Operating costs		(6,043)	(5,767)
Cost of goods sold		(840)	(849)
Marketing costs		(2,051)	(1,658)
Technology costs		(5,131)	(3,819)
Occupancy costs		(2,201)	(1,230)
Corporate costs		(4,861)	(2,394)
Interest costs		(862)	(446)
Depreciation and amortisation expense		(1,436)	(3,267)
Total expenses		**(110,862)**	**(38,906)**
Profit before income tax		**55,790**	**3,675**
Income tax benefit/(expense)	3	1,144	(305)
Profit from continuing operations		**55,934**	**3,370**
Discontinued operation			
Profit from discontinued operation, net of tax	28	283	4,580
Profit for the period		**57,217**	**7,950**
Other Comprehensive Income			
Gain/(loss) on cashflow hedge		–	220
Fair value revaluation/(devaluation) of land and buildings		–	–
Income tax on items of other comprehensive income		–	(66)
Total other comprehensive income		**–**	**154**
Total comprehensive income for the period		**57,217**	**8,104**

1. Note that the prior year information has been restated to recognise the revenue and expense from RACT Destinations Pty Ltd as a discontinued operation. Any impact relating to RACT Destinations Pty Ltd has also been disclosed as a discontinued operation in the current year. Further information is disclosed in note 27.

Notes to the Financial Statements are included on pages 24 to 65.

Statement of Financial Position

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

	NOTE	CONSOLIDATED 2022 $'000	2021 $'000
Current assets			
Cash and cash equivalents		19,834	10,425
Trade and other receivables	5	59,454	5,366
Deferred acquisition costs	17	6,454	–
Current tax receivable	3	4,107	–
Financial assets	6	73,784	36,000
Other assets	10	2,799	1,485
Total current assets		**166,432**	**53,276**
Non-current assets			
Trade and other receivables	5	141	–
Financial assets	6	3,996	698
Investment in associates	7	281	32,605
Property, plant and equipment	11	25,316	24,505
Right-of-use lease assets	12	2,241	2,811
Intangible assets	8	26,380	3,479
Goodwill	9	127,833	–
Deferred tax asset	3	7,101	4,014
Total non current assets		**193,289**	**68,112**
Total assets		**359,721**	**121,388**
Current liabilities			
Payables	13	8,522	4,460
Outstanding claims liabilities	17	31,610	–
Unearned premium liabilities	17	70,824	–
Lease liabilities	12	947	876
Provisions	14	20,919	11,705
Total current liabilities		**132,822**	**17,041**
Non-current liabilities			
Outstanding claims liabilities	17	4,881	–
Borrowings	15	55,000	–
Provisions	14	818	421
Lease liabilities	12	1,453	2,091
Deferred tax liability	3	9,756	4,740
Total non current liabilities		**71,908**	**7,252**
Total liabilities		**204,730**	**24,293**
Net assets		**154,991**	**97,095**
Equity			
Retained earnings		148,196	90,979
Reserves		6,795	6,116
Total equity		**154,991**	**97,095**

Notes to the Financial Statements are included on pages 24 to 65.

Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

	CONSOLIDATED			
	Cash flow hedge reserve $'000	Asset revaluation reserve $'000	Retained earnings $'000	Total attributable to Equity holders of the entity $'000
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**
Profit for the period	–	–	57,217	57,217
Other comprehensive income	–	–	–	–
Cash flow hedge termination	–	–	–	–
Revaluation of land and buildings	–	679	–	679
Balance at 30 June 2022	–	**6,795**	**148,196**	**154,991**

Notes to the Financial Statements are included on pages 24 to 65.

Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

	NOTE	CONSOLIDATED 2022 $'000	CONSOLIDATED 2021 $'000
Cash flows from operating activities			
Insurance Premiums received		81,758	–
Receipts from customers		33,930	66,017
Insurance claims paid		(41,079)	–
Payments made to employees and suppliers		(57,923)	(57,222)
Reinsurance and other recoveries received		7,428	–
Outwards reinsurance premiums paid		(7,794)	–
Interest paid		(862)	(2,234)
Interest received		48	38
Dividends and distributions received		–	250
Income tax paid/(refunded)		(2,464)	(3)
Net cash from/(used in) operating activities	**20**	**13,042**	**6,846**
Cash flows from investing activities			
Payments for property, plant and equipment, and software		(923)	(1,888)
Funds withdrawn from/(investments in) term deposits		33,000	(29,000)
Payments for acquisition of RACT Insurance Pty Ltd		(83,750)	–
Cash balance received from acquisition of RACT Insurance Pty Ltd		3,784	–
Net proceeds from sale of regional tourism business assets		–	59,564
Proceeds from sale of property, plant and equipment (excl. tourism business assets)		118	154
Proceeds from the sale or maturity of investment securities		2,000	–
Payments for purchase of investment securities		(14,000)	–
Loans to related parties		(211)	5
Dividends received		2,379	3,767
Net cash from/(used in) investing activities		**(57,603)**	**32,602**
Cash flows from financing activities			
Proceeds from borrowings		55,000	–
Repayment of borrowings		–	(34,258)
Payment of principal portion of lease liabilities		(1,030)	(892)
Net cash from/(used in) financing activities		**53,970**	**(35,150)**
Net increase/(decrease) in cash held		**9,409**	**4,298**
Cash at the beginning of the financial year		10,425	6,127
Cash at the end of the financial year	**20**	**19,834**	**10,425**

Notes to the Financial Statements are included on pages 24 to 65.

Notes to and forming part of the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

1. Summary of Accounting Policies

Reporting Entity

The Royal Automobile Club of Tasmania Limited ('RACT' or the 'Company') is a company limited by guarantee domiciled and incorporated in Australia.

The Company's registered office is 179-191 Murray Street, Hobart, Tasmania, 7000.

The consolidated financial statements comprise the Company and its subsidiaries (together referred to as 'RACT Group' or the 'Group') and were authorised for issue by the Board of Directors on 28 September 2022.

The Company is a for-profit entity for the purposes of preparing the financial statements. The Group's principal activities during the financial year were the provision of assistance, insurance and services to members.

Statement of Compliance

The consolidated financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards. The statements comply with International Financial Reporting Standards (IFRS) and Interpretations issued by the International Accounting Standards Board.

Significant accounting policies have been included in the relevant note to which the policies relate. The accounting policies have been applied consistently to all periods presented in these consolidated financial statements. Certain comparative amounts have been restated to conform to the current year's presentation.

Changes to significant accounting policies are described in Note 1.

Basis of Preparation

The financial report has been prepared on the basis of historical cost, unless the application of fair value measurement is required by the relevant accounting standards and the revaluation of certain non-current assets and financial instruments. The significant accounting policies adopted in the preparation of these financial statements are set out within the relevant note to the financial statements.

The preparation of financial statements in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. 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 judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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.

The following are the critical judgements and key sources of estimation uncertainty applied in the process of the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Critical accounting judgement and estimates	Note
Outstanding claims liability	17
Reinsurance and other recoveries	5
Liability adequacy test	17
Trade and other receivables	5
Impairment assessment of controlled entities carried at cost	9
Determination of fair values of investments	6
Recognised deferred tax balances	3
Intangible assets initial measurement, impairment testing and useful life	8
Employee benefits	14
Valuation of property	11
Estimation of useful lives	11
Right of use assets lease term	12
Customer remediation	14

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.

COVID-19 impact on the use of estimates and assumptions

There is increased judgement and estimation uncertainty in the preparation of the financial statements and related note disclosures relating to economic conditions as we recover from the impacts from COVID-19. Accounting estimates in these financial statements have been based on projections of economic and operating conditions that reflect expectations and assumptions about future events that the Directors believe are reasonable in the circumstances and at the time of finalisation of the financial statements. In preparing these projections there is a considerable degree of judgement and the underlying assumptions are also subject to uncertainties that may be outside the control of the Group. Where actual economic and operating conditions in the future differ from those projected, accounting estimates included in these financial statements may be significantly impacted. The significant accounting estimates that are impacted by the uncertainties caused by the economic downturn and COVID-19 predominantly relate to the valuation of outstanding claim liabilities, unearned premium liabilities, potential credit losses for both insurance and non insurance related receivables, fair valuation measurement on investments and recoverable amount assessments.

Notes to and forming part of the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

Significant Accounting Policies

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except if mentioned otherwise. Certain comparative amounts in the statement of profit or loss and OCI have been restated, reclassified or re-presented, as a result of a change in the classification or an operation discontinued during the current year (see Note 26).

Set out below is an index of the significant accounting policies, the details of which are available on the pages that follow.

(a) Basis 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.

(b) 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.

(c) 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.

(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 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

1. Summary of Accounting Policies (continued)

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 'stand alone 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) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, cash in banks, net of outstanding bank overdrafts. They are measured at fair value, being the gross value of the outstanding balance.

(g) 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.

Subsequent additional costs are only capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the Company in future years.

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	4 to 7 years
Buildings	40 years

Notes to and forming part of the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

(g) Property, Plant and Equipment continued

Revaluations of land and buildings

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

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

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

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

Disposal

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

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

(h) 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.

(i) 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.

(j) 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 net investment hedges).

Notes to and forming part of the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

1. Summary of Accounting Policies (continued)

Cash flow hedges

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

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

(k) Financial Instruments

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

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.

v. Insurance assets backing general insurance liabilities

The investments held in the subsidiary RACT Insurance Pty Ltd are assessed under AASB 1023 General Insurance Contracts to be assets that are held to back general insurance liabilities (referred to as insurance funds) and assets that represent shareholder funds.

RACT Insurance Pty Ltd has designated financial assets held in portfolios that match the average duration of a corresponding insurance liability as assets backing general insurance liabilities. These comprise:

- Investments including financial assets and related receivables held in an investment portfolio specifically designated to pay insurance liabilities.
- Financial assets which back general insurance liabilities are initially recognised at fair value and subsequently measured at fair value. Movements in the fair value are recognised in profit and loss.
- Investment assets are valued at fair value at each reporting date based on the current bid price where available. Where a quoted price is not available one of the following valuation techniques are used to value the assets at reporting date: recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Receivables are valued at fair value which is approximated by taking the initially recognised amount and reducing it for credit risk as appropriate. Short duration receivables with no stated interest rate are normally measured at original invoice amount

vi. Insurance assets not backing general insurance liabilities

Financial assets that do not back general insurance liabilities include:

- Investments and related receivables held in an investment portfolio allocated to shareholders' capital and reserves.
- Assets including cash that are designated to pay tax liabilities and other non-insurance related payables.
- Reinsurance recoveries on claims paid.
- Derivative financial instruments held in an investment portfolio.

Investments have been designated at fair value through profit or loss as they are managed and their performance evaluated on a fair value basis for internal and external reporting in accordance with the investment strategy.

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.

(l) 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.

Notes to and forming part of the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

1. Summary of Accounting Policies (continued)

(m) 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.

(n) 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.

(o) Provisions

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

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

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

(p) 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.

Insurance premium revenue

Premium revenue comprise amounts charged to policy-holders (direct premiums) for insurance policies. Premium includes applicable levies and charges but excludes stamp duty collected on behalf of the state government and is recognised net of goods and services tax.

Premium revenue is recognised when it has been earned, that is, from the date of attachment of risk over the period of the insurance policy in accordance with the pattern of the underlying exposure to risk expected under the insurance contract. In most cases the exposure to risk is assumed to be even over the policy period, which is usually one year.

At reporting date any proportion of premium revenue received and receivable but not earned in profit and loss is recognised in the Statement of Financial Position as an unearned premium liability. The unearned premium liability represents premium revenue which will be earned in subsequent reporting periods.

Unclosed business is not recognised in the financial report as it is not material.

Reinsurance and other recoveries revenue

Reinsurance and other recoveries receivable on paid claims, reported claims not yet paid, claims incurred but not reported and claims incurred but not enough reported are recognised as revenue. Recoveries are measured as the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims.

Unit trust distributions

Distributions from unlisted unit trusts are recognised on the date the unit value is quoted ex-distribution.

(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 Insurance Pty Ltd

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. 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.

Computer software

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

Notes to and forming part of the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

1. Summary of Accounting Policies (continued)

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.

Internally developed software

Development expenditure is capitalised only if the expenditure can be measured reliably, the product is technically feasible, future economic benefits are probable and the Company intends to and has sufficient resources to complete development and use the asset. Otherwise development costs are recognised in the profit and loss as incurred.

Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses. Development expenditure incurred prior to the asset being ready for use is recognised in Software work in progress.

Amortisation is calculated to write off the cost of the intangible assets less their estimated residual values using the straight line method over their estimated useful lives. The amortisation rate used for Software application is 20.0%.

(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) Outward reinsurance premium expense

Premium ceded to reinsurers is recognised as outwards reinsurance premium expense in profit and loss from the attachment date over the period of indemnity of the reinsurance contract in accordance with the expected pattern of the incidence of risk.

(t) Insurance claims expense

Claims expense represents the benefits paid or payable to the policyholder on the occurrence of an event giving rise to a loss or accident according to the terms of the policy. Claims expenses are recognised in profit and loss as losses are incurred which is usually the point in time when the event giving rise to the claim occurs.

(u) Outstanding claims liabilities

The liability for outstanding claims is measured as the central estimate of the present value of expected future payments against claims incurred at the reporting date under general insurance contracts issued by the Company, plus a risk margin to allow for the inherent uncertainty in the central estimate. The details of risk margin applied and the process of determining the risk margin is set out in Note 17.

The expected future payments include those in relation to claims reported but not yet paid, claims incurred but not reported (IBNR), claims incurred but not enough reported (IBNER) and the direct and indirect costs of settling those claims.

(v) Deferred acquisition costs

Acquisition costs include commissions and other selling and underwriting costs incurred in obtaining and recording general insurance contracts.

Acquisition costs incurred in obtaining and recording general insurance contracts are deferred and recognised as assets where they can be reliably measured and where it is probable that they will give rise to premium revenue that will be recognised in profit and loss in subsequent reporting periods. Deferred acquisition costs are amortised systematically in accordance with the expected pattern of the incidence of risk under the general insurance contracts to which they relate. This pattern of amortisation corresponds to the earning pattern of the corresponding premium revenue.

Comission charged between entities within the Group are eliminated on consolidation.

(w) Liability adequacy test

The liability adequacy test is an assessment of the carrying amount of the unearned premium liability and is conducted at each reporting date. If current estimates of the present value of the expected future cash flows relating to future claims arising from the rights and obligations under current general insurance contracts, plus an additional risk margin to reflect the inherent uncertainty in the central estimate, exceed the unearned premium liability less related deferred acquisition costs, then the unearned premium liability is deemed to be deficient.

The test is performed at the level of a portfolio of contracts that are subject to broadly similar risks and that are managed together as a single portfolio. Any deficiency arising from the test is recognised in profit or loss with the corresponding impact on the Statement of financial position recognised first through the write down of deferred acquisition costs for the relevant portfolio of contracts, with any remaining balance being recognised on the Statement of financial position as an unexpired risk liability.

(x) New Accounting Standards for Application in Future Periods

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2022 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.

AASB 17 Insurance Contracts (AASB 17) is a new accounting standard for all types of insurance contracts and replaces AASB 1023 General Insurance Contracts. AASB 17 was issued in July 2017 and following stakeholder feedback, amendments were approved in July 2020 to address implementation issues identified.

AASB 17 is effective from the Company's 30 June 2024 financial statements. The new standard requires the application of new measurement models and introduces significant changes to the presentation and disclosure of insurance contracts.

AASB 17 introduces a general model that measures insurance contracts based on the fulfilment cash flows (present value of estimated future cash flows with a provision for risk) and the contractual service margin (the unearned profit that will be recognised over the coverage period). A simplified measurement model (premium allocation approach) is permitted in circumstances where the coverage period for insurance contracts in a portfolio is one year or less. The premium allocation approach is similar to the current measurement model used for general insurance. The Company expects to be eligible to use the premium allocation approach for all its general insurance contracts.

The Group has completed an assessment of the requirements of the standard against current practices and documented an approach to implementing the new standard.

This assessment considers the approach to identifying the level of aggregation required, which has been determined to be the aggregation to the level of Home and Motor portfolios. Further, based on this level of aggregation, the Group is not expected to have onerous contracts in place based on the results of the liability adequacy test performed over these portfolio groups. This will be required to be continuously monitored.

Mesaurement and reporting under the standard has also been considered in detail. A number of reporting lines in the statement of comprehensive income and statement of financial position relating to insurance disclosures will change significantly, the overall impact to retained earnings and net assets is minimal. This was further supported by the completion of the Quantitative Impact Study which the Group completed as at 30 June 2021 to assess the integration of AASB 17 into the capital and reporting framework for insurers where there wasn't a material difference in the capital base as a result of the implementation of the standard

The AASB 17 requirements are complex and global interpretation of these requirements is evolving. Regulators are considering their response to the new standard which is likely to result in changes to the capital and reporting prudential standards. The Company continues to closely monitor all these developments and to assess the impacts of the standard on the business. The financial impact of adopting AASB 17 is not reasonably estimable at the date of this report.

(y) Comparative Figures

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

(z) Discontinued Operation

A discontinued operation is a component of the Group's business, the operation and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations or;
- is a subsidiary acquired exclusively with a view to resale

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is represented as if the operation had been discontinued from the start of the comparitive year.

Notes to and forming part of the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

2. Revenue

		CONSOLIDATED	
		2022	**2021**
		$'000	**$'000** Restated[1]
Insurance revenue			
Insurance premium revenue	17	72,311	–
Reinsurance and other recoveries income	17	9,535	–
		81,846	**–**
Revenue from contracts with customers			
Membership subscriptions		19,486	18,063
Financial Services		5,730	12,439
Motoring Services		2,817	2,615
Corporate services		735	1,622
Advertising		339	171
		29,107	**34,910**
Other income			
Rental revenue		1,928	1,930
Other revenues		470	456
Profit on sale of property, plant and equipment		11	87
		2,409	**2,473**
Investment Income			
Interest income on financial assets at fair value through profit or loss		159	–
Interest income on financial assets held at amortised cost		48	38
Net gains/(losses) on financial assets at fair value through profit or loss		(937)	–
Trust distribution income		215	–
Dividends and Distributions		–	250
		(515)	**288**

1. Note that the prior year information has been restated to recognise the revenue and expense from RACT Destinations Pty Ltd as a discontinued operation. Any impact relating to RACT Destinations Pty Ltd has also been disclosed as a discontinued operation in the current year. Further information is disclosed in note 27.

Notes to and forming part of the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

3. Income Tax Expense

	CONSOLIDATED	
	2022 $'000	**2021 $'000** Restated[1]
(a) Income Tax Expense		
The components of tax expense comprise:		
Current Tax Expense	–	157
Deferred tax	(1,627)	1,553
Under/(over) provision from previous years	276	97
	(1,351)	**1,807**
Income tax from continued operations	(1,144)	305
Income tax from discontinued operations	(207)	1,502
	(1,351)	**1,807**
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Prima facie tax on profit before income tax at 30% (2021:30%)	17,360	2,927
Add tax effect of:		
Mutual (profits)/loss	387	(48)
Non deductible expenses	8	2
Tax credits	(745)	(1,171)
Impact of RACT Insurance acquisition	(18,637)	–
Under/(over) provision from previous years	276	97
	(1,351)	**1,807**
(c) Deferred tax recognised directly in other comprehensive income		
Relating to revaluation of property	133	–
Relating to valuation of interest rate swap	–	(66)
	133	**(66)**
(d) Current and Deferred Tax Balances		
Assets		
Current/Non-current	4,107	–
Deferred tax asset	7,101	4,014
	11,208	**4,014**
Liabilities		
Current/Non-current	–	–
Deferred tax liability	9,756	4,740
	9,756	**4,740**
Taxable and deductible temporary differences arise from the following:		
Amounts recognised in profit or loss		
Property, plant and equipment	(929)	(804)
Investments	(1,785)	(229)
Payables	72	95
Provisions	3,453	330
Other assets	687	179
Receivables	39	20
Equity accounted investments	(71)	(2,846)
Tax losses	829	2,482
Intangibles	(4,999)	–
Right of Use Assets	52	47
Net deferred tax liabilities	**(2,652)**	**(726)**
Movements		
Opening balance	(726)	1,147
Under/(over) provision from prior year	(276)	(97)
Acquisition	(3,144)	–
Credited to income statement	1,627	(1,710)
Debited to equity	(133)	(66)
Closing balance	**(2,652)**	**726**

1. Note that the prior year information has been restated to recognise the revenue and expense from RACT Destinations Pty Ltd as a discontinued operation. Any impact relating to RACT Destinations Pty Ltd has also been disclosed as a discontinued operation in the current year. Further information is disclosed in note 27.

Notes to and forming part of the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

4. Remuneration of Auditors

	CONSOLIDATED	
	2022 $'000	2021 $'000
KPMG Australia		
Audit and review services		
Audit and review of financial reports	183	54
Other regulatory audit services	58	–
	241	**54**
Other Services		
Taxation services	30	–
Total auditor's remuneration	**271**	**54**

5. Trade and other receivables

	CONSOLIDATED	
Trade and Other Receivables	2022 $'000	2021 $'000
Premium debtors	47,596	–
Reinsurance and other recoveries	7,510	–
Trade receivables and sundry debtors	4,663	3,499
Allowance for expected credit loss	(196)	(68)
	59,595	**3,431**
Related party receivables		
Associates – (Receivable from RACT Club Assist Pty Ltd (unsecured))	8	3
Associates – (Receivable from RACT Autoserve Pty Ltd (unsecured))	14	–
Subsidiary – (Receivable from RACT Insurance Pty Ltd (unsecured))	–	1,932
Carrying amount of trade and other receivables	**59,595**	**5,366**
Current	59,454	5,366
Non-current	141	–
Total financial assets	**59,595**	**5,366**

Notes to and forming part of the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

6. Financial Assets

	CONSOLIDATED	
	2022	**2021**
	$'000	**$'000**
Financial assets held at amortised cost		
Fixed Interest rate investments	3,000	36,000
Financial assets designated at fair value through profit or loss		
Fixed Interest rate investments	30,048	–
Floating interest rate investments	27,690	–
Unit trusts	16,344	–
Equities	698	698
Total financial assets	**77,780**	**36,698**
Current	73,784	36,000
Non-current	3,996	698
Total financial assets	**77,780**	**36,698**

7. Investment in Associates

RACT Insurance Pty Ltd

On 30 November 2021, The Royal Automobile Club Of Tasmania Limited purchased the remaining 50% of RACT Insurance Pty Ltd. At this time, the Club's investment was transferred from an equity accounted investment to a 100% owned subsidiary.
Refer to Note 16 for further information

	Equity Interest	
	2022	**2021**
Principal Activity – Personal Lines General Insurer	**100%**	**50%**
Movements in the Carrying Amount of the Consolidated Entity's Investment in Associate		
	$'000	**$'000**
At beginning of period	32,453	31,332
Share of profit after income tax	468	4,788
Dividends received	(2,279)	(3,667)
Transfer to investment in subsidiary on acquisition of RACT Insurance	30,642	–
At 30 June	**–**	**32,453**

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	–	140,634
Non-current assets	–	10,994
	–	**151,628**
Current liabilities	–	114,135
Non-current liabilities	–	5,801
	–	**119,936**
Net assets	**–**	**31,692**
Extract from Associate's Statement of Comprehensive Income:		
Revenue	49,196	110,614
Net Profit	936	9,576

Notes to and forming part of the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

7. Investment in Associates (continued)

Investment in Associate - RACT AutoServe Pty Ltd.

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

	2022	2021
Principal Activity - Mechanical repairs and servicing	50%	50%
Movements in the Carrying Amount of the Consolidated Entity's Investment in Associate	$'000	$'000
At beginning of period	151	129
Share of profit after income tax	230	122
Dividends received	(100)	(100)
At 30 June	**281**	**151**

	2022	2021
Summarised Financial Information:	**$'000**	**$'000**
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	699	532
Non-current assets	7	14
	706	**546**
Current liabilities	136	234
Non-current liabilities	8	9
	144	243
Net assets	**562**	**303**
Extract from Associate's Statement of Comprehensive Income		
Revenue	2,067	1,802
Net Profit	459	244
Share of profit/(loss) of Associates:		
RACT Insurance Pty Ltd	467	4,788
RACT AutoServe Pty Ltd	230	122
	697	**4,910**

Notes to and forming part of the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

8. Intangible Assets

	CONSOLIDATED		
2022	**Computer Software $'000**	**Customer Relationships & Customer Contracts $'000**	**TOTAL $'000**
As at 1 July 2021			
Cost or fair value	8,716	–	8,716
Accumulated amortisation	(5,237)	–	(5,237)
Net book value	3,479	–	3,479
Year ended 30 June 2022			
Opening net book value	3,479	–	3,479
Additions on acquisition of RACT Insurance Pty Ltd	7,146	20,100	27,246
Additions	153	–	153
Disposals	(719)	–	(719)
Amortisation	(1,504)	(2,275)	(3,779)
Closing net book value	**8,555**	**17,825**	**26,380**
As at 30 June 2022			
Cost or fair value	14,785	20,100	34,885
Accumulated amortisation	(6,230)	(2,275)	(8,505)
Net book amount	**8,555**	**17,825**	**26,380**

	CONSOLIDATED		
2021	**Computer Software $'000**	**Customer Relationships & Customer Contracts $'000**	**TOTAL $'000**
As at 30 June 2020			
Cost or fair value	8,661	–	8,661
Accumulated amortisation	(4,194)	–	(4,194)
Net book amount	**4,467**	**–**	**4,467**
Year ended 30 June 2021			
Opening net book value	4,467	–	4,467
Additions	114	–	114
Disposals	(59)	–	(59)
Amortisation	(1,043)	–	(1,043)
Closing net book value	**3,479**	**–**	**3,479**

8. Intangible Assets (continued)

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.

Valuation and amortisation

The valuation methodology used to value the identifiable intangible assets on acquisition of RACT Insurance were as follows:

Software

- the replacement cost approach was used which involved obtianing an overview of the various components of the software from management, obtaining an estimate of the time and resources required to replicate the software. Software recognised on the acquisition of RACT Insurance Pty Ltd is amortised over a period of 8 years

Customer contracts and relationships

- the multi-period excess earnings method was used which involved obtaining historic and forecast revenue and earnings relating to each customer segment, estimating the probability of loss for each customer segment, application of churn and growth rates to each customer segment, adopted expected EBIT margin for each customer revenue stream.
- Customer contracts recognised on the acquisition of RACT Insurance Pty Ltd are amortised over a period of 1 year, customer relationships are amortised over 10 years following the amortisation of the customer relationship.

9. Goodwill

	CONSOLIDATED	
	2022 $'000	2021 $'000
Opening balance	–	3,013
Goodwill on acquisition of RACT Insurance Pty Ltd	127,833	–
Goodwill impairment/sale of RACT Destinations Pty Ltd	–	(3,013)
Closing balance	**127,833**	**–**

10. Other assets

	CONSOLIDATED	
	2022 $'000	2021 $'000
Prepayments	1,425	1,352
Accrued revenue	305	120
Recoveries on claims paid	1,050	–
Other	19	13
Total other assets	**2,799**	**1,485**

Notes to and forming part of the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

11. Property Plant and Equipment

	CONSOLIDATED			
	Freehold Land and Buildings (fair value)	Leasehold Improvements (cost)	Plant and Equipment (cost)	TOTAL
2022	**$'000**	**$'000**	**$'000**	**$'000**
Gross Carrying Amount				
Balance at 30 June 2021	22,104	1,020	13,686	36,810
Additions on acquisition of RACT Insurance Pty Ltd	–	185	532	717
Revaluation	850	(78)	–	772
Additions	–	–	770	770
Disposals	(231)	–	(109)	(339)
Transfers	192	(192)	–	–
Balance at 30 June 2022	**22,915**	**935**	**14,879**	**38,729**
Accumulated Depreciation				
Balance at 30 June 2021	1,123	36	11,146	12,305
Disposals	(203)	–	(108)	(311)
Depreciation expense	476	39	904	1,419
	1,396	**75**	**11,942**	**13,413**
Net Book Value				
As at 1 July 2021	22,104	1,020	13,686	36,810
Accumulated depreciation	(1,123)	(36)	(11,146)	(12,305)
Net carrying amount	**20,981**	**984**	**2,540**	**24,505**
As at 30 June 2022	22,915	935	14,879	38,729
Accumulated depreciation	(1,396)	(75)	(11,942)	(13,413)
Net carrying amount	***21,519***	***860***	***2,937***	***25,316***

Notes to and forming part of the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

11. Property Plant and Equipment (continued)

	CONSOLIDATED			
	Freehold Land and Buildings (fair value)	Leasehold Improvements (cost)	Plant and Equipment (cost)	TOTAL
2020	**$'000**	**$'000**	**$'000**	**$'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
	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**

	Level 1	Level 2	Level 3	Total
		30 June 2022		
	$'000	**$'000**	**$'000**	**$'000**
Fair value hierarchy				
Freehold land and buildings	–	2,719	18,800	21,519
Total	**–**	**2,719**	**18,800**	**21,519**
		30 June 2021		
	$'000	**$'000**	**$'000**	**$'000**
Fair value hierarchy				
Freehold land and buildings	–	20,981	–	20,981
Total	**–**	**20,981**	**–**	**20,981**

(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.

Restrictions on assets

On 30 November 2021, The Royal Automobile Club of Tasmania entered into a $55,000,000 facility agreement with Australian and New Zealand Banking Group Ltd (ANZ). The facility was used to purchase the remaining 50% of RACT Insurance Pty Ltd.

The borrowing arrangement includes security interest where each Grantor, as detailed below grants a security interest in the collatoral to RACT Pty Ltd to secure payment of Secured Money.

This security interest is a transfer by way of security of collateral. Collateral means anything in respect of which the Grantor has at any time a sufficient right, interest or power to grant a security interest; and the Trust property.

To the extent collateral is not transferred, this security interest is a charge. This represents a floating charge over revolving assets and a fixed charge over all other collateral.

Grantors

- The Royal Automobile Club of Tasmania Limited
- RACT Pty Ltd
- RACT Holdings Pty Ltd
- RACT Destinations Pty Ltd

Valuations of Property

The Group holds three properties across the state of Tasmania. Every three years an independent property valuation is undertaken to assess the Fair Value of the property assets held. In June 2022 management engaged Herron Todd White (HTW) to perform an independent valuation on all three properties.

As a result of the valuation, the two properties in Launceston and Burnie have been revalued upwards from $1.907 million to $2,757 million.

RACT House in Hobart was also subject to valuation. The valuation received for RACT House did not address key factors which are considered relevant to the valuation of the building. The Group has further engaged an engineering company to complete a review of these areas of uncertainty. At the time of signing the financial statements, the report is not available. Considering the uncertainty surrounding the valuation, the Directors have elected not to revalue the asset this financial year.

The directors have determined the best available valuation is the current valuation.

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.

12. Leases

Description of Lease Activities

Real estate leases

The consolidated entity leases land and buildings for its office and retail stores. 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 5 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.

Notes to and forming part of the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

12. Leases (continued)

AASB 16 Related Amounts Recognised in the Statement of Financial Position

	CONSOLIDATED			
	Land & Building	**Motor Vehicle**	**IT Hardware & Software**	**TOTAL**
2022	**$'000**	**$'000**	**$'000**	**$'000**
Right of use assets	2,383	1,556	469	4,408
Accumulated depreciation	(1,130)	(693)	(344)	(2,167)
Total right of use assets	**1,253**	**863**	**125**	**2,241**
Movement in carrying amounts:				
Balance at 1 July 2021	1,676	1,035	100	2,811
Additions on acquisition of RACT Insurance Pty Ltd			152	152
Additions	106	209	–	315
Disposals	(9)	(43)	(12)	(64)
Depreciation expense	(520)	(338)	(115)	(973)
Balance at 30 June 2022	**1,253**	**863**	**125**	**2,241**
Lease liabilities				
Current	(525)	(313)	(109)	(947)
Non-current	(843)	(590)	(20)	(1,453)
Total lease liabilities	**(1,368)**	**(903)**	**(129)**	**(2,400)**

	CONSOLIDATED			
	Land & Building	**Motor Vehicle**	**IT Hardware & Software**	**TOTAL**
2021	**$'000**	**$'000**	**$'000**	**$'000**
Right of use assets				
Right of use assets	2,529	1,612	252	4,393
Accumulated depreciation	(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)**

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 2022

	CONSOLIDATED	
	2022	2021
	$'000	$'000
Maturity analysis – contracted undiscounted cashflows		
Less than one year	(947)	(876)
One to five years	(1,265)	(1,814)
More than five years	(188)	(277)
Total undiscounted lease liabilities	**(2,400)**	**(2,967)**
Lease liabilities included in the statement of financial position at 30 June	**(2,400)**	**(2,967)**
Amounts recognised in profit or loss		
Interest on lease liabilities	(112)	(163)
Depreciation on right-of-use assets	(973)	(1,161)
Amounts recognised in the statement of cashflows	**(1,085)**	**(1,324)**

13. Payables

	CONSOLIDATED	
	2022	2021
	$'000	$'000
Sundry creditors and accrued expenses	7,498	4,105
GST payable	1,024	355
	8,522	**4,460**

14. Provisions

	CONSOLIDATED	
	2022	2021
	$'000	$'000
Unearned revenue	10,736	10,032
Employee benefits	4,603	2,094
Customer remediation provisionww	6,398	–
Total provisions	**21,737**	**12,126**
Current	20,919	11,705
Non Current	818	421
Total provisions	**21,737**	**12,126**

Unearned revenues includes unearned portions of amounts for Roadside memberships and driving lessons.
The provision for employee benefits represents amounts for annual leave, long service leave and personal leave benefits.

Notes to and forming part of the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

14. Provisions (continued)

	2021 $'000	Additions $'000	Amounts used $'000	Used amounts reversed $'000	2022 $'000
Customer remediation	–	6,594	(196)	–	6,398

Customer Remediation Provision

The Company has recognised provisions with respect to matters where cashflows are considered probable. From time to time, the Company is also exposed to risks and potential liabilities arising from the conduct of its business including the actual or potential disputes, legal proceedings, regulatory reviews and actions. The directors have made provisions and disclosures as considered appropriate. Except for the matters disclosed below, the directors are not aware of any circumstances or information which would lead them to believe that any other material liabilities will crystalise.

Following a review of the pricing practices within RACT Insurance Pty Ltd dating back several years, the Company has identified where policy pricing promises were not fully delivered. As a result the Group has recognised a $6.4 million provision in the Statement of Financial Position during the period based on current estimates.

Significant resources have been committed to a comprehensive program of work to ensure that all issues are identified and addressed.

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.

15. Borrowings

	CONSOLIDATED	
Interest-Bearing Loans	2022 $'000	2021 $'000
Non-Current		
Secured bank loan (i)	55,000	–
Total borrowings	55,000	–

(i) On 30 November 2021, The Royal Automobile Club of Tasmania entered into a $55,000,000 facility agreement with Australian and New Zealand Banking Group Ltd (ANZ). The facility was used to purchase the remaining 50% of RACT Insurance Pty Ltd.

The borrowing arrangement includes security interest where each Grantor grants a security interest in the collatoral to RACT Pty Ltd to secure payment of Secured Money.

This security interest is a transfer by way of security of collateral. Collateral means anything in respect of which the Grantor has at any time a sufficient right, interest or power to grant a security interest; and the Trust property.

To the extent collateral is not transferred, this security interest is a charge. This represents a floating charge over revolving assets and a fixed charge over all other collateral.

Interest Rate Risk

Details regarding interest rate risk are disclosed in notes 19

Notes to and forming part of the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

16. Business Combination

Summary of acquisition

On 30 November 2021, The Royal Automobile Club Of Tasmania Limited purchased the remaining 50% of RACT Insurance Pty Ltd. At this time, the Club's investment was transferred from an equity accounted investment to a 100% owned subsidiary.

The increased holding in RACT Insurance is expected to deliver increased value to members. The purchase was finalised for cash consideration of $83,750,000, at which stage the Club owned 100% of the issued ordinary shares in RACT Insurance Pty Ltd. The consolidated Statement of Comprehensive Income includes sales revenue and net profit for the year ended 30 June 2022 of $79,267,861 and $462,842 respectively, as a result of the acquisition of RACT Insurance Pty Ltd. Had the acquisition of RACT Insurance Pty Ltd occurred at the beginning of the reporting period, the consolidated Statement of Comprehensive Income would have included revenue and profit of $130,868,891 and $1,398,577 respectively (before consolidation adjustments).
Details of the purchase consideration, the fair value of the assets and liabilities acquired and goodwill are as follows:

	2022 $'000
Acquisition-date-fair-value of consideration transferred	83,750
Cash paid	83,750
Fair value of equity interest in RACT Insurance Pty Ltd held before the business combination	167,500
Total net assets	28,070
Direct costs relating to the acquisition	**1,456**
Fair value gain on revaluation of equity accounted investment in associates	
Acquisition date fair value of 50% equity interest (immediately before acquisition date)	83,750
Less equity accounted investment as at 30 November 2021	(30,642)
Unrealised gain on fair value adjustment of equity investment	**53,108**
Purchase consideration	
The cash outflow on acquisition is as follows:	
Net cash acquired with the subsidiary	3,784
Cash paid	(83,750)
Net consolidated cash outflow	**(79,966)**

Assets and Liabilities acquired

The Group has recognised the following fair values of the identifiable assets and liabilities of RACT Insurance Pty Ltd at reporting date:

	Fair Value $'000	Carrying amount $'000
Assets		
Cash and cash equivalents	3,784	3,784
Investments securities	62,820	62,820
Current tax assets	3,182	3,182
Reinsurance and other recoveries	4,695	4,695
Premiums outstanding	42,866	42,866
Deferred reinsurance expense	5,858	5,858
Deferred acquisition costs	–	10,446
Other assets	2,467	2,467
Property, plant and equipment	718	718
Right-of-use lease assets	1,508	1,508
Intangible assets		
Software	7,146	46
Customer Contracts	3,900	–
Customer Relationships	16,200	–
Deferred tax assets	–	4,553
Total assets	**155,144**	**142,943**

Notes to and forming part of the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

16. Business Combination (continued)

	Fair Value $'000	Carrying amount $'000
Liabilities		
Amounts due to reinsurers	5,668	5,668
Payables and other liabilities	12,361	12,361
Due to related parties	1,757	1,757
Unearned premium liabilities	64,203	64,203
Outstanding claims liabilities	26,841	29,315
Lease liabilities	1,569	1,569
Deferred tax liabilities	3,078	–
Total liabilities	**115,477**	**114,873**
Net assets	**39,667**	**28,070**
Goodwill arising on acquisition	127,833	–
Total net assets acquired	**167,500**	**–**

Goodwill recognised on acquisition is reflective of the skills and abilities of the assembled workforce, the future growth opportunities from new customers and the growth from ongoing investment in insurance product development.

Measurement of fair values
The valuation methodology used to value the identifiable intangible assets on acquisition of RACT Insurance were as follows:

Software

- The replacement cost approach was used which involved obtianing an overview of the various components of the software from management, obtaining an estimate of the time and resources required to replicate the software.

Customer contracts and relationships

- The multi-period excess earnings method was used which involved obtaining historic and forecast revenue and earnings relating to each customer segment, estimating the probability of loss for each customer segment, application of churn and growth rates to each customer segment, adopted expected EBIT margin for each customer revenue stream.

17. Insurance Activities

Insurance Result
The following table presents the Group's Insurance result included in the Consolidated Statement of Comprehensive Income.

	2022 $'000
Insurance premium revenue	72,311
Outwards reinsurance premium expense	(9,496)
Net premium revenue	**62,815**
Claims expense	(51,275)
Reinsurance and other recoveries income	9,535
Net incurred claims	**(41,740)**
Acquisition costs	(11,757)
Liability adequacy test deficiency	–
Other underwriting expenses	(5,325)
Underwriting expenses (1)	**(17,082)**
Underwriting result	**3,993**
Investment income on insurance funds	(85)
Investment expense on insurance funds	26
Insurance trading result	**4,052**

(1) This represents underwriting expenses incurred in the Group's Insurance segment and includes intercompany charges which eliminate on consolidation.

Notes to and forming part of the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

Net Incurred Claims

	2022 Current Year $'000	2022 Prior Yrs $'000	Total $'000
Direct business			
Gross incurred claims and related expenses	49,405	305	49,710
Reinsurance and other recoveries	(7,755)	(1,781)	(9,536)
Net incurred claims	**41,650**	**(1,476)**	**40,174**

Outstanding Claims

	2022 $'000
Gross central estimate (undiscounted)	31,625
Risk Margin	4,510
Claims handling costs	1,594
	37,729
Discount to present value	(207)
Total gross outstanding claims liabilities (discounted)	**37,522**
Acquisition adjustment for claims adjustment intangible	(1,031)
Outstanding claims liabilities	**36,491**
Current	31,610
Non-current	4,881
Total gross outstanding claims liabilities (discounted)	**36,491**

Reconciliation of Outstanding Claims Liabilities	2022 $'000
Net outstanding claims liabilities at the beginning of the financial year	23,079
Prior periods	
Claims payments	(13,762)
Discount unwind	(13)
Margin release on prior periods	(2,942)
Incurred claims due to changes in assumptions and experience	(1,558)
Current period	
Incurred claims	64,447
Claims payments	(39,238)
Net outstanding claims liabilities at the end of the financial year	30,012
Discounted reinsurance recoveries on outstanding claims liabilities and other recoveries	7,510
Gross outstanding claims liabilities (discounted) at the end of the financial year	**37,522**

Outstanding claims liabilities and assets arising from reinsurance contracts

The Company's estimation of its claims liabilities includes the expected future cost of claims notified to the Company as at reporting date as well as claims incurred but not reported (IBNR) and claims incurred but not enough reported (IBNER). Projected payments are discounted to present value and an estimate of direct expenses expected to be incurred in settling these claims is determined.

17. Insurance Activities (continued)

The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures, with estimates and judgements continually being evaluated and updated based on historical experience and other factors. However, given the uncertainty in the estimation process, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of claims IBNR and claims IBNER are generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where more information about the claim event is generally available.

Estimation of assets arising from reinsurance and other recoveries are also calculated using the methods in Actuarial Assumptions and methods. The recoverability of these assets is assessed on a periodic basis, taking into consideration factors such as counterparty and credit risk.

Actuarial Assumptions and methods

RACT Insurance writes one class of business: Personal insurance.

Personal insurance includes the sale of home, pleasure-craft and motor insurance products throughout Tasmania.

The estimation of the outstanding claims liabilities is based on multiple actuarial techniques that analyse experience, trends and other relevant factors utilising the Company's specific data, relevant industry data and general economic data. Methods undertaken to determine claims liabilities will vary according to the class of business.

The use of multiple actuarial methods assists in providing a greater understanding of the trends inherent in the historical data. The projections obtained from various methods also assist in setting the range of possible outcomes. The most appropriate method or a blend of methods is elected, taking into account the characteristics of the class of business and the extent of the development of each past accident period.

The following assumptions have been made in determining the outstanding claims liabilities on general insurance contract liabilities.

	2022
Weighted average term to settlement (years)	0.44
Weighted average economic inflation rate	5.0%
Discount rate	1.4%
Claims handling expense ratio	5.1%
Risk margin	17.7%

A description of the processes used to determine these assumptions is provided below:

Weighted average term to settlement – The weighted average term to settlement is calculated separately by class of business and is based on historic settlement patterns.

Economic inflation – Economic inflation is based on economic indicators such as the consumer price index and/or increase in average weekly earnings. Inflation assumptions are set at a class of business level and reflect experience and future expectations.

Discount rate – Discount rates are derived from market yields on Commonwealth Government securities at the reporting date.

Claims handling expense ratio – Claims handling expense ratio is calculated with reference to past experience of claims handling costs as a percentage of past claim payments.

Risk margin – The overall risk margin is determined after analysing the relative uncertainty of the outstanding claims estimate for each class of business and the diversification between classes and geographical locations.

The assumptions regarding uncertainty for each class of business are applied to net central estimates, and the results are aggregated, allowing for diversification, in order to arrive at an overall position which is intended to have an approximate probability of sufficiency of 90%.

Impact of changes in key variables

RACT Insurance conducts sensitivity analysis to quantify the exposure to the risk of changes in the key underlying actuarial assumptions. A sensitivity analysis is conducted on each variable while holding all other variables constant.

The table following summarises the sensitivity of the profit and loss to changes in key variables. All amounts are net of reinsurance and taxation at the Company's effective tax rate.

	Movement in variable	2022 Profit (loss) $'000
Weighted average term to settlement	+0.1 years	(103)
	-0.1 years	104
Weighted average economic inflation rate	+1%	(127)
	-1%	127
Discount rate	+1%	130
	-1%	(132)
Claims handling expense ratio	+1%	(370)
	-1%	370
Risk margin	+1%	(255)
	-1%	255

Reinsurance and other recoveries

	2022 $'000
Expected future reinsurance and other recoveries receivable	
Undiscounted	7,564
Discount to present value	(54)
Total reinsurance and other recoveries	**7,510**
Current	7,369
Non-current	141
Total reinsurance and other recoveries	**7,510**
Reconciliation of movements in reinsurance and other recoveries	
Balance at the beginning of the financial year	23,448
Reinsurance and other recoveries income	11,988
Reinsurance and other recoveries received	(27,926)
Balance at the end of the financial year	**7,510**

Deferred acquisition costs

	2022 $'000
Deferred acquisition costs	
Current	6,454
Non-current	–
Total deferred acquisition costs	**6,454**
Reconciliation of movements in deferred acquisition costs	
Balance at the beginning of the financial year	10,028
Acquisition costs deferred	22,444
Acquisition costs charged to profit or loss	(21,665)
Fair value adjustment for deferred acquisition costs	(4,353)
Balance at the end of the financial year	**6,454**

17. Insurance Activities (continued)

Liability adequacy test	2022 $'000
Unearned premium liabilities	70,824
Related deferred acquistion costs	(11,519)
Net unearned premium liability	**59,305**
Central estimate of present value of expected future cashflows arising from future claims	52,044
Risk margin	3,066
Expected present value of future cash flows for future claims including risk margin	**55,110**
Net deficiency/(surplus)	**(4,195)**
Risk margin	**6.95%**
Unearned premium liabilities	
Balance at the beginning of the financial year	62,100
Premiums written during the financial year	130,787
Premiums earned during the financial year	(122,063)
Balance at the end of the financial year	**70,824**
Current	70,824
Non-current	–
Total unearned premium liabilities	**70,824**

Insurance risk management

Policies and practices for mitigating insurance risk

Risk appetite statements are in place and controls are implemented to manage the following components of insurance risk:

Pricing, including pricing strategies, technical pricing and pricing adequacy reviews;

Roles and responsibilities for pricing, the development and approval of new products and changes to existing products;

Processes that identify and respond to changes in the internal and external environment impacting insurance products;

Underwriting, including processes to consider aggregate exposure from a portfolio perspective to determine the actual exposure to particular risks or an event, monitoring of significant accumulation and concentration of risk, and guidelines around the utilisation of reinsurance in pricing and underwriting;

Delegated authorities for the acceptance, assessment and settlement of claims including operational and ex-gratia authority limits;

Procedures relating to the notification, assessment and settlement and closure of claims, and processes to detect and reduce loss associated with claims risk; and

Reserving practices and procedures at individual claim and portfolio level.

The Board receives the Financial Condition Report from the Appointed Actuary who also provides advice in relation to premium, issuing of new policies and reinsurance arrangements in accordance with APRA Prudential Standards.

Concentration of insurance risk is mitigated through diversification over classes of insurance business, the use of reinsurer coverage and ensuring there is an appropriate mix of business. Property catastrophe, per risk and casualty reinsurance contracts are purchased to ensure that any accumulation of losses from a single event is mitigated.

Terms and conditions of insurance business

The majority of direct insurance contracts written are entered into on a standard form basis. Insurance contracts are generally entered into on an annual basis and at the time of entering into a contract all terms and conditions are negotiable or, in the case of renewals, renegotiable. There are no special terms and conditions in any non-standard contracts that would have a material impact on the financial statements. There are no embedded derivatives that are separately recognised from a host insurance contract.

Capital management and capital adequacy

The capital management strategy of the RACT Group is to ensure that efficient levels of capital are maintained and to establish robust processes to ensure that sufficient capital is held at all times. The Company's Internal Capital Adequacy Assessment Process (ICAAP) provides the framework to ensure that the Company is capitalised to meet internal and external requirements.

The ICAAP is reviewed regularly and, where appropriate, adjustments are made to reflect changes in the capital needs and risk profile of the Company. Capital targets are established which are informed by probability of impairment outputs from an annually run Dynamic Financial Analysis model that is calibrated to the Group's most recent financial projection.

All APRA authorised general insurance entities that conduct insurance business in Australia are subject to a risk-based approach for measuring and holding the required regulatory level of capital, referred to as the Prudential Capital Requirement (PCR). The PCR is the minimum level of capital that APRA deems must be held to meet policy owner obligations and consists of the Prescribed Capital Amount (PCA) and any supervisory adjustment determined by APRA. The Group uses APRA's standardised method for calculating the PCA in accordance with the relevant Prudential Standards and holds regulatory capital in excess of the PCA.

The PCA is calculated by assessing the risks inherent in the business, charges for which comprise;

Insurance risk charge to reflect the risks inherent in claims and premium liabilities;

Insurance concentration risk charge to ensure capital is set aside for the risk of loss resulting from a large event or a series of smaller events;

Operational risk charge to ensure capital is set aside for the risk of loss resulting from inadequate processes or failed internal control, people and systems;

Asset risk charge to better reflect the risk of adverse movements in the value of on-balance sheet and off-balance sheet exposures by including a variety of asset stress scenarios as well as some default charges;

An asset concentration risk charge to reflect an overconcentration to counterparties, if any; offset by:

An aggregation benefit, which makes an explicit allowance for diversification between asset risk charges and the sum of insurance risk and insurance concentration risk charges.

These risk charges are quantified to determine the prescribed capital required under the prudential standards. The requirement is compared with the regulatory capital held in RACT Insurance.

For regulatory purposes, capital is classified as follows:

Common Equity Tier 1 (CET1) Capital comprising accounting equity with adjustments for intangible assets and regulatory reserves

Tier 1 Capital comprising CET1 Capital plus Additional Tier 1 Capital such as certain hybrid securities with 'equity-like' qualities;

Tier 2 Capital comprising certain securities recognised as Tier 2 Capital, such as subordinated notes; and

Total Capital, being the sum of Tier 1 Capital and Tier 2 Capital.

CET1 Capital has the greatest capacity to absorb potential losses, followed by Additional Tier 1 Capital and the Tier 2 Capital.

For capital adequacy purposes, a general insurer is required to hold CET1 capital in excess of 60% of PCA, Tier 1 capital in excess of 80% of PCA and total capital in excess of PCR to ensure solvency. For this purpose, a general insurer's capital base is expected to be adequate of its size, business mix, complexity and the risk profile of its business.

RACT Insurance satisfied all regulatory capital requirements during both the current and the prior financial years. The Board of Directors monitors the Company's regulatory capital position on a monthly basis.

Notes to and forming part of the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

17. Insurance Activities (continued)

The following table summarises the capital position and PCA at the end of the financial year.

	2022
Level 2 Insurance Group	**$'000**
Common Equity Tier 1 Capital	
Issued capital	167,500
Retained profits	1,659
Technical provision in excess of liability valuation	6,844
Tax effect of excess technical provisions	(2,053)
Other intangible assets	(140,741)
Deferred tax assets (net of deferred tax liabilities)	(2,827)
Common Equity Tier 1 Capital	**30,382**
Additional Tier 1 Capital	**–**
Tier 2 Capital	**–**
Total Capital	**30,382**
Prescribed Capital Amount	
Insurance risk charge	10,101
Insurance concentration risk charge	2,500
Asset risk charge	5,563
Asset concentration risk charge	–
Operational risk charge	3,924
Aggregation benefit	(3,407)
Total prescribed capital amount	**18,681**
Capital adequacy multiple	**1.63**

18. Financial Instruments

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

Level 1: derived from quoted prices (unadjusted) in active markets for identical financial instruments that the Company can access at the measurement date.

Level 2: derived from other than quoted prices included within Level 1 that are observable for the financial instruments, either directly or indirectly.

Level 3: fair value measurement is not based on observable market data.

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

Notes to and forming part of the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

	30 June 2022			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Assets:				
Cash and cash equivalents	19,834	–	–	19,834
Trade and other receivables	–	59,595	–	59,595
Financial assets at fair value	57,738	17,042	–	74,780
Financial assets held at amortised cost	3,000	–	–	3,000
Loans to associates	–	22	–	22
Total	**80,572**	**76,659**	**–**	**157,231**
Liabilities				
Payables	–	8,522	–	8,522
Borrowings	–	55,000	–	55,000
Total	**–**	**63,522**	**–**	**63,522**

	30 June 2021			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Assets:				
Cash and cash equivalents	10,425	–	–	10,425
Trade and other receivables	–	5,363	–	5,363
Financial assets at fair value	–	698	–	698
Financial assets held at amortised cost	36,000	–	–	36,000
Loans to associates	–	3	–	3
Total	**46,425**	**6,064**	**–**	**52,489**
Liabilities				
Payables	–	4,460	–	4,460
Borrowings	–	–	–	–
Total	**–**	**4,460**	**–**	**4,460**

19. Financial Risk Management Objectives and Policies

An enterprise-wide risk management framework (RMF) has been implemented throughout the Insurance operations of RACT. The Board have adopted a Risk Management Strategy and Risk Appetite Statement for the Group which is aligned to the Board approved and APRA regulated Risk Management Strategy and Risk Appetite Statement of RACT Insurance Pty Ltd. The RMS describes the strategy adopted by the Board and management for managing risk, including risk appetite, policies, procedures, management responsibilities and controls. Implementation of this framework at a Group level is one of the strategic priorities for FY23.

The Board and management recognise that effective risk management is critical to the achievement of the Company's objectives. The Board Risk Committee (BRC) has delegated authority from the Board to carry out the oversight of the adequacy and effectiveness of the risk management frameworks and processes within the Company.

The RMF is subject to an annual review, updated for material changes as they occur and is approved by the Board. It comprises:

- The Company's risk appetite statement and its link to strategic business and capital plans
- Accountabilities and governance arrangements for the management of risk within the Three Lines of Defence model
- The risk management process

The Three Lines of Defence model of accountability involves:

1st line of defence – day to day management and risk control, which is the responsibility of all functions (and staff) and senior management

2nd line of defence – internal assurance, oversight and monitoring of the application of the RMF and measurement and reporting on risk performance and compliance, which is the responsibility of the Chief Risk Officer

Notes to and forming part of the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

19. Financial Risk Management Objectives and Policies (continued)

3rd line of defence – independent assurance is undertaken over internal controls and risk management practices by Internal Audit, the Appointed Actuary and the Appointed Auditor

The Board has delegated authorities and limits to the CEO to manage the business. Management recommends to the Board, and the Board has approved, various frameworks, policies and limits relating to the key categories of risk faced by the Company within the CEO's authorities and limits.

The Executive Leadership Team provides executive oversight and direction-setting across the Company, taking risk considerations into account. The Chief Risk Officer, a member of the Executive Leadership Team, is charged with the overall accountability for both the RMF and risk management capability.

The material risks addressed by the Company's RMF are defined below.

Strategic Risk

Strategic risks arising from strategic and business plans, for example from the development of new products or the introduction of new systems and processes; changes in strategic direction; planned activities such as merger or acquisition; or changes to external environment.

Operational Risk

Operational risks relating to internal processes, people and systems or from external events. Typically including but not limited to the risks associated with outsourcing, business continuity, inadequate human resources, internal and external fraud, risk arising from failures in the storage, use, transmission, management and security of data, project management, business and financial management processes. Resulting from both inadequate or inappropriate design and execution and unexpected residual impacts from this activity that could expose the Group to financial loss and other consequences.

Insurance Risk

Risks relating to core insurance activity such as underwriting practices, claims management, product design and pricing, or reinsurance management. Due to both inadequate or inappropriate design or execution and unexpected residual impacts from this activity that could expose the Group to financial loss and result in the ability to meet its policy holder liabilities.

Credit Risk

Risks arising from the default by transactional counterparties. Exposure to credit risk results from financial transactions with securities issuers, policyholders and reinsurers.

Market & Investment Risk

Risks that arise from the potential for adverse movement in the value of the Group's assets and insurance liabilities due to changes in general market factors, such as interest rates, equity prices, credit spreads and inflation.

Liquidity Risk

Risks associated with inability to meet short term financial obligations from current liquid assets.

Safety Risk

Risks arising from hazards in the physical work environment or by work design and management which lead to harm of people (whether RACT Workers, members or others).

The Company is exposed to the following categories of market risk:

Interest Rate Risk

The risk of loss of current and future earnings and unfavourable movements in the value of interest-bearing assets and liabilities from changes in interest rates.

Equity Risk

The risk of loss of current and future earnings and unfavourable movement in the value of investment in equity instruments from adverse movements in equity prices.

Credit Spread Risk

The difference in yield due to difference in credit quality. This is the risk of loss of current and future earnings and unfavourable movement in the value of investment from changes in credit spreads as determined by capital market sentiment or factors affecting all issuers in the market and not necessarily due to factors specific to an individual issuer.

Notes to and forming part of the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

Exposure to credit risk by credit risk rating

	AAA $'000	AA $'000	A $'000	Below A $'000	Not rated $'000	Total $'000
2022						
Cash and cash equivalents	–	19,834	–	–	–	19,834
Trade and other receivables	279	943	3,568	6	54,799	59,595
Financial assets	–	64,811	–	–	12,969	77,780
Total	**279**	**85,588**	**3,568**	**6**	**67,768**	**157,209**

Exposure to credit risk by past due/impaired

	Neither past due nor impaired $'000	0– 3 months $'000	3 – 6 months $'000	> 6 months $'000	Impaired $'000	Total $'000
Trade and other receivables	58,300	1,050	–	–	245	59,595

Liquidity Risk

To ensure payments are made when they fall due, the Company has the following key facilities and arrangements in place to mitigate liquidity risks:

Investment policy guidelines stipulate that sufficient cash deposits be held at all times to meet day-to-day obligations;

Investment funds set aside within the portfolio can be realised to meet significant claims payment obligations;

In the event of a major catastrophe, cash access is available under the terms of reinsurance arrangements;

Mandated liquidity limits; and

Regularity of premiums received provides substantial liquidity to meet claims payments and associated expenses as they arise.

The following table summarises the maturities of the Company's financial liabilities based on the remaining undiscounted contractual obligations.

	Carrying amount $'000	1 year or less $'000	1- 5 years $'000	over 5 years $'000	Total $'000
Outstanding claims	36,491	31,610	4,881	–	36,491
Payables	8,522	8,522	–	–	8,522
Lease liabilities	2,400	947	1,310	143	2,400
Unearned premium liabilities	70,824	70,824	–	–	70,824

Market Risk

Interest rate risk exposure arises mainly from investment in interest-bearing securities and from ongoing valuation of insurance liabilities. Interest rate sensitive securities within the portfolios include cash, term deposits, at-call investments and indirectly held notes and bonds within pooled investment schemes.

The investment portfolios, which hold significant interest-bearing securities in support of corresponding outstanding claims liabilities, are invested in a manner consistent with the expected duration of claims payments.

The sensitivity of profit and loss after tax to movements in interest rates in relation to interest-bearing financial assets held at the reporting date is shown in the table below. It is assumed that all residual exposures for the shareholder after tax are included in the sensitivity analysis, that the percentage point change occurs at the reporting date and that there are concurrent movements in interest rates and parallel shifts in the yield curves.

Notes to and forming part of the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

19. Financial Risk Management Objectives and Policies (continued)

	Exposure at June 2022	Change in interest rate	Profit/(Loss) after tax
	$	bp	$
Interest bearing securities	92,864	+100	1,010
		-50	(505)
Borrowings	(55,000)	+100	(550)
		-50	275

Equity Price Risk

The Company is exposed to equity risk through indirectly held Australian shares within a pooled investment scheme. The table below presents a sensitivity analysis showing the impact on profit or loss after tax for price movements for exposures as at the reporting date, with all other variables remaining constant.

The movements in equity prices used in the sensitivity analysis for 2022 have been revised to reflect an updated assessment of the reasonable possible changes in equity prices over the next twelve months, given renewed observations and experience in the investment markets during the financial year.

	Exposure at 30 June 22	Movement in Variable	2022 Profit/(Loss) before tax
	$'000		$'000
Units in Equity Trusts	4,770	+10%	477
		-10%	(477)

Credit Spread Risk

The Company is exposed to credit spread risk through its investments in interest-bearing securities, which are largely comprised of corporate notes and bonds indirectly held within pooled investment schemes. This risk is mitigated by incorporating a diversified investment portfolio, establishing maximum exposure limits for counterparties and minimum limits on credit ratings.

The table below presents a sensitivity analysis on how credit spread movements could affect profit or loss for the exposure as at the reporting date.

The movements in credit spread used in the sensitivity analysis for 2022 have been revised to reflect an updated assessment of the reasonable possible changes in credit spread over the next twelve months, given renewed observations and experience in the investment markets during the financial year.

	Exposure at 30 June 22	Movement in Variable	2022 Profit/(Loss) before tax
	$'000		$'000
Credit securities	12,272	+70	(154)
		-30	66

Notes to and forming part of the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

20. Notes to the Statement of cashflows

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:

	CONSOLIDATED	
	2022	**2021**
	$'000	**$'000**
Cash at bank	19,834	10,425
Reconciliation of Profit after Income Tax to Net Cash Flows from Operating Activities		
Profit for the year	57,217	7,950
Add/(less) items classified as investing activities		–
Share of profit of associate	(697)	(4,911)
Net (profit)/loss on investment in associate	(53,108)	–
Net (profit)/loss on disposal of property, plant and equipment	672	(3,232)
Net (profit)/loss related to business acquisition	(520)	–
Add/(less) non-cash items		
Movement in fair value of investments	737	–
Depreciation and amortisation expense	1,436	5,654
		–
Changes in assets and liabilities		
Decrease/(Increase) in premiums outstanding	(4,607)	–
Decrease/(Increase) in reinsurance and other recoveries	(2,815)	–
Decrease/(Increase) in receivables	(199)	(981)
Decrease/(Increase) in inventory	(5)	868
Decrease/(Increase) in deferred acquisition costs	(1,074)	–
Decrease/(Increase) in deferred reinsurance opening position	5,858	–
Decrease/(Increase) in other assets	1,124	206
Decrease/(Increase) in deferred tax assets	3,314	3,440
(Decrease)/Increase in payables	(1,955)	320
(Decrease)/Increase in unexpired subscriptions	703	746
(Decrease)/Increase in provision for employee benefits	494	(1,578)
(Decrease)/Increase in provision for income tax liabilities	(4,073)	(1,570)
(Decrease)/Increase in amounts due to reinsurers	(4,156)	–
(Decrease)/Increase in amounts due to related parties	–	–
(Decrease)/Increase in outstanding claims liabilities	8,207	–
(Decrease)/Increase in unearned premium liabilities	6,622	–
(Decrease)/Increase in tax effect entries taken directly to equity	(133)	(66)
Net cash from/(used in) operating activities	**13,042**	**6,846**

21. 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 2022, the number of subscribing members was 132,932 (2021 – 130,618).

Notes to and forming part of the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

22. Related Party Disclosures

Transactions

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.

Related party transactions

	2022 $'000	2021 $'000
The aggregate amounts included in the determination of profit before tax that resulted from transactions with related parties are:		
RACT Insurance Pty Ltd		
Commissions, rent and IT management paid or due and payable	6,441	14,495
Insurance premiums received or due and receivable	107	152
Insurance claims paid or due and payable	22	39

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.

The names of directors of The Royal Automobile Club of Tasmania Limited who have held office during the financial year are:

Ms J M Archer (to 30 November 2021)
Mr P A Dixon
Ms E M Dixon (from 14 March 2022 to 25 March 2022)
Mr R P Doedens (excluding from 1 December 2021 to 13 March 2022)
Mrs A J Flakemore (President from 30 November 2021)
Ms J A Franks
Mr P C Jones (to 30 November 2021)
Mr R Knightley
Mr P A W Kolkert
Ms J A L Richardson
Ms S L Smith
Mrs K A Westwood (to 30 November 2021)

The names of directors of RACT Insurance Pty Ltd who have held office since the acquisition of the Company are:

Mr Anthony Collins
Ms Elaine Collins
Mr Ian Gillespie (Chair)
Mr Peter Joyce
Mr Pieter Kolkert
Mrs Kathryn Westwood

As a result of the acquisition of RACT Insurance and RACT Group consolidated financial statements are required to include the fees paid to both RACT Group directors and RACT Insurance directors. The fees disclosed in this note include the addition of the Insurance director fees for the period following the merger.

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

23. Key Management Personnel

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

	CONSOLIDATED	
	2022 $'000	2021 $'000
RACT Directorship Fees[1]	369	388
Amounts due to directors for additional roles[2]	384	32
Ancillary amounts paid to directors[3]	75	38
Total remuneration for directors	**828**	**458**

1. Amounts allocated in accordance with cl.9.15(a) of the Constitution as approved by a resolution members passed in November 2020 (Member approved limit 2022: $610k).
2. Amounts payable and excluded from the member approved amount in accordance with cl.9.15(g) Increase in reported amount in 2022 due to inclusion of RACT Insurance director fees from 1 December 2021.
3. Amounts payable and excluded from the member approved amount in accordance with cl's.9.15(b) & 9.15(f).

Notes to and forming part of the Financial Statements

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

\$0 – \$9,999	–	–
\$10,000 – \$19,999	4	1
\$20,000 – \$29,999	–	–
\$30,000 – \$39,999	1	6
\$40,000 – \$49,999	4	4
\$50,000 – \$59,999	1	–
\$60,000 – \$69,999	1	1
\$70,000 – \$79,999	3	–
\$80,000 - \$89,999	–	–
\$90,000 – \$99,999	1	–
\$100,000 – \$119,999	1	–
	16	**12**

Remuneration for key management personnel as listed:

The totals of remuneration paid to key management personnel (KMP) of the Group during the year are as follows:		
Short-term employee benefits	2,617	1,716
Post-employment benefits	273	160
Other long-term benefits	–	–
Termination benefits	425	15
	3,315	**1,891**

Key management personnel:

Mr G Bailey – Chief Advocacy Officer

Mr B Callaway – Chief Mobility Office (from 16 August 2021)

Mr J Holliday – Chief Information Officer (until 22 October 2021)

Mr M Hopster – Company Secretary (until 27 January 2022)

Mr S Lester – Executive Officer (from 5 December 2021

Mr S Lester – Chief Risk Officer (until 5 December 2021)

Mr S Lester – Acting Chief Mobility Officer (from 18 May 2021 – 16 August 2021)

Mr S Lester – Acting Chief Financial Officer (from 23 August 2021 until 27 January 2022)

Mrs Kathleen Mackay – Chief Technology Officer (from 11 October 2021)

Mr M Mugnaioni – Group Chief Executive Officer

Ms S Pennicott – Chief Member Experience Officer

Ms J Reid – Chief Risk Officer (from 5 December 2021)

Mr P Riley – Chief Financial Officer and Company Secretary (from 27 January 2022)

Ms A Robertson – Chief Financial Officer (until 20 August 2021)

Ms I Shannon–Smith – Chief People Officer (from 13 September 2021)

Mr P Sofronoff – Chief Insurance Officer (from 8 November 2021)

Ms D Underwood – Chief People Officer (until 20 August 2021)

Notes to and forming part of the Financial Statements

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24. Parent Entity Information

Information relating to The Royal Automobile Club of Tasmania Limited:

	CONSOLIDATED	
	2022	2021
	$'000	$'000
Current assets	23,926	15,893
Non-current assets	171,152	34,780
Total assets	**195,078**	**50,673**
Current liabilities	39,360	12,614
Non-current liabilities	60,727	5,961
Total liabilities	**100,087**	**18,575**
Net assets	**94,991**	**32,098**
Retained earnings	88,063	25,983
Cashflow hedge reserve	–	–
Asset revaluation reserve	6,928	6,115
Total equity	**94,991**	**32,098**
Profit/(loss) of parent entity	53,771	(359)
Other comprehensive income	–	(220)
Total comprehensive income of the parent entity	**53,771**	**(579)**

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.

25. Details of controlled entities

	PERCENTAGE OF SHARES HELD	
	2022	2021
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 Insurance Pty Ltd (ii) (iii)	100	50
RACT Investment Holdings Pty Ltd (ii)	100	–
RACT Holdings Pty Ltd (ii)	100	100

Notes to and forming part of the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

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 entities 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.

(iii) Control was acquired during the financial year, the Company was previously held as an investment in associate.

26. Correction of errors

During 2022, the Group discovered the disposal of the Destinations tourism assets segment had not been disclosed as a discontinued operation of the group in the 2021 financial statements. This error has been corrected through the inclusion of note 27, which discloses the discontinued operation impacts on profit for the 2022 and 2021 financial years, as well as an adjustment to the statement of comprehensive income and related balances in note 2.

The following tables summarise the impacts on the Groups consolidated financial statements.

Further, the effect of disposal on the financial position of the Group which would have otherwise been disclosed in 2021 is included in this correction note.

	CONSOLIDATED 2021		
Statement of Comprehensive income	**As previously reported $'000**	**Adjustments $'000**	**As restated $'000**
Continuing operations			
Revenue from contracts with customers	61,864	(26,954)	34,910
Investment Income	288	–	288
Other income	7,636	(5,163)	2,473
Total revenue	**69,788**	**(32,117)**	**37,671**
Share of profit of associates	4,910	–	4,910
Total income	**74,698**	**(32,117)**	**42,581**
Expenses			
Personnel costs	(29,919)	10,443	(19,476)
Operating costs	(8,109)	2,341	(5,768)
Cost of goods sold	(5,272)	4,423	(849)
Marketing costs	(2,009)	351	(1,658)
Technology costs	(4,032)	214	(3,818)
Occupancy costs	(4,919)	3,689	(1,230)
Corporate costs	(2,793)	399	(2,394)
Interest costs	(2,234)	1,788	(446)
Depreciation and amortisation expense (i)	(5,654)	2,387	(3,267)
Total expenses	**(64,941)**	**26,035**	**(38,906)**
Profit before income tax	**9,757**	**(6,082)**	**3,675**
Income tax benefit/(expense)	(1,807)	1,502	(305)
Profit from continuing operations	**7,950**	**(4,580)**	**3,370**
Discontinued operation			
Profit from discontinued operation, net of tax	–	4,580	4,580
Profit for the period	**7,950**	**–**	**7,950**

(i) The depreciation and amortisation expense balance previously reported was also disclosed within note 8 (Intangibles), note 11 (Property, Plant and Equipment), and note 12 (Leases) in the 2021 notes to the financial statements. As the balance and movement related to discontinued operations as a total are displayed in the statement of Comprehensive Income, these notes have not been restated for the impact of discontinued operations.

Notes to and forming part of the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

26. Correction of errors (continued)

	CONSOLIDATED 2021		
Note 2. Revenue	**As previously reported $'000**	**Adjustments $'000**	**As restated $'000**
Revenue from contracts with customers			
Membership subscriptions	18,063	–	18,063
Financial Services	12,439	–	12,439
Motoring Services	2,615	–	2,615
Corporate services	1,622	–	1,622
Advertising	171	(171)	–
Hospitality revenue	26,954	(26,783)	171
	61,864	**(26,954)**	**34,910**
Other income			
Rental revenue	2,245	(315)	1,930
Other revenues	2,158	(1,702)	456
Profit on sale of property, plant and equipment	3,233	(3,146)	87
	7,636	**(5,163)**	**2,473**

27. Discontinued operation

On 30 April 2021, all tourism business assets were sold to NRMA and operations in this segment were discontinued.

Revenue, expenses and tax implications related to activities prior to disposal continue to be recognised. Events that impact post 30 April 2021 operating activity results may include: adjustments to provisions or other balance sheet accounts, refunds, and supplier payment requests not previously recognised.

The tourism segment was not previously classified as held for sale or as a discontinued operation, as a result a correction of prior period error is required (see note 26) and comparative consolidated statement of profit or loss and OCI has been re-presented to show the discontinued operation separately from continuing operations.

	CONSOLIDATED	
Results of discontinued operation	**2022 $'000**	**2021 $'000**
Revenue	117	28,485
Expenses	(41)	(25,547)
Results from operating activities	**76**	**2,938**
Income tax	207	(559)
Results from operating activities, net of tax	**283**	**2,380**
Gain on sale of dicontinued operation assets	–	3,145
Income tax on gain on sale of discontinued operation assets	–	(944)
Profit from discontinued operations, net of tax	**283**	**4,580**
Cash flows from/(used in) discontinued operation		
Net cash from operating activities	70	3,136
Net cash from investing activites	–	58,935
Net cash used in financing activities	–	(28,806)
Net cash flows for the year	**70**	**33,265**

Notes to and forming part of the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

The effect of disposal on the financial position of the Group which would have otherwise been disclosed in 2021 is also detailed below.

	CONSOLIDATED
Effect of disposal on the financial position of the Group	**2021**
	$'000
Property, plant and equipment	(52,978)
Right-of-use leased assets	(4,812)
Other current assets	(170)
Intangibles	(3,013)
Payables	(65)
Lease Liabilities	5,291
Employee provisions	(672)
Net assets and liabilities	**(56,419)**
Net proceeds received, satisfied in cash	**59,564**

28. Contingent Liabilities – Regulatory and internal reviews

Reviews and enquiries from regulators may result in investigation costs, administrative costs, legal costs, system changes and compensation and/or remediation payments (including interest) or fines and penalties. The Group also conducts its own internal reviews of its regulatory compliance, which may result in similar costs. An assessment of the likely cost of the Group of reviews and customer complaints has been made on a case-by-case basis but cannot always be reliably estimated. To the extent that the potential impact can be reliably estimated, the amount has been provisioned.

29. Subsequent Events

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material or unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

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.*

A J FLAKEMORE
DIRECTOR

R P DOEDENS
DIRECTOR

Hobart, 28th September 2022

Independent Auditor's Report

KPMG

Independent Auditor's Report

To the shareholders of The Royal Automobile Club of Tasmania Limited

Opinion

We have audited the ***Financial Report*** of The Royal Automobile Club of Tasmania Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group***'s financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated Statement of financial position as at 30 June 2022
- Consolidated Statement of comprehensive income, Consolidated Statement of changes in equity, and Consolidated Statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Group in accordance with 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 (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of The Royal Automobile Club of Tasmania Limited, would be in the same

Independent Auditor's Report

terms if given to the Directors as at the time of this Auditor's Report.

Emphasis of matter – Restatement of comparative balances

We draw attention to Note 27 to the financial statements, which describes a correction to the 2020-21 discontinued operations and disclosed as comparatives in this financial report. Our opinion is not modified in respect of this matter.

The financial report of The Royal Automobile Club Ltd for the year ended 30 June 2021 was audited by another auditor who issued an unmodified opinion on that financial report.

Other Information

Other Information is financial and non-financial information in The Royal Automobile Club of Tasmania Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and

Independent Auditor's Report

KPMG

- 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf .This description forms part of our Auditor's Report.

KPMG

Sascha Adams

Partner

Hobart, Tasmania

28 September 2022

2021-22 was a period of strong growth requiring a response to rapid change. We insure 1 in 3 Tasmanians' most valuable assets.

Club Directory

ANNUAL REPORT 2021-2022
THE ROYAL AUTOMOBILE CLUB OF TASMANIA LIMITED
ABN 62 009 475 861

President
Alison Flakemore

Vice President
Jenny Richardson

Board
Peter Dixon
Ralph Doedens
Jude Franks
Risden Knightley
Pieter Kolkert
Sue Smith

Company Secretary
Patrick Riley

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 from August 21), Bill Enkelaar, Bruce Clark, Rodney Medwin, Bruce Buxton, Garry Hills, Michelle Harwood, Leon Peck (resigned as Chair, August 21), Marcus Stephens, Sarah Jones.

South: Jude Franks (Chair until Feb 2022), Bill Lawson, Ian Holloway, Chris Breen, David Paton, Jim Nicholson, Ralph Doedens, Alison Hetherington, Michael Edrich, James Semmens, Rahul Rajan, Chris Boron, Jenny Richardson (Chair from Feb 2022).

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

Executive Leadership Team (as at 14 September 2022)
Mr G Bailey - Chief Advocacy Officer
Mr B Callaway - Chief Mobility Officer
Ms K Mackay - Chief Technology Officer
Mr S Lester - Executive Officer
Mr M Mugnaioni - Group Chief Executive Officer
Ms S Pennicott - Chief Experience Officer
Ms I Shannon-Smith - Chief People Officer
Mr P Riley - Chief Finance Officer
Ms J Reid - Chief Risk Officer
Mr P Sofronoff - Chief Insurance Officer

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

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Hobart, Tasmania, 7001

Contact Details
Telephone: 13 27 22
Website: ract.com.au

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

Useful Numbers:
RACT General Enquiries: 13 27 22
RACT Roadside Assistance: 13 11 11
RACT Ultimate Members: 1800 088 865
RACT AutoServe: 1300 127 684
RACT Driving Training: 13 27 22
Travel enquiries: 1300 368 111

Auditors
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3/100 Melville Street Hobart,
Tasmania, 7000

Burnie
24 North Terrace, 7320

Devonport
68 Rooke Street Mall, 7310

Glenorchy
Cnr Main Road & Terry Street, 7010

Hobart
Murray Street
179-191 Murray Street, 7000

Kingston
Shop 60, Channel Court, 7050

Launceston
Cnr York & George Streets, 7250

Rosny Park
Rosny Mall, 2 Bayfield Street, 7018

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Twitter.com/RACTOfficial
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YouTube.com/user/ractwebsite

Customer Service 13 27 22 **Roadside assistance** 13 11 11 **Website** ract.com.au