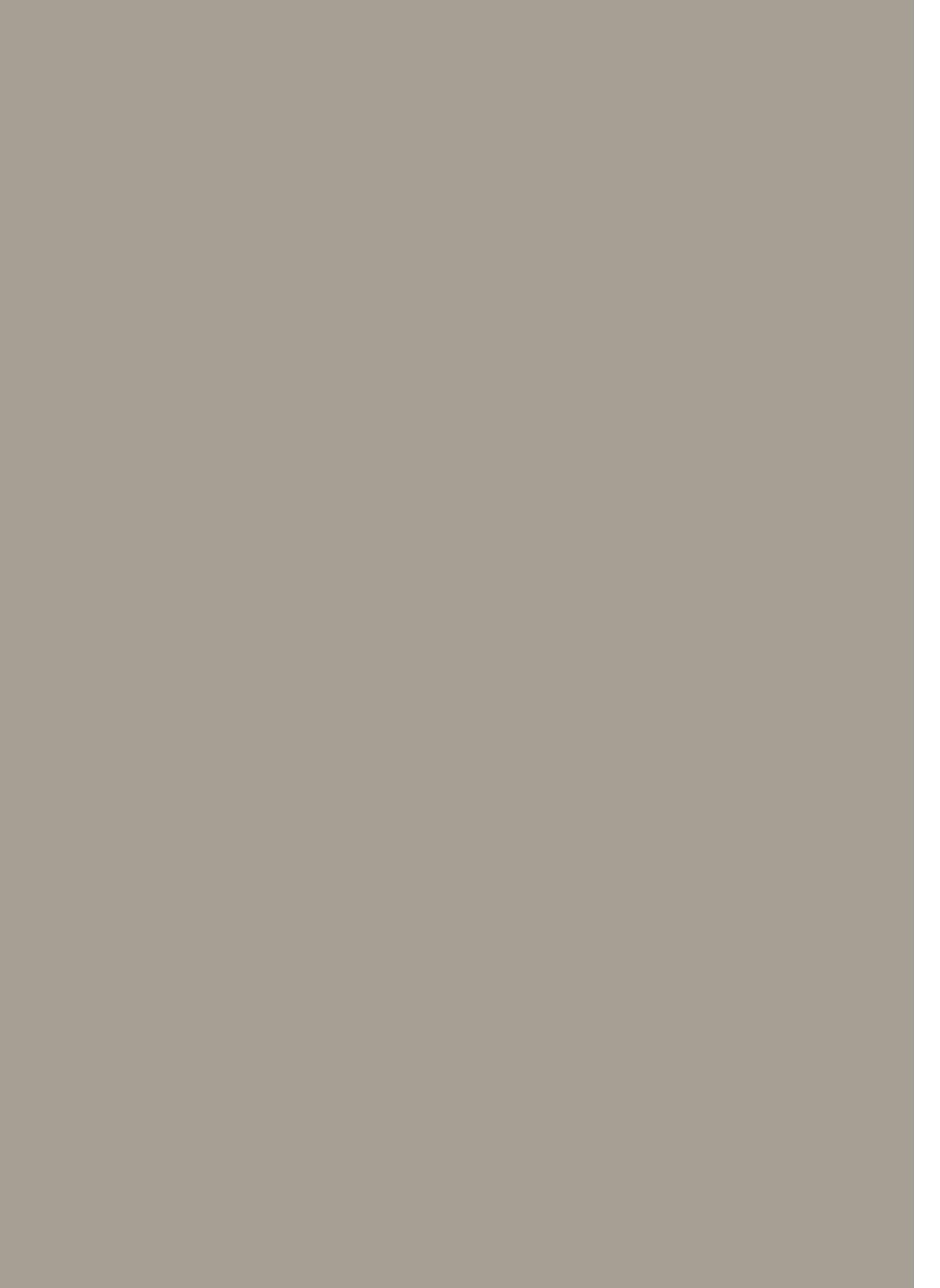


RACT



The Royal Automobile Club of Tasmania Limited

Annual Report 2011/12



THE ROYAL AUTOMOBILE CLUB OF TASMANIA LIMITED

ABN 62 009 475 861

Patron

His Excellency, The Honourable
Peter Underwood AC
Governor of Tasmania

President

Stuart Slade
Vice Presidents
Peter Joyce
Kathryn Westwood

Board

Josephine Archer	Robin Holmes
Edward Best AM	Chris Langdon
David Catchpole	Roger Locke
Bruce Clark	Anthony Stacey AM
Peter Dixon	

Honorary Life Members

David Catchpole
Trevor Challen OAM
Denis Nation
Anthony Stacey AM
Jean Trethewey OAM

Regional Advisory Committees

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

North West: Dale Prosser (Chairman); John Bloomfield; Simon Buxton; Bruce Clark; Ian Day (to 17 Nov 11); Bill Enkelaar; Kay Kidd; Rodney Medwin; Leon Peck (from 7 March 12); Joe Rattray; Michael Dixon (Secretary).

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

Registered Head Office Corner Murray and Patrick Streets
Hobart, Tasmania, 7000

Postal Address GPO Box 1292, Hobart,
Tasmania, 7001

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

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

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

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

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

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

Leadership Team

Chief Executive Officer: Harvey Lennon

Chief Operations Officer: Craig Petterwood

Chief Financial Officer: Judith Dew

Chief Information Officer: Ian Farquhar

General Manager, Public Policy and Communications:
Vince Taskunas

General Manager, Roadside and Technical Services:
Darren Moody

General Manager, Member Services: Greg Hankin

General Manager, People & Culture: Lyndell Shephard

General Manager, Strategic Development: Darren Turner

Contents

Chairman's Report	2
Chief Executive Officer's Report	4
The Year in Detail	7
Directors' Report	17
Auditor's Independence Declaration	20
Statement of Comprehensive Income	21
Statement of Financial Position	22
Statement of Changes in Equity	23
Statement of Cash Flows	24
Notes to and forming part of the Financial Statements	25
Directors' Declaration	45
Independent Auditor's Report	46

"Good governance has never been as important as now, with many organisations facing challenging times due to the continuing aftershocks from the global financial crisis in 2008."

While the RACT faced some challenges this year given the propensity of consumers everywhere to reduce spending, along with the generally difficult business environment, it finished the year in a healthier financial position than last year.

I wish to note that the Board includes four standing committees and all worked diligently and carefully through the course of this challenging year.

- Audit and Risk Management Committee, chaired by Robin Holmes
- Investment Committee, chaired by Kathryn Westwood, Vice President
- Road and Traffic Committee, chaired by Peter Joyce, Vice President
- Governance and Remuneration Committee, chaired by myself

The Board took part in several strategic planning sessions during the year as the organisation discussed and developed a new five-year strategic plan.

There was also a performance review of the Board to confirm that we have the right balance of skills to ensure good corporate governance of the RACT.

Our Road and Traffic Committee commenced a comprehensive review during the year of the club's public policies to ensure they are up to date. Infrastructure and road safety are fast-evolving areas in terms of technology, funding mechanisms, taxes and charges, and social attitudes; and it is important that our policies are relevant to the motoring realities of the 21st century.

During the year, the Board met in the three regions of the state. The club is a state-wide organisation with branches located in each region, and a full suite of services is provided in each region. At Board level, all regions of the state are represented. This provides clarity of purpose in the decisions taken by the Board.

During the year our three Regional Advisory Committees met regularly as separate entities and, for the second time in the RACT's history, came together for a joint meeting to share ideas and experiences, and to receive briefings from key agencies involved in infrastructure and road safety, including DIER and Tasmania Police.



These regional committees provide advice to the RACT on local road safety issues, and take up members' complaints with councils and government agencies. The advisory committees consist of volunteers with an interest in promoting road safety and better road infrastructure, and they take to their role with a great deal of commitment and enthusiasm.

During the year, the North Western Regional Advisory Committee travelled to Strahan on the initiative of its chairman, West Coast Police Senior Sergeant Dale Prosser. The RACT's Chief Executive Harvey Lennon joined the group for a tour to examine local roads issues and for meetings with concerned West Coast groups.

At a national level, I wish to note the continuing evolution of the various motoring clubs into a more consultative and collaborative body. This co-operation is being facilitated through the Australian Automobile Association. Both the Chief Executive and I sit on the Board of the AAA, and during the year I attended three AAA meetings.

One of these meetings was at Parliament House in Canberra and this was an important opportunity for the motoring clubs to highlight to federal parliamentarians the major issues facing motorists in 2012. Given the finely-balanced nature of the federal parliament I was pleased that we were able to network with both major sides of politics, including the Minister for Infrastructure and Transport, Anthony Albanese and Leader of the National Party and Shadow Minister for Infrastructure and Transport, Warren Truss.

Meetings such as this are very advantageous to our cause. The federal parliamentarians I met in Canberra recognised that the clubs represent a very large group of motorists and they were keen to maintain their dialogue with us.



Members of the RACT's North West Regional Advisory Committee together with a DIER representative were briefed in Strahan by West Coast Mayor Daryl Gerrity on road safety and infrastructure issues in the region. Here Mayor Gerrity (right) discusses issues with (from left) committee members Rodney Medwin and Leon Peck.

It is worth recording here that RACT membership grew at a higher pace this year than the average AAA membership. As I have reported, this was a challenging year to be in business, but the RACT grew its membership by .62%, while the national average – or AAA membership through the various clubs – grew at .45%. In fact some clubs on the mainland saw a slight drop in their membership levels, so the result achieved in Tasmania is all the more noteworthy.

At the end of the financial year the AAA represented 7.034 million members of motoring clubs, representing 6.75 million cars on Australian roads.

Although most of the interstate clubs are larger than the RACT, our own club is a major contributor in the forums that now exist to allow the clubs to share knowledge and ideas at levels ranging from management to the Boardroom.

During the year the RACT contributed to the UN Decade of Action for Road Safety 2011-2020. Now a year old, this landmark international event has seen the RACT highlighting the proper installation and use of child restraints as a simple and effective way of making travel safer for young children.

Globally, about 1.3 million people die in road crashes each year, and up to 50 million people are injured. About ten million of these are children.

Again this year, the RACT conducted 50-year member celebrations in each of the regions.

These occasions are a matter of great pride to our club. Few Tasmanian organisations can point to a membership of such conspicuous loyalty and longevity. Each 50-year member is invited to attend a lunch where they are presented with plaques of appreciation by the RACT. I particularly enjoy these occasions and like to point out to recipients that they have remained members of the RACT through 12 Prime Ministers and 14 Tasmanian Premiers.

An indication that we're living longer is also evident in these 50-year member events. In 2008 there were 92 recipients of 50-year member plaques. On our current membership numbers there will be in the next five years about 2810 members eligible for this award.

The RACT was again this year, perhaps more than ever, deeply involved in supporting community undertakings. I attended many of these occasions such as Symphony Under the Stars, where I could reflect that the support of the RACT contributed to a tremendous event bringing much happiness to Tasmanians.

Here are just some of our activities for the record.

North West

The RACT committed \$5000 per year to provide a scholarship to a Wynyard university student to assist her study psychology at the Launceston campus of UTAS.

The scholarship forms part of the University's West North West bursary program.

The RACT sponsored achievement awards at the Spreyton, East Devonport and Nixon Street Primary Schools.

RACT sponsorship went to the Wynyard and Ulverstone Bowls Clubs and the East Ulverstone Football Club.

Support came from the RACT for the Burnie City Eisteddfod, the Burnie Musical Society, and Hellyer College's musical production, *Sweet Charity*.

North

The RACT supported many activities from Festive to the Launceston Tornadoes basketball club.

We gave support to the Old Scotch Football Club, and Ladies Golf Country Week.

Launceston and Invermay Bowls Clubs were also supported by the RACT.

The RACT took out signage at Aurora Stadium as a tangible way of supporting both this superb football stadium and AFL football in northern Tasmania.

South

The RACT supported the Theatre Royal and assisted in bringing AFL football to Blundstone Arena.

The club supported Glenorchy Girl Guides, and donated a first aid kit to Kingston Childcare Centre and Kingborough Family Day Care.

Carols by Candlelight at Clarence, the Rosny Bowls ladies day, the Seafarers' Festival and the Royal Hobart Hospital research breakfast were all supported by the RACT.

Other sponsorships around the south included the Huonville Masters' Golf Day, a Seniors' Expo at Kingston, the Glenorchy Fun Run and Aurora Disabilities.

Many of the activities and initiatives I have listed here are comparatively small. But the RACT believes they are just as important to support as bigger events and activities, such as the Tasmanian Olympic Council, the Cancer Council of Tasmania, and Ronald McDonald House

Finally, I wish to recognise the good and co-operative working relationship that exists between the Board of the RACT and the senior management. I also wish to acknowledge my fellow Directors and our many partners in Tasmania who assisted the RACT in delivering its services and products and contributed to a healthy bottom line at the end of the financial year.



Stuart Slade



Among the many 50-Year members honoured during the year was Kay Kidd, well-known former North West Coast businessman and a member of our North West Advisory Committee.

"Four years after the global financial crisis of 2008, the road to recovery remained bumpy in 2012. During the year some world economies continued to struggle – Greek sovereign debt raised questions about an unravelling of the Eurozone, global corporate earnings were reduced in many instances, and the consumer mood remained cemented in caution.

Against this canvas, the RACT experienced a successful year, with growth in most core businesses resulting in a surplus that will stand the club well in the years ahead in terms of underpinning its core viability in continuing uncertain times, and the delivery of new service offerings for members.

The club's various business centres all performed well given the consumer confidence levels that currently exist. These results contrasted sharply with most organisations that offer services to the public.

RACT Insurance experienced higher re-insurance costs but benefited from fewer significant storm and bushfire events. This year, the number of house fires was also down.

However, insurance is a cyclical undertaking and good governance dictates that the RACT Insurance surplus achieved this year will be banked against future years, when significant weather and other events cause a higher demand on insurance resource, as has occurred several times in the last decade.

RACT Insurance finished the year with a 9.1% increase in Gross Written Premium. The result was assisted by the withdrawal of a retail presence in Tasmania by competing insurers. This brought some new business to RACT Insurance, which also maintained a consistent marketing presence in the Tasmanian community.

Membership of the RACT rose slightly, despite the prevailing consumer sentiment. Total membership, comprising both Access and Roadside membership, stands at 190,541. Access members enjoy most of the benefits of RACT membership, such as the popular Show Your Card and Save program, but do not have Roadside breakdown membership.

Roadside membership stands at 117,787, which is an increase of .62%, and within this category of membership, the premium Ultimate membership rose by 4.1% and now represents 46% of all Roadside membership. Compared to clubs in other states, where in a number of cases membership levels dropped, this is a strong performance by the RACT.



During the year the RACT provided the opportunity for members to receive their renewal notice by email instead of the traditional paper copy. This helps to reduce paper consumption and has been well received by members.

The many benefits of RACT membership were demonstrated this year through the sale of discount movie tickets. More than \$100,000 worth of movie tickets were sold through RACT branches, saving members a total of \$45,000.

In another initiative, the club embarked on the sale of Woolworths WISH Gift Cards through branches at a 5% discount to members. In the first three months of its operation, more than \$142,000 worth of cards were sold to members, saving them a total of \$7133. It is estimated that over a full 12 months, member savings on these gift cards will exceed \$50,000.

RACT Roadside patrols attended 79,565 calls for assistance, compared to 78,090 last year. On average, each metropolitan call for help was attended within 29 minutes or less from the initial call for help.

The RACT Battery Service enjoyed exceptionally strong sales. It provided more than 8000 batteries to members through the patrol and contractor networks.

RACT Travelworld recorded a slight decline in activity, but finished the year with revenue similar to the prior period. This performance is consistent with the travel industry as a whole.



2012 is the 175th anniversary of the Theatre Royal and we were proud to announce our sponsorship as principal partner of this significant and historic Tasmanian institution. Tim Munro, Chief Executive of the Theatre Royal, told our CEO Harvey Lennon that RACT support would help bring an extraordinary range of performances to Tasmania.

At RACT Travelworld, lack of growth in the first half of the year reflected a caution about discretionary spending by Tasmanians. However, earnings picked up in the second half of the year, and while it is too early to predict a recovery in travel patterns it is certainly a hopeful sign.

During the year, the Collins Street office was transformed into a Cruise Travel Centre, specialising in what is now the fastest growing segment of the travel market. Complementing this, RACT Travelworld conducted a Cruise Sale Day that attracted 1000 potential customers. River cruising in Europe and China remained popular, with Vietnam and Burma showing increases in sales.

The collapse of Air Australia during the course of the year saw the RACT and RACT Travelworld cover the losses in full for members affected by the airline failure. We were the only company in Tasmania to take this action.

RACT Health Insurance performed to our budget expectations in its first full year of operation, and I'm pleased with the response in the community to this new service. The RACT Health Insurance product offerings appealed to a broad demographic, and unusually for the health insurance sector, there has been strong demand for our Gold and Platinum packages.

The different businesses that make up the RACT Group achieved a surplus after tax of \$6 million dollars. These funds will help buffer the RACT in continuing uncertain times, and will drive new services and products that are currently under consideration or active development.

During the year a great deal of work was undertaken on RACT AutoServe, a new product due for launch in the new financial year. This new service will provide high-quality vehicle servicing and repairs. It will introduce more choice for consumers, backed by the trusted name of the RACT and its extensive network of Approved Repairers.

In the year ahead, we anticipate other new services being introduced at the RACT, demonstrating the club's commitment to returning its surpluses to members through innovative new services and products.

There was significant investment in time and resources throughout the year on an upgraded website for the RACT. This included extensive research into what members wanted from their RACT website. The updated website will be launched in the new financial year, together with an updated intranet, while a Member Relationship Management (MRM) system is also being developed.

The fast-moving world of communications means increasing numbers of people are trying to access the RACT website from tablets such as iPads and mobile phones.

The club's website was initially developed before these mobile applications achieved broad appeal and became widely used in the community, and is not optimally suitable for interfacing with the new technology. In future, the website will be much friendlier for mobile applications and will feature a simpler screen to navigate, and improved search capabilities.

The acquisition of four new tow trucks and two new breakdown vans underscored the importance of our Roadside service in meeting the core needs of our members, while major capital expenditure went into works on our Glenorchy and Kingston branches. Kingston, in particular, involved a whole new office and fit-out.

Our branch network is a key differentiator for the RACT. While some organisations have replaced branches with call centres and online facilities, the RACT sees our branches as fundamental to the way we connect with communities across Tasmania.

During the year, the RACT developed a statement of the club's values and vision for the years ahead. Summed up as The RACT Way, the values and vision of our club were achieved through the participation of all our staff. Workshops held at staff level heard stories of how staff had gone beyond expectations to assist members.

Here are two examples of The RACT Way in action.

- When Chilean ash clouds closed Tasmanian skies to airline schedules, a member travelling to the US turned to the RACT for help. A travel consultant managed to negotiate the last seat on the *Spirit of Tasmania*, and when the customer had no way of getting to Devonport to board the ferry, our consultant drove her to the ferry terminal in her own car after work.
- A member parked at a public car park for an appointment at the Royal Hobart Hospital. It turned out that she had to be admitted immediately and staff at the hospital notified the RACT because of the member's concern that her car may spend days in the car park. An RACT staff member and patrol visited the hospital, took her car keys, and drove the car home for her.

Complementing The RACT Way, the RACT developed a new five-year strategic plan to provide a roadmap for the development of services through until 2017. This was a major planning exercise with four main themes:

- Enhancing member experience
- Building organisational capability
- Ensuring organisational sustainability
- Actively engaging with the Tasmanian community.

Life can be painful.
Your health insurance shouldn't be.

RACT HEALTH INSURANCE

RACT Health Insurance, we believe in giving you affordable cover you can understand. Choose from any of our four flexible and flexible policies, ranging from basic to more complete comprehensive packages. So RACT Health Insurance has what you need when it's just what you expect from the RACT. To just call 13 27 22, visit ract.com.au/healthinsurance or stop into your local branch.

ract.com.au/healthinsurance 13 27 22

Introduced during the year in review, RACT Health Insurance gives Tasmanians more competition and more choice and expands the range of services provided by the club. The Tasmanian community has responded well to the variety of product offerings. Unusually for this insurance sector, there has been strong demand for RACT Health Insurance's Gold and Platinum packages.

The strategic plan took much of its purpose from the development of The RACT Way values and vision. It enshrines something the RACT has done for many years – engaging in the community on behalf of our members. Put simply, we want to influence outcomes on matters that are important to our members.

This year, our community involvement was more extensive than ever before. From the arts to sport, and from big undertakings to micro community activities, the RACT provided support and assistance to more than 100 events, activities and initiatives in communities statewide. The RACT is always keen to explore partnerships that will impact positively both at the community level and on the RACT itself.

During the year the RACT undertook new partnerships with the Tasmanian Symphony Orchestra, the Theatre Royal and with the AFL to further encourage matches in this state.

Other activities included support for the Australian Business Arts Foundation, Hockey Tasmania, A Night on the Terrace in Burnie, Festivale in Launceston, and support partnerships with a range of organisations including the Rotary Youth Driver Awareness program (RYDA), The Smith Family and the Tasmanian Air Rescue Trust.

Our branches also undertook local sponsorships of activities involving schools, bowls clubs, sporting activities and community events. In addition the RACT and RACT Insurance operate a Community Fund, which this year provided two rounds of funding for a total of ten local projects and undertakings.

These included support for the North West Environment Centre's efforts to provide excess farm-grown and backyard produce to people in need; and funds for the Tasmanian Conservation Trust to produce a bus-back panel warning of the dangers of wildlife on roads at night.

The RACT also teamed up with Kidsafe Tasmania, supported by the MAIB, to provide information sessions in North West Tasmania about child restraints in vehicles, and again this year the RACT maintained a strong advocacy program on road funding and road safety issues.

We continued to keep up the pressure on the Tasmanian Government to dump confusing rural End Speed Limit signs in favour of signage that states the legal speed limit on the road ahead. We also made a detailed submission to the Government ahead of the state budget, and we held the second Joint Regional Advisory Committee (JRAC) meeting in Hobart.

JRAC commenced with the three individual Regional Advisory Committees meeting over breakfast, followed by a joint meeting of the three bodies which heard presentations from DIER, Tasmania Police, the Confederation of Australian Motor Sport, and the Australian Automobile Association. There was also a workshop conducted so that the three regional groups could have input to the RACT's planning for initiatives in the UN Decade of Action for Road Safety.

The club also continued to recognise members in the three regions who had achieved 50 years of RACT membership. Functions were held in each region and plaques were presented to each of the 50-year RACT members. These functions were well-attended by members, local dignitaries, and members of parliament.

In a year of some economic uncertainty at home and abroad, the RACT's trusted position in the Tasmanian community has helped to propel it into a strong and enduring financial position. In achieving this year's result I want to thank my senior staff for their support and indeed, all staff should be proud of their contribution to this year's result through their tremendous service ethic. The club also serves its members with the support of external business partners and I wish to thank this network for its commitment and dedication.

The RACT represents a successful Tasmanian undertaking that sources its success from Tasmanians and is marked by people who bring to their task enthusiasm, drive and professionalism.

Harvey Lennon



Throughout the year the RACT reflected members' concerns and campaigned to 'End the confusion' in speed limit signage. As the new financial year opened, our efforts were rewarded when the Tasmanian Government announced that clear, unambiguous signage would replace the confusing 'End Limit' signs.

Corporate Governance

RACT (being the Royal Automobile Club of Tasmania) and its controlled entities is committed to conducting its affairs consistent with the highest standards of corporate governance.

The Board supports the Corporate Governance Principles and Recommendations with 2010 Amendments published by the ASX Corporate Governance Council on 30 June 2010 as those Principles and Recommendations apply to a non-listed entity such as the RACT.

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

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

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

Board and Committee Meetings

The Board meets monthly except in January. An additional meeting is usually held in March to review the Strategic Plan for the next financial year.

Four standing committees support the RACT Board, each of which has clear operating charters and reports to the Board on a regular basis.

- Audit and Risk Management Committee
- Investment Committee
- Governance and Remuneration Committee
- Road and Traffic Committee

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

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

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



The club's governing body held 11 formal meetings in the year and meetings were held in all three regions of the state. The committees that report to the Board held a total of 16 meetings.

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) under the heading 'Corporate Governance'.

ROADSIDE Assistance

In the year under review, 21 RACT ROADSIDE corporate patrols and 52 metropolitan and country contractors attended 79,565 calls for assistance. Corporate ROADSIDE patrols attended 44,003 calls in metropolitan areas. 88.5% of the metropolitan and contractor attended vehicle breakdowns were able to be mobilised at the scene.

Metropolitan road service agents attended 6,410 jobs and towing agents attended 9,144 jobs for members with the remaining 20,008 jobs undertaken by the country agent network.

From total calls, 31.4% were directly battery related, 8.56% had the keys locked in, 5.75% had flat tyres and 5.2% had run out of fuel.



Among the organisations supported by the RACT Community Fund was the Kingborough branch of Riding for the Disabled. Our grant funded the purchase of equipment including a display board and lunging rope. Here, Jade Heinstman rides Cher, the organisation's oldest (27 years) and longest-serving (around 20 years) pony.



ANCAP – the Australasian New Car Assessment Program – crash-tests new vehicles and awards star ratings for safety. Along with our sister motoring clubs, RACT supports the work of ANCAP.

On average, each metropolitan call was attended within 28.27 minutes from receipt of the request for assistance with 92.73% of all jobs attended within an hour. Our call centre handled over 118,000 inbound telephone calls with an average 78.5% answered within 30 seconds.

Motoring and Safety

Motoring and Safety Services continued to provide high-quality vehicle inspections and pre-purchase advice on behalf of members and commercial clients. Technical advice remains a valuable and highly utilised service for members on a wide range of matters including advice on new vehicle purchase, vehicle safety, car maintenance, the latest innovations in vehicle design and safety and issues relating to motoring. Motoring and Safety Services produced a comprehensive research report on vehicle operating costs on more than 90 popular vehicles during the year and provides valuable input into the Australia's Best Cars program. RACT also supports ANCAP (Australasian New Car Assessment Program) and regularly publishes these results.

Motoring and Safety Services in Hobart continued pre-auction vehicle appraisal inspections for ex-government vehicles being sold through Pickles Auctions. As these vehicles are unregistered at the time of sale, a roadworthy certificate is also included in the appraisal. The respected reputation of the RACT in the community has given buyers' peace of mind that the vehicle they are bidding for has been checked by RACT and is ready to be registered.

Child Restraints

RACT Motoring and Safety Services continues to be recognised as the foremost expert in the correct fitting of child restraints in Tasmania to suit individual vehicle and member needs. RACT continued to deliver child restraint safety sessions to the community during the year in conjunction with Kidsafe Tasmania and MAIB.

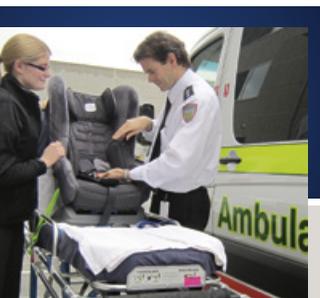
In 2011/2012, the RACT Child Restraint Advisory and Fitting Service sold more than 400 child restraints and provided valuable advice and fitting services to RACT members and customers. There was also continuing strong demand for the short-term child restraint hire service.

Battery Service

In 2011/2012, the RACT Battery Service provided more than 8000 batteries to members through the patrol and contractor network. Fitting the battery to a member's vehicle is only part of the service provided. New state-of-the-art battery testers were deployed to all our metropolitan patrols allowing comprehensive vehicle electrical system testing to ensure optimum starting performance, electrical system reliability and maximum battery life expectancy.

RACT marine batteries are distributed by four marine outlets throughout the state and can also be delivered to members by ROADSIDE patrols in metropolitan areas as well as to wharves and boat ramps, with batteries also available for motorcycles at selected outlets.

RACT took delivery of an electric vehicle (EV) battery charger during the year which allows an EV to be supplied with up to 25% battery charge at the roadside in 15 minutes. RACT and its battery partner were also part of a new battery technology research program during the year.



During the year RACT's Motoring and Safety Services Department delivered 18 new child restraints to Ambulance Tasmania. The new restraints are distributed around the state. RACT's Candice Lockyer discusses the use of the restraints with Shaun White from Ambulance Tasmania.

Approved Repairer Service

This service continued to provide members with the assurance of guaranteed vehicle repairs and maintenance from a network of 56 RACT Approved Repairers throughout the state. The Approved Repairer network includes a wide range of specialist repairers who are able to undertake almost any job required on a vehicle ranging from general mechanical repairs to EFI diagnosis, interior trim repairs and automatic transmission repairs. RACT Approved Repairers adhere to a code of conduct set down by the RACT to ensure quality repairs.

Country Agent Network

The country agent network continued to provide quality service to RACT members through 48 contractors in all country areas of Tasmania. ROADSIDE assistance was provided to 20,008 members in country areas in 2011/2012. During the year we replaced four of our twin-cab flat-bed tow trucks in the country network with more modern, fuel efficient and safe vehicles. An additional three tow trucks were refurbished to extend their useful life. RACT paid more than \$2.46 million to agents and contractors in the past year, thereby assisting in supporting local communities.

Currently we have thirteen twin-cab slide-bed tow trucks located at strategic points throughout the state along with two single cab trucks in Hobart. The twin-cab tow trucks have proved invaluable in the transport of members and their families when their vehicle has broken down and towing has become necessary.

Driver Training

RACT Driver Training in Launceston, Devonport, Burnie and Hobart continued to provide a valuable contribution to driver education, training and road safety of young motorists. RACT driver trainers continue to have a high pass rate in both the L2 and P1 licence assessments due to the comprehensive nature of our driver training programs.

AAA's federally-funded programme, *Keys2drive* moved from strength to strength as it was rolled out nationally during the year. At the end of the year almost 100,000 lessons had been delivered nationally with almost 1,000 driving instructors now accredited. *Keys2drive* is a program where a free lesson is provided to learner drivers and their supervisors. RACT instructors statewide are accredited to deliver lessons under this program.

Roadside Membership

The total number of personal ROADSIDE memberships grew by 571 in 2011/12 representing an increase of 0.62%.

There are now 117,787 personal members. Total membership, including relationship memberships, stood at around 190,000 at 30 June.

ROADSIDE ULTIMATE membership again proved very popular with Tasmanians because of the comprehensive cover provided. Membership of this premium product increased by 4.1% in the year and, at the end of June 2012, the number of ROADSIDE ULTIMATE members stood at 51,830. More than 50% of all new members who joined throughout the year chose ROADSIDE ULTIMATE.

More members than ever took advantage of the discounts available through the ROADSIDE group pricing options. 47% of members are part of a membership group. With the group pricing option, friends and family can now join into one group and save on the annual subscription. The more members in the group, the greater the saving.

The club continues to focus on activities that help members save, such as selling discounted movie tickets to members through branches. In 2011/12 RACT built on the very popular arrangement with Village Cinemas and in April added The State Cinema in North Hobart – in total over 11,000 tickets have been sold, saving members more than \$45,000. The club is now pleased to advise that an arrangement has now also been made to sell movie tickets to members for local cinemas in the North West from Burnie and Devonport branches.

Also in April, the club commenced another very popular program selling Woolworths Wish Gift Cards from branches at a 5% saving on the face value of the card. For example a member can buy a \$500 Woolworths Wish Gift Card from an RACT branch for just \$475 – a saving of \$25. This card can then be used to purchase fuel and groceries at Woolworths, BIG W, and participating Woolworths fuel outlets. The program has only been going a few months but we already have a steady stream of members regularly visiting their local RACT branch to purchase these cards as a way to save on normal living expenses.

Information Systems

The past twelve months have signalled the start of a period of renewed investment in RACT's Information Systems. A new Chief Information Officer was appointed in January 2012. Two new technical roles were created to strengthen our in-house capability and a project manager was recruited to continue the drive around adoption of best-practice project management principles in all new initiatives.

A number of significant projects were completed, among them the implementation of RACT Travelworld's new booking and client management system.



During a typical three-month period, RACT Roadside patrollers help around 20,000 stranded motorists. This year we rolled out some new Roadside vans – Craig Millington, Manager Roadside Assistance, hands the keys of a new vehicle to Patrolman David Blain.



RACT Travel Pty Ltd launched a dedicated Cruise Travel Centre at 110 Collins Street, Hobart, to focus on the fast-growing cruising travel sector.

Considerable time and effort has also been dedicated to the planning of several exciting new projects. As well as the redesigned RACT website which is due to be launched in August 2012, a new intranet has been commissioned for implementation later this year. The key longer-term strategic initiative is the design of a new Member Relationship Management system (MRM). This will provide RACT staff with a single view of a member's relationship with the club and is firmly focussed on supporting our ambition to provide a compelling member experience across all channels of communication.

Travel

The 2011/2012 year has been a year of ups and downs in the travel industry. Last May, with the first signs of the economic turmoil in Europe, travel started to see clients becoming more cautious, despite the strong dollar. There has been increased spending on shorter more cost conscious holidays rather than the larger European holidays. This was highlighted with a number of large travel businesses like Qantas Holidays and Qantas Business Travel reporting a large drop in profits and the redundancy of a large number of staff.

The partnership with Hunter Travel Group, based in Newcastle, is in its second year with a number of structural and operational reforms now completed. These reforms include a stronger revenue platform from the key travel suppliers, an enhanced booking system that includes a B2B online solution, and a back office system that provides more effective weekly, monthly and yearly travel financial reporting. These initiatives have created a solid core to the business, now putting it in a position to allow for growth over the next two years.

In 2011/2012, RACT Travelworld reported an operating profit for the second consecutive year while assisting over 25,000 Tasmanians with their travels through a total of 12,140 bookings. RACT Travelworld has seen significant increases in short-stay international holidays to destinations such as the South Pacific and Asian packaged holidays as well as Australian cruise holidays. Overall sales reduced slightly to \$35 million. Business was affected by the collapse of Air Australia, which saw RACT and RACT Travelworld cover the losses in full, over a total of \$40,000. We were the only company in Tasmania to take this action.

It was also agreed by the Directors of RACT Travel that an impairment charge against the goodwill, which relates to the purchase of local travel businesses prior to the partnership with Hunter Travel Group, would be taken to more closely reflect the value of RACT's investment in travel.

During the year, the Collins Street office was transformed into a Cruise Travel Centre specialising in what is now the fastest growing segment of the travel market, cruise holidays. Also launched during the year was our Cruise Sale Day at RACT House and our radio outside broadcasts with 7HOFM in Hobart and chilliFM in Launceston with both breakfast crews broadcasting live from Hawaii. These three initiatives generated a lot of interest throughout the local communities.

RACT Travelworld continues to be a major player in retail travel within Tasmania with eight offices and 38 qualified consultants. Relationships with key wholesale groups – Travelworld, CruiseCo and Virtuoso – ensure that RACT Travelworld has access to the widest possible range of domestic and international products.

RACT Insurance

RACT Insurance enjoyed an exceptional result in 2011/2012. The year was characterised by a benign claims frequency and severity, with an absence of large events supporting the overall result. RACT Insurance responded to nearly 20,000 claims from the Tasmanian community, resulting in claim payments to restore our customers' property amounting to nearly \$39 million.

The top-line revenue and policy results were very strong for the year. Premium revenue grew by 9.6% to \$73.1m.

The capability to obtain a home quote on-line was introduced in the year and continues to support the development of alternate channels customers can choose to transact with us. Customer retention rates remain strong and our total risks in force increased by 2.1%, to 207,950 risks.



The travel section of our club magazine Journeys continues to be a popular and effective way to communicate the latest travel offers and information to RACT members.



RACT is proud to support North Melbourne's AFL games at Hobart's Blundstone Arena. More than 11,000 people attended the first game in April. Before the match, Didi Okwechime adds some blue and white flair to a young fan's face.

The strong premium, sales and retention figures have been delivered within a very competitive environment from a focus on technical pricing, effective underwriting and risk selection reviews and acquisition activity which are aimed at ensuring the quality of business we have in our portfolio.

These results have been supported by continuing strong post claim customer Net Promoter scores averaging 80% for the year encapsulating the outstanding service delivery provided to our customers from the only locally based Tasmanian insurance company.

RACT Insurance continued its strong support for the Tasmanian community throughout the year via its ongoing support for the Tasmanian Youth Portraiture Prize, Tasmanian State League Football, Taste of Tasmania and the RACT Community Fund. Staff of RACT Insurance also continued with strong participation in the company's Volunteer Day program which provides staff with a day's leave to volunteer within the community. Of note was our involvement with bringing more AFL football to Tasmania in the year, which saw two North Melbourne Football Club games, played in Hobart.

Strong staff engagement, financial results and support for the community has and will continue to provide the business with a stable platform from which we can maintain our vision of finding ways to enhance life in Tasmania by being positioned as the number one personal lines insurer in Tasmania; delivering on exceptional customer service outcomes; creating value for our shareholders; being an employer of choice and supporting the community we live and work in.

Distribution Network

2011/2012 was a very successful year for the RACT's nine branch offices and the Customer Service Centre with strong new business sales growth and retention rates for our Roadside and Insurance products. Our travel operations continue to perform well and are a vital component of our statewide branch network.

Our commitment to continually improving our branch network has built momentum during the year with staff development and branch infrastructure improvements to ensure members receive professional service in a personal, timely and caring manner whenever they choose to visit one of our branches. It is reassuring to have the system flexibility to cover our growing telephone operations with support from branch staff around the state. We are very proud of the service levels provided to members choosing to transact business over the telephone and we are continuing to improve this service channel.

We have extended our sales call centre operating hours to 8am to 6pm Monday to Friday and 9am to 2pm on Saturday. Our revised phone menu for our 13 27 22 number has made it easier for members to navigate our phone system. The introduction of our call back system allows members the opportunity to get us to call them back during busy periods to avoid waiting on the phone for a consultant.

Our first full year of operation at our Murray Street head office has been very successful with our Hobart branch operation performing strongly and our call centre



During the year DIER's Community Road Safety Partnerships workshops were held in Burnie, Bellerive and Launceston.

CRSP is an important structure to capture local road safety issues.

The RACT's Southern Regional Manager Kathy Stocks joined people from a variety of community organisations at the workshops.

Pictured are council representatives Deb Mainwaring (Circular Head), Robyn Watts (Sorell), Yvonne Stone (Circular Head) and Jess Radford (Sorell) in a planning session at the southern CRSP workshop.

operations continuing to grow to meet the demand from this business channel. Our Hobart staff have settled in well to this new and greatly improved work environment. Our members continue to provide glowing feedback in relation to the service and office environment. We trialled Saturday opening at our Murray Street branch but after 12 months of operation a decision was taken to close as business levels were not sufficient to continue this trial. A decision was taken to open our Collins Street travel office on Saturdays.

Our strategy to upgrade our branch operations has continued throughout the year. With further development of the Kingston Shopping Centre we decided to move our branch location within the shopping precinct and in November 2011 relocated to our new, larger and higher-visibility office. This was a very successful move and our new location has proven to be beneficial for our business and is being supported by members. Our Glenorchy branch has also had a major facelift with our Travel operation deciding to move from this site and consolidate travel operations at Murray and Collins Street offices. This allowed us to share our Glenorchy branch with B&E and following an extensive branch refurbishment in April and May the upgraded office was operating as a shared tenancy from May 2012. Our Glenorchy staff have settled into this new operation very well and the branch is growing its business levels which is very encouraging.

We have had a very successful first year after introducing our health insurance product in July 2011. Our branch staff have worked hard to gain experience in this new product and are now confidently discussing this great value product with members and we are very excited by the support we have had from members and our numbers are growing quickly.

Branches have had a very active year working in and supporting their local communities. Staff are very proud of the sponsorship and active involvement being provided throughout the state. Whether it is supporting local charities, sponsoring local sporting teams or being involved in cultural events and projects, our branch staff are keen to get involved.

There has been a continued focus on staff training and system improvements. Our focus is to provide staff with systems that enable all client queries and sales to be handled in an efficient manner. This is supported by extensive staff training to ensure product and system knowledge provides the foundation for staff to be able to exceed client expectations. During this year we have launched our new vision and values and are working extensively with our sales staff to become more member focussed in all our interactions.

Our vision and values are the foundation stones for our staff to continually improve our service and support to members.

Finance

The RACT offers personal loans through our sister club RACV. The economic conditions prevailing throughout the year were not favourable for the club's finance product but competitive interest rates have ensured loan numbers have reached target levels. Our personal loans were very competitive in the market and provide members with the best rates available. This product is designed to be customer friendly, easy to access as well as providing a fast approval process. Members have access to discounted rates which provide a further incentive to utilise this service. All loan applications are completed by telephone and loan signups are arranged in our branches or via mail if this is more convenient. Personal loans are predominantly taken out for new or used vehicles but are available for a broad range of circumstances.

Our home loan referral service offered through our relationship with B&E was ended during the year and replaced with a B&E offer through our Show Your Card & Save operation. This new offer continues to develop and provides members the ability to save on the loan establishment fee and access to very competitive interest rates.

People & Culture

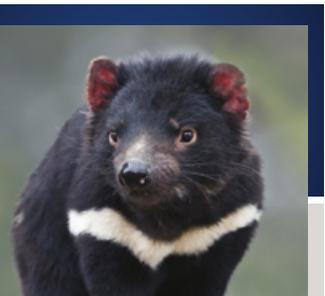
The RACT's people and culture framework is designed to support our workforce to have the necessary skills, experience and flexibility to meet our current and future strategic business needs.

The framework includes the provision of access for all employees to learning and development opportunities, effective performance management and appropriate health and safety practices.

To support the RACT's strategic direction, we have collaborated with our people to establish our organisational cultural identity and have recently launched a new Vision and Values which will support our achievement of this.

The RACT's learning and development program is aligned with our strategic plan and succession planning requirements. Learning activities offered respond to identified training needs and this year have focused on exceptional customer service, communication skills, focus group facilitation, improved computer skills, leadership mentoring and our future leaders program.

Employees are encouraged to undertake, or continue tertiary studies which will assist them in their current role,



RACT has supported the Save the Tasmanian Devil Program's Roadkill Project since its inception in 2009. This year the Roadkill Project aimed to continue monitoring the extent and pattern of roadkill deaths and to gather information on the spread of the Devil Facial Tumour Disease.

to meet future business needs and to support their career aspirations.

We are very proud of the number of long-serving employees we have within the RACT, which is testimony to our commitment to be recognised as an employer of choice. Within our current workforce thirteen staff have achieved 20 years' service, a further three staff have reached the milestone of 30 years' service and one staff member has achieved the remarkable milestone of 37 years' service.

The RACT employs people in a diverse range of roles from patrols on our roads to call centre staff, and from staff in our branches to driver training instructors. Keeping all these people safe within their respective workplaces is vitally important. To prepare for the new Work Health & Safety legislation due to come into effect in Tasmania in 2013, the RACT is currently reviewing all associated Health and Safety systems and processes in consultation with staff.

This year the RACT made the decision to become a smoke-free workplace and we have established a funded smoking cessation program to support staff who make a decision to attempt to quit smoking.

During this reporting year staff have had the opportunity to participate in a range of information sessions focusing on physical, mental and financial wellbeing with topics including nutrition, manual handling, developing a home-based exercise program and financial planning for women.

The RACT regularly conducts an Employee Engagement Survey and with an overall satisfaction rate up on the 2009/10 result confirming that staff sense that the RACT continues to be recognised as a great place to work.

Communications and Marketing

Digital marketing and social media are becoming increasingly important in the 21st century.

During the year, the RACT comprehensively reviewed its website and began rebuilding the site to provide better search capabilities and easier navigability. Importantly, more members and customers are accessing the website from their mobile phones, and the current site, which is now some years old, is not optimally designed to cater for this new technology. In tandem with this major project, the RACT is also rebuilding its intranet.

During the year the RACT also developed a mobile phone application for its popular Show Your Card and Save scheme, and has been investigating a mobile application for our magazine, *Journeys*, as well as an electronic version of *Journeys*.



Local road safety and traffic issues are discussed at our RACT Regional Advisory Committee meetings in Hobart, Launceston and Ulverstone. Our committees continue to maintain good relations with DIER. During the year Peter Todd, then General Manager Roads and Traffic, DIER, addressed a northern meeting, which included committee member Inspector Michael Johnston.

The year also saw the development of the RACT's official Twitter and Facebook sites which were quickly embraced by members and are subject to large amounts of traffic.

The RACT logo was also refreshed during the year. Since it was first introduced about 10 years ago it has become a well-recognised and respected emblem of the RACT.

The new logo is an enhanced version of its predecessor – more three dimensional and in this way slightly more modern looking to the eye.

Community engagement

The RACT has a strategy to increase its community engagement profile. These activities are state-wide and range from local community projects and charitable undertakings through to cultural activities, the arts and sport.

In 2011-12 the RACT undertook new major partnerships with the Tasmanian Symphony Orchestra, the Theatre Royal in Hobart, and the North Melbourne Football Club to bring two AFL games to Bellerive.

At the same time, the RACT has maintained a range of other community involvements such as *Festvale* in Launceston, *A Night on the Terrace* in Burnie, and support partnerships with a range of community groups including Save The Children, Rotary Youth Driver Awareness (RYDA), the Clown Doctors, RSPCA, The Smith Family and the Tasmanian Air Rescue Trust.

In addition, the RACT Community Fund supported ten new projects around the state.

These included an intervention program for northern high school students at risk of disengaging, which is run by Studentworks in George Town; and *Babymum Cottage* in Launceston which provides accommodation, support, and outreach programs partnering with City Mission.



Journeys magazine, the club's regular communication vehicle for RACT Roadside and Access members, is mailed to 120,000 Tasmanian households every two months.



The RACT is a major sponsor of the Tasmanian Symphony Orchestra's successful *Symphony Under the Stars* program. President Stuart Slade (left) and CEO Harvey Lennon (right) joined Principal Flautist Douglas Mackie and TSO Managing Director Nicholas Heyward to launch this year's event.

Together with sponsorships provided by RACT's local branches, the club has this year supported more than 100 activities and worthwhile causes around Tasmania.

Public Advocacy

The RACT, since its inception in 1923, has been closely involved in issues that affect motorists, particularly safety, road funding, and mobility issues. Today, RACT gives its nearly 190,000 members a strong and independent voice on a range of issues that concern them regarding safe, sustainable and affordable motoring in Tasmania.

Some highlights of the year's activities include:

Joint Regional Advisory Committee meeting:

The RACT is supported by three Regional Advisory Committees based in the North West, the North, and the South. They have been providing advice on local issues to the RACT for many years. For only the second time, the three committees came together this year for a Joint Regional Advisory Committee conference. This occasion gave the committees the opportunity to share ideas, hear expert presentations on issues involving roads and road safety, and have input into the RACT's plans for the UN Decade of Action for Road Safety.

UN Decade of Action for Road Safety: *Children and Road Trauma in Tasmania:* Tasmania has higher-than-average mortality and serious injury rates for children as a result of road trauma. The RACT has commenced an ongoing Decade of Action project to emphasise the importance of the use of seat belts and child restraints in Tasmanian motor vehicles. As part of this focus the RACT and the MAIB provided briefing sessions to members of the public in the North West about the safe fitting of child restraints; a program of free RACT safety checks on vehicles was being planned for the new financial year, and a new educational safe driving brochure highlighting the seat belt/restraint focus was produced as a handout for community events.

End Speed Limit signs: During the year the RACT continued to lobby the Government to dump this confusing speed signage. The matter has been one of constant complaint to the RACT by members. The Tasmanian government recently announced its intention to replace that signage.

State Budget: Together with the other motoring organisations across Australia, we argue for safer drivers, in safer vehicles, on safer roads. For this reason, the RACT has an ongoing interest and involvement in government policies and programs that affect our members in Tasmania; and has made a submission in past years to the Tasmanian Government's Budget process.

In our 2012-13 Submission, the RACT strongly reiterated its previous call for more funds to be utilised in making existing roads safer. Maintenance of existing road assets continues to face a substantial funding shortfall. Deterioration of road surfaces and markings leads to escalating replacement costs – and, while we wait for them to be fixed up, higher risks for road users. Tasmania must improve the quality of its existing roads; which will, in turn, make them safer.

The RACT acknowledged the poor financial position of the State Government, but argued that this should not preclude efforts to make roads safer.

Our submission:

- suggested part of the TOTE Tasmania sale funds could establish a 'state infrastructure future fund'
- made recommendations regarding possible future revenue collections
- highlighted previous Budget commitments that must be quarantined from any expenditure cuts or funding delivery timing changes; and
- expressed our serious and ongoing concerns about funding cuts to Tasmania Police

The RACT also asked the Government to hold a review of single vehicle, run off road crashes in Tasmania, fund research into recidivist driver behaviour, keep building the high visibility police car fleet, and educate road users about the risks of wild life on the roads.

When the budget was handed down there were new tax increases in a number of areas with motorists unfortunately shouldering a large share of the burden including a 20% increase in the motor tax component of registrations and an increase in duty on MAIB premiums of \$6 per registration.

Dob in a dud road: The RACT asked motorists to 'dob in a dud road' as they travelled around the state by posting their views on the RACT blog. More than seventy comments were



Petrol pricing continued to be an issue of interest to RACT members. During the year we made representations to the Australian Consumer and Competition Commission (ACCC) on the topic of fuel pricing, expressing our concern that Tasmanians pay too much for fuel compared to mainland motorists, who benefit from a regular price cycle, which does not occur in this state.



The RACT's annual program of free vehicle checks continued this year, with checks held at UTAS and Harvey Norman in Hobart and at Kmart in Launceston. Worn tyres, minor electrical and lighting faults, malfunctioning seatbelts and incorrectly-fitted child restraints were the most common problems.

posted regarding roads and junctions in need of maintenance or upgrading with comments typically referring to poor line markings, pot holes, bitumen breaking up, and outright disrepair. The comments reinforced the RACT's call for the Government to put road maintenance funding on a sustained and viable footing.

Fuel prices: This is a continuing issue for the RACT and during the year the club met with the Australian Competition and Consumer Commission after writing to the Commission to point out the continuing high and stagnant nature of petrol prices in Tasmania. Over a five month period, the price of unleaded petrol in Tasmania remained almost completely unmoved at about \$1.50 per litre. In other towns and cities across Australia during the same time petrol prices were generally much lower than Tasmania, and much more dynamic as they reacted regularly to market forces. The ACCC sent three senior officers to Hobart and they told the RACT that the situation in Tasmania was of some concern to them, and they would be looking at prices in this state.

Club Magazine: *Journeys* is mailed to 120,000 households, making it Tasmania's highest-circulation colour magazine. *Journeys* has an online presence via the RACT website and during the year in review we have commenced investigating the development of an iPad/tablet-based version of the magazine.

During the year we continued to refine the mailing list database, in particular, through the removal of duplicated copies sent to the same address. As well as cutting production costs this initiative avoids unnecessary use of resources and has been well received by members.

There has been a clear focus on continuing to enhance the appearance and improve the content of the magazine through the use of bigger and brighter images, particularly cover photographs, quality stock and strong editorial material. Motoring and road safety issues have remained the main focus of the opening section, regular Tasmanian material has been enhanced through the year, while the substantial travel section is popular and effective, as measured by RACT Travelworld business written as a direct result of promotion in the magazine.

Each edition includes material such as current issues, letters, opinion, technical information, car tests, consumer advice, travel, touring and prizes, as well as information on RACT products and services. *Journeys* is a credible and reliable source of news, advice and information for members in all these areas.

The club magazine continues to play a pivotal role in RACT's public advocacy activities and remains a primary source of communication with our Membership.

RACT Digital

RACT has a strong strategic focus to actively engage with the Tasmanian community by developing and enhancing its online presence and digital communication channels.

During the year, the RACT comprehensively reviewed its website and began rebuilding the site which will have better search capabilities, and easier navigability. Importantly, more Tasmanians are accessing the website from their mobile phones, and the current site, which is now some years old, is not optimally designed to cater for this new technology. In tandem with this major project, the RACT is also rebuilding its intranet.



The RACT's Manager Roadside and Technical Services Darren Moody was a member of the judging panel for Australia's Best Cars, the nation's most comprehensive survey of new vehicles sold in Australia.

The judges, left to right: John Ewing RACQ (in front), Andrew Clark RAA, Alex Forrest RAC, Greg Hill RACV, Mark Borlace RAA, Trent Nicolik NRMA, Darren Moody RACT, Barry Green RACQ, Tim Pomroy NRMA, Ernest Litera RACV.

SLOW DOWN, DUSK TO DAWN

For the best chance of avoiding animals on country roads, drive at 60 (low beam) or 80 (high beam).

roadkilltas.com

tasmanian conservation trust inc
tct.org.au

WATCH OUT for Wildlife - It could Save Your Life

Wildlife collision on the road poses a significant risk to drivers, as well as the impact on our wildlife. An educational campaign supported by the RACT Community Fund and the Tasmanian Conservation Trust uses a Metro bus-back panel warning drivers to slow down between dusk and dawn.

During the year the RACT also launched a mobile phone application for its popular Show Your Card and Save scheme, which has proven popular with members and has been investigating other new digital applications.

The year also saw the development of the RACT's official Twitter and Facebook communities which were quickly embraced by members and are subject to large amounts of traffic.

Staff

The Board wishes to place on record its personal appreciation to the RACT team for their contribution during this year to support the RACT Vision "...we find ways to enhance life in Tasmania".

Acknowledgements

2011/2012 saw the continued involvement of the RACT with many bodies such as government departments, agencies and businesses. The Board of the RACT appreciates its relationship with these many organisations. The Board also acknowledges the wider RACT family in the successes achieved during the year. ROADSIDE contractors, country agents, approved repairers and many other businesses and organisations assisted the RACT in meeting the needs of its members.

It also appreciates the interest of the media in the many issues that were raised by the RACT on behalf of its membership base.

Stuart Slade
President

Harvey Lennon
Chief Executive Officer

Australian Automobile Association

The Australian Automobile Association (AAA) ably represented the RACT and its affiliated interstate clubs/associations at both national and international levels. AAA is represented on many national bodies and the viewpoints expressed by the association are recognised as the official voice of motorists in this country.

Reciprocity

For many years reciprocal ROADSIDE assistance has been offered by each of the state motoring organisations, an initiative that provides an enormous boost not only to their membership but also to motoring generally and interstate travel in particular. Today, reciprocal service arrangements extend to more than 100 similar organisations around the world through affiliation with the Federation Internationale de l'Automobile (FIA).

We know Tasmanians prefer face-to-face service.

Insurance that understands Tasmanians? Solved.

Deal directly with a Tasmanian. Visit your local branch or call 13 27 22.

RACT Insurance responded to nearly 20,000 claims from customers, paying claims amounting to nearly \$39 million. Strong advertising campaigns were a key factor in the high rate of customer retention.

THE ROYAL AUTOMOBILE CLUB OF TASMANIA LIMITED A.C.N. 009 475 861 AND CONTROLLED ENTITIES

In respect of the year ended 30 June 2012, the directors of The Royal Automobile Club of Tasmania Limited (RACT Ltd) present the following report made out in accordance with a resolution of the directors.

1. DIRECTORS

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

- Mr S E Slade (President)
- Mr P J Joyce (Vice President)
- Mrs K A Westwood (Vice President)
- Ms J M Archer
- Mr E C Best, AM, JP
- Mr D M Catchpole
- Mr B F Clark
- Mr P A Dixon
- Mr R H Holmes
- Mr C J Langdon
- Mr R S Locke
- Mr A C Stacey, AM

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

2. PRINCIPAL ACTIVITIES

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

3. FINANCIAL RESULTS OF THE CONSOLIDATED ENTITY

The consolidated entity's total comprehensive income for the year ended 30 June 2012, was \$5,305,797 (2011, \$4,887,831).

4. REVIEW OF OPERATIONS

A review of operations is included in the Chairman's Report which accompanies this report.

5. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

6. FUTURE DEVELOPMENTS

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



Mr S E Slade
(President)



Mr P J Joyce
(Vice-President)



Mrs K A Westwood
(Vice-President)



Ms J M Archer



Mr E C Best AM, JP



Mr D M Catchpole



Mr B F Clark



Mr P A Dixon



Mr R H Holmes



Mr C J Langdon



Mr R S Locke



Mr A C Stacey AM

7. MEETINGS OF DIRECTORS

During the financial year, 27 meetings of directors (including committees) were held. The number of meetings attended by each director during the year is disclosed in the following table.

The company has an Audit & Risk Management Committee which met 5 times during the financial year. The members of this committee are Mr R H Holmes (Chair), Mr P A Dixon, Mr P J Joyce, Mr C J Langdon and Mr R S Locke. The Audit & Risk Management Committee's main responsibilities are to ensure that the audit process (both external and internal) is effective, that external reporting and corporate governance responsibilities are addressed, and that internal control and risk management structures are appropriate.

Board/Committee	Board	Road & Traffic	Audit & Risk Management	Investment	Governance & Remuneration
Total meetings held during 2011/2012	11	6	5	4	1
Director	Attendance at Meetings				
J M Archer	10	5	*	*	*
E C Best AM JP	6	3	*	1	*
D M Catchpole	9	*	*	*	*
B F Clark	11	6	*	*	*
P A Dixon	11	6	5	*	*
R H Holmes	11	*	4	4	*
P J Joyce	9	6	4	4	1
C J Langdon	11	*	5	4	*
R S Locke	10	*	4	*	1
S E Slade	11	*	*	*	1
A C Stacey AM	9	4	*	3	*
K A Westwood	9	*	*	3	-

* Director not a member of this committee

8. SUBSEQUENT EVENTS

Since balance date the consolidated entity has entered into an agreement with Reid White Automotive Pty Ltd to form the jointly controlled entity, RACT Autoserve Pty Ltd. Providing vehicle servicing and mechanical repairs, RACT Autoserve Pty Ltd will commence business operations during the second quarter of the 2013 financial year.

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

9. INDEMNITY OF OFFICERS AND AUDITORS

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

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

10. CORPORATE GOVERNANCE

As at the date of this report, the Board comprised twelve directors. The Board meets on a monthly basis and its primary functions include:

- the approval of the annual financial statements and the supervision of external audit activities;
- the establishment of the long term goals of the company and strategic plans to achieve those goals;
- the review and adoption of annual budgets for the financial performance of the company and monitoring the results on a regular basis;
- ensuring that the company has implemented adequate systems of internal controls; and
- monitoring of corporate compliance and internal audit activities.

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. COMPANY SECRETARY

Mr H G Lennon, B.Com., CPA, FAIM, GAICD, was appointed to the role in December 2010.

12. AUDITOR'S INDEPENDENCE DECLARATION

The Auditors independence declaration is included on page 20 of the financial report.

13. DIRECTORS' QUALIFICATIONS AND EXPERIENCE

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

Principal Consultant, Business Continuity Institute of Australia
Mayor, Glenorchy City Council
Director, RACT Insurance Pty Ltd
Director, Australian Automobile Association

Mr P J Joyce LL.B., MAICD

Chairman, Butler McIntyre & Butler
Member, Taxation Institute of Australia (Tasmanian Division)

Mrs K A Westwood B.Com, GAICD, FNIA, ASA, MIIA, MRMIA

Manager Finance, Nyrstar

Ms J M Archer FAICD, GMQ

Engagement & Development Manager, University of Tasmania, Launceston
Director, St Giles Society
Councillor, Australian Institute of Company Directors (Tasmanian Division)

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

Formerly Director Cadbury Australia, Forestry Tasmania,
Trust Bank Tasmania

Mr D M Catchpole B.Ec, Dip FP, FCPA, FAICD

Chairman, Royal Hobart Hospital Research Foundation
Director, RACT Autoserve Pty Ltd
Director, Southern Cross Care (Tas) Inc

Mr B F Clark MAICD

Company Director
Retired Managing Director

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

Associate Dean (Teaching & Learning), Faculty of Business,
University of Tasmania
Lecturer, School of Accounting & Corporate Governance,
University of Tasmania
Legal Practitioner
Notary Public
Director, RACT Autoserve Pty Ltd

Mr R H Holmes AASA, MAICD

Company Director
Retired Company General Manager

Mr C J Langdon MAICD

Company Director
Formerly a Chartered Accountant and a Principal of WHK

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

Chartered Professional Engineer
Director, RACT Insurance Pty Ltd
Director, RACT Travel Pty Ltd

Mr A C Stacey AM, MAICD

Trustee Director, Tasplan Industry Superannuation Fund
Chairman, Theatre Royal Management Board
Member, Brand Tasmania Council
Chairman, RACT Travel Pty Ltd

This report is signed in accordance with a resolution of directors pursuant to section 298(2) of the *Corporations Act 2001*, this 18th September, 2012.



S E SLADE
Director



R H HOLMES
Director

Auditor's Independence Declaration



Wise Lord & Ferguson
advice to advantage
Chartered Accountants

Auditor's Independence Declaration

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

In relation to our audit of the financial report of The Royal Automobile Club of Tasmania Ltd for the financial year ended 30 June 2012 to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

H J GIBSON
PARTNER
WISE LORD & FERGUSON

Date: 10 September 2012



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

Partners: Peter Beven, Harvey Gibson, Danny McCarthy, Douglas Thomson, Joanne Doyle,
Stuart Clutterbuck, Ian Wheeler, Dean Johnson, Marg Marshall, Paul Lyons
Managers: Alicia Leis, Melanie Richardson, Nick Carter, Simon Jones,
Shaun Evans, Trent Queen, Rachel Burns, Angela Parisi

Statement of Comprehensive Income

2011/12

for the financial year ended 30 June 2012

	NOTES	CONSOLIDATED	
		2012 \$	2011 \$
Revenue	2	24,542,505	22,695,939
Share of profit of associates	2,7	5,637,749	2,779,807
Other revenue	2	25,859	12,629
Roadside agents expenses		(2,778,073)	(2,629,214)
Cost of goods sold		(712,089)	(595,622)
Employee benefits expense		(9,626,769)	(8,921,178)
Marketing expense		(1,373,148)	(955,233)
IT & communications expense		(1,351,477)	(1,260,238)
Occupancy & maintenance expense		(1,067,027)	(877,634)
Financial & consultation fee expense		(2,115,473)	(1,662,640)
Depreciation & amortisation expense	2	(1,455,086)	(1,360,721)
Roadside fleet & maintenance expense		(453,002)	(337,244)
Other expenses		(2,053,786)	(1,931,226)
Profit before income tax		7,220,183	4,957,425
Income tax expense	3	(1,059,485)	(1,063,661)
Profit for the period		6,160,698	3,893,764
Other comprehensive income			
Cash flow hedges:			
Gain/(loss) taken to equity	26	(1,084,591)	49,812
Actuarial gain/(loss) on defined benefit plans	21	(136,697)	33,696
Fair value revaluation of land and buildings	11	-	940,980
Income tax on items of other comprehensive income	3	366,387	(30,421)
Total other comprehensive income		(854,901)	994,067
Total comprehensive income for the period		5,305,797	4,887,831

Notes to the Financial Statements are included on pages 25–44.

Statement of Financial Position

as at 30 June 2012

	NOTES	CONSOLIDATED	
		2012 \$	2011 \$
Current Assets			
Cash assets and cash equivalents	22	2,752,045	3,242,053
Receivables	5	2,585,655	2,481,013
Inventories	9	166,939	62,647
Other current assets	10	287,190	121,414
Other financial assets	6	2,480,000	1,511,572
Total Current Assets		8,271,829	7,418,699
Non-Current Assets			
Intangibles	8	540,903	504,826
Property, plant and equipment	11	24,550,558	25,050,731
Deferred tax asset	3	693,456	312,867
Investment in associates	7	31,551,197	28,778,448
Other financial assets	6	746,004	746,004
Total Non-Current Assets		58,082,118	55,392,876
Total Assets		66,353,947	62,811,575
Current Liabilities			
Payables	12	2,582,617	2,580,691
Borrowings	15	555,600	3,722,800
Provisions	13	6,996,899	6,513,728
Current tax liability/(receivable)	3	(22,820)	363,375
Total Current Liabilities		10,112,296	13,180,594
Non-Current Liabilities			
Derivative financial instruments	25	1,376,236	291,644
Borrowings	15	8,611,000	9,166,600
Provisions	14	294,509	347,298
Deferred tax liability	3	2,243,917	1,415,247
Total Non-Current Liabilities		12,525,662	11,220,789
Total Liabilities		22,637,958	24,401,383
Net Assets		43,715,989	38,410,192
Equity			
Retained earnings		41,914,983	35,849,972
Reserves		1,801,006	2,560,220
Total Equity		43,715,989	38,410,192

Notes to the Financial Statements are included on pages 25–44.

Statement of Changes in Equity

2011/12

for the financial year ended 30 June 2012

	CONSOLIDATED			
	Cash flow hedge reserve	Asset revaluation reserve	Retained earnings	Total attributable to equity holders of the entity
	\$	\$	\$	\$
Balance at 1 July 2010	(239,020)	1,828,760	31,932,621	33,522,361
Profit for the period	-	-	3,893,764	3,893,764
Other comprehensive income	34,868	935,612	23,587	994,067
Balance at 30 June 2011	(204,152)	2,764,372	35,849,972	38,410,192
Profit for the period	-	-	6,160,698	6,160,698
Other comprehensive income	(759,214)	-	(95,687)	(854,901)
Balance at 30 June 2012	(963,366)	2,764,372	41,914,983	43,715,989

Notes to the Financial Statements are included on pages 25–44.

Statement of Cash Flows

for the financial year ended 30 June 2012

	NOTES	CONSOLIDATED	
		2012 \$	2011 \$
Cash flows from operating activities			
Subscription income		11,304,641	10,713,193
Other income		15,391,372	14,019,387
Payments made to employees and suppliers		(23,378,039)	(21,455,946)
Interest received		270,850	197,432
Interest paid		(636,716)	(643,751)
Dividends received		15,540	44,000
Income tax (paid)/refund		(631,723)	(348,328)
Net cash from operating activities	22	2,335,925	2,525,987
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		48,606	14,734
Proceeds from sale of investments		11,573	1,620,200
Payments for property, plant and equipment		(1,048,822)	(6,233,083)
Investment in Associate		-	(6,809,400)
Purchase of investments		(800,000)	(1,912,747)
Dividends received		2,865,000	949,550
Loans to related party		(180,000)	(100,000)
Net cash from investing activities		896,357	(12,470,746)
Cash flows from financing activities			
Proceeds from borrowings		-	8,050,189
Repayment of borrowings		(3,722,290)	-
Net cash from financing activities		(3,722,290)	8,050,189
Net increase/(decrease) in cash held		(490,008)	(1,894,570)
Cash at the beginning of the financial year		3,242,053	5,136,623
Cash at the end of the financial year	22	2,752,045	3,242,053

Notes to the Financial Statements are included on pages 25–44.

for the financial year ended 30 June 2012

1. SUMMARY OF ACCOUNTING POLICIES

Statement of Compliance

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

The financial statements were authorised for issue by the directors on 18 September 2012.

Basis of Preparation

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

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

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

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

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

Significant Accounting Policies

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

(a) Cash and cash equivalents

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

(b) Principles of Consolidation

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

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

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

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

(c) 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

for the financial year ended 30 June 2012

1. SUMMARY OF ACCOUNTING POLICIES (Continued)

(c) Income Tax (Continued)

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

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

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

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

Tax consolidation

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

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement. Where the tax contribution amount recognised by each

member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

(d) 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.

(e) Property, Plant and Equipment

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

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

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

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

Revaluations of land and buildings

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

1. SUMMARY OF ACCOUNTING POLICIES (Continued)

(e) Property, Plant and Equipment (Continued)

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.

(f) 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 is not subsequently reversed. Refer also to note 1(p).

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.

(g) 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.

(h) Derivative Financial Instruments and Hedging

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

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

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

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

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

Cash flow hedges

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

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

1. SUMMARY OF ACCOUNTING POLICIES (Continued)

(i) Financial Assets

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

Investments in subsidiaries are measured at cost.

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

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

Financial assets at fair value through profit or loss

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

Held-to-maturity investments

Bills of exchange and term deposits are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Loans and receivables

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

(j) 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.

(k) 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.

(l) 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.

(m) 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.

(n) Revenue recognition

Sale of goods and disposal of assets

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

Rendering of services

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

Interest

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

Dividends

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

Commission income

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

Travel Commission income

The company changed its accounting policy relating to the timing of the recognition of travel commissions earned for the financial year ending 30 June 2012. In prior years the company had recognised travel commission income when the right to receive payment was established. Post policy change, travel commissions are recognised at such a time that all receipts have been received from travel customers and all payments made to travel providers.

1. SUMMARY OF ACCOUNTING POLICIES (Continued)

(n) Revenue recognition (Continued)

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

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

(o) Investment in Associates

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

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

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

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

(p) Goodwill

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

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

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

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

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

Impairment losses recognised for goodwill cannot be subsequently reversed.

(q) Employee benefits

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

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

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

Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when incurred.

Defined benefit plans

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

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

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

Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2012

2. REVENUE/EXPENSES

Revenue consisted of the following items:

(a) Revenue

Interest from other bodies corporate	26,088	74,905
Distributions from funds under management	183,505	109,032
Rental revenue	1,243,802	679,157
Membership subscriptions and entrance fees	11,096,969	10,408,389
Other services and activities	11,492,796	10,964,108
Advertising & other income	483,805	416,348
Dividends	15,540	44,000
	24,542,505	22,695,939

(b) Share of Profit of Associates

Share of profit of Associates	5,637,749	2,779,807
	5,637,749	2,779,807

(c) Other Revenue

Gain on disposal of property, plant and equipment	25,859	12,629
	25,859	12,629
	30,206,113	25,488,375

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

(d) Expenses

Depreciation and amortisation of non-current assets:

Plant & equipment	858,123	767,030
Buildings	408,650	388,690
Software	188,313	205,001
	1,455,086	1,360,721
Bad debts written off	2,827	3,671
Transfer to provisions for:		
Employee benefits	168,102	153,249
Unexpired subscriptions	265,922	307,645
	434,024	460,894

3. INCOME TAX EXPENSE

(a) Income tax expense

The components of tax expense comprise:

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

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

Prima facie tax on profit before income tax at 30% (2011:30%)

Add tax effect of:

Non assessable income	
Mutual profits	
Non mutual deductions	
Non deductible expenses	
Derecognition of tax bases and capital losses	
Tax credits	
Under/(over) provision from previous years	

Total

(c) Deferred tax recognised directly in other comprehensive income

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

(d) Current and Deferred tax balances

Assets

Current/Non-current

Deferred tax asset

TOTAL

Liabilities

Current/Non-current

Current tax liability

Deferred tax liability

TOTAL

CONSOLIDATED	
2012	2011
\$	\$
272,340	467,937
814,467	619,315
(27,322)	(23,591)
1,059,485	1,063,661
2,166,055	1,487,227
-	(2,227)
(266,969)	(191,405)
38,218	(87,313)
10,154	16,404
-	149,628
(864,161)	(298,065)
(23,812)	(10,588)
1,059,485	1,063,661
-	5,368
(325,378)	14,944
(41,009)	10,109
(366,387)	30,421
693,456	312,867
693,456	312,867
22,820	(363,375)
(2,243,917)	(1,415,247)
(2,221,097)	(1,778,622)

Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2012

3. INCOME TAX EXPENSE (continued)

Taxable and deductible temporary differences arise from the following:

	CONSOLIDATED			
	Opening balance	Credited/(charged) to income	Credited/ (charged) to equity	Closing balance
	\$	\$	\$	\$
2012				
Gross deferred tax liabilities:				
Property, plant & equipment	(74,514)	1,870	-	(72,644)
Accrued income	(4,281)	377	-	(3,904)
Prepayments	(11,391)	910	-	(10,481)
Investment in Associates	(1,325,061)	(831,827)	-	(2,156,888)
	(1,415,247)	(828,670)	-	(2,243,917)
Gross deferred tax assets:				
Receivables	4,500	-	-	4,500
Provisions	160,584	10,535	-	171,119
Defined benefit funds	5,803	(1,833)	41,009	44,979
Interest rate swap	87,493	-	325,378	412,871
Other	54,487	5,500	-	59,987
	312,867	14,202	366,387	693,456
	(1,102,380)	(814,468)	366,387	(1,550,461)

	CONSOLIDATED			
	Opening balance	Credited/(charged) to income	Credited/ (charged) to equity	Closing balance
	\$	\$	\$	\$
2011				
Gross deferred tax liabilities:				
Property, plant & equipment	(160,562)	91,416	(5,368)	(74,514)
Accrued income	(7,490)	3,209	-	(4,281)
Prepayments	(21,252)	9,861	-	(11,391)
Investment in Associates	(626,357)	(698,704)	-	(1,325,061)
	(815,661)	(594,218)	(5,368)	(1,415,247)
Gross deferred tax assets:				
Receivables	4,500	-	-	4,500
Provisions	268,374	(107,790)	-	160,584
Defined benefit funds	20,246	(4,334)	(10,109)	5,803
Interest rate swap	102,437	-	(14,944)	87,493
Other	35,456	19,031	-	54,487
	431,013	(93,093)	(25,053)	312,867
	(384,648)	(687,311)	(30,421)	(1,102,380)

3. INCOME TAX EXPENSE (continued)

Unrecognised deferred tax assets

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

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

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

4. REMUNERATION OF AUDITORS

Audit of the financial report

CONSOLIDATED	
2012	2011
\$	\$
23,500	22,500
<u>23,500</u>	<u>22,500</u>

5. RECEIVABLES

Trade and Other Receivables

Trade receivables / sundry debtors

Allowance of impairment loss / doubtful debtors (a)

Related party receivables (b)

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

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

Carrying amount of trade and other receivables

1,298,351	1,285,945
(15,000)	(15,000)
<u>1,283,351</u>	<u>1,270,945</u>
1,225,802	1,077,941
76,502	132,127
<u>2,585,655</u>	<u>2,481,013</u>

(a) Allowance for impairment loss

Trade receivables are not interest bearing and are generally on 30-90 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. An impairment loss of \$15,000 (2011 - \$15,000) has been recognised by the Group.

Movement in the provision for impairment loss were as follows:

At 1 July	15,000	15,000
Charge for the year	2,827	3,671
Amounts written off	(2,827)	(3,671)
At 30 June	<u>15,000</u>	<u>15,000</u>

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

	CONSOLIDATED					
	Total	0-30 days	31-60 days	61-90 days	+ 91 days PDNI*	+ 91 days CI*
2012	1,298,351	1,179,416	73,281	12,745	17,909	15,000
2011	1,285,945	1,222,907	28,017	21,013	(992)	15,000

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

Payment terms on these amounts have not been re-negotiated, each operating unit has been in contact with the relevant debtor and is satisfied that payment will be received in full.

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

for the financial year ended 30 June 2012

5. RECEIVABLES (continued)

(b) Fair value and credit risk

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

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

6. OTHER FINANCIAL ASSETS

(a) Current

Term deposits

Loan to Associates

(b) Non-current

Loan to Associates

Equities (i)

(i) Designated as a financial asset at fair value through profit and loss from 1 July 2004.

7. INVESTMENT IN ASSOCIATES

Total Investment in Associates

Represented by:

Investment in Associate – RACT Insurance Pty Ltd.

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

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

At beginning of period

Investment in Associate

Share of profit after income tax

Dividends received

At 30 June

(b) Summarised financial information:

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

Extract from the Associate's Statement of Financial Position:

Current assets

Non-current assets

Current liabilities

Non-current liabilities

Net assets

CONSOLIDATED	
2012	2011
\$	\$
2,300,000	1,511,572
180,000	-
2,480,000	1,511,572
100,000	100,000
646,004	646,004
746,004	746,004
31,551,197	28,778,448

26,990,855	18,456,764
-	6,809,400
5,959,566	2,674,241
(2,865,000)	(949,550)
30,085,421	26,990,855
63,739,094	58,207,369
21,948,155	18,430,193
85,687,249	76,637,562
57,737,250	54,378,855
983,554	1,481,394
58,720,804	55,860,249
26,966,445	20,777,313

7. INVESTMENT IN ASSOCIATES (continued)

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

Revenue
Net Profit

CONSOLIDATED	
2012	2011
\$	\$
63,530,371	59,069,148
11,919,132	6,060,069

Investment in Associate – RACT Travel Pty Ltd.

RACT Holdings Pty Ltd has held shares as part of a joint venture in RACT Travel Pty Ltd since 1 July 2010. RACT Travel Pty Ltd is incorporated in Australia and acts as a travel agency providing products and services that are distributed by The Royal Automobile Club of Tasmania Ltd.

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

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

1,787,593	-
-	1,682,027
(321,817)	105,566
1,465,776	1,787,593

(b) Summarised financial information:

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

Extract from the Associate's Statement of Financial Position:

Current assets
Non-current assets

Current liabilities
Non-current liabilities

1,681,066	1,637,820
1,312,010	1,675,709
2,993,076	3,313,529
1,352,226	1,165,095
149,779	197,624
1,502,005	1,362,719
1,491,071	1,950,810

Net assets

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

Revenue
Net Profit / (Loss)

4,103,582	4,104,953
(459,738)	150,809

Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2012

8. INTANGIBLES

a) Goodwill on travel business:

Opening balance
 Transfer to RACT Travel Pty Ltd
 Closing balance

b) Computer software:

Opening balance
 Additions
 Transfer to RACT Travel Pty Ltd
 Amortisation expense
 Closing balance

9. INVENTORIES

At cost

Finished goods

10. OTHER ASSETS

Current

Prepayments
 Accrued revenue

CONSOLIDATED	
2012	2011
\$	\$
-	1,200,169
-	(1,200,169)
-	-
504,826	719,581
225,546	12,482
-	(22,236)
(189,469)	(205,001)
540,903	504,826
540,903	504,826
166,939	62,647
166,939	62,647
272,434	100,613
14,756	20,801
287,190	121,414

11. PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED			
	Freehold Land and Buildings (fair value)	Leasehold Improvements (cost)	Plant and Equipment (cost)	TOTAL
	\$	\$	\$	\$
2012				
Gross Carrying Amount				
Balance at 30 June 2011	20,880,000	4,241	12,771,070	33,655,311
Additions	-	4,585	818,691	823,276
Disposals	-	-	(962,522)	(962,522)
Balance at 30 June 2012	20,880,000	8,826	12,627,239	33,516,065
Accumulated Depreciation				
Balance at 30 June 2011	29,806	175	8,574,599	8,604,580
Disposals	-	-	(905,846)	(905,846)
Depreciation expense	408,524	126	858,123	1,266,773
Balance at 30 June 2012	438,330	301	8,526,876	8,965,507
Net Book Value				
As at 1 July 2011	20,880,000	4,241	12,771,070	33,655,311
Accumulated depreciation	(29,806)	(175)	(8,574,599)	(8,604,580)
Net carrying amount	20,850,194	4,066	4,196,471	25,050,731
As at 30 June 2012				
Cost / fair value	20,880,000	8,826	12,627,239	33,516,065
Accumulated depreciation	(438,330)	(301)	(8,526,876)	(8,965,507)
Net carrying amount	20,441,670	8,525	4,100,363	24,550,558
2011				
Gross Carrying Amount				
Balance at 30 June 2010	17,543,172	436,630	10,173,901	28,153,703
Additions	2,686,828	-	3,533,775	6,220,603
Disposals	-	(432,389)	(129,341)	(561,730)
Transfer to RACT Travel Pty Ltd	-	-	(807,265)	(807,265)
Revaluation Land and Buildings	650,000	-	-	650,000
Balance at 30 June 2011	20,880,000	4,241	12,771,070	33,655,311
Accumulated Depreciation				
Balance at 30 June 2010	37,552	260,515	8,383,453	8,681,520
Disposals	-	(365,796)	(127,604)	(493,400)
Revaluation Land and Buildings	(290,980)	-	-	(290,980)
Transfer to RACT Travel Pty Ltd	-	-	(448,280)	(448,280)
Depreciation expense	283,234	105,456	767,030	1,155,720
Balance at 30 June 2011	29,806	175	8,574,599	8,604,580
Net Book Value				
As at 1 July 2010	17,543,172	436,630	10,173,901	28,153,703
Accumulated depreciation	(37,552)	(260,515)	(8,383,453)	(8,681,520)
Net carrying amount	17,505,620	176,115	1,790,448	19,472,183
As at 30 June 2011				
Cost / fair value	21,170,980	4,241	12,771,070	33,946,291
Accumulated depreciation	(320,786)	(175)	(8,574,599)	(8,895,560)
Net carrying amount	20,850,194	4,066	4,196,471	25,050,731

Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2012

12. PAYABLES

Sundry creditors and accrued expenses
GST payable

13. PROVISIONS (CURRENT)

Unexpired subscriptions (a)
Employee benefits (b)

14. PROVISIONS (NON-CURRENT)

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

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

- (a) The provision for unexpired subscriptions represents the unearned portion of amounts for Roadside membership.
(b) The provision for employee benefits represents amounts for annual leave and long service leave benefits.

15. BORROWINGS

(a) Interest-bearing loans

Current

Secured bank loan	-	3,167,200
Secured bank loan	555,600	555,600
	555,600	3,722,800

Non-Current

Secured bank loan	8,611,000	9,166,600
-------------------	-----------	-----------

(b) Assets pledged as security

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

Current

Cash and cash equivalents	2,752,045	3,242,053
Receivables	2,585,655	2,481,013
Inventories	166,939	62,647
Other current assets	287,190	121,414
Other financial assets	2,480,000	1,511,572
Total current assets pledged as security	8,271,829	7,418,700

Non-current

Intangibles	540,903	504,826
Property, plant and equipment	23,170,558	25,050,731
Other non-current assets	693,456	312,867
Other financial assets	746,004	746,004
Total non-current assets pledged as security	25,150,921	26,614,428

Total assets pledged as security

33,422,750	34,033,128
------------	------------

CONSOLIDATED	
2012	2011
\$	\$
2,246,528	2,248,734
336,089	331,957
2,582,617	2,580,691
5,997,022	5,731,100
999,877	782,628
6,996,899	6,513,728
144,579	327,957
149,930	19,341
294,509	347,298

15. BORROWINGS (continued)

(c) Terms and conditions

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

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

(d) Interest rate risk

Details regarding interest rate risk are disclosed in note 27.

16. OWNERSHIP

The Company is incorporated under the Corporations Act 2001 as a company limited by the guarantee of the members. If the company is wound up, its Constitution states that each subscribing member may be required to contribute an amount not exceeding 10% of the members annual subscription at that time. As at 30 June 2012, the number of subscribing members was 117,787 (2011 - 116,998).

17. RELATED PARTY DISCLOSURES

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

The directors may obtain discounted services from the consolidated entity. These services are obtained on the same terms and conditions as those obtained by employees of the consolidated entity.

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

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

CONSOLIDATED	
2012	2011
\$	\$
100,000	100,000
180,000	-
280,000	100,000

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

Ms J M Archer	Mr P A Dixon	Mr R S Locke
Mr E C Best, AM, JP	Mr R H Holmes	Mr S E Slade
Mr D M Catchpole	Mr P J Joyce	Mr A C Stacey AM
Mr B F Clark	Mr C J Langdon	Mrs K A Westwood

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

for the financial year ended 30 June 2012

18. KEY MANAGEMENT PERSONNEL COMPENSATION

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

(a) Total remuneration for directors:

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

\$0 - \$9,999

\$10,000 - \$19,999

\$20,000 - \$29,999

(c) Remuneration for key management personnel as listed:

(a) Short term employee benefits

Key management personnel:

Mr H Lennon - Chief Executive Officer

Mr C Petterwood - Chief Operations Officer

Ms J Dew - Chief Financial Officer

Mr I Farquhar - Chief Information Officer

Mr G Hankin - General Manager, Member Services

Mr D Moody - General Manager, Roadside & Technical Services

Ms L Shephard - General Manager, People & Culture

Mr V Taskunas - General Manager, Public Policy and Communications

Mr D Turner - General Manager, Strategic Development

CONSOLIDATED	
2012	2011
\$	\$
180,756	159,134
-	-
11	11
1	1
12	12
1,393,757	1,433,053

19. PARENT ENTITY INFORMATION

Information relating to The Royal Automobile Club of Tasmania Limited:

Current assets

Total assets

Current liabilities

Total liabilities

Net assets

Retained earnings

Cashflow hedge reserve

Asset revaluation reserve

Total equity

Profit/(loss) of parent entity

Other comprehensive income

Total comprehensive income of the parent entity

COMPANY	
2012	2011
\$	\$
22,004,152	24,058,370
47,796,900	49,936,795
9,557,297	12,624,994
20,477,767	23,072,041
27,319,133	26,864,754
25,518,126	24,304,535
(963,365)	(204,152)
2,764,372	2,764,371
27,319,133	26,864,754
1,309,282	1,794,325
(854,901)	994,067
454,381	2,788,392

20. DETAILS OF CONTROLLED ENTITIES

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

Parent entity

The Royal Automobile Club of Tasmania Limited (i)

Controlled entities

RACT Pty Ltd (ii)

RACT Holdings Pty Ltd (ii)

RACT Holdings Pty Ltd is 50% owned by RACT Pty Ltd and 50% owned by The Royal Automobile Club of Tasmania Limited.

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

All companies are incorporated in Australia.

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

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

21. DEFINED BENEFIT SUPERANNUATION PLANS

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

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

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

Current service cost

Interest cost

Expected return on plan assets

Total, included in superannuation expense/(income)

Actuarial losses/(gains) incurred during the year and recognised in the Statement of Changes in Equity

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

Present value of funded defined benefit obligations

Fair value of plan assets

Net liability/(asset) arising from defined benefit obligations

	PERCENTAGE OF SHARES HELD	
	2012	2011
	\$	\$
	-	-
	100	100
	100	100

	CONSOLIDATED	
	2012	2011
	\$	\$
	31,441	33,607
	34,994	36,267
	(48,383)	(65,668)
	18,052	4,206
	136,697	(33,696)
	1,025,363	856,424
	(875,433)	(837,083)
	149,930	19,341

for the financial year ended 30 June 2012

22. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

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

Cash on hand

Cash at bank

(b) Financing Facilities

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

Current facility amount

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

Profit after related income tax

Non cash flows in operating profit

Depreciation

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

Share of profit of associate

Change in provision for unexpired subscriptions in advance

Changes in assets and liabilities

Provision for employee entitlements

(Increase)/decrease in prepayments

(Increase)/decrease in receivables

(Increase)/decrease in stock

(Increase)/decrease in other assets

Increase/(decrease) in trade creditors

(Increase)/decrease in deferred tax assets

Increase/(decrease) in deferred tax liabilities

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

Increase/(decrease) in tax payable

(Increase)/decrease in provisions

Increase/(decrease) in GST payable

Cash flows from operations

CONSOLIDATED	
2012	2011
\$	\$
12,265	12,185
2,739,780	3,229,868
2,752,045	3,242,053
150,000	150,000
6,160,698	3,893,764
1,455,086	1,360,721
9,225	53,595
(5,637,749)	(2,779,807)
265,922	307,645
33,871	(364,095)
(75,269)	(105,213)
(44,757)	(46,033)
(104,291)	(10,204)
(165,776)	81,266
(237,635)	75,717
(380,589)	118,146
828,670	508,798
366,387	(30,421)
(371,321)	114,005
229,321	(1,152,705)
4,132	500,808
2,335,925	2,525,987

23. OPERATING LEASE COMMITMENTS

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

Operating lease commitments relate to shop front leases with lease terms between three to seven years.

24. SOFTWARE LEASE COMMITMENTS

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

25. EMPLOYEE BENEFITS

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

Provision for Employee benefits

Current
Non-current

Number of employees at end of financial year:

The Royal Automobile Club of Tasmania Ltd.

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

RACT Insurance Pty Ltd.
RACT Travel Pty Ltd.

26. DERIVATIVE FINANCIAL INSTRUMENTS

(a) Interest rate swap contracts – cash flow hedges

(b) Interest rate swap – cash flow hedges

Interest-bearing loans of the Group currently bear an average variable interest rate of 4.3%. In order to protect against rising interest rates the Group has entered into an interest rate swap contract under which it has a right to receive interest at variable rates and to pay interest at fixed rates. The swap in place covers approximately 99% of the principal outstanding and is timed to expire at the renewal date of the loan. The fixed interest rate for the swap is 6.07% and the variable rates ranged between 3.73% and 4.88% for the period.

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

(c) Movement in cash flow hedge reserve

Opening balance
Charged to other comprehensive income
Deferred tax
Closing balance

CONSOLIDATED	
2012	2011
\$	\$
404,035	341,829
352,463	318,863
398,676	653,394
114,964	168,583
1,270,138	1,482,669
240,429	-
240,429	-
480,859	-
999,877	782,628
144,579	327,957
1,144,456	1,110,585
2012	2011
139	133
72	69
40	44
112	113
CONSOLIDATED	
2012	2011
\$	\$
(1,376,236)	(291,644)
(204,152)	(239,020)
(1,084,591)	49,812
325,378	(14,944)
(963,365)	(204,152)

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

These include monitoring levels of exposure to interest rate risk and assessments of market forecasts for interest rates. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

Primary responsibility for identification and control of financial risks rests with the Investment Committee under the authority of the Board. The Board reviews and agrees policies for managing each of the risks identified below including interest rate risk, credit allowances, and future cash flow forecast projections.

Risk Exposures and Responses

Interest rate risk

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

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

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

Price Risk

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

Credit Risk

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

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

28. SUBSEQUENT EVENTS

Since balance date the consolidated entity has entered into an agreement with Reid White Automotive Pty Ltd to form the jointly controlled entity, RACT Autoserve Pty Ltd. Providing vehicle servicing and mechanical repairs, RACT Autoserve Pty Ltd will commence business operations during the second quarter of the 2013 financial year.

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

Registered Office

Cnr Murray and Patrick Streets
HOBART TAS 7000
Tel: (03) 6232 6300

Principal Place of Business

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



DIRECTORS' DECLARATION

The Directors declare that:

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

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

A handwritten signature in black ink, appearing to read 'S E Slade'.

S E SLADE
DIRECTOR

A handwritten signature in black ink, appearing to read 'R H Holmes'.

R H HOLMES
DIRECTOR

Hobart, 18 September 2012



Wise Lord & Ferguson



advice to advantage

Chartered Accountants

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

Report on the financial report

We have audited the accompanying financial report of The Royal Automobile Club of Tasmania Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company The Royal Automobile Club of Tasmania Limited and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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



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

Partners: Peter Beven, Harvey Gibson, Danny McCarthy, Douglas Thomson, Joanne Doyle, Stuart Clutterbuck, Ian Wheeler, Dean Johnson, Marg Marshall, Paul Lyons
Managers: Alicia Lois, Melanie Richardson, Nick Carter, Simon Jones, Shaun Evans, Trent Queen, Rachel Burns, Angela Parisi

- 2 -

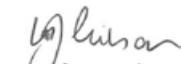
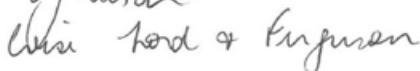
Independence

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

Opinion

In our opinion:

- a. the financial report of The Royal Automobile Club of Tasmania Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

H J GIBSON
PARTNER
WISE LORD AND FERGUSON

Dated: 13 September 2012



**Burnie**

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

Devonport

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

Glenorchy

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

Hobart – Collins Street (Travel only)

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

Hobart – Murray Street

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

Kingston

Shop 49A, Channel Court, 7050
Phone: (03) 6242 3200

Launceston

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

Rosny Park

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

Ulverstone (Travel only)

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