



The Royal Automobile Club of Tasmania Limited

Annual Report 2012/13



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Highlights



RACT reaches 90
90 years old and still going strong

Solid performance
in weak economy – 17th consecutive year of surplus



Launch of RACT AutoServe in Hobart

offering quality vehicle servicing and repairs direct from RACT



RACT Auto Glass

our new service offers a clear view on quality glass replacement and chip repair throughout Tasmania



77,455 Roadside Calls
and we got to you faster too



End of End Speed Limit

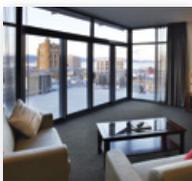
many years of lobbying sees announcement of withdrawal of confusing signs

Support in a crisis

worked alongside emergency services in recovery from bushfire that resulted in \$25m being paid to members in claims

Demand Better Roads

first nationally coordinated pre-election campaign by Australian motoring clubs



Hobart Apartment Hotel

announcement of partnership with RACV – a transformative investment to provide quality accommodation



State-wide community support

100 projects, events and organisations supported or sponsored by RACT



THE ROYAL AUTOMOBILE CLUB OF TASMANIA LIMITED - YOUR CLUB

RACT was formed in 1923 and this year celebrates its 90th year as an organisation.

We are a not for profit mutual organisation that seeks to use any surpluses achieved to further provide quality services to benefit our members and the Tasmanian community.

We have 272 employees working for approximately 180,000 members across 9 branches throughout Tasmania.

HOW WE CAN HELP

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

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

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

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

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

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

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

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

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

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

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

OUR VISION

It is our mission to find ways to enhance life in Tasmania

To achieve this:

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

OUR VALUES

Integrity – we take actions that justify trust

Courage – to make changes, be proactive and to innovate

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

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

Caring – we listen and are community-minded

Vibrancy – we are enthusiastic and engaged in everything we do



“RACT Insurance was the first insurance company at the refuge centres and in Dunalley offering any assistance they could and ensuring claims were handled as fast as possible.”

Stability in difficult times

It's been a tough year for Tasmania with a faltering economy, high unemployment and the devastating bushfires that ripped through the Tasman Peninsula in January. Despite the economy impacting on Tasmanian spending, your Club continues to be in good financial health with another solid result this year. The stability our performance provides is important in ensuring that the services we offer to members will continue to be enhanced and provides reassurance that resources will be available when our members need them.

There for communities when they need us most

It was a source of great pride for me and the rest of the Board to see how quickly and whole-heartedly the Club and its partners moved to help the communities in need when devastating bushfires struck the Tasman Peninsula on 4 January 2013.

Immediately upon being able to get into a police-led convoy the Club's staff played an important role assisting emergency services. They were able to move locked and abandoned cars and set up generators as well as assisting motorists get out of the fire zone and back home often by replacing batteries that had over-heated.

RACT Insurance was the first insurance company at the refuge centres and in Dunalley offering any assistance they could and ensuring claims were handled as fast as possible so our members could receive the funds they needed to start to put their lives back in order.

In addition to donating to the official Tasmanian Bushfires 2013 Appeal the Club brought forward the RACT Community Fund grants program to accommodate a special Bushfire Recovery funding round leading to fire equipment being provided to the Primrose Sands RSL, Sandford Volunteer Fire Brigade and other community groups.

Supporting all regions of Tasmania

The RACT Community Fund has over five years supported over 50 not for profit organisations throughout the state. This year amongst 19 not for profit organisations supported were Ronald McDonald House; the Ravenswood Neighbourhood House and Trevallyn Sea Scouts.

It is crucial to us that community support and sponsorship is provided throughout all regions of the state, and to help enhance life in Tasmania RACT sponsored or supported 100 projects, events and organisations this year.

We contributed to organisations or sponsored events like Festivale, Singfest and the Rostrum Students Forum in the North and the Devonport City Jazz Festival and Burnie Bloomin Tulips Festival in the North West, as well as provided a scholarship as part of the UTAS West North West bursary programme. In the South we supported events like Dark Mofo, the Port Arthur Tattoo and Clarence Seafest and also assisted state-wide events like 10 Days on the Island and AFL football in both the North and South of Tasmania.

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

Representing our members

As a strong advocate for road safety, the Club relies on its three Regional Advisory Committees in the North, South and North West to provide advice on local issues relating to road safety as well as representing their regions when discussing the wider road safety issues of Tasmania. These committees are vital in voicing members' concerns with local councils and decision makers in their areas.

I can't thank the members of the committees enough for the passion and commitment they have shown in volunteering their time this year and throughout the time that I have been Chairman.

Chairman's Report

For example it was through our regional committees that we first began to feel the strength of our members' concerns about the government's plans to introduce a blanket reduction of speed limits on sealed rural roads. The committee members lobbied hard on this issue locally as did the whole organisation at state level throughout the year. I'm pleased to note that subsequent to the end of the financial year the government announced it was taking on RACT's advice and will only impose a reduced speed limit where the state or nature of a road deems it necessary.

This is a great result for the motoring community and RACT can feel proud of its role in representing its members on the issue. It wasn't the only change in policy that has occurred after the Club's lobbying on an issue this year and it is great to report that the government will also withdraw the confusing End Speed Limit signs that have long been a concern of our members.

Our road safety efforts are overseen directly by our Road and Traffic Committee which is made up of Board directors and monitors reports that come in from the regional committees, the Club's management and professional advisors and advises the Board on the introduction of, and amendments to, the Club's motoring policies.

Strong Governance

The Board itself, which is made up of members from throughout the state, has overall authority over the adoption of such motoring policies along with setting goals and strategies and monitoring management performance and business results. The Club's investments are monitored by the Investment Committee, which provides regular reports to the Board as well as assessing new investment proposals. Those that fulfil strict criteria and have in the committee's view sufficient merit are passed to the Board for final consideration and approval. The Board is also responsible for identifying and managing business risks and to assist in this capacity it has the support of its Audit and Risk Management Committee.

I would like to take this opportunity to note some recent changes that have taken place within our Board. At the end of the financial year David Catchpole and Tony Stacey AM, who are both Honorary Life Members of the Club, retired from the Board after many years' service and I would like to personally thank them for their dedication. I am pleased to report that their positions on the Board have been filled by Alison Flakemore, who is a Principal and Audit Partner of Crowe Horwath, and Phil Jones, a pharmacist who is the current Chairman of our Southern Regional Advisory Committee. I welcome Alison and Phil to the Board and look forward to working with them.

National influence

We are the largest membership organisation in Tasmania and our primary focus is on providing services and benefits to our members

here in Tasmania, but we understand that our members are impacted by decisions on a federal level and also may need our assistance when they are outside of the state. For this reason RACT is part of a wider national network of motoring organisations within Australia, the Australian Automobile Association (AAA), of which I was appointed Vice President during the year. Prior to the 2013 Federal Election the AAA launched its Demand Better Roads campaign. It marked the first nationally coordinated pre-election campaign by Australia's motoring clubs which together represent 7 million motorists.

The campaign called for improvement to the quality and safety of nationally funded roads as well as action in relation to motoring consumer issues. As part of the campaign RACT identified priority projects it wants the next federal government to implement and it is pleasing to report that in the May 2013 budget the Labor government announced significant funding for transport infrastructure including funding for the Midland and Brooker Highways.

Proud history

The Club celebrated its 90th year of service to its members back in March this year and it is humbling to think of all the dedicated staff and directors that have over the years been part of building the Club up to the healthy position it finds itself in today. We believe we have gone from strength to strength by ensuring the quality of service and value for money we provide our members. We are very proud of what we achieve and the resulting loyalty our members continue to show us. In 2013, 340 members will celebrate their 50th consecutive year of membership of the Club and events in their honour were held in Devonport, Launceston and Hobart. These are great occasions that bring together so many experiences of life and motoring in Tasmania over a period that has seen so much change.

Bright future

As I reflect on time passing I must also reflect on my time as President of our Club which will come to an end in November after three years. In this time my colleagues on the Board and I have overseen a change in our Chief Executive Officer and management team and put in place a five year strategic plan centred on enhancing the member experience, building organisational capability and ensuring its sustainability while actively engaging with the Tasmanian community. I would like to take this opportunity to thank my fellow directors for their support and wise counsel and thank the management and staff of RACT for the dedication and expertise that they bring to the organisation. Together we have taken the steps necessary to ensure the Club continues to grow and provide support to our members now and in the future.



Stuart Slade



“When you consider that we responded to 77,455 calls for assistance during the year being an average of over 212 calls a day you can see why the service is so highly valued and relied upon.”

Club performing well

The Tasmanian economy has struggled during the year and is falling behind the rest of the country. Figures for 2012-2013 show it had the lowest economic growth, highest unemployment, lowest retail spending and lowest population growth of any state in the country with no real sign of catching up. The fact that against this backdrop we have broadly sustained the number of our members with our Roadside Assistance product shows the value our members place in the service. Particularly pleasing is the growth we have seen in our premium Ultimate membership whose number have increased by nearly 2.5%.

When you consider that we responded to 77,455 calls for assistance during the year being an average of over 212 calls a day you can see why the service is so highly valued and relied upon. Although the cost of callouts rose in the year I am pleased to report that we achieved a faster average response time in metropolitan areas at a little over 27 minutes. This is a key performance indicator for us and one that we will always strive to continue to reduce. It was pleasing to also note that the number of members who waited longer than 60 minutes has reduced year on year.

Overall I am pleased to report that the Club once again achieved a surplus and the fact that a surplus has been achieved for 17 years in a row highlights the reliability of our performance. This surplus will be used to further enhance the services we offer members and sustain the support we provide to the Tasmanian community.

Supporting members through adversity

Our other core businesses also performed well despite in some cases significant external factors working against them. RACT Insurance provided a surplus despite the fact that Tasmania had to deal with the most devastating bushfires of a generation during the year. The fires destroyed many homes, buildings and vehicles and resulted in \$25m worth of claims being paid to our members. The reaction of RACT Insurance to the disaster in being the first insurer to provide support in Dunally and providing a platform for a community and industry response was admirable. Over many decades Tasmanians have supported our Club and we know the importance our members place on us returning that support to Tasmanian communities when they need it.

As a Tasmanian organisation we had staff, families and friends who were impacted by the fires and it perhaps underlines the value in dealing with an insurer that has a full presence in Tasmania as it was able to act quickly and decisively to assist our members and the wider community. We maintain resources in Tasmania so that RACT Insurance has the means to be in position to assess and pay claims immediately such events occur. RACT Insurance was well ahead of the industry average in the speed that they satisfied claims arising from the 2013 fires and we know how important it is to our members to quickly resolve these issues and we are proud of the response of our insurance company this year.

Working hard to meet members travel needs

Of all our businesses RACT Travelworld is perhaps most at the mercy of discretionary spending and the current state of retail spending in Tasmania makes for a very challenging environment for the business. However I'm pleased to report that bookings were slightly ahead of last year at 12,400 and with RACT Travelworld keeping a close eye on its costs achieved a better result than in 2011-2012. Our travel staff pride themselves on the quality of service they as travel professionals provide members and this is demonstrated by the numerous Tasmanian supplier awards that were won by RACT Travelworld including awards from Qantas Holidays, P&O and Princess Cruises.

RACT Travelworld is also making great strides in its ability to cater for the Tasmanian business community. In 2013 it launched a new online state of the art booking tool for business clients combining best price airline, accommodation and car hire information on a single web page. It stores business traveller profiles for future ease of use and provides 88 business reports to assist companies with their monitoring and reporting processes. This investment underpins the competitive quality service that RACT Travelworld can provide business travellers and is having a pleasing impact on the number of new business clients taking advantage of our service expertise.

CEO's Report

Investment in new services for members

This year we have two new businesses to report on as RACT AutoServe and RACT Auto Glass each began trading during the year. One of the key elements of our strategic plan is to enhance members' experience with the Club. One of the ways we are seeking to achieve this is by offering new motoring services to our members that provide the same high standard of service, experience and quality of workmanship that are the hallmarks of our operations.

At RACT AutoServe members not only get a 10% labour discount but they get car repairs and servicing that they can trust from qualified technicians that are committed to being transparent about everything they do. I'm pleased to say that interest in RACT AutoServe has been very high considering it is in its first year of operation and it is broadly in line with our hopes for the operation in terms of its result. As well as adding to the commercial services we offer AutoServe has been providing free monthly 'Know your car' sessions to members to help them be able to maintain and understand their vehicles.

The setting up of RACT Auto Glass has been more complicated than we had initially envisaged, but we began trading in the north of the state in February and the interest from members has been above expectations. The introductory offer for half price chip repairs, which has been extended to 30 November 2013, has proven very popular with members who also get the benefit of a 15% discount on window replacements. The operation in the south of the state didn't come on-stream until shortly after the end of the financial year so we are yet to see the full impact of the business on the industry as some avenues of operation only became open to us once we could offer a whole-state solution, but we are very positive about its future.

Changes within our Driver Training business saw the Club buying the Hobart operation outright so that along with its equivalent operation in Launceston and our franchised operations in Burnie and Devonport we can provide a consistent high quality of service and expertise across the state. Driver Training is seen as a key entry program for our membership base. For our students it is often likely that it will be their first interaction with the Club and it is important that this first impression we give to prospective members is a positive one and translates into an ongoing relationship that we hope will last a lifetime.

Our health insurance and finance operations saw good growth in the year with RACT Health Insurance providing excellent cover options to over 17% more Tasmanians at the end of the financial year than it did at the start and Finance by RACT achieving portfolio growth of nearly 10% in the year.

Investing in new strategies to provide member benefits

During the year we announced that in partnership with sister club RACV we would purchase the Grand Mecure Apartment Hotel,

which we are confident will offer an attractive experience for our members wishing to stay in Hobart in the future. This transformative investment underpins our strategy in relation to both member experience and ensuring the sustainability of our organisation by providing us with diversification in partnership with experienced partners in the sector. Members will benefit through a 25% discounted room rate but also through our partnership with RACV will have the right to stay at other RACV-operated hotels and resorts in Victoria and Queensland at reduced rates.

Leisure tourism in Hobart is being positively impacted by MONA and the city has the highest occupancy rates of any state capital city at the current time. We see tourism as a crucial industry to Tasmania and as a Club we believe we can have a mutually beneficial relationship with the industry. We believe that investment in the tourism industry will broaden our customer base while providing, along with our partners, some of the private investment and support that is so desperately needed for the Tasmanian economy to improve. Our investment in the Hobart Apartment Hotel is a significant first step into the market and as has been reported in the media over the winter is not the only opportunity in the sector that we are considering.

Investment in our people

At the RACT this year we have also invested in our staff and infrastructure. We undertook member experience workshops aimed at every member of staff within the organisation to develop our people and endeavour to deliver world best service and expertise. We have increased call centre capacity to reduce already impressive call handling times as well as extending trading hours for the customer service call centre to 8pm Monday to Friday. We have significant system projects under way and these changes will support the investment in our people's ability to deliver great member experience.

Sadly during the year, one of our longest-serving colleagues, Greg Hankin, GM Membership and Marketing, succumbed to cancer. Greg had made a significant contribution to the development of the Ultimate and Advantage Roadside products. He put his heart and soul into our Club for 25 years and brought smiles to people's faces through his wit and good humour and will be greatly missed.

I'd like to thank the Chairman and the Board for their support over the year as well as thanking all the hard working staff at RACT whose professionalism and expertise are the cornerstone of our Club and ensure that we are able to deliver world's best service and expertise to our members and customers.



Harvey Lennon

Communications and Advocacy

The year resulted in a number of achievements as the RACT expanded its community investment program and pursued a strong public advocacy agenda.

Community Engagement and Education

A new position of Community Engagement and Education Manager was created. The role involves coordinating the RACT's extensive program of community support activities as well as developing new educational resources and programs for members and the wider community. One of the first of these projects is a new resource on *Driving and Dementia*, which has been based on a successful RACV publication.

The RACT provided support for a major suicide prevention forum in Hobart and also commenced developing suicide prevention strategies for its own community including staff and members of the RACT.

We continued to sponsor iconic Tasmanian events and activities including The Theatre Royal, TSO Symphony Under the Stars, Festivale, Ten Days on the Island, AFL matches, RACT City to Casino Fun Run, Breath of Life music festival and the inaugural winter festival, Dark MOFO.

The RACT also revitalised a Staff Volunteer Program allowing staff to offer their time and expertise to various charities and community groups. This year, staff volunteered at Ronald McDonald House, Aurora Disability Services, Camp Quality, St Vincent de Paul and the Beacon Foundation as well as Dogs Home of Tasmania, Hobart Cat Centre and RSPCA.



Bushfires

In January 2013, major bushfires devastated parts of Tasmania. The RACT responded immediately by donating \$25,000 to the Red Cross Bushfires appeal and bringing forward and doubling its 2013 Community Fund program to provide a special bushfire recovery grant round of \$20,000. RACT staff also organised barbecues and raffles for local school projects and the rebuilding of foreshore picnic areas at Dunalley.

RACT Community Fund

The RACT Community Fund consists of two funding rounds each year, providing small grants to non-profit organisations. The Fund supports the RACT's vision: *We find ways to enhance life in Tasmania.*

The January 2013 bushfires in Tasmania were a major natural disaster. The RACT immediately donated \$25,000 to the Red Cross Bushfires appeal. In addition, it brought forward its 2013 Community Fund program to open a special bushfire recovery grant round worth \$20,000, while RACT staff organised barbecues and raffles to raise funds. Recipients of the grants included Fern Tree Community Association, Sea Rescue Tasmania and Primrose Sands RSL.

The Community Fund also supported organisations including the Tasmanian Conservation Trust, Migrant Resource Centre, Riding for the Disabled, Launceston's Self Help Workplace, Arthritis Tasmania Foundation, Channel Men's Shed, Sandford Volunteer Fire Brigade, Eaglehawk Neck Community Hall and Ravenswood Neighbourhood House.

Public Advocacy

Demand Better Roads: As part of the UN Decade of Action for Road Safety, the RACT contributed funding and resources to the largest ever motoring clubs' federal pre-election campaign: *Demand Better Roads.* The RACT's Chief Executive Officer, Harvey Lennon, launched the campaign in Hobart on 22 April 2013 and later travelled to Canberra to lobby Tasmanian federal MPs, in particular for Federal funding for the Midland Highway, Illawarra Main Road, Brooker Highway and a new Bridgewater Bridge. The campaign also included a range of other policy issues. The campaign paid dividends early on with the ALP Government announcing substantial transport infrastructure funding in its May 14 Budget, including three out of the five Tasmanian priority projects listed by RACT. In light of the latest AusRAP National Highway Star Ratings Report, which rated much of the Midland Highway below the acceptable 3-star rating, this was very welcome indeed.



RACT CEO Harvey Lennon discusses the Demand Better Roads campaign with Tasmanian Senator Stephen Parry in Canberra

Corporate Social Responsibility

State Budget: The RACT provided a pre-budget submission to the state government and attended a meeting with the Premier to discuss priorities, as well as attending a meeting when the Budget was handed down.

The RACT insisted that motorists should bear no more pain in this year's Budget after being targeted in 2011-2012. It was pleasing to note that motorists faced no new tax imposts this year, but the Budget provided little in the way of road funding commitments or increased funding for police road safety enforcement activities.

Rural Road Speed Limits: The Club prepared a submission and appeared before a Legislative Council Select Committee on rural road speed limits. Having initially opposed a blanket speed limit reduction and then having given qualified support to a modified proposal, RACT shared members' reservations about the state government's plans to reduce rural speed limits. Following the end of the financial year the state government announced a reversal to its policy in line with RACT's submission so that speed limits on sealed roads will only be reduced selectively following case by case reviews.

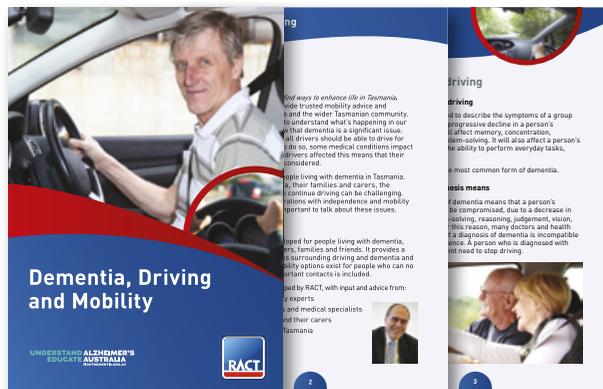
End Speed Limit signs: Following many years of campaigning from the RACT, the state government finally committed to scrapping its confusing End Speed Limit signs on rural roads. The RACT worked for a number of years to convince the Government to have the signs withdrawn in favour of signs that clearly state the legal speed limit on the road ahead. The existing signs have been a constant source of complaint from RACT members because they are confusing, imprecise and leave motorists unsure what speed is safe and legally permissible. As of this report, however, they still remain in place.

Fuel prices: Again this year, fuel prices were a continuing issue and the RACT highlighted high prices and collaborated with interstate motoring clubs on what is a national issue for the motoring public. The RACT is strongly engaged in the issue locally because some of the highest prices in the nation occur in Tasmania. The issue was also a significant part of the AAA's Federal campaign.

RACT hosted the **National Senior Managers Workshop** in August 2012, which brought together senior staff of all Australia's motoring clubs. There were presentations from Chris Richardson, a well-known Australian economist from Deloitte Access Economics, and demographer Bernard Salt, a partner at KPMG. A major outcome of the conference was a collaborative project to scope a fuel discount rewards program based on AA New Zealand's Smart Fuel program.

Other Highlights: The RACT met regularly with senior officers of Tasmania Police to discuss road enforcement issues. After years of RACT policy advocacy the state government announced that it would finally implement a program of alcohol interlocks for repeat drink drivers.

The RACT contributed to forums on a light rail proposal to link Hobart's northern suburbs with the CBD and supported the



Dementia, Driving and Mobility

WAYS TO ENHANCE LIFE IN TASMANIA
Your trained mobility advice will help you and the wider Tasmanian community to understand what's happening in our world. Dementia is a significant issue. All drivers should be able to drive for life so, some medical conditions impact drivers affected this means that their considered.

People living with dementia in Tasmania, in their families and carers, the continuous driving can be challenging. Issues with independence and mobility important to talk about these issues.

Helped for people living with dementia, in their families and friends. It provides a surrounding driving and dementia and safety options exist for people who can no longer contacts is included.

led by RACT, with input and advice from experts and medical specialists and their carers Tasmania.

Community Engagement and Education Manager

A new position of Community Engagement and Education Manager was created. The role involves coordinating the RACT's extensive program of community support activities as well as developing new educational resources and programs for members and the wider community.

During the year the RACT was involved in activities such as Know Your Car courses for women, developing new resources for older Tasmanian drivers and Community Road Safety Partnerships (CRSP).

Bike Futures 2013 seminar at UTAS; successfully lobbied for an increased speed limit of 110km/h on the newly built, high quality Brighton Bypass; and campaigned throughout the year on the issue of a greater police presence on Tasmanian roads.

The Club was extensively engaged in education and awareness. When Metro drivers went on strike, the RACT issued advice to commuters on how to deal with heavier traffic flows. It also took the opportunity on a number of occasions to provide advice to parents and grandparents on child restraint laws and the responsibilities of adults in ensuring children travelled in appropriate and securely installed restraints.

Journeys – the magazine for members of the RACT:

During 2012-2013, the RACT's bi-monthly magazine *Journeys* continued to be a credible and reliable source of news, advice and information. It is a widely-read, well-regarded and popular publication with RACT members and the wider community. The magazine is now distributed by mail to 120,000 Tasmanian households, and it still holds the position of Tasmania's highest-circulation colour magazine.

We have continued to enhance the appearance and improve the content of the magazine through the use of bold, eye-catching cover photographs, bigger and brighter images through the text and stronger editorial material. Each edition of *Journeys* 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.

Motoring and road safety issues have remained the main focus of the opening section; the Destinations section has introduced a range of articles by recognised travel writers; the Tasmanian material has been gradually increased in size and scope; while the substantial travel advertorial section is popular and effective, as measured by RACT Travelworld business written as a direct result of promotion in the magazine.

A highlight during the year was the completion of a market research project conducted during February 2013 by specialist company Nature. The results recorded a remarkably high readership figure of 93% and showed that the magazine has a pass-on rate of +1.5. This suggests that 111,600 households have at least one reader and that 167,400 people read each issue of *Journeys*. The survey noted that the magazine has a lower readership among younger readers and to address this, young aspiring journalist Lilly Donkers has been involved with the magazine as contributing editor. Her articles bring a bright, young tone-of-voice to *Journeys* and they have attracted a significant amount of positive feedback from readers.

Strong and positive working relationships with major suppliers and business colleagues (designer Digital Ink, advertising consultant Artemis, printer Hannanprint, mailhouse D&D and distributors Australia Post) was again a feature of the year.

Journeys is available in digital format in the Realview 'click and page turn' presentation. We regularly publicise the fact that members can opt-out of receiving a printed and mailed copy of the magazine,

but the take-up of this offer has been slow, suggesting that most prefer to turn the pages of the traditional printed magazine. Also in the digital field, during the year we began investigation into the development of a dedicated *Journeys* 'app' for use on tablets and smartphones. It is anticipated that an app will be launched during the 2013-14 financial year.

People and Culture

At RACT, we are committed to further developing a culture of providing world-best service and expertise.

To help us develop the capabilities of our people we recruited for three new roles: Training and Development Manager; WH&S and Technical Training Manager and a Training Officer.

We are delighted that 80% of leadership role vacancies throughout the year were filled by internal candidates. This is a fantastic acknowledgement of the succession planning and development opportunities which RACT have invested in.

During the past year we have made a significant investment in engaging our people in this journey through a series of staff workshops which included the development of our Standards of Service which will continue to be an area of strong focus for developing our people.

Our internal staff communications were refreshed with the launch of a new internal collaboration platform which connects staff, centralises the resources they need to provide great service to our customers and allows us to keep everyone informed of what's happening within RACT.

We recently ran our Employee Engagement Survey, achieving an engagement score of 63 percent. We're really delighted that our results over recent years continue to steadily improve.

Through the survey many of our staff shared with us how proud they are to work for a community minded, Tasmanian owned and operated company and appreciate the opportunity to be personally involved in some of the community activities with which we are involved. This year 33% of staff participated in our Employee Volunteer Day program – an opportunity to spend one work day out in the community supporting a not-for-profit organisation.

We're really proud of the number of long-serving employees at RACT, now having 21 current staff throughout the organisation who have achieved 20 years of service.

This year our Workplace Health & Safety focus has been on providing education to our Board and staff about their roles and responsibilities under the new laws which came into effect in Tasmania on 1st January 2013. This has also involved encouraging staff to report any safety incidents, hazards or near misses so we can continue to be proactive in supporting a strong safety culture.

Insurance



The 2012/13 financial year saw the achievement of some strong results for RACT Insurance despite the 4th January 2013 bushfires on the Tasman Peninsula. This devastating natural disaster resulted in over 500 individual claims, including over 70 total loss claims, being dealt with by the company. The total amount claimed due to the event was approximately \$25m although the majority of this amount was covered by the prudent reinsurance policies the Company had in place.

RACT Insurance initiated its Major Incident Plan immediately the likely scale of the incident became apparent on Friday the 4th January, and had a presence at the refuge centres from the following day. Its rapid and decisive mobilisation of resources meant that RACT Insurance provided a platform for not only its own claims response, that saw the first claims being assessed and paid within 4 days of the incident occurring, but for a wider community and industry response. It was able to assist by distributing emergency items like water, batteries and torches as well as emergency funds via vouchers to the community. As it maintains its resources within Tasmania RACT Insurance is better able to provide assistance in emergencies, whether they be personal or widespread community emergencies.

The January bushfires impacted on total claims in the year but removing them from consideration, the remaining claims figures show a relatively low claim frequency and average claim costs in line with expectations for the year.

Responsive

Responded decisively to the most significant natural disaster in its history

Growing

Over 210,000 risks in force

Focused

Products tailored for Tasmanians

Satisfied members

Renewal rate of 94.3%

Growth in the number of separate risks RACT Insurance provides cover for continued during the year. They increased by 1.2% to 210,451 with the growth in home covers increasing by 2% and motor covers by 1%. New business sales volumes were up on the year and were supported by an almost 50% increase in the take-up via RACT Insurance's online quoting tool following its launch in the prior year. While the number of members using the online tool is still small in proportion to the number who obtain insurance through our more established channels it is encouraging to see a higher level of interest in our online facilities during the year.

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

The combination of the increase in new business and continued high renewal rates provided an increase in total gross revenue from premiums of 7.6% in the year.

Travel



The retail travel environment continued to be challenging during the year with very limited growth in the sector. Despite this RACT Travelworld achieved its third consecutive operating surplus, with an increase at an operating level of more than 30% in 2012/13 compared with the previous year. With six of the eight Travelworld branches providing an improved performance in the year it can be seen that the businesses' efforts to continue to provide excellent service while controlling costs has been successful across the state. This is in no small part to the dedication and skill of our highly professional travel advisors who assisted 12,400 RACT members with their travel needs over the year. RACT members benefit from RACT Travelworld's Low Price Promise which was introduced in the year and has proven very popular.

In the year we have invested in an improved branch site in Kingston with a more prominent travel presence that has proven to be a great success so far, with office revenue increasing 25% in the year. We recently opened a dedicated Cruise Travel Centre in our Collins St, Hobart branch, which is staffed by cruise specialists, to provide a better service to members. Cruising is the fastest growing holiday segment in the travel industry with growth in 2012/13 of 11%. Although nearly 700,000 Australians went on a cruise in the year only 2% of Tasmanians did, and we aim to help get that figure up to the national average over the next couple of years. To do this we plan to bring exclusive offers like our planned 14 day European celebrity river cruise with Mick and Jane from 7HOFM in August 2014

Improved performance

6 of 8 Travel branches improve performance in 2012/13

New Kingston office

Sees office revenue grow by 25%

State of the art

New online booking tool for business clients developed

Award winning

Multiple state and national industry awards received

as well as continuing to host RACT Travelworld's Cruise Sale Day. Our Cruise Sale Day brings together around 20 of the major cruise companies under one roof offering one day only exclusive prices. It is the busiest day of the year for cruise bookings and is the largest cruise event in the state.

It is not only RACT members that have recognised the excellent service we provided during the year as RACT Travelworld won numerous supplier awards this year including State awards from Qantas Holidays, P&O and Princess Cruises. This culminated in winning the national award at the Jetset Travelworld conference for APT Tours as well as being nominated for the multi-branch 'Office of the Year' at the National Travel Industry Awards. As an indication of the standard of service our consultants provide we were proud that Emma Blacklow from our Cruise Travel Centre also won the 'Rookie of the Year' award in the national cruise industry awards.

RACT Travelworld this year launched a new online, airline, accommodation and car hire booking tool for business clients. This product is a seamless solution that provides all the best price information on a single web page avoiding having to swap between airline, hotel and car hire websites. Not only this but it stores all the travellers profiles for future bookings and can provide 88 different business reports. This online booking tool has proved its worth in a challenging business environment by increasing productivity and savings to business clients all over Tasmania and has helped secure over 20 new clients since its introduction.

Operations Review

Roadside

77,455 Roadside Calls

And we got to you faster too

Offering peace of mind

To approximately 23% of the Tasmanian population

Always looking to improve

Introduction of on-the-spot technical support resources for roadside patrols



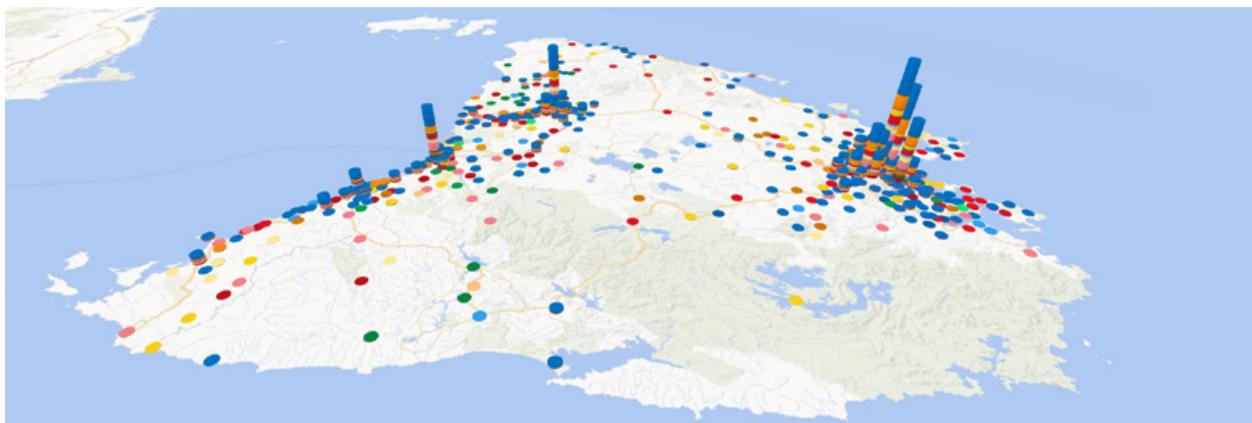
Support in a crisis

This year RACT Roadside has continued its emphasis on delivering exceptional service delivery. A key performance indicator for Roadside is the average response time within the metro areas which at a little over 27 minutes for the year demonstrated an improvement of 2.4% on the previous year. Our Roadside patrols responded to 77,455 calls during the year and over 93% of calls were responded to by our patrols within 60 minutes which also represents an improvement on the previous year.

RACT operated with 21 corporate roadside patrols and a further 56 metropolitan and country contractors in the year. This represented an increase of 4 contractors operating on our behalf and helps ensure that RACT can efficiently cover all regions of Tasmania. Our expert

patrols achieved an impressive mobilisation rate of 90% at the scene of callouts. We have made a significant investment to equip and train our patrols on the use of tablet technology so that they are able to access manufacturer and technical support on vehicles while on a call. This ensures that everything possible can be done to avoid having to tow vehicles for repair. Inevitably though there are occasions when it is not possible to mobilise the vehicle and a tow is required. RACT had at its disposal 16 tow trucks which are housed across the state to support our members in these situations.

The value our members put on the reliability of the service we provide is demonstrated by the fact that we have a retention rate of well over 90% year on year. At over 117,000 members with Roadside assistance this means that we offer peace of mind to approximately 23% of the Tasmanian population when they are on the roads.



Geographical distribution of roadside assistance callouts in the financial year

RACT Auto Glass

Commencing operation in the North of the state in February 2013 and beginning operations in Hobart shortly after the end of the financial year RACT Auto Glass is RACT's new windscreen repair and replacement service.

The windscreen of a car is a vital component of your driving safety day and night. It is an integral part of the vehicle body shell that contributes to overall strength and stiffness. As a damaged windscreen, whether it is a chip or a crack, will reduce a driver's vision and compromise their driving safety RACT believes it is important to our members that it can provide a convenient mobile solution to any windscreen repair or glass replacement within their vehicles.

RACT Auto Glass only use original equipment approved adhesives and seals to ensure maximum driving safety. This ensures the windscreen is restored to full structural strength and it is safe for you to drive the car immediately. We are confident that this service will prove to be a successful part of our operations over the coming years.



RACT AutoServe



In its first year of trading RACT AutoServe, RACT's Hobart-based quality servicing and repair business has proven very popular with members who receive a 10% discount on labour costs. Although broadly on target for the year as a whole it saw a marked increase in activity through the latter half of the year and this has continued into the new financial year.

We believe this is a sign that awareness of the excellent service it provides is increasing and we are very positive about the business for the future.

RACT AutoServe has based its operation on providing the very best care and attention - the same high standard of service, experience and quality of workmanship that has been the cornerstone of the RACT throughout its 90 years. It's highly trained mechanics are committed to being transparent about what they do which means its qualified technicians will explain exactly what they learn about the cars they look at, so customers have got the information to decide what they want to do from there.

Distribution Network

Our nine branch offices and customer service call centre continued to see strong demand for our broad range of products and services. In addition to our Insurance, Travel and Roadside assistance products Members continued to take advantage of our books, maps, discounted movie tickets and international driving permit solutions. Our retail branch network continues to deliver a great standard of service built on valuing relationships that act as a point of real differentiation.

The customer service call centre handled over 130,000 calls during the year and its operating hours have been extended to 8am – 8pm Monday to Friday and continue to operate from 9am – 2pm on Saturdays.

The success of our branch network is built on service excellence and all our staff were enthusiastic attendees of Member Experience workshops during the year. The workshops helped to establish consistent behaviours and attitudes across our distribution channels that are the cornerstones of our capability to achieve the world's best service that we aim for.

In addition to investing in our people we also initiated further investment in our branch infrastructure with a pilot refurbishment in Burnie. It is a new design concept that will not only allow our members to interact with us in a modern, comfortable and efficient environment but we hope will allow the branch to become an extension of the local community. The Burnie refurbishment is due to be completed in December 2013.



Driver Training

RACT offers driver training through its operation in Launceston, its franchised operations in Burnie and Devonport as well as through its Hobart operation that was acquired by RACT from the franchisee during the year. Our highly qualified and experienced instructors provide driver education, training and road safety that provide the skills required to take our trainers through their driving lifetime as well as pass their tests. We are accredited to provide lessons under the federally funded *Keys2drive* scheme. *Keys2drive* helps learner drivers prepare for P plate driving and beyond, but focuses particularly on remaining free of harm during the first six months when risks are at their highest.

Finance by RACT

The personal loans that we offer through our sister club RACV continue to be very competitive and a further reduction of 1% from the standard interest rate offered has been agreed for 2013 onwards that will make this product even more attractive for our members. This product is designed to be customer friendly, easy to access and have a fast approval process which drove portfolio growth of 9.7% in the year.

\$4m loan portfolio

Portfolio growth
of 9.7% in the year



Health Insurance by RACT

In its second year our health insurance product is now more established in the market and achieved growth of over 17% in active policies during the year. This growth is based on the ease with which our partners GMHBA, with more than 75 years of experience providing health insurance solutions, make it for our members to switch from their existing providers to enjoy the excellent coverage and support we offer and that our members can trust.

Motoring

RACT offers a range of motoring products that support our Roadside assistance service. Our members know they will receive advice and products that they can trust.

We carry out comprehensive high-quality vehicle inspections and offer pre-purchase advice on behalf of members and commercial clients.

Over 1,200 child restraints were fitted by our accredited staff during the year, ensuring members' most valuable cargo is as safe as possible and RACT offer an excellent range of child restraints for sale in our Hobart and Launceston branches.

Our vehicle battery sales and fitting service can provide on the spot solutions for 92% of models of cars. As battery problems remain the most common cause of Roadside assistance callouts it is crucial

to our members that we offer a more permanent solution to their difficulties as well as being able to get them moving again.

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





Member Benefits

Members benefitted in the year from our increased range of operations and discount rates that were introduced with RACT AutoServe and RACT Auto Glass during the year. Members will also benefit from discounted rates at the new RACT/RACV Hobart Apartment Hotel.

During the year the Drive Australia website portal was introduced and provides special member accommodation and attraction rates for locations across Australia and the RACT Show Your Card and Save program and App continues to provide a range of member discounts and special member events.

Through the sponsorships RACT and its partners provide we were also able to offer unique member opportunities such as meet and greets with musicians, AFL players and actors. Members also got to experience balloon rides, free concert tickets and received opportunities for discounted tickets to a range of events.

Marketing

During the year RACT refreshed its logo and began revamping the graphics on its vehicles. RACT has a strong brand within Tasmania and received the highest 'Good Corporate Citizen' score in a recent survey carried out to assess its brand health.

The RACT website has been updated with increased functionality including Travel bookings online and a version of the website that has been optimised for use with mobile phones was introduced.

Social media sites such as Facebook and Twitter have been utilised to a greater degree within our marketing campaigns during the year and RACT introduced Facebook payment for Roadside assistance.

RACT supported a wide range of cultural and sporting events during the year through sponsorship including AFL in Tasmania (with two games at Blundstone Arena and by sponsoring a main grandstand

at Aurora stadium in Launceston) Symphony under the Stars, Breath of Life Music Festival, A Night on the Terrace, Dark MoFo, Ten Days on the Island, Theatre Royal and the RACT City to Casino Fun Run.

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



Information Systems

RACT has focussed significant effort over the past year in initiating a 3 year program to upgrade and modernise its major IT systems. In September 2012 we launched our new website, followed a month later by the launch of a new internal collaboration platform which we called Navigator. Front of mind through all these changes, from the website to the systems used by our staff every day when helping our members, is the goal of providing platforms which enable the consistent delivery of world best service.

In late 2013, we will begin implementing a new system which will, for the first time, bring together on a single screen all the information we have about you, the member. As RACT consolidates its core businesses and looks to diversify into exciting new business ventures, it is vital that we develop IT systems which enable us to provide a consistent and seamless experience to our members.

Financial Commentary and Governance

Total revenue increased
to \$26.3m

Consolidated surplus
after tax for period of \$6.3m

Increase in cash held
of \$2.9m

Net assets increased
to \$48.4m

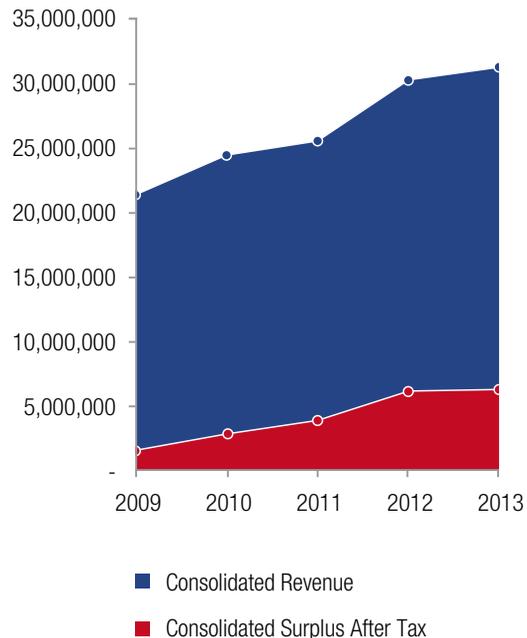
In the 2013 financial year the consolidated entity has continued to provide a surplus. Revenues increased overall by 7% which was mainly attributable to a modest increase in Roadside subscription income combined with the consistently strong performance of the insurance business which resulted in increased sales commission income. Rental revenues also increased due to RACT House being fully tenanted for the 2013 financial year.

Generally levels of expenditure have remained consistent year on year, however in order to enhance the organisational capability within the Club to the benefit of members higher than previous expenditure was required in employee benefits and information technology and communication.

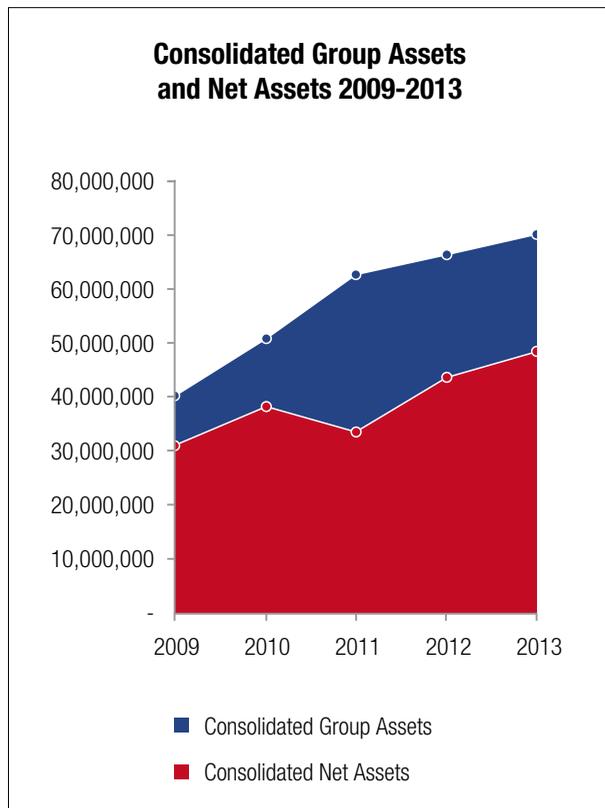
RACT Insurance Pty Ltd continued to contribute significantly to the share of profit in associates. RACT Travel Pty Ltd returned a modest operating profit which is reflective of ongoing travel industry conditions. Start up businesses RACT AutoServe Pty Ltd and RACT Auto Glass Pty Ltd both reported small losses as at June 2013 following less than 12 months of operations which was broadly in line with expectations.

The loss recorded for other comprehensive income is predominantly attributable to a recent valuation adjustment for RACT's Hobart property which includes RACT House. The valuation decrement is reflective of commercial property values in the Hobart precinct.

**Consolidated Group Revenue
and Surplus 2009-2013**



The overall increase in total assets is attributable to an increase in current assets as a result of distributions received from investments during the year which have been reinvested short term. This increase has been partially offset by the equity accounted share of profit net of dividend from associates being lower than the previous year. The valuation adjustment for RACT's Hobart property contributed to the overall decrease in non current assets from 2012. The decrease in long term borrowings was as a result of the ongoing reduction of the ANZ loan required for the construction of RACT House. The decrease in deferred tax liabilities resulting from a lower than previous share of profit in associates along with the property valuation adjustment contributed to the overall decrease in total liabilities.



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 12 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 21 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'.

Directors' 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 B F Clark



Mr P A Dixon

Mrs A J Flakemore

Mr R H Holmes



Mr P C Jones

Mr C J Langdon

Mr R S Locke

In respect of the year ended 30 June 2013, 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 (to 30 June 2013)
Mr B F Clark
Mr P A Dixon
Mrs A J Flakemore (from 27 August 2013)
Mr R H Holmes
Mr P C Jones (from 27 August 2013)
Mr C J Langdon
Mr R S Locke
Mr A C Stacey, AM (to 30 June 2013)

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 profit for the period was \$6,285,870 (2012, \$6,160,698) and total comprehensive income for the year ended 30 June 2013, was \$4,728,340 (2012, \$5,305,797).

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. Except as disclosed in 8 below, this information has not been included in this report.

7. MEETINGS OF DIRECTORS

During the financial year, 33 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 2012/2013	12	6	5	5	5
Director	Attendance at Meetings				
J M Archer	11	5	*	*	*
E C Best AM JP	8	4	*	3	*
D M Catchpole	10	*	*	4	*
B F Clark	11	6	*	*	*
P A Dixon	12	6	3	*	*
R H Holmes	10	*	5	*	*
P J Joyce	11	6	3	4	5
C J Langdon	10	*	5	5	*
R S Locke	12	*	5	*	3
S E Slade	12	*	*	*	5
A C Stacey AM	11	5	*	4	*
K A Westwood	9	*	*	4	5

* Director not a member of this committee

8. SUBSEQUENT EVENTS

Since balance date the consolidated entity has entered into an agreement with The Royal Automobile Club of Victoria (RACV) Limited, to form a new jointly controlled entity for the purpose of acquiring the apartment hotel located at 152-156 Collins Street in Hobart. The property will operate as the RACV RACT Hobart Apartment Hotel following settlement which is due to take place in the second quarter of the 2014 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 Michael Hopster, and all other executive officers of the company and of any related body corporate, against a liability incurred as such a director, secretary or executive officer, to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

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

10. CORPORATE GOVERNANCE

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

- the establishment of long term business goals and approval of strategic plans to achieve those goals;
- the review and adoption of annual budgets and monitoring of performance against those budgets on a regular basis;
- the monitoring of risk management and regulatory compliance on a regular basis;
- the monitoring of internal and external auditing activities; and
- the approval of the annual financial statements.

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.

Directors' Report

11. OWNERSHIP

The Company is incorporated under the Corporations Act 2001 as a company limited by the guarantee of the members. If the company is wound up, its Constitution states that each subscribing member may be required to contribute an amount not exceeding 10% of the members annual subscription at that time. As at 30 June 2013, the number of subscribing members was 117,707 (2012 – 117,787).

12. AUDITORS INDEPENDENCE DECLARATION

The Auditors independence declaration is included on page 21 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, RACT Travel Pty Ltd (from 1 July 2013)
Vice President, Australian Automobile Association

Mr P J Joyce LL.B, MAICD
Chairman, Butler McIntyre & Butler
Member, Taxation Institute of Australia (Tasmanian Division)
Director, Club Tasmania Holdings Pty Ltd (from 26 July 2013)

Mrs K A Westwood B.Com, GAICD, FIPA, ASA, 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, FIE Aust., 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 (to 30 June 2013)
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

Mrs A J Flakemore B.Com (Hons), CA, RCA, GAICD, AMIA
Principal and Audit Partner, Crowe Horwath
Councillor, Tasmanian Chapter of the Institute of Internal
Auditors – Australia

Mr P C Jones BAppSc(Pharmacy), MPS
Director, Rosetta Holdings Pty Ltd
Director, P and R Holdings Pty Ltd

Mr R H Holmes AASA, MAICD
Company Director
Retired Company General Manager

Mr C J Langdon MAICD
Company Director
Retired Chartered Accountant
Director, RACT Auto Glass Pty Ltd (from 18 September 2012)

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 (to 30 June 2013)
Chairman, RACT Travel Pty Ltd (from 1 July 2013)

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 (to 30 June 2013)

This report is signed in accordance with a resolution of directors pursuant to section 298(2) of the *Corporations Act 2001*, this 17th September, 2013.



S E SLADE
DIRECTOR



R H HOLMES
DIRECTOR



Wise Lord & Ferguson
Chartered Accountants
advice to advantage

Auditor's Independence Declaration

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

In relation to our audit of the financial report of The Royal Automobile Club of Tasmania Ltd for the financial year ended 30 June 2013 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: 9 September 2013



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Tel: (03) 6223 6155 Fax: (03) 6223 8993 Email: email@wlf.com.au Internet: www.wlf.com.au

Partners: Harvey Gibson, Danny McCarthy, Douglas Thomson, Joanne Doyle, Stuart Clutterbuck,
Ian Wheeler, Dean Johnson, Marg Marshall, Paul Lyons, Alicia Lels, Nick Carter
Managers: Melanie Richardson, Simon Jones, Trent Queen, Rachel Burns,
Melissa Johnson, Nathan Brereton
Consultant: Peter Bevan

Statement of Comprehensive income

for the financial year ended 30 June 2013

	NOTES	CONSOLIDATED	
		2013	2012
		\$	\$
Revenue	2	26,305,945	24,542,505
Share of profit of associates	2,7	4,880,143	5,637,749
Other revenue	2	5,425	25,859
Roadside agents expenses		(2,889,423)	(2,778,073)
Cost of goods sold		(733,113)	(712,089)
Employee benefits expense		(10,995,296)	(9,626,769)
Marketing expense		(1,408,313)	(1,373,148)
IT & communications expense		(1,781,777)	(1,351,477)
Occupancy & maintenance expense		(1,118,007)	(1,067,027)
Financial & consultation fee expense		(1,749,978)	(2,115,473)
Depreciation & amortisation expense	2	(1,445,369)	(1,455,086)
Roadside fleet & maintenance expense		(538,356)	(453,002)
Other expenses		(2,281,605)	(2,053,786)
Profit before income tax		6,250,276	7,220,183
Income tax expense	3	35,594	(1,059,485)
Profit for the period		6,285,870	6,160,698
Other comprehensive income			
Cash flow hedges:			
Gain/(loss) taken to equity	27	324,701	(1,084,591)
Actuarial gain/(loss) on defined benefit plans	21	108,265	(136,697)
Fair value devaluation of land and buildings	11	(2,208,356)	-
Income tax on items of other comprehensive income	3	217,860	366,387
Total other comprehensive income		(1,557,530)	(854,901)
Total comprehensive income for the period		4,728,340	5,305,797

Notes to the Financial Statements are included on pages 26 to 50.

Statement of Financial position

for the financial year ended 30 June 2013

	NOTES	CONSOLIDATED	
		2013	2012
		\$	\$
Current Assets			
Cash assets and cash equivalents	22	5,626,271	2,752,045
Receivables	5	2,594,021	2,585,655
Inventories	9	137,675	166,939
Other current assets	10	364,764	287,190
Other financial assets	6	5,795,000	2,480,000
Total Current Assets		14,517,731	8,271,829
Non-Current Assets			
Intangibles	8	827,289	540,903
Property, plant and equipment	11	22,732,520	24,550,558
Deferred tax asset	3	961,794	693,456
Investment in associates	7	30,501,840	31,551,197
Other financial assets	6	746,004	746,004
Total Non-Current Assets		55,769,447	58,082,118
Total Assets		70,287,178	66,353,947
Current Liabilities			
Payables	12	2,699,257	2,582,617
Borrowings	15	555,600	555,600
Provisions	13	7,357,686	6,996,899
Current tax liability/(receivable)	3	21,032	(22,820)
Total Current Liabilities		10,633,575	10,112,296
Non-Current Liabilities			
Derivative financial instruments	27	1,051,535	1,376,236
Borrowings	15	8,055,400	8,611,000
Provisions	14	240,777	294,509
Deferred tax liability	3	1,861,562	2,243,917
Total Non-Current Liabilities		11,209,274	12,525,662
Total Liabilities		21,842,849	22,637,958
Net Assets		48,444,329	43,715,989
Equity			
Retained earnings		48,624,388	41,914,983
Reserves		(180,059)	1,801,006
Total Equity		48,444,329	43,715,989

Notes to the Financial Statements are included on pages 26 to 50.

Statement of Changes in Equity

For the financial year ended 30 June 2013

	CONSOLIDATED			
	Cash flow hedge reserve	Asset revaluation reserve	Retained earnings	Total attributable to equity holders of the entity
	\$	\$	\$	\$
Balance at 1 July 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
Profit for the period	-	-	6,285,870	6,285,870
Other comprehensive income	227,291	(2,208,356)	423,535	(1,557,530)
Balance at 30 June 2013	(736,075)	556,016	48,624,388	48,444,329

Notes to the Financial Statements are included on pages 26 to 50.

Statement of Cash Flows

For the financial year ended 30 June 2013

	NOTES	CONSOLIDATED	
		2013	2012
		\$	\$
Cash flows from operating activities			
Subscription income		11,765,311	11,304,641
Other income		18,944,077	15,391,372
Payments made to employees and suppliers		(27,141,987)	(23,378,039)
Interest received		253,941	270,850
Interest paid		(572,552)	(636,716)
Dividends received		26,640	15,540
Income tax (paid)/refund		(352,260)	(631,723)
Net cash from operating activities	22	2,923,170	2,335,925
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		45,673	48,606
Proceeds from sale of investments		-	11,573
Payments for property, plant and equipment		(2,033,518)	(1,048,822)
Investment in Associate		(29,999)	-
Purchase of investments		(3,450,000)	(800,000)
Dividends received		5,959,500	2,865,000
Loans to related party		135,000	(180,000)
Acquisition of business		(120,000)	-
Net cash from investing activities		506,656	896,357
Cash flows from financing activities			
Repayment of borrowings		(555,600)	(3,722,290)
Net cash (used in) financing activities		(555,600)	(3,722,290)
Net increase/(decrease) in cash held		2,874,226	(490,008)
Cash at the beginning of the financial year		2,752,045	3,242,053
Cash at the end of the financial year	22	5,626,271	2,752,045

Notes to the Financial Statements are included on pages 26 to 50.

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2013

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 17 September 2013.

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.

1. SUMMARY OF ACCOUNTING POLICIES (Continued)

(c) Income Tax (Continued)

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

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

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

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

Tax consolidation

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

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

(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

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2013

1. SUMMARY OF ACCOUNTING POLICIES (Continued)

(e) Property, Plant and Equipment (Continued)

Revaluations of land and buildings

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

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

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

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

Disposal

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

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

(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).

1. SUMMARY OF ACCOUNTING POLICIES (Continued)

(h) Derivative Financial Instruments and Hedging (Continued)

Cash flow hedges

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

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

(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.

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2013

1. SUMMARY OF ACCOUNTING POLICIES (Continued)

(n) Revenue recognition (Continued)

Rendering of services

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

Interest

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

Dividends

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

Commission income

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

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

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

(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) Intangibles

Goodwill

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

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

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

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

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

Impairment losses recognised for goodwill cannot be subsequently reversed.

Computer Software

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

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

1. SUMMARY OF ACCOUNTING POLICIES (Continued)

(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 2013

2. REVENUE/EXPENSES

Revenue consisted of the following items:

(a) Revenue

Interest from other bodies corporate	21,998	26,088
Distributions from funds under management	260,165	183,505
Rental revenue	1,530,290	1,243,802
Membership subscriptions and entrance fees	11,561,832	11,096,969
Other services and activities	12,399,824	11,492,796
Advertising & other income	505,196	483,805
Dividends	26,640	15,540
	26,305,945	24,542,505

(b) Share of Profit of Associates

Share of profit of Associates	4,880,143	5,637,749
	4,880,143	5,637,749

(c) Other Revenue

Gain on disposal of property, plant and equipment	5,425	25,859
	5,425	25,859
	31,191,513	30,206,113

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	799,757	858,123
Buildings	409,330	408,650
Software	236,282	188,313
	1,445,369	1,455,086
Bad debts written off	5,415	2,827
Transfer to provisions for:		
Employee benefits	195,306	168,102
Unexpired subscriptions	206,405	265,922
	401,711	434,024

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% (2012:30%)

Add tax effect of:

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

Total

(c) Deferred tax recognised directly in other comprehensive income

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

(d) Current and Deferred tax balances

Assets

Current/Non-current

Deferred tax asset

TOTAL

Liabilities

Current/Non-current

Current tax liability
Deferred tax liability

TOTAL

CONSOLIDATED	
2013	2012
\$	\$
396,111	272,340
(431,705)	814,467
-	(27,322)
(35,594)	1,059,485
1,875,083	2,166,055
(171,336)	(266,969)
36,727	38,218
19,531	10,154
(1,795,842)	(864,161)
243	(23,812)
(35,594)	1,059,485
(347,750)	-
97,410	(325,378)
32,480	(41,009)
(217,860)	(366,387)
961,794	693,456
961,794	693,456
(21,032)	22,820
(1,861,562)	(2,243,917)
(1,882,594)	(2,221,097)

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2013

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
2013	\$	\$	\$	\$
Deferred tax liabilities:				
Property, plant & equipment	(72,644)	72,644	-	-
Accrued income	(3,904)	(8,467)	-	(12,371)
Prepayments	(10,481)	(2,010)	-	(12,491)
Investment in Associates	(2,156,888)	320,188	-	(1,836,700)
	(2,243,917)	382,355	-	(1,861,562)
Deferred tax assets:				
Property, plant & equipment	-	(55,491)	347,750	292,259
Receivables	4,500	-	-	4,500
Provisions	171,119	53,957	-	225,076
Defined benefit funds	44,979	4,083	(32,480)	16,582
Interest rate swap	412,871	-	(97,410)	315,461
Investment in associates	-	3,619	-	3,619
Other	59,987	44,310	-	104,297
	693,456	50,478	217,860	961,794
	(1,550,461)	432,833	217,860	(899,768)
	CONSOLIDATED			
	Opening balance	Credited/(charged) to income	Credited/(charged) to equity	Closing balance
2012	\$	\$	\$	\$
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)
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)

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	
2013	2012
\$	\$
24,200	23,500
<u>24,200</u>	<u>23,500</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

1,382,640	1,298,351
(15,000)	(15,000)
<u>1,367,640</u>	<u>1,283,351</u>
1,170,276	1,225,802
56,105	76,502
<u>2,594,021</u>	<u>2,585,655</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 (2012 - \$15,000) has been recognised by the Group.

Movement in the provision for impairment loss were as follows:

At 1 July

Charge for the year

Amounts written off

At 30 June

15,000	15,000
5,415	2,827
(5,415)	(2,827)
<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*
2013	1,382,640	1,316,819	31,776	9,079	9,966	15,000
2012	1,298,351	1,179,416	73,281	12,745	17,909	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.

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2013

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	30,085,421	26,990,855
Share of profit after income tax	4,836,015	5,959,566
Dividends received	(5,959,500)	(2,865,000)
At 30 June	28,961,936	30,085,421

(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	78,980,416	63,739,094
Non-current assets	8,607,153	21,948,155
	87,587,569	85,687,249
Current liabilities	60,914,314	57,737,250
Non-current liabilities	1,953,780	983,554
	62,868,094	58,720,804
Net assets	24,719,475	26,966,445

CONSOLIDATED	
2013	2012
\$	\$
5,750,000	2,300,000
45,000	180,000
5,795,000	2,480,000
100,000	100,000
646,004	646,004
746,004	746,004
30,501,840	31,551,197

7. INVESTMENT IN ASSOCIATES (continued)

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

Revenue
Net Profit

CONSOLIDATED	
2013	2012
\$	\$
67,679,005	63,530,371
9,672,030	11,919,132

Investment in Associate – RACT Travel Pty Ltd.

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

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

At beginning of period

Share of profit/(loss) after income tax

At 30 June

1,465,776	1,787,593
56,191	(321,817)
1,521,967	1,465,776

(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

1,866,886	1,681,066
1,232,255	1,312,010
3,099,141	2,993,076
1,389,537	1,352,226
138,260	149,779
1,527,797	1,502,005
1,571,344	1,491,071

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

Revenue

Net Profit / (Loss)

3,872,915	4,103,582
80,272	(459,738)

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2013

7. INVESTMENT IN ASSOCIATES (continued)

CONSOLIDATED

2013
\$

Investment in Associate - RACT AutoServe Pty Ltd.

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

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

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

(b) Summarised financial information:

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

Extract from the associate's Statement of Financial Position:

Current assets	56,525
Non-current assets	10,338
	66,863
Current liabilities	30,749
Non-current liabilities	236
	30,985
Net assets	35,878

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

Revenue	162,754
Net Loss	(24,124)



7. INVESTMENT IN ASSOCIATES (continued)

CONSOLIDATED	
	2013
	\$

Investment in Associate – RACT Auto Glass Pty Ltd.

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

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

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

(b) Summarised financial information:

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

Extract from the associate's Statement of Financial Position:

Current assets	43,541
Non-current assets	18,464
	62,005
Current liabilities	17,980
Non-current liabilities	90,000
	107,980
Net assets	(45,975)

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

Revenue	21,010
Net Loss	(45,861)

Share of profit of associates:

RACT Insurance Pty Ltd
RACT Travel Pty Ltd
RACT AutoServe Pty Ltd
RACT Auto Glass Pty Ltd

CONSOLIDATED		
	2013	2012
	\$	\$
	4,836,015	5,959,566
	56,191	(321,817)
	(12,062)	-
	(1)	-
	4,880,143	5,637,749

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2013

8. INTANGIBLES

a) Goodwill on driver training business:

Opening balance	-	-
Goodwill on acquisition	134,422	-
Closing balance	134,422	-

b) Computer software:

Opening balance	540,903	504,826
Additions	428,494	225,546
Disposals	(40,248)	-
Amortisation expense	(236,282)	(189,469)
Closing balance	692,867	540,903
	827,289	540,903

9. INVENTORIES

At cost

Finished goods	137,675	166,939
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10. OTHER ASSETS

Current

Prepayments	341,121	272,434
Accrued revenue	23,643	14,756
	364,764	287,190

CONSOLIDATED	
2013	2012
\$	\$
-	-
134,422	-
134,422	-
540,903	504,826
428,494	225,546
(40,248)	-
(236,282)	(189,469)
692,867	540,903
827,289	540,903
137,675	166,939
341,121	272,434
23,643	14,756
364,764	287,190

11. PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED			
	Freehold Land and Buildings (fair value)	Leasehold Improvements (cost)	Plant and Equipment (cost)	TOTAL
	\$	\$	\$	\$
2013				
Gross Carrying Amount				
Balance at 30 June 2012	20,880,000	8,826	12,627,239	33,516,065
Additions	-	36,908	1,568,319	1,605,227
Disposals	-	-	(283,328)	(283,328)
Revaluation Land and Buildings	(3,000,000)	-	-	(3,000,000)
Balance at 30 June 2013	17,880,000	45,734	13,912,230	31,837,964
Accumulated Depreciation				
Balance at 30 June 2012	438,330	301	8,526,876	8,965,507
Disposals	-	-	(278,847)	(278,847)
Revaluation Land and Buildings	(791,644)	-	-	(791,644)
Depreciation expense	408,525	805	801,098	1,210,428
Balance at 30 June 2013	55,211	1,106	9,049,127	9,105,444
Net Book Value				
As at 1 July 2012	20,880,000	8,826	12,627,239	33,516,065
Accumulated depreciation	(438,330)	(301)	(8,526,876)	(8,965,507)
Net carrying amount	20,441,670	8,525	4,100,363	24,550,558
As at 30 June 2013				
Cost / fair value	17,880,000	45,734	13,912,230	31,837,964
Accumulated depreciation	(55,211)	(1,106)	(9,049,127)	(9,105,444)
Net carrying amount	17,824,789	44,628	4,863,103	22,732,520
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

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2013

12. PAYABLES

Sundry creditors and accrued expenses
GST payable

13. PROVISIONS (CURRENT)

Unexpired subscriptions (a)
Employee benefits (b)

14. PROVISIONS (NON-CURRENT)

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

CONSOLIDATED	
2013	2012
\$	\$
2,376,801	2,246,528
322,456	336,089
2,699,257	2,582,617
6,203,426	5,997,022
1,154,260	999,877
7,357,686	6,996,899
185,502	144,579
55,275	149,930
240,777	294,509

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

555,600 555,600

Non-Current

Secured bank loan

8,055,400 8,611,000

(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	5,626,271	2,752,045
Receivables	2,594,021	2,585,655
Inventories	137,675	166,939
Other current assets	364,764	287,190
Other financial assets	5,795,000	2,480,000
Total current assets pledged as security	14,517,731	8,271,829

Non-current

Intangibles	827,289	540,903
Property, plant and equipment	21,352,520	23,170,558
Other non-current assets	961,794	693,456
Other financial assets	746,004	746,004
Total non-current assets pledged as security	23,887,607	25,150,921

Total assets pledged as security

38,405,338 33,422,750

15. BORROWINGS (continued)

(c) Terms and conditions

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

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

(d) Interest rate risk

Details regarding interest rate risk are disclosed in notes 26 and 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 2013, the number of subscribing members was 117,707 (2012 - 117,787).

17. RELATED PARTY DISCLOSURES

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

The directors may obtain discounted services from the consolidated entity.

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

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

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

CONSOLIDATED	
2013	2012
\$	\$
100,000	100,000
-	180,000
45,000	-
145,000	280,000

(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 (to 30 June 2013)	Mr P J Joyce	Mr A C Stacey AM (to 30 June 2013)
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.

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2013

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 D Turner – General Manager, Retail Distribution
Mr G Hankin – General Manager, Member Services (to 30 April 2013)
Mr D Moody – General Manager, Roadside & Technical Services
Ms L Shephard – General Manager, People & Culture
Ms S Pennicott – General Manager, Membership & Marketing (from 1 May 2013)
Mr V Taskunas – General Manager, Communication & Advocacy

CONSOLIDATED	
2013	2012
\$	\$
180,894	180,756
-	-
11	11
1	1
12	12
1,453,217	1,393,757

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
Capital commitments of the parent entity

COMPANY	
2013	2012
\$	\$
22,192,078	22,004,152
46,706,992	47,796,900
10,077,976	9,557,297
19,993,779	20,477,767
26,713,213	27,319,133
26,893,272	25,518,126
(736,074)	(963,365)
556,015	2,764,372
26,713,213	27,319,133
951,610	1,309,282
(1,557,530)	(854,901)
(605,920)	454,381
-	-

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)

PERCENTAGE OF SHARES HELD		
	2013	2012
	\$	\$
	-	-
	100	100
	100	100

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

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

All companies are incorporated in Australia.

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

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

21. DEFINED BENEFIT SUPERANNUATION PLANS

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

The most recent actuarial investigation was carried out as at 30 June 2011 by Geoff Morley B.Sc. B.Com., FIAA of Bendzulla Actuarial Pty Ltd. The actuary has recommended that employer contributions continue to be made at a rate of 1.5 times member contributions. Funding recommendations are made by the actuary based on a target funding approach referencing the members' vested benefits.

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

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

Current service cost

Past service cost

Interest cost

Expected return on plan assets

Total, included in superannuation expense/(income)

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

CONSOLIDATED		
	2013	2012
	\$	\$
	37,399	31,441
	28,518	-
	23,066	34,994
	(50,688)	(48,383)
	38,295	18,052
	(108,265)	136,697
	1,099,381	1,025,363
	(1,044,106)	(875,433)
	55,275	149,930

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
RACT AutoServe Pty Ltd
RACT Auto Glass Pty Ltd

CONSOLIDATED	
2013	2012
\$	\$
359,138	404,035
178,179	352,463
309,392	398,676
29,020	114,964
875,729	1,270,138
170,108	240,429
141,756	240,429
311,864	480,858
1,154,260	999,877
185,502	144,579
1,339,762	1,144,456
2013	2012
157	139
74	72
37	40
3	-
1	-
115	112

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2013

26. FINANCIAL INSTRUMENTS

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

CONSOLIDATED				
	Average Interest Rate	Variable Interest Rate	Non-Interest Bearing	Total
	%	\$	\$	\$
2013				
Financial Assets				
Cash	2.42	5,626,271	-	5,626,271
Term Deposits	4.04	5,750,000	-	5,750,000
Trade Debtors		-	1,382,640	1,382,640
Equities		-	34,804	34,804
Club Consortium		-	611,200	611,200
Loan to Associate	3.21	100,000	-	100,000
Loan to Associate		-	45,000	45,000
TOTAL		11,476,271	2,073,644	13,549,915
Financial Liabilities				
Bank Loan	3.30	8,611,000	-	8,611,000
Trade Creditors		-	2,376,801	2,376,801
TOTAL		8,611,000	2,376,801	10,987,801
CONSOLIDATED				
	Average Interest Rate	Variable Interest Rate	Non-Interest Bearing	Total
	%	\$	\$	\$
2012				
Financial Assets				
Cash	3.58	2,752,045	-	2,752,045
Term Deposits	4.37	2,300,000	-	2,300,000
Trade Debtors		-	1,298,351	1,298,351
Equities		-	34,804	34,804
Club Consortium		-	611,200	611,200
Loan to Associate	4.10	100,000	-	100,000
Loan to Associate		-	180,000	180,000
TOTAL		5,152,045	2,124,355	7,276,400
Financial Liabilities				
Bank Loan	4.30	9,166,600	-	9,166,600
Trade Creditors		-	2,246,528	2,246,528
TOTAL		9,166,600	2,246,528	11,413,128

27. DERIVATIVE FINANCIAL INSTRUMENTS

CONSOLIDATED	
2013	2012
\$	\$
(1,051,535)	(1,376,236)

(a) Interest rate swap contracts – cash flow hedges

(b) Interest rate swap – cash flow hedges

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

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

(c) Movement in cash flow hedge reserve

Opening balance	(963,365)	(204,152)
Charged to other comprehensive income	324,701	(1,084,591)
Deferred tax	(97,410)	325,378
Closing balance	(736,074)	(963,365)

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

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

Primary responsibility for identification and control of financial risks rests with the 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.

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2013

Price Risk

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

Credit Risk

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

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

29. SUBSEQUENT EVENTS

Since balance date the consolidated entity has entered into an agreement with The Royal Automobile Club of Victoria Limited, (RACV) to form a new jointly controlled entity for the purpose of acquiring the apartment hotel located at 152-156 Collins Street in Hobart. The property will operate as the RACV RACT Hobart Apartment Hotel following settlement which is due to take place in the second quarter of the 2014 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

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

Principal Place of Business

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

DIRECTORS' DECLARATION

The Directors declare that:

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

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



S E SLADE
DIRECTOR



R H HOLMES
DIRECTOR

Hobart, 17 September 2013



Wise Lord & Ferguson
Chartered Accountants
advice to advantage

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 2013, 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.



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Tel: (03) 6223 6155 Fax: (03) 6223 8993 Email: email@wlf.com.au Internet: www.wlf.com.au

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

Independent Audit Report

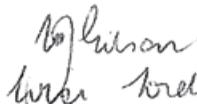
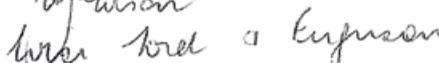
Independence

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 2013 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: 17 September 2013

ANNUAL REPORT 2012/2013
 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	Phillip Jones
Bruce Clark	Chris Langdon
Peter Dixon	Roger Locke
Alison Flakemore	

Company Secretary

Michael Hopster

Honorary Life Members

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

Regional Advisory Committees

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

North West: Dale Prosser (Chairman); John Bloomfield; Bruce Clark; Bill Enkelaar; Kay Kidd; Rodney Medwin; Leon Peck; 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 Financial Officer: Judith Dew
Chief Information Officer: Ian Farquhar
Chief Operations Officer: Craig Petterwood
General Manager, Communication & Advocacy: Vince Taskunas
General Manager, Membership & Marketing: Stacey Pennicott
General Manager, People & Culture: Lyndell Shephard
General Manager, Retail Distribution: Darren Turner
General Manager, Roadside and Technical Services: Darren Moody

Useful Numbers:

RACT General Enquiries: 13 27 22

RACT Roadside Assistance: 13 11 11

RACT Ultimate Members: 1800 088 865

RACT/RACV Hobart Apartment Hotel: 03 6270 8600

RACT Travelworld: 1300 368 111

RACT AutoServe: 1300 127 684

RACT Auto Glass: 1300 230 440

RACT Driving Lessons: 1300 761 429



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