



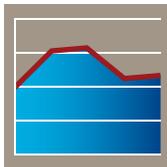
The Royal Automobile Club of Tasmania Limited



# Annual Report 2014/15

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## Finances Secure

- 19 consecutive years of surplus



## Supporting Tasmanian communities

- nearly 200 community events supported



## Investing in new infrastructure

- new insurance system implemented



## Pushing hard on fuel pricing

- ACCC Launceston investigation underway



## New Mobile Service Centre

- expanding our regional reach



## RACT brand in great health

- considered top corporate citizen in survey



## Investing in the RACT team

- new learning academy established



## Right Royal service

- first group-wide marketing campaign



## Patrols keeping you on the road

- nearly 75,000 jobs attended



## Award winning Travel

- named best multi-office travel agency of the year



## Attracting tourists

- 84,000 rooms occupied across our properties

# Chairman's Report



Today, the RACT provides a wide range of motoring services, insurance, tourism and travel products as well as exclusive member benefits.

I am pleased to report that for the 19th successive year the RACT recorded a surplus in the year. A total of \$4.57 million was achieved in the year while maintaining RACT's strong service culture for Members.

The Royal Automobile Club of Tasmania (RACT) was originally established in 1923 to assist members with the planning of motoring excursions and represent the interests of Tasmanian motorists.

Today, the RACT provides a wide range of motoring services, insurance, tourism and travel products as well as exclusive member benefits. With a vision to enhance life in Tasmania, RACT plays a significant role within the Tasmanian community.

Within this broader, more diversified role, the RACT continues to be the state's peak motoring organisation representing the interests of Tasmanian motorists.

In this context, we are strongly positioned in the Tasmanian community to influence government policy and provide advice on road safety and other road-related matters.

In our budget submission to the Tasmanian Government, the RACT called for the allocation of sufficient resources to assess, prioritise and plan road infrastructure requirements on roads and highways across the state, noting and supporting the significant allocation that had already been provided for the Midland Highway upgrade.

The RACT regularly call upon our three Regional Advisory Committees in the north, south and north-west to provide advice for local government and decision-makers across the State.

I cannot speak highly enough of the vital connection they give the Club to our Members' road safety concerns and of the dedicated commitment the committee members give in volunteering their time and energy.

Their work is part of a Statewide approach to road safety that is overseen by an RACT Board committee, the Road & Traffic Committee.

In our annual survey of members, consistent, growing frustration and anger regarding retail petrol prices and the widening gap between wholesale and retail fuel prices in the state was identified.

In late 2014, the then Minister for Competition Policy and Consumer Affairs, Bruce Billson, said the Australian Competition and Consumer Commission (ACCC) would conduct a series of "deep dive" investigations into fuel markets that suffer unexplained high prices.

As a result, early in the 2015 calendar year, the ACCC announced it would investigate why petrol prices had not fallen as much in rural and regional areas as they had in capital cities.

After significant lobbying and applying community and media pressure, the RACT welcomed the announcement by the ACCC that it will conduct a petrol price monitoring investigation in Launceston.

We hope this is a significant step to achieving a reduction in fuel prices in Tasmania, and we will continue to be at the forefront of the campaign.

"Fixing the roads" is just one of the issues that our members have told us are important to them – others include increasing police visibility and protecting road users.

As members would appreciate, the Tasmanian Budget was handed down in May 2015, announcing a \$207.4 million allocation for road infrastructure projects in 2015/16.

Pleasingly, there were also no increases to motoring charges and taxes unveiled and a funding allocation to maintain existing road infrastructure, including resealing and line-marking works.

The RACT also welcomed an additional \$7.9 million to promote and support the tourism industry, including \$1.9 million for regional tourism and events.

And an additional \$8 million over two years for infrastructure renewal and maintenance in Parks and Reserves was also a good outcome for tourism and the broader Tasmanian community.

Given the importance of our reputation in a Tasmanian context, and its importance in terms of our credibility as an organisation, I was also very pleased that the results of an independent survey placed the RACT at the top of the list of well known Tasmanian organisations when it came to being a good corporate citizen.

A combination of our staff's impressive skillset and our reputation may well be why the RACT has such a loyal membership base – 177,000 people in total. This year we recognised 296 members at functions in the north, south and north-west who joined the Club 50-years-ago and have been members ever since. These members joined our club in 1964, and in some cases, even earlier than that.

The RACT has demonstrated on various occasions that it backs Tasmania through its investment in people and infrastructure – the purchase of a number of tourism businesses across the State (Freycinet Lodge, Strahan Village, Gordon River Cruises and Cradle Mountain Hotel and investment in the RACV/RACT Hobart Apartment Hotel) is just one demonstration of this.

The RACT believes it has a key role to play in stimulating the local tourism sector given the significant investment and interest I have just outlined.

We understand that our Destinations businesses are very important to the local economies in which they operate.

With this in mind, the west coast is increasingly reliant on tourism as a major contributor to the local economy. It makes sense, therefore, that we explore ways to help the sector develop further for the ultimate benefit of the west coast region and existing operators.

The \$500,000 joint RACT-Tasmanian Government West Coast Experience Loan Fund was launched in the year. The Fund provides interest-free loan assistance to support the establishment of new west coast-based tourism

experiences that will create jobs, attract investment and increase visitation to the west coast.

While investing in local economies is clearly important, providing assistance to community groups at a grass roots level is also important. The RACT provides support for not-for-profit community organisations across the state twice a year through the RACT Community Fund.

This year 19 organisations received grants including the Choir of High Hopes, Meals on Wheels, Riding for the Disabled – North West, Mens Shed – Central Coast, Surf Life Saving Tasmania and the Hobart Women's Shelter.

In addition to the support provided through the Fund, the RACT supports community groups and events as part of our goal to enhance life in Tasmania. Coordinated by our dedicated Community Engagement and Education Manager, the RACT support is provided in many ways, from donations and sponsorships, event coordination to our staff volunteering their time. In 2014/15 RACT supported nearly 200 community events statewide.

Of course, our work at a regional or community level is not just restricted to support of worthwhile community initiatives and organisations – the RACT continued to maintain its branch network with a branch in every region. Further, through roadside patrols and country agents we have "on the ground" support in virtually every part of the State.

In closing my second Annual Report message as President of the Club, can I thank my fellow Directors for their counsel, chief executive officer Harvey Lennon and the management team for the highly professional way they have managed the business over the reporting period, all RACT employees and Members for their ongoing and important support.

**Peter Joyce**



The RACT is an evolving organisation. As a consequence, our brand and our messages to stakeholders need to evolve in line with the business's development.

The 2014/15 financial year has been one of consolidation following the acquisition, in February 2014, of the Federal Group's regional tourism businesses, incorporating Freycinet Lodge on the east coast, Strahan Village and Gordon River Cruises on the west coast and the Cradle Mountain Hotel in the north-west.

Our investment was not only a substantial demonstration of our commitment to Tasmania and the tourism sector, it was an important decision that diversified our traditional motoring, insurance and travel business and delivered new revenue to the group from outside of the state.

As Members would appreciate, Tasmania is already highly-regarded from a national and international visitor perspective. The location of the businesses in regional Tasmania, right on the doorstep of well-known wilderness areas, means we are very well placed to not only take advantage of this national and international recognition but also deliver exclusive offers and benefits to our Tasmanian-based Members. This was a key focus in 2014/15.

As with any new business, the tourism properties provided a new and unique set of opportunities and challenges when

compared to the existing activities of the Group. But in reviewing 2014/15, we are very pleased with the number of guests our properties attracted. When combined with the RACV/RACT Hobart Apartment Hotel, our tourism operations saw 84,000 rooms being occupied in 2014/15.

On the subject of the RACV/RACT Hobart Apartment Hotel, during the reporting period the Hobart City Council approved the multi-million dollar upgrade to the property that will see the integration of the adjacent heritage-listed Cascade Traders building with bar and lounge facilities, a new reception area, an atrium to close in the courtyard, an upgrade to the Charcoal Restaurant and kitchens and a new gymnasium. The project will create approximately 20 new hospitality jobs as well as additional employment during construction.

Towards the end of the 2014/15 financial year, Tasmania was staging an "economic comeback" with housing loans, retail spending, building approvals and new car sales all increasing. The state also largely escaped any fallout from the resources sector slowdown. This is in stark contrast to reports at the end of the 2014 calendar year that revealed Tasmania remained the weakest economy of Australian states.

A strong tourism sector has also played a role in the improved economic conditions with domestic visitation to Tasmania in 2014/15 increasing by nine per cent to nearly one million people. This comes at a time when other states are struggling to hold their domestic share. These numbers only reinforce the importance of our strategic investment in tourism properties in regional Tasmania.

While it is pleasing that the economy is showing some improvement, the Club's markets continue to be highly competitive and there is no room for complacency.

The insurance market, in particular, continued to meet with increasing levels of competition.

Enhancing our capability to compete was essential to ensure the sustainability of the Group. The replacement of the core insurance system, completed in 2014/15, was an example of this. It has been the greatest single software project the Group has undertaken and is the culmination of three years of development and research work. It allows a modern and flexible, full end-to-end insurance operation from initial quoting through to policy and claims management and it will underpin the long-term commercial viability of our insurance business. I would like to thank the RACT Insurance team and the many staff across the Group who worked extremely diligently to implement the new system and are to be congratulated on their collective effort.

The RACT is an evolving organisation. As a consequence, our brand and our messages to stakeholders need to evolve in line with the business's development. In September 2014 the RACT commissioned a new brand campaign that for the first time could be utilised and was consistent group-wide. The look and feel of the brand was refreshed with the promise "Get Right Royal Service". Each of the campaign's five television commercials tell a unique story about the RACT's commitment to providing Tasmanians with an exceptional service experience based on local knowledge and quality you can trust. External activations of the campaign through in-branch events and engagements with local radio were also included.

During the year the RACT Roadside team logged nearly 75,000 call outs – that is an average of more than 200 calls for assistance every day. We are conscious of the peace of mind this service provides to our Members and are pleased that these numbers had an average wait time in metropolitan areas of only 27 minutes. The feedback we receive from Members for this part of our business is very positive. As at the end of the financial year we had nearly 120,000 Tasmanians relying on our Roadside assistance services. To put this number into context, it is almost one third of the state's total licensed drivers.

Driver training was a key activity for the RACT during the year – our focus is and always has been on educating safe, life-long drivers. The RACT delivered more than 18,500 lessons Statewide, including 932 L2 assessments from December 2014 after the Tasmanian Government introduced changes to the L2 driving assessment system. Lesson numbers delivered exceeded budget by 28 per cent. The growth was underpinned by various education-based initiatives conducted in schools around the state. For example, texting while driving exercises and demonstrating to students the effect of driving after drinking by using goggles that mimic the effects of alcohol.

An important advantage for the RACT is its branch network that allows Members the opportunity for face-to-face contact with our dedicated customer service staff. This provides the RACT with an important point of difference and advantage that our competitors cannot match. The feedback we receive from our Members confirm how much they value it.

The skills and expertise of our staff are crucial to supplying the quality service our members expect and deserve. Our training programs play a key role in this.

During the year we established the RACT Learning Academy for staff, providing learning opportunities through short courses and formal qualifications offered by

a range of providers. A Certificate IV in hospitality was the first diploma offered for key Destinations staff.

This level of customer service, particularly in regional parts of the state, will be further enhanced with the addition of our new mobile service centre. We are confident it will prove to be a valued and well-recognised part of the RACT, allowing us to connect with members, showcase RACT products and services as well as deliver important road safety and other advice. In addition, it provides an important vehicle to support the community during major emergency events, such as the Dunalley bush fires in 2013. Increasing our capability to assist if future events like this occur was an important factor in our decision to invest in the new mobile centre.

In April 2015 RACT Travel joined forces with another strong Australian business, helloworld, launching a new retail brand aimed at providing customers with a unique in-store experience that combines the latest technology with expert advice. Under the partnership, RACT Travel's offices are co-branded under the helloworld name, joining Australia's largest network of independent travel businesses. Being part of a singular brand that is innovative, forward thinking and recognised across Australia and New Zealand provides the RACT with a competitive edge in the travel space. In addition, we are also pleased that the travel business The Travel Studio joined our group during the year.

RACT Travel and its partners were named Best Travel Agency Retail (Multi Location) at the National Travel Industry Awards – one of the biggest honours in the Australian travel sector. The award acknowledges the retail agency operating across two or more locations that demonstrates the best in agency management and service delivery. The award is recognition of our team's focus on delivering the best solution for clients. We were obviously very pleased to win this award as it reflects our expertise and position among the leaders in the Australian travel industry.

To conclude, it is important to reflect on the fact that the RACT has recorded a solid result in a year that required our staff to deal with a high level of change within the business. This is something we are proud of.

I would like to thank all Directors for their guidance and direction and all employees for their support and hard work over the 2014/15 financial year.

**Harvey Lennon**



## WE FIND WAYS TO ENHANCE LIFE IN TASMANIA

### HOW WE CAN HELP

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

**Experiences** – visit iconic Tasmanian locations:

**Cradle Mountain:** experience the unforgettable alpine wilderness at Cradle Mountain Hotel

**Freycinet:** experience an intimate connection with the scenic environment of Freycinet National Park at Freycinet Lodge

**Strahan:** Escape to where the rivers, mountains and rainforests of Tasmania's World Heritage wilderness are at your fingertips at Strahan Village and experience the award winning wilderness experience by cruising on the Gordon River aboard the sleek, purpose built vessel the Lady Jane Franklin II

**Travel** – 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.

**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 GOALS

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

### OUR VALUES

**Integrity** – we take actions that justify trust

**Courage** – to make changes, 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

## Communications and Advocacy

One of the RACT's key goals, as the State's peak motorist organisation, is to advocate on behalf of its Members on road safety and mobility issues. In addition, we think it is vitally important that the RACT supports community groups and events in Tasmania, as well as provide education on matters we believe will benefit the community.



## Community Engagement and Education

The RACT employs a dedicated Community Engagement and Education Manager.

Through its free CarFit program, which is based on a similar program in the United States, the RACT provided advice and information to older drivers. At a CarFit session, trained professionals, including a qualified occupational therapist, work through a simple checklist of questions with the driver about their car. The driver is then shown recommended adjustments on how they and their car can "fit" together to maximise safety and comfort.

This year, for the first time, Tasmania Police, Tasmania Fire Service, Tasmanian Ambulance Service, State Emergency Service, Metro, RACT and the Road Safety Advisory Council worked together on National Road Safety Week in May. For its part, the RACT conducted a number of free education sessions that focused on driver distraction, the dangers of drink driving and safety inspections of child restraints. Unfortunately, the child restraint inspections in southern Tasmania found that more than two-thirds either needed adjustment or were not safe. This was an alarming result, identifying the need for a continuing focus in this important area of road safety. Put simply, if the vehicles in question were involved in a crash, a child in a car restraint in that vehicle would have either been seriously injured or killed.

During the year, Driver Training conducted 17 free workshops around Tasmania for anyone to attend with their learner driver. The 90-minute interactive workshop provided information on getting Ls, L2s and P-plates, the role of the supervisor and the graduated licensing system.

During the year staff were provided with the opportunity to participate in the RACT's Staff Volunteer Program that allows staff to offer their time and expertise to various charities and community groups. This year staff volunteered with programs such as Cancer Council Australia's Daffodil Day, Ronald McDonald House and Save the Children shops.



## RACT Community Fund

The RACT Community Fund provides small grants to non-profit community-based groups and organisations in two tranches every year to help them deliver local projects that help improve the lives of their communities. Nineteen organisations received assistance this year.

Located in all parts of the State, recipients included Surf Life Saving Tasmania for the purchase of rescue sleds and the Tasmanian Lost Pet Register to build a web site.

In addition, the Sheffield Ambulance Volunteers received funding assistance to buy rescue equipment that inflates to any shape to fit into tight spaces to help move patients safely while Riding for the Disabled in the north west were provided with funds to buy riding helmets and sand for top dressing on the arena it uses.

Meals on Wheels also benefitted from the RACT Community Fund which used the donation to buy cool bags for meal drop-offs.

A number of schools, Franklin Primary, Rosetta Primary, Yolla Primary and Wynyard Primary, all received funding for various equipment purchases and programs.

# Corporate Social Responsibility



## Public Advocacy

In unique circumstances, the Tasmanian Liberal Government delivered two state budgets during 2014/15 – the first in August 2014 and the second in May 2015. The RACT actively lobbied on behalf of its Members for both.

For the first budget, the RACT called on the government to start fixing the state's roads, identified as an issue by 90 per cent of respondents in an RACT survey. The RACT also asked its three volunteer regional advisory committees, which advise the RACT on local road and road safety issues, for their budget priorities. Roads, road maintenance and road markings clearly emerged as their main concerns. The volunteer RACT committees also prioritised Tasmania Police funding so that more police could patrol Tasmania's roads in high-visibility police vehicles.

While the RACT supported the upgrading works underway on the Midland Highway, it also called on the Tasmanian Government to use its second budget to provide sufficient resources to assess, prioritise and plan road infrastructure requirements on other roads and highways across the state.

The RACT also called for a "roots and branch" review of regional tourism, describing it as an under-utilised tourism asset.

The May 2015 budget included a \$207.4 million commitment for road infrastructure projects, no increases to motoring charges and taxes and funding to maintain existing road infrastructure, including resealing and line-marking.

An additional \$7.9 million allocated to promote and support the tourism industry, including \$1.9 million for regional tourism and events, was also welcomed by the RACT.

Retail petrol pricing was another significant issue that the RACT engaged with its community on following consistent,

growing frustration and anger expressed by Members about the issue.

In late 2014, the Minister for Competition Policy and Consumer Affairs, Bruce Billson, said the Australian Competition and Consumer Commission (ACCC) would conduct about four "deep dive" investigations into fuel markets that suffer unexplained high prices. "It's a closer examination of pricing and margins, of supply impacts, of even the state of competition in particular markets," he said.

As a result, early in the 2015 calendar year, the ACCC announced it would investigate why petrol prices had not fallen as much in rural and regional areas as they had in capital cities.

In May, the ACCC announced it would launch a petrol price monitoring investigation in Launceston.

Given the importance of the issue to Tasmanians and Members, the RACT was very pleased that the ACCC selected a Tasmanian location as one of three regions or rural areas across the country for such an investigation. The RACT shared the view of the ACCC that an investigation in Launceston would shed light on a range of petrol pricing issues in Tasmania generally.

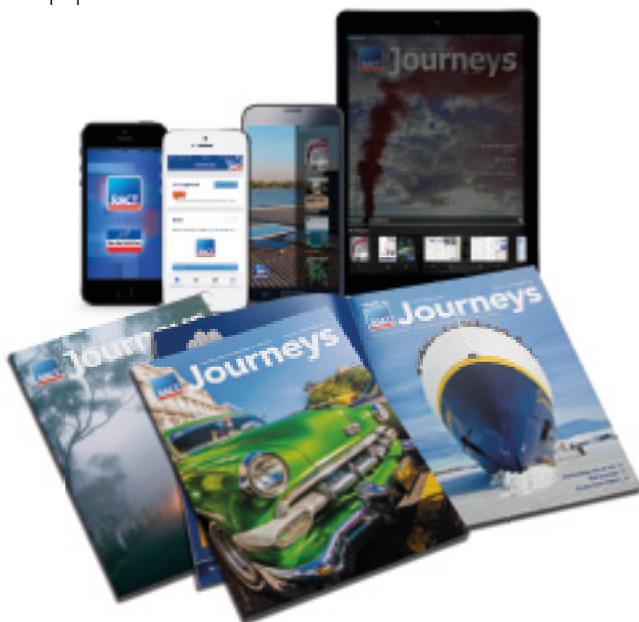


## Journeys Magazine

Journeys is the bi-monthly magazine for RACT Members that provides a credible and reliable source of information and advice. The magazine is distributed by mail to more than 100,000 households in Tasmania. As a result, we estimate that about one-third of the Tasmanian population read each issue. This underpins the value of the publication to the RACT in terms of advocacy and local businesses in terms of advertising reach.

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

The magazine features a mix of articles, including news and views on road safety, motoring and related issues, information about RACT's numerous advocacy activities on behalf of Members, new car reviews and test-drives, articles by travel journalists, details of events in and around Tasmania, highlights of travel products and a range of exclusive offers for RACT Members. The magazine also supports a substantial and popular travel advertorial section.



## People and Culture

The goal of all RACT staff is to provide worlds-best service and expertise and in order for this to be achieved we have identified a requirement to develop a supportive and constructive culture and were awarded a transformation award for the greatest positive movement towards our desired culture in 2014. We are an employer of choice and very proud of that and have traditionally had very low staff turnover levels and longevity of tenure.

RACT has gone through a great deal of change over the last 18 months with its workforce effectively doubling with the acquisition of RACT's tourism businesses. In common with other tourism operators, the businesses are highly seasonal which has unique demands on workforce requirements. This year saw the first high season for the businesses under RACT control and we needed to supplement our workforce with a significant percentage of transient casual workers.

Large scale recruitment such as this creates significant demands on the business as in line with member expectations RACT needs to ensure that each new recruit is of a high calibre. In addition seasonal workers require training over a short period of time so that they can carry out their

role without impacting service delivery across the business. At RACT we have concentrated on the development of a high quality induction process during the year so that our new staff are properly equipped to reach the service standards we and our members require and ensure there is a cultural alignment across our businesses.

In order to monitor staff engagement we regularly undertake staff surveys and during the year we launched a staff working group that we call the RACT Advisory Team. It involves representatives from throughout the Group and its purpose is to explore opportunities to continue to build a strong internal culture and enhance the member experience.

Our staff tell us they are proud 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 RACT is involved. This year our staff participated in more than 150 hours of community volunteering through Employee Volunteer Day program more than double the prior year amount.

New online training modules have been implemented during the year that allow the RACT to provide tailored training solutions to its staff. In addition online recruitment and reporting systems have been developed.

The online tools have greatly improved Work Health & Safety (WH&S) reporting throughout the group which allows the expanded RACT WH&S team obtain a true level of the incidents occurring which is crucial in developing plans to improve safety.

The improved reporting has led to the rollout of training courses such as Low Risk Driving courses to all staff required to drive in their work or long distances to and from work and first aid training at all our properties and branches.

The RACT has joined the new Road Worker Safety Group to share knowledge of how best to keep road workers safe. The RACT Branch and Roadside operations had zero lost time injuries during the year which is an excellent result.

The hospitality industry does traditionally have a higher rate of WH&S incidents than other industries and at RACT this is no different, however the steps we have taken at our properties have positively impacted on the WH&S cultures within the businesses. During the year our Lost Time Injury Frequency Rate was 50.8 and we have invested in equipment to help with some of the material handling issues we have seen during the year.

Our WH&S team have been seconded to all departments of our hospitality businesses so that they can get first-hand experience of what each role entails and the WH&S risks that are present. They are working closely with Destinations management to ensure that despite the challenging high turnover of staff within the hospitality industry that the health safety and well-being of all our staff remains a key focus of the business.

## Insurance



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New core system implemented

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High quote conversion rate

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Strong financial result

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New resources for emergency response

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RACT delivered a strong result in the face of ongoing challenging market conditions in 2014/15, recording a 13 per cent improvement in after tax profit compared to the previous financial year.

The increasingly competitive conditions of the Australian insurance market experienced over the past few years continued in 2014/15 with strong competition from new entrants and existing players.

Pleasingly, RACT Insurance continued to perform well with its quote conversion rate ahead of target. This is a reflection of the high level of service and the quality of product that the RACT provides to Members and its competitiveness in the market.

The renewal rates for RACT Insurance also remained very high through the year. Again, this is an acknowledgement of the excellent service levels and claims experience that Members receive from the company's highly qualified staff.

The fact that RACT Insurance products are specifically tailored for the Tasmanian market is also a factor in these numbers.

The RACT's insurance system was replaced in 2014/15. As the largest single software project the Group has undertaken, the investment was the culmination of three years of development and research work.

It allows a modern and flexible, full end-to-end insurance operation from initial quoting through to policy and claims management and will underpin the long-term commercial viability of the RACT's insurance business.

The investment will allow RACT Insurance to use its knowledge of Tasmanian conditions to ensure that it can offer premiums as competitive as possible, fully incorporating the risks relating to the items to be insured.

Further, the new system will significantly contribute to the ongoing sustainability of RACT's insurance business.

Claims frequency and severity were below expectations in the year which supported the overall strong result of the business.

We have however increased our available resources for when Tasmania next falls victim to a major catastrophic claims event such as the bush fires of 2013 through investment in the RACT Mobile Service Centre. The Mobile Service Centre will greatly increase the service levels that we will be able to provide members and the community from the vicinity of a major event, which should help people get through any such crisis as quickly as possible.

At the end of the year RACT were insuring over 212,000 separate risks, a small rise on the prior year and in line with car and home ownership in Tasmania during the year.

## Travel



Best result for 17 years

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Increased Corporate Travel expertise

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Won best Travel Agency award

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Joined helloworld brand

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RACT Travel recorded its best result in 17-years of operations, achieving an operating surplus that more than tripled the previous year's result.

Like for like revenues increased by seven per cent and were further positively impacted by additional revenue following the acquisition of The Travel Studio business.

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

RACT Travel annually hosts the largest cruise event in Tasmania and this year it brought together more than 30 major cruise suppliers at its Cruise Sale Day, a key component of the cruise market growth strategy. Cruising is the biggest growth sector of the travel industry and is becoming the number one holiday option for Tasmanians. There are many ships based in Australia now and more due to arrive in 2015/16.

RACT Travel continued to focus on growing its share of the corporate travel market during 2014/15 through its market-leading online, airline, accommodation and car hire booking tool for business clients. The acquisition of The Travel Studio, which provides additional corporate travel expertise and experience, will be a key component in achieving our goals.

RACT Travel branches across the state benefited from consistent growth throughout the year, delivering an overall improved performance. This is a direct result of RACT Travel's excellent service standards while maintaining a focus on cost control. The dedication and skill of the highly professional

team of travel advisors, who assisted thousands of RACT Members over the year, is also a key factor in this result.

RACT Travel launched a new retail brand in Tasmania during the year - helloworld. It is the largest national network of independent travel businesses, comprising more than 1,000 offices in Australia and New Zealand. RACT Travel is one of the largest retailers in the group. The publicly listed company also owns Qantas Holidays and Travel Indochina. The helloworld brand is a combination of Harvey World Travel, Jetset, Travelscene American Express and Travelworld.

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

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

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

## Tourism



84,000 rooms occupied across properties

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High Member take-up

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Upgrade of Hobart Apartment Hotel approved

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Tasmanian Tourism industry growing

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The 2014/15 financial year was a period of consolidation for our tourism business following RACT's purchase of the Federal Group's regional tourism businesses Freycinet Lodge, Strahan Village, Gordon River Cruises and Cradle Mountain Hotel last year.

The decision to invest in regional tourism fulfilled a long-term strategic objective of the RACT – to create a fourth pillar for the Group that increased revenue diversification and ultimately improved sustainability.

In its first full year of operations, together with the RACV/RACT Hobart Apartment Hotel, 84,000 rooms were sold in our properties.

They have proven to be a welcome addition to our product range amongst our own members with approximately 15% of room nights taken up by members who receive discounted pricing and access to exclusive member deals during the year.

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

The RACT welcomed the additional \$7.9 million allocated by the Tasmanian Government in its budget to promote and support the tourism industry, including \$1.9 million for regional tourism and events.

Given our regional focus, we welcome the initiatives to support regional Tourism in Tasmania, specifically the Regional Events Start-Up Program and additional funding for the Regional Tourism Organisations.

And because we operate three properties in or adjacent to National Parks and World Heritage Areas, we also believe the additional \$8 million over two years for infrastructure renewal and maintenance in Parks and Reserves will be beneficial.

In addition, the decision to refurbish the Spirit of Tasmania vessels in time for the peak tourist season at the end of the 2015 calendar year was a sensible one that should benefit regional tourism.

Through the Tasmanian Government's expression of interest process for development in reserves, the RACT is also looking to broaden its offering in this sector. If approved and ultimately developed, the opportunities that have progressed to the second stage on the west and east coasts will provide new incentives and capacity to visit these regional locations.

Following a \$1.3 million upgrade to the RACV/RACT Hobart Apartment Hotel's 125 bathrooms, further improvements are planned for 2015/16.

The works will include a new lounge with feature fireplace under a new glass atrium roof, a new reception area directly off Collins Street, a fully renovated restaurant with floor to ceiling windows and two new kitchens. The project also incorporates a new gymnasium, improved function capabilities, as well as restoration of the adjacent heritage listed Cascade House that will be remodelled internally to provide a bar downstairs and an exclusive lounge upstairs.

The RACT is committed to providing exceptional experiences in its properties around regional Tasmania.

## Roadside



More than 200 calls for assistance a day

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More than 119,000 members with Roadside

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Assistance available throughout Tasmania

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More than 90% of cars fixed on the roadside

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RACT's Roadside team has been operating in Tasmania for more than 90 years, providing Members with peace of mind as we answer many thousands of calls for assistance. Our focus is to get to them quickly, wherever they are in the state, and then get them back on the road safely.

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

The Roadside team are busiest during the cold season and this year has seen the coldest winter for decades. We're very proud that, when the roads allowed it, we kept our Members on them, despite seeing some of the highest peaks in demand for our services that we have on record.

This year the average response time in metropolitan areas was a little over 27 minutes and remained below 30 minutes even in the coldest months of the year.

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

In 2014/15 we managed to re-start over 90% of stricken vehicles at the roadside.

On the occasions when the matter could not be immediately resolved, we have 17 tow vehicles that we can call upon to assist our Members.

This excellent mobilisation rate has been achieved following continued investment to equip and train our patrols on the latest technology so that they are able to access manufacturer and technical support on vehicles while on a call.

RACT operated with 22 corporate roadside patrols and a further 55 metropolitan and country contractors in the year. From Dover to Smithton and from Strahan to St Helens we have experts operating on our behalf throughout the state to ensure our Members get to their destination as quickly as they can regardless of what their vehicle does to try and prevent that.

The value our Members put on the reliability of the Roadside service we provide is demonstrated by the fact that we have a retention rate of more than 90 per cent year on year.

We now have more than 119,000 Members with our roadside assistance product (nearly one quarter of the state's population) who rely on our dedicated and expert service. A service that is unmatched for coverage and service levels within Tasmania.

# Operations Review

## RACT AutoServe

RACT AutoServe is a servicing and repair business that offers Members a 10 per cent discount on labour costs. It has a proven track record of success that is based on transparency in all its dealings with customers. It is an approach that is backed up by the experience and quality of workmanship of our highly trained mechanics.

The excellent service provided to its customers and positive feedback received from Members prompted the RACT to transition Vehicle Inspection operations in Hobart to RACT AutoServe and the business has shown strong growth year on year with revenues up by more than two thirds with additional resources having to be sourced during the year to meet demand.



## RACT Auto Glass

RACT Auto Glass, which has provided windscreen repair and replacement services throughout Tasmania since August 2013, is a perfect fit for our Members – the windscreen of a car is a vital component of driving safely day and night and is an integral part of the vehicle body shell that contributes to overall strength and stiffness.

Damaged windscreens, even if it is a small chip or a crack, will reduce a driver's vision and compromise driving safety and RACT Auto Glass provides a convenient mobile solution to any windscreen repair or glass replacement using only approved adhesives and seals.



The business has seen demand increase markedly over the second half of the year following increased marketing and ended the year having completed 67% more jobs than the prior year while offering a 15 per cent member discount on windscreen replacement.

## Distribution Network

Our distribution network is crucial to the Group's success, and relies heavily on the service excellence delivered by our customer service teams. To deliver world's best service to Members, our teams are provided with one-on-one coaching and personal development from professional trainers.

With the addition of The Travel Studio branch in Salamanca during the year the RACT network now includes ten branch offices, our customer service call centre as well as our online platform.

Another important addition during the year was our new mobile service centre that will increase our capability to assist Tasmanian communities in the future. We are confident it will prove to be a valued and well-recognised part of the RACT throughout regional Tasmania. It will allow us to connect with members, showcase RACT products and services as well as deliver important road safety and other advice.



We continue to invest in both online and traditional channels, but it is our much-valued retail branch network that is our major point of difference across our Insurance, Travel, Roadside assistance and other motoring products. Our Members appreciate the face to face service they can access at our branches in addition to allowing them to take advantage of our books, maps, discounted movie tickets and international driving permit solutions.

## Driver Training

RACT's Driver Training operation has been a real success story for the year exceeding our expectations and delivering 28% more lessons than had been budgeted for. To meet this growing demand we increased both the number and the hours worked of our instructors during the year so that we can offer a seven day a week service. We now have 16 highly qualified and experienced instructors who provide driver education, training and road safety throughout the State.

Specifically, they provide the skills required to take our students through their driving lifetime as well as to pass their tests.

We are accredited to provide lessons under the federally funded Keys2drive scheme and during the year our comprehensive driver training programs provided more than 18,531 lessons (58 per cent in the south, 22 per cent in the north and 20 per cent in the north west). This included more than 960 L2 assessments (from December 2014) after the Tasmanian Government introduced changes to the L2 driving assessment system.



We also offer our trainers use of our multi-award winning Learner Driver App that was introduced last year. It allows them to record their hours on their mobile device so that the record can be printed and accepted by the Department of State Growth as part of qualifying for their driver's licence.

## Motoring

RACT offers a range of motoring products that both support our Roadside assistance service and our Members' requirement for 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. In Hobart this operation has been moved to RACT AutoServe that has delivered significant operational efficiencies while still providing a quality and highly-valued service for Members.

Our vehicle battery sales and fitting service provided on the spot solutions for battery problems during the year. This remains the most common cause of Roadside assistance callouts (patrol battery sales totalled more than 6000 during the year).

To meet increasing demand we have increased the number of our staff who are accredited to provide advice and fit child restraints, so that our Members can be assured that their children are travelling in child restraints that are as safe as possible.

Our new mobile service centre will be an excellent resource for us to use to promote child restraint safety over the coming years throughout Tasmania and indeed it was for just this purpose that RACT received a grant from the FIA in the year.



As at the end of the financial year, RACT provided accreditation for 41 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 regarding pricing and in notification of the work required on a vehicle.

## Finance by RACT

The personal loans that we offer through our sister club RACV continue to be very competitive and our Members receive a further reduction of one per cent from the standard interest rate offered. This product is designed to be customer friendly, easy to access and have a fast approval process which helped us achieve a total loan portfolio of \$3.4m at the end of the financial year.



## Member Benefits and Marketing

Our Members benefitted from discounted rates at all of our Tasmanian Destinations properties, the RACT/RACV Hobart Apartment Hotel, RACT AutoServe, RACT Auto Glass and Finance by RACT.

The RACT Show Your Card and Save program and App that provides a range of member discounts available overseas, interstate and locally. This includes discounted Member rates for travel, accommodation, tourist attractions and tyres. Further details of offers can be found at <http://www.ract.com.au/find-member-special-offers> and are regularly advertised in the bi-monthly Journeys magazine.

In September 2014 the RACT launched its new brand campaign to let Tasmanians “know they deserve nothing short of royal treatment”.

The campaign refreshed the look and feel of our iconic Tasmanian brand with the promise “Get Right Royal Service”.

Each of the campaign’s five television commercials tell a unique story about the RACT’s commitment to providing Tasmanians with an exceptional service experience based on local knowledge and quality you can trust.

RACT supported a wide range of cultural and sporting events during the year through sponsorship including Symphony under the Stars, Dark MoFo, 10 Days on the Island, Aurora Stadium, the Burnie 10 and the City to Casino Fun Run. We believe that through its support of these and other events it helps to achieve its mission to enhance life in Tasmania.





19 consecutive years of surplus

Strong insurance result

Reduced borrowings

Revenue and expenditure from operating activities for the Group increased during the year, primarily as a result of the first full year of operations for the tourism business. Membership subscriptions and entrance fees grew marginally and commissions from the distribution of insurance products remained largely flat overall.

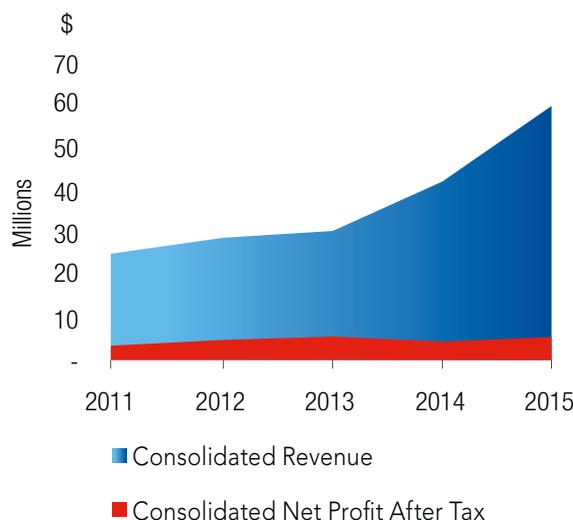
The Group's investment in RACT Insurance Pty Ltd performed strongly again in 2015. RACT's Travel business increased total revenues and delivered a substantial increase in profits following the acquisition of the Travel Studio during the year. RACT AutoServe Pty Ltd, in what was its second full year of operation, also showed strong growth.

The overall growth in total assets is attributable to the increased returns and valuation of investments in the Group's joint ventures. There have been changes in working capital representing the fluctuation in requirements for the Group's tourism business.

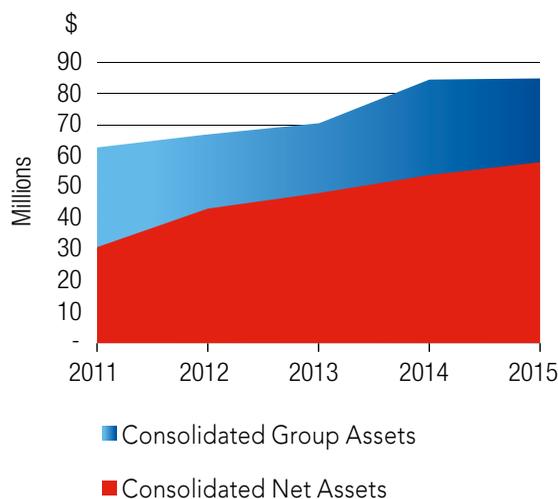
Borrowings have reduced \$2.5M following further pay down of the Group's debt facilities. The most notable change is the reclassification of the \$7.5M secured debt facility over RACT House, which has been reclassified to current as the facility is due for renewal in April 2016.

In accordance with the Club's Constitution a copy of the Club's Annual Report, in both Full and Concise formats, will be available on request 21 days prior to the Club's Annual General Meeting and will be made available on the RACT website. Any such request will be regarded as an election that the member wishes to automatically receive a copy of the Annual Report each year.

CONSOLIDATED GROUP REVENUE AND NPAT 2011 - 2015



CONSOLIDATED GROUP ASSETS AND NET ASSETS 2011 - 2015



# Directors' Report



Mr P J Joyce  
(President)



Mrs K A Westwood  
(Vice President)



Mr P A Dixon  
(Vice President)



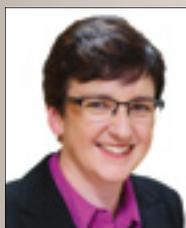
Mr S E Slade



Ms J M Archer



Mr E C Best, AM, JP



Mrs A J Flakemore



Mr P C Jones



Mr C J Langdon



Mr R S Locke



Ms J A L Self



Ms S L Smith

In respect of the year ended 30 June 2015, the directors of The Royal Automobile Club of Tasmania Limited (RACT) present the following report made out in accordance with a resolution of the directors.

## 1. DIRECTORS

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

Mr P J Joyce (President)  
Mr P A Dixon (Vice President)  
Mrs K A Westwood (Vice President)  
Mr S E Slade  
Ms J M Archer  
Mr E C Best, AM, JP  
Mrs A J Flakemore  
Mr P C Jones  
Mr C J Langdon  
Mr R S Locke  
Ms J A L Self  
Ms S L Smith

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

## 2. PRINCIPAL ACTIVITIES

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

## 3. FINANCIAL RESULTS OF THE CONSOLIDATED ENTITY

The consolidated entity's profit for the period was \$4,633,629 (2014, \$4,526,411) and total comprehensive income for the year ended 30 June 2015, was \$4,571,158 (2014, \$4,986,191).

## 4. REVIEW OF OPERATIONS

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

## 5. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

## 6. FUTURE DEVELOPMENTS

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

## 7. MEETINGS OF DIRECTORS

The Board generally meets monthly, with additional meetings being arranged when required. In addition to formal meetings workshops are held during each year in relation to strategic planning and particular strategic initiatives as they arise.

The company has an Audit & Risk Management Committee which met 7 times during the financial year. The members of this committee during the year were Mrs A J Flakemore (Chair from November 2014), Mr P A Dixon, Mr C J Langdon (Chair to November 2014), Mr R S Locke and Ms J A L Self. 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.

In addition to the Audit & Risk Management Committee there are three further standing committees that support the RACT Board, each of which has a clear operating charter and reports to the Board on a regular basis:

- 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.

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](http://www.ract.com.au)).

During the financial year, 31 meetings of directors (including committees but excluding informal workshops) were held. The number of meetings attended by each director during the year is disclosed in the following table.

Board/Committee	Board	Road & Traffic	Audit & Risk Management	Investment	Governance & Remuneration
Total meetings held during 2014/2015	11	5	7	4	4
Director	Attendance at Meetings				
J M Archer	10	4	*	*	*
E C Best AM JP	10	5	*	4	*
P A Dixon	11	5	7	*	4
A J Flakemore	11	*	7	*	*
P C Jones	11	5	*	4	*
P J Joyce	11	*	*	*	4
C J Langdon	10	*	6	*	*
R S Locke	11	*	7	4	*
J A L Self	10	*	7	*	*
S E Slade	11	*	*	3	4
S L Smith	9	5	*	*	*
K A Westwood	10	3	*	4	3

\* Director not a member of this committee

## 8. SUBSEQUENT EVENTS

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

## 9. INDEMNITY OF OFFICERS AND AUDITORS

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

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

## 10. CORPORATE GOVERNANCE

RACT (being the Royal Automobile Club of Tasmania) and its controlled entities is committed to conducting its affairs consistent with the highest standards of corporate governance. The Board supports the Corporate Governance Principles and Recommendations as amended and published by the ASX Corporate Governance Council as those Principles and Recommendations apply to a non-listed entity such as the RACT.

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

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

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

All directors have the right to seek independent legal and accounting advice (at the company's expense) concerning any aspect of the company's operations or undertakings.

## 11. OWNERSHIP

The Company is incorporated under the *Corporations Act 2001* as a company limited by the guarantee of the members. If the company is wound up, its Constitution states that each subscribing member may be required to contribute an amount not exceeding 10% of the member's annual subscription at that time. As at 30 June 2015, the number of subscribing members was 119,596 (2014 - 118,710).

## 12. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 22 of this report.

## 13. DIRECTORS' QUALIFICATIONS AND EXPERIENCE

### **Mr P J Joyce** LL.B, MAICD

Chairman, Butler McIntyre & Butler  
Legal Practitioner  
Member, Taxation Institute of Australia (Tasmanian Division)  
Director, Club Tasmania Holdings Pty Ltd  
Director, RACT Insurance Pty Ltd  
Director, RACT Destinations Pty Ltd  
President, Australian Automobile Association  
(from November 2014)  
Vice President, Australian Automobile Association  
(to November 2014)

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

Adjunct Lecturer, Tasmanian School of Business & Economics,  
Faculty of Business, University of Tasmania  
Legal Practitioner  
Notary Public  
Director, RACT AutoServe Pty Ltd  
Director, RACT Destinations Pty Ltd (from August 2015)

### **Mrs K A Westwood** B.Com, GAICD, FIPA, ASA, MRMIA

Manager Finance, Nyrstar

### **Ms J M Archer** FAICD, GMD

Engagement and Marketing Manager of the Recovery  
Program Network  
Director, The National Trust Tasmania  
Councillor, Australian Institute of Company Directors  
(Tasmanian Division)  
Chair, Tamar Community Peace Trust (from February 2015)

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

Formerly Director Cadbury Australia, Forestry Tasmania,  
Trust Bank Tasmania

### **Mrs A J Flakemore** B.Com (Hons), CA, RCA, GAICD, AMIIA

Principal and Audit Partner, Crowe Horwath  
Chair, Tasmanian Chapter of the Institute of Internal Auditors  
– Australia  
Director, RACT Destinations Pty Ltd  
Independent Member of Audit Panel, Hobart City Council  
(from January 2015)  
Independent Chair of Audit Panel, Huon Valley Council  
(from January 2015)

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

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

### **Mr C J Langdon** MAICD

Company Director  
Retired Chartered Accountant  
Director, RACT Auto Glass Pty Ltd

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

Chartered Professional Engineer  
Chairman, RACT Travel Pty Ltd

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

Business Manager, The Hutchins School  
Director, Anglicare  
President & Director, ASBA Ltd  
President, ASBA (Tas) Inc.

### **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  
Alderman, Glenorchy City Council  
Mayor, Glenorchy City Council (to October 2014)  
Director, RACT Insurance Pty Ltd  
Director, RACT Travel Pty Ltd

### **Ms S L Smith**

Chair, Marine and Safety Tasmania (from February 2015)  
Director, Tasmanian Farmers and Graziers Association  
Independent Chair of Audit Panels, Central Coast and  
Devonport City Councils (from January 2015)  
Director, Abbotsham Superannuation Fund

This report is signed in accordance with a resolution of  
directors pursuant to section 298(2) of the *Corporations Act*  
2001, this 22nd September, 2015.

### **P J JOYCE**

DIRECTOR

### **A J FLAKEMORE**

DIRECTOR

# Auditor's Independence Declaration



**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 2015 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: 15 September 2015



1st Floor 160 Collins Street Hobart TAS 7000 GPO Box 1053 Hobart TAS 7001  
Tel: (03) 6223 6155 Email: [email@wlf.com.au](mailto:email@wlf.com.au) Internet: [www.wlf.com.au](http://www.wlf.com.au)

**Partners:** Harvey Gibson, Denny 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 Mendlik, Nathan Stronston, Melissa Johnson, Donna Powell, Rebecca Meredith, Naomi Norman, Maryellen Satter  
**Consultant:** Peter Seven

# Statement of Comprehensive Income

for the financial year ended 30 June 2015

	NOTES	CONSOLIDATED	
		2015	2014
		\$	\$
Revenue	2 (a)	53,537,572	36,971,947
Share of profit of associates	7	6,901,369	5,798,907
Other revenue	2 (b)	25,026	20,188
Roadside agents expenses		(3,297,319)	(3,033,796)
Cost of goods sold		(5,420,646)	(2,293,822)
Employee benefits expense		(25,475,415)	(16,961,460)
Marketing expense		(2,021,606)	(1,742,449)
Hospitality expense		(1,839,892)	(603,289)
IT & communications expense		(2,516,138)	(2,185,137)
Occupancy & maintenance expense		(6,485,060)	(3,266,685)
Financial & consultation fee expense		(2,165,917)	(2,258,523)
Depreciation & amortisation expense	2 (c)	(2,384,878)	(1,887,839)
Roadside fleet & maintenance expense		(719,763)	(667,744)
Other expenses		(3,806,823)	(2,708,562)
<b>Profit before income tax</b>		<b>4,330,510</b>	<b>5,181,736</b>
Income tax benefit/(expense)	3	303,119	(655,325)
<b>Profit for the period</b>		<b>4,633,629</b>	<b>4,526,411</b>
<b>Other comprehensive income</b>			
Cash flow hedges:			
Gain/(loss) taken to equity	28	(133,163)	(107,607)
Actuarial gain/(loss) on defined benefit plans	21	43,919	140,184
Fair value revaluation/(devaluation) of land and buildings	11	-	377,625
Income tax on items of other comprehensive income	3	26,773	49,578
<b>Total other comprehensive income</b>		<b>(62,471)</b>	<b>459,780</b>
<b>Total comprehensive income for the period</b>		<b>4,571,158</b>	<b>4,986,191</b>

Notes to the Financial Statements are included on pages 27 to 55.

# Statement of Financial Position

as at 30 June 2015

	NOTES	CONSOLIDATED	
		2015	2014
		\$	\$
<b>Current Assets</b>			
Cash assets and cash equivalents	22	3,415,399	5,264,831
Receivables	5	3,808,148	3,801,645
Inventories	9	838,073	998,041
Other current assets	10	931,984	632,116
Other financial assets	6	194,578	775,244
Current tax receivable	3	432,910	313,868
<b>Total Current Assets</b>		<b>9,621,092</b>	<b>11,785,745</b>
<b>Non-Current Assets</b>			
Intangibles	8	8,026,044	8,157,921
Property, plant and equipment	11	24,781,505	25,395,039
Deferred tax asset	3	2,605,383	1,319,955
Investment in associates	7	39,402,116	36,200,747
Other financial assets	6	1,226,009	1,420,766
<b>Total Non-Current Assets</b>		<b>76,041,057</b>	<b>72,494,428</b>
<b>Total Assets</b>		<b>85,662,149</b>	<b>84,280,173</b>
<b>Current Liabilities</b>			
Payables	12	3,007,778	4,703,734
Borrowings	15	9,508,163	2,526,186
Provisions	13	8,477,673	8,505,010
<b>Total Current Liabilities</b>		<b>20,993,614</b>	<b>15,734,930</b>
<b>Non-Current Liabilities</b>			
Derivative financial instruments	28	1,292,306	1,159,143
Borrowings	15	1,477,309	10,991,387
Provisions	14	353,210	312,022
Deferred tax liability	3	3,544,032	2,652,171
<b>Total Non-Current Liabilities</b>		<b>6,666,857</b>	<b>15,114,723</b>
<b>Total Liabilities</b>		<b>27,660,471</b>	<b>30,849,653</b>
<b>Net Assets</b>		<b>58,001,678</b>	<b>53,430,520</b>
<b>Equity</b>			
Retained earnings		57,972,650	53,308,279
Reserves		29,028	122,241
<b>Total Equity</b>		<b>58,001,678</b>	<b>53,430,520</b>

Notes to the Financial Statements are included on pages 27 to 55.

# Statement of Changes in Equity

For the financial year ended 30 June 2015

	CONSOLIDATED			
	Cash flow hedge reserve	Asset revaluation reserve	Retained earnings	Total attributable to Equity holders of the entity
	\$	\$	\$	\$
<b>Balance at 1 July 2013</b>	<b>(736,075)</b>	<b>556,016</b>	<b>48,624,388</b>	<b>48,444,329</b>
Profit for the period	-	-	4,526,411	4,526,411
Other comprehensive income	(75,325)	377,625	157,480	459,780
<b>Balance at 30 June 2014</b>	<b>(811,400)</b>	<b>933,641</b>	<b>53,308,279</b>	<b>53,430,520</b>
Profit for the period	-	-	4,633,629	4,633,629
Other comprehensive income	(93,213)	-	30,742	(62,471)
<b>Balance at 30 June 2015</b>	<b>(904,613)</b>	<b>933,641</b>	<b>57,972,650</b>	<b>58,001,678</b>

Notes to the Financial Statements are included on pages 27 to 55.

# Statement of Cash Flows

For the financial year ended 30 June 2015

	NOTES	CONSOLIDATED	
		2015	2014
		\$	\$
<b>Cash flows from operating activities</b>			
Receipts from customers		37,464,906	22,778,428
Other income		19,027,369	17,555,730
Payments made to employees and suppliers		(59,558,575)	(36,450,303)
Interest received		66,267	209,733
Interest paid		(691,901)	(596,096)
Dividends and distributions received		206,451	85,293
Income tax paid		(182,718)	(314,616)
<b>Net cash from/(used in) operating activities</b>	<b>22</b>	<b>(3,668,201)</b>	<b>3,268,169</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		69,238	35,773
Proceeds from redeemed investments		750,000	5,000,000
Payments for property, plant and equipment, and software		(1,674,051)	(5,864,428)
Investment in associate		(300,000)	(3,150,000)
Purchase of investments		-	(500,005)
Dividends received		4,000,000	3,250,000
Loans to related party		25,422	(155,000)
Business acquisition		(19,740)	(5,652,522)
<b>Net cash from/(used in) investing activities</b>		<b>2,850,869</b>	<b>(7,036,182)</b>
<b>Cash flows from financing activities</b>			
(Repayment)/Proceeds of borrowings		(1,032,100)	3,406,573
<b>Net cash from/(used in) financing activities</b>		<b>(1,032,100)</b>	<b>3,406,573</b>
<b>Net increase/(decrease) in cash held</b>		<b>(1,849,431)</b>	<b>(361,440)</b>
<b>Cash at the beginning of the financial year</b>		<b>5,264,831</b>	<b>5,626,271</b>
<b>Cash at the end of the financial year</b>	<b>22</b>	<b>3,415,399</b>	<b>5,264,831</b>

Notes to the Financial Statements are included on pages 27 to 55.

## 1. SUMMARY OF ACCOUNTING POLICIES

### Statement of Compliance

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

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

### Basis of Preparation

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

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

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

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

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

### Significant Accounting Policies

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

#### (a) Cash and cash equivalents

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

#### (b) Principles of Consolidation

The consolidated Statement of Financial Position is prepared by combining the Statements of Financial Position of all the entities that comprise the consolidated entity, being The Royal Automobile Club of Tasmania Limited (the company) and its subsidiaries as defined in Accounting Standard AASB 10 'Consolidated Financial Statements'. Consistent accounting policies are employed in the preparation and presentation of the consolidated Statement of Financial Position.

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

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

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

#### (c) Business combinations

Business combinations are accounted for using the acquisition method.

The cost of acquisition is measured as the fair value of the assets acquired and the liabilities assumed by the RACT Group as at acquisition date. Associated transaction costs that the Group incurs in relation to the business combination such as legal fees, professional and consulting fees are expensed as incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities are measured at their fair values as at acquisition date. If the cost of the acquisition is greater than the fair value of the identifiable net assets acquired, the excess is recorded as Goodwill.

#### (d) Income Tax

##### Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

# Notes to and forming part of the Financial Statements for the financial year ended 30 June 2015

## 1. SUMMARY OF ACCOUNTING POLICIES (cont.)

### (d) Income Tax (cont.)

#### Deferred tax

Deferred tax is accounted for using the comprehensive Statement of Financial Position liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the Statement of Financial Position and the corresponding tax base of those items.

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

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

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

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

#### Tax consolidation

The company and all its wholly-owned Australian resident entities are part of a tax consolidated group under Australian taxation law. The Royal Automobile Club of Tasmania Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of

the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the company (as head entity in the tax-consolidated group).

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

#### (e) Goods and Services Tax

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

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

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

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

#### (f) Property, Plant and Equipment

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

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease

or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each annual reporting period.

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

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

### Revaluations of land and buildings

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

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

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

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

### Disposal

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

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

### (g) Impairment of Assets

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

Goodwill, intangible assets with indefinite useful lives, and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that

the asset may be impaired. An impairment of goodwill cannot subsequently be reversed. Refer also to note 1(q).

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

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

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

### (h) Inventories

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

### (i) Derivative Financial Instruments and Hedging

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

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

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.

## 1. SUMMARY OF ACCOUNTING POLICIES (cont.)

### (i) Derivative Financial Instruments and Hedging (cont.)

- ii. Fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment. (The consolidated entity does not currently have any fair value hedges).
- iii. Hedges of net investment. (The consolidated entity does not currently have any hedges of net investment).

### Cash flow hedges

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

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

### (j) Financial Assets

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

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

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

### Financial assets at fair value through profit and loss

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

### Held-to-maturity investments

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

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

### Loans and receivables

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

### Available for sale

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

### (k) Payables

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

### (l) Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### (m) Leased Assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

### (n) Provisions

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

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

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

**(o) Revenue recognition**

**Sale of goods and disposal of assets**

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

**Rendering of services**

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

**Interest**

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

**Dividends**

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

**Commission income**

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

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

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

**(p) Investment in Associates**

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

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

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

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

**(q) Intangibles**

**Goodwill**

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

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

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

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

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

- Driver training
- RACT Destinations Pty Ltd.

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.

## 1. SUMMARY OF ACCOUNTING POLICIES (cont.)

### (q) Intangibles (cont.)

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

### (r) Employee benefits

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

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

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

#### Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when incurred.

#### Defined benefit plans

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

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

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

### (s) New accounting standards in future periods

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

- AASB 9: Financial Instruments (December 2014), and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2018).
- AASB 15: Revenue from Contracts with Customers (applicable for annual reporting periods commencing on or after 1 January 2017).

If the above accounting standards had been adopted, the Club does not believe that there would have been a material impact to either the statement of financial position as at 30 June 2015 or the statement of comprehensive income for the year to 30 June 2015.

## 2. REVENUE/EXPENSES

	NOTES	CONSOLIDATED	
		2015	2014
		\$	\$
Revenue consisted of the following items			
<b>(a) Revenue</b>			
Interest from other bodies corporate		17,416	23,227
Distributions from funds under management		134,539	195,234
Rental revenue		1,538,453	1,630,709
Membership subscriptions and entrance fees		12,421,478	12,014,367
Other services and activities		14,147,086	13,097,438
Advertising & other income		394,516	459,951
Hospitality revenue		24,749,500	9,479,981
Dividends		134,584	71,040
		<b>53,537,572</b>	<b>36,971,947</b>
<b>(b) Other Revenue</b>			
Gain on disposal of property, plant and equipment		25,026	20,188
		<b>25,026</b>	<b>20,188</b>
Profit before income tax has been arrived at after charging the following expenses and losses from operations:			
<b>(c) Expenses</b>			
Depreciation and amortisation of non-current assets:			
Plant & equipment	11	1,469,349	1,102,379
Buildings and leasehold improvements	11	340,369	340,417
Software	8	575,160	445,043
		<b>2,384,878</b>	<b>1,887,839</b>
Bad debts written off		52,542	7,694
Transfer to provisions for:			
Employee benefits		(179,783)	975,304
Unexpired subscriptions		220,997	310,969
		<b>41,214</b>	<b>1,286,273</b>

# Notes to and forming part of the Financial Statements for the financial year ended 30 June 2015

## 3. INCOME TAX EXPENSE

### (a) Income Tax Expense

The components of tax expense comprise:

Current tax	63,674	(21,867)
Deferred tax	35,238	671,512
Under/(over) provision from previous years	(402,031)	5,680
	<b>(303,119)</b>	<b>655,325</b>

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

Prima facie tax on profit before income tax at 30% (2014:30%)

## CONSOLIDATED

2015

2014

\$

\$

### Add tax effect of:

Mutual profits/(loss)	31,888	221,192
Non mutual deductions	(76,658)	(110,856)
Non deductible expenses	21,230	9,178
Tax credits	(1,240,375)	(996,312)
Under/(over) provision from previous years	(338,357)	(22,398)
	<b>(303,119)</b>	<b>655,325</b>

### (c) Deferred tax recognised directly in other comprehensive income

Relating to revaluation of property	-	(59,351)
Relating to valuation of interest rate swap	(39,949)	(32,282)
Relating to defined benefits	13,176	42,055
	<b>(26,773)</b>	<b>(49,578)</b>

### (d) Current and Deferred tax balances

#### Assets

#### Current/Non-current

Deferred tax asset	2,605,383	1,319,955
Current tax receivable	432,910	313,868
	<b>3,038,293</b>	<b>1,633,823</b>

#### Liabilities

#### Current/Non-current

Deferred tax liability	(3,544,032)	(2,652,171)
	<b>(3,544,032)</b>	<b>(2,652,171)</b>

### 3. INCOME TAX EXPENSE (continued)

Taxable and deductible temporary differences arise from the following:

#### Amounts recognised in profit or loss

	CONSOLIDATED	
	2015	2014
	\$	\$
Property, plant & equipment	600,007	146,123
Payables	32,674	43,485
Provisions	424,877	490,571
Other assets	112,048	109,047
Receivables	16,608	4,500
Other	204,941	151,505
Other liabilities	-	15,510
Prepayments	(30,042)	(11,093)
Equity accounted investments	(3,472,738)	(2,607,428)
Tax losses	815,671	-
	<u>(1,295,954)</u>	<u>(1,657,780)</u>

#### Amounts recognised directly in other comprehensive income

Interest Rate Swap	387,692	347,743
Defined Benefits fund	(30,388)	(22,179)
	<u>357,304</u>	<u>325,564</u>

Net deferred tax liabilities

(938,650)      (1,332,216)

#### Movements

Opening balance	(1,332,216)	(899,768)
Under/(over) provision from prior year	402,031	(5,680)
Credited to income statement	(35,238)	(671,513)
Deferred tax impact of business acquisition	-	195,167
Debited to equity	26,773	49,578
Closing Balance	<u>(938,650)</u>	<u>(1,332,216)</u>

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

# Notes to and forming part of the Financial Statements for the financial year ended 30 June 2015

## 4. REMUNERATION OF AUDITORS

Audit of the financial report

CONSOLIDATED	
2015	2014
\$	\$
53,500	52,000
53,500	52,000

## 5. RECEIVABLES

Trade and Other Receivables

Trade receivables / sundry debtors

Allowance of impairment loss / doubtful debtors (a)

2,492,170	2,445,060
(55,361)	(15,000)
2,436,809	2,430,060
Related party receivables (b)	
Associates - (Receivable from RACT Insurance Pty Ltd (unsecured))	
1,284,237	1,283,120
Associates - (Receivable from RACT Travel Pty Ltd (unsecured))	
86,723	88,465
Associates - (Receivable from RACT AutoServe Pty Ltd (unsecured))	
379	-
3,808,148	3,801,645

Related party receivables (b)

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

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

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

Carrying amount of trade and other receivables

### (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 \$55,361 (2014 - \$15,000) has been recognised by the Group.

Movements in the provision for impairment loss were as follows:

At 1 July

Charge for the year

Amounts written off

At 30 June

CONSOLIDATED	
2015	2014
\$	\$
15,000	15,000
92,903	7,694
(52,542)	(7,694)
55,361	15,000

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*
2015	2,492,170	1,958,873	94,416	118,404	265,116	55,361
2014	2,445,060	2,090,509	34,270	290,981	14,300	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.

**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 (ii)  
 Loan to associates (iii)

**(b) Non-current**

Loan to associates  
 Equities (i)  
 Unit Trust (iv)

CONSOLIDATED	
2015	2014
\$	\$
-	750,000
194,578	25,244
194,578	775,244
80,000	274,757
646,004	646,004
500,005	500,005
1,226,009	1,420,766

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

(ii) Designated as a financial asset as held-to-maturity investments

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

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

## 7. INVESTMENT IN ASSOCIATES

CONSOLIDATED	
2015	2014
\$	\$
39,402,116	36,200,747

### 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 Limited.

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

At beginning of period	31,354,385	28,961,936
Share of profit after income tax	6,386,500	5,642,449
Dividends received	(4,000,000)	(3,250,000)
At 30 June	33,740,885	31,354,385

#### (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	87,233,771	85,908,559
Non-current assets	19,204,541	10,956,476
	106,438,312	96,865,035
Current liabilities	70,148,873	65,246,787
Non-current liabilities	2,023,070	2,113,874
	72,171,943	67,360,661
Net assets	34,266,369	29,504,374

##### Extract from associate's Statement of Comprehensive Income:

Revenue	75,751,433	72,609,794
Net Profit	12,772,645	11,284,899

## 7. INVESTMENT IN ASSOCIATES (CONTINUED)

CONSOLIDATED	
2015	2014
\$	\$

### 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	1,691,531	1,521,967
Share of profit after income tax	458,546	169,564
At 30 June	2,150,077	1,691,531

#### (b) Summarised financial information:

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

#### Extract from the associate's Statement of Financial Position:

Current assets	2,359,150	2,029,965
Non-current assets	2,618,069	1,409,891
	4,977,219	3,439,856
Current liabilities	2,138,165	1,363,418
Non-current liabilities	370,410	262,861
	2,508,575	1,626,279
Net assets	2,468,644	1,813,577

#### Extract from associate's Statement of Comprehensive Income:

Revenue	6,049,938	4,224,111
Net Profit	655,066	242,234



## 7. INVESTMENT IN ASSOCIATES (CONTINUED)

### Investment in Associate - RACT Auto Glass Pty Ltd.

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

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

At beginning of period

Investment in associate

Share of profit after income tax

At 30 June

#### (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

#### Extract from associate's Statement of Comprehensive Income:

Revenue

Net Loss

	CONSOLIDATED	
	2015	2014
	\$	\$
At beginning of period	-	-
Investment in associate	-	-
Share of profit after income tax	-	-
At 30 June	-	-
Current assets	77,751	77,801
Non-current assets	10,049	14,671
	87,800	92,472
Current liabilities	34,454	31,836
Non-current liabilities	160,000	160,000
	194,454	191,836
Net assets	(106,654)	(99,364)
Revenue	336,307	185,011
Net Loss	(7,290)	(53,503)

# Notes to and forming part of the Financial Statements for the financial year ended 30 June 2015

## 7. INVESTMENT IN ASSOCIATES (CONTINUED)

### Investment in Associate - Club Tasmania Holdings Pty Ltd

RACT Holdings Pty Ltd has held shares as part of a joint venture in Club Tasmania since 17 September 2013. Club Tasmania Holdings Pty Ltd is incorporated in Australia and RACT Holdings Pty Ltd has held fully paid shares as part of a joint venture in Club Tasmania is the owner operator of the RACV/RACT Hobart Apartment Hotel on Collins St in Hobart.

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

At beginning of period	3,117,750	-
Investment in Associate	300,000	3,150,000
Share of profit/(loss) after income tax	2,300	(32,250)
At 30 June	3,420,050	3,117,750

#### (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	7,526,824	5,691,553
Non-current assets	28,042,842	26,433,469
	35,569,666	32,125,022
Current liabilities	567,894	745,409
Non-current liabilities	52,336	32,358
	620,230	777,767
Net assets	34,949,436	31,347,255

#### Extract from associate's Statement of Comprehensive Income:

Revenue	5,730,346	5,030,397
Net Profit/(Loss)	23,006	(322,504)

#### Share of profit/(loss) of associates:

	CONSOLIDATED	
	2015	2014
	\$	\$
RACT Insurance Pty Ltd	6,386,500	5,642,449
RACT Travel Pty Ltd	458,546	169,564
RACT AutoServe Pty Ltd	54,023	19,144
RACT Auto Glass Pty Ltd	-	-
Club Tasmania Holdings Pty Ltd	2,300	(32,250)
	6,901,369	5,798,907

## 8. INTANGIBLES

### a) Goodwill on driver training business:

Opening balance  
Goodwill on acquisition  
Closing balance

### b) Goodwill on RACT Destinations Pty Ltd:

Opening balance  
Goodwill on acquisition  
Closing balance

### c) Computer software:

Opening balance  
Additions  
Transferred in from Plant & Equipment  
Write down  
Amortisation expense  
Closing balance

CONSOLIDATED	
2015	2014
\$	\$
134,422	134,422
19,740	-
154,162	134,422
5,652,522	-
-	5,652,522
5,652,522	5,652,522
2,370,977	692,867
460,547	1,235,239
-	887,914
(37,004)	-
(575,160)	(445,043)
2,219,360	2,370,977
8,026,044	8,157,921
838,073	998,041
838,073	998,041
579,912	556,728
352,072	75,388
931,984	632,116

## 9. INVENTORIES

### At cost

Finished goods

## 10. OTHER ASSETS

### Current

Prepayments  
Accrued revenue

# Notes to and forming part of the Financial Statements for the financial year ended 30 June 2015

## 11. PROPERTY, PLANT AND EQUIPMENT

	Consolidated			
	Freehold Land and Buildings ( fair value)	Leasehold Improvements (cost)	Plant and Equipment (cost)	TOTAL
	\$	\$	\$	\$
<b>2015</b>				
<b>Gross Carrying Amount</b>				
Balance at 30 June 2014	18,190,000	74,079	17,048,979	35,313,058
Additions	-	6,960	1,206,544	1,213,504
Disposals	-	-	(229,641)	(229,641)
Balance at 30 June 2015	18,190,000	81,039	18,025,882	36,296,921
<b>Accumulated Depreciation</b>				
Balance at 30 June 2014	326,673	2,436	9,588,910	9,918,019
Disposals	-	-	(212,321)	(212,321)
Depreciation expense	338,500	1,869	1,469,349	1,809,718
Balance at 30 June 2015	665,173	4,305	10,845,938	11,515,416
<b>Net Book Value</b>				
As at 1 July 2014	18,190,000	74,079	17,048,979	35,313,058
Accumulated depreciation	(326,673)	(2,436)	(9,588,910)	(9,918,019)
Net carrying amount	17,863,327	71,643	7,460,069	25,395,039
As at 30 June 2015				
Cost / fair value	18,190,000	81,039	18,025,882	36,296,921
Accumulated depreciation	(665,173)	(4,305)	(10,845,938)	(11,515,416)
Net carrying amount	17,524,827	76,734	7,179,944	24,781,505
<b>2014</b>				
<b>Gross Carrying Amount</b>				
Balance at 30 June 2013	17,880,000	45,734	13,912,230	31,837,964
Additions	-	28,345	4,600,844	4,629,189
Transfers to Intangibles	-	-	(887,914)	(887,914)
Disposals	-	-	(576,181)	(576,181)
Revaluation Land and Buildings	310,000	-	-	310,000
Balance at 30 June 2014	18,190,000	74,079	17,048,979	35,313,058
<b>Accumulated Depreciation</b>				
Balance at 30 June 2013	55,211	1,106	9,049,127	9,105,444
Disposals	-	-	(562,596)	(562,596)
Revaluation Land and Buildings	(67,625)	-	-	(67,625)
Depreciation expense	339,087	1,330	1,102,379	1,442,796
Balance at 30 June 2014	326,673	2,436	9,588,910	9,918,019
<b>Net Book Value</b>				
As at 1 July 2013	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
As at 30 June 2014				
Cost / fair value	18,190,000	74,079	17,048,979	35,313,058
Accumulated depreciation	(326,673)	(2,436)	(9,588,910)	(9,918,019)
Net carrying amount	17,863,327	71,643	7,460,069	25,395,039

## 12. PAYABLES

Sundry creditors and accrued expenses  
GST payable

CONSOLIDATED	
2015	2014
\$	\$
2,850,383	4,091,205
157,395	612,529
<b>3,007,778</b>	<b>4,703,734</b>

## 13. PROVISIONS (CURRENT)

Unexpired subscriptions (a)  
Employee benefits (b)

6,796,893	6,575,896
1,680,780	1,929,114
<b>8,477,673</b>	<b>8,505,010</b>

## 14. PROVISIONS (NON-CURRENT)

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

454,503	385,952
(101,293)	(73,930)
<b>353,210</b>	<b>312,022</b>

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

(a) The provision for unexpired subscriptions represents the unearned portion of amounts for Roadside membership.

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

## 15. BORROWINGS

### (a) Interest-bearing loans

#### Current

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

CONSOLIDATED	
2015	2014
\$	\$
7,505,200	555,600
1,500,000	1,500,000
502,963	470,586
<b>9,508,163</b>	<b>2,526,186</b>

#### Non - Current

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

-	7,499,800
-	1,500,000
1,477,309	1,991,587
<b>1,477,309</b>	<b>10,991,387</b>



## 17. RELATED PARTY DISCLOSURES

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

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

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

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

CONSOLIDATED	
2015	2014
\$	\$
194,578	220,000
80,000	80,000
<b>274,578</b>	<b>300,000</b>

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

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

Ms J M Archer  
Mr E C Best, AM, JP  
Mr P A Dixon  
Mrs A J Flakemore

Mr P C Jones  
Mr P J Joyce  
Mr C J Langdon  
Mr R S Locke

Ms J A L Self  
Mr S E Slade  
Ms S L Smith  
Mrs K A Westwood

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

## 18. KEY MANAGEMENT PERSONNEL COMPENSATION

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

(a) Total remuneration for directors:

CONSOLIDATED	
2015	2014
\$	\$
358,692	212,985

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

\$0 - \$9,999	-	3
\$10,000 - \$19,999	-	7
\$20,000 - \$29,999	8	4
\$30,000 - \$39,999	3	-
\$50,000 - \$59,999	1	-
	<b>12</b>	<b>14</b>

(c) Remuneration for key management personnel as listed:

Short term employee benefits

1,119,097	1,590,199
-----------	-----------

Key management personnel:

Mr H Lennon - Chief Executive Officer  
Mr B Charles - Executive General Manager, Business Excellence  
Ms S Pennicott - Executive General Manager, Membership & Community  
Mr A Sampson - Executive General Manager, Tourism  
Mr D Turner - Executive General Manager, Member Services

Restructuring of Key Management Personnel was undertaken during 2015.

# Notes to and forming part of the Financial Statements for the financial year ended 30 June 2015

## 19. PARENT ENTITY INFORMATION

Information relating to The Royal Automobile Club of Tasmania Limited:

	COMPANY	
	2015	2014
	\$	\$
Current assets	19,743,456	22,084,906
Total assets	45,882,310	47,593,194
Current liabilities	9,648,493	10,634,034
Total liabilities	18,710,819	20,087,762
Net assets	27,171,491	27,505,432
Retained earnings	27,142,463	27,383,191
Cashflow hedge reserve	(904,613)	(811,400)
Asset revaluation reserve	933,641	933,641
Total equity	27,171,491	27,505,432
Profit/(loss) of parent entity	(904,811)	332,439
Other comprehensive income	(62,471)	459,780
Total comprehensive income of the parent entity	(967,282)	792,219

The Parent has issued the following guarantees in relation to the debts of its subsidiaries:

Pursuant to ASIC Class Order 98/1418, relief has been granted to RACT Pty Ltd, RACT Holdings Pty Ltd and RACT Destinations Pty Ltd from the *Corporations Act 2001* requirement for preparation, audit and lodgement of a financial report and a directors report. As a condition of the Class Order The Royal Automobile Club of Tasmania Limited, RACT Pty Ltd, RACT Holdings Pty Ltd and RACT Destinations Pty Ltd have entered into a deed of cross guarantee on 27 June 2014. The effect of the deed is that The Royal Automobile Club of Tasmania Limited has guaranteed to pay any deficiency in the event of winding up of any controlled entity or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to guarantee. The controlled entities have also given a similar guarantee in the event that the Royal Automobile Club of Tasmania is wound up or if it does not meet its obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee.

## 20. DETAILS OF CONTROLLED ENTITIES

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

	PERCENTAGE OF SHARES HELD	
	2015	2014
Parent entity		
The Royal Automobile Club of Tasmania Limited (i)	-	-
Controlled entities		
RACT Destinations Pty Ltd (ii)	100	100
RACT Pty Ltd (ii)	100	100
RACT Holdings Pty Ltd (ii)	100	100

RACT Holdings Pty Ltd is 50% owned by RACT Pty Ltd and 50% owned by The Royal Automobile Club of Tasmania Limited. The shares in the Financial Statements of RACT Pty Ltd and The Royal Automobile Club of Tasmania Limited are recorded at \$1.00 each.

All companies are incorporated in Australia.

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

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

## 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 2015 by Doug McBirnie, 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

Interest cost

Total included in superannuation expense/(income)

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

**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

Adjustment for limit on net assets

Net liability/(asset) arising from defined benefit obligations

CONSOLIDATED	
2015	2014
\$	\$
43,194	33,914
(1,751)	697
41,443	34,611
(43,919)	(140,184)
1,129,881	1,114,985
(1,326,474)	(1,188,915)
95,300	-
(101,293)	(73,930)



### 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 and tourism properties with lease terms between three to twenty years.

### 24. SOFTWARE LEASE COMMITMENTS

Due not later than one year

### 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

CONSOLIDATED	
2015	2014
\$	\$
2,742,946	2,635,043
5,529,064	5,151,111
8,364,151	8,026,628
48,379,568	47,790,678
<b>65,015,729</b>	<b>63,603,460</b>
-	141,756
-	141,756
1,680,780	1,929,114
454,503	385,952
<b>2,135,283</b>	<b>2,315,066</b>

# Notes to and forming part of the Financial Statements for the financial year ended 30 June 2015

## 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	Fixed Interest Rate	Non-Interest Bearing	Total
2015	%	\$	\$	\$	\$
<b>Financial Assets</b>					
Cash	1.61	3,415,399	-	-	3,415,399
Trade Debtors		-	-	2,492,170	2,492,170
Equities		-	-	34,804	34,804
Unit trust		-	-	500,005	500,005
Club Consortium		-	-	611,200	611,200
Loan to Associate	7.00	194,578	-	-	194,578
Loan to Associate		-	-	80,000	80,000
<b>TOTAL</b>		<b>3,609,977</b>	<b>-</b>	<b>3,718,179</b>	<b>7,328,156</b>
<b>Financial Liabilities</b>					
Borrowings	2.52	9,005,200	-	-	9,005,200
Chattel Mortgage	7.12	-	1,980,272	-	1,980,272
Trade Creditors		-	-	2,850,383	2,850,383
<b>TOTAL</b>		<b>9,005,200</b>	<b>1,980,272</b>	<b>2,850,383</b>	<b>13,835,855</b>

	Consolidated				
	Average Interest Rate	Variable Interest Rate	Fixed Interest Rate	Non-Interest Bearing	Total
2014	%	\$	\$	\$	\$
<b>Financial Assets</b>					
Cash	1.77	5,264,831	-	-	5,264,831
Term Deposits	3.65	750,000	-	-	750,000
Trade Debtors		-	-	2,445,060	2,445,060
Equities		-	-	34,804	34,804
Unit trust		-	-	500,005	500,005
Club Consortium		-	-	611,200	611,200
Loan to Associate	7.00	220,000	-	-	220,000
Loan to Associate		-	-	80,000	80,000
<b>TOTAL</b>		<b>6,234,831</b>	<b>-</b>	<b>3,671,069</b>	<b>9,905,900</b>
<b>Financial Liabilities</b>					
Borrowings	2.67	11,055,400	-	-	11,055,400
Chattel Mortgage	7.12	-	2,462,173	-	2,462,173
Trade Creditors		-	-	4,091,205	4,091,205
<b>TOTAL</b>		<b>11,055,400</b>	<b>2,462,173</b>	<b>4,091,205</b>	<b>17,608,778</b>

### (b) Capital Management

For the purpose of the Group's capital management, capital includes issued capital, convertible preference shares, and all other equity reserves attributable to the equity holders of the parent entity. The primary purpose of the Group's capital management is to maximise member benefit by way of return on capital and ensuring there is sufficient provision for future capital requirements while complying with financial covenants.

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current period.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure within the Group, there may be adjustments to dividend payments to shareholders, the return of capital to shareholders or issues of new shares. The Group monitors capital based on the measures prescribed by financial covenants including loan to value limitations and working capital requirements.

## 27. FAIR VALUE MEASUREMENTS

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

Freehold land and buildings

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

	30 June 2015			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value	-	1,146,009	-	1,146,009
Other financial assets	-	274,578	-	274,578
<b>Total financial assets recognised at fair value</b>	-	1,420,587	-	1,420,587
Non-financial assets:				
Freehold land and buildings	-	18,190,000	-	18,190,000
<b>Total non-financial assets recognised at fair value</b>	-	18,190,000	-	18,190,000

	30 June 2014			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value	-	1,146,009	-	1,146,009
Other financial assets	750,000	300,000	-	1,050,000
<b>Total financial assets recognised at fair value</b>	750,000	1,446,009	-	2,196,009
Non-financial assets:				
Freehold land and buildings	-	18,190,000	-	18,190,000
<b>Total non-financial assets recognised at fair value</b>	-	18,190,000	-	18,190,000

Borrowings, note 15, fall under the fair value hierarchy level 2 using current commercial borrowing rates.

There has been no change in the valuation techniques used to calculate the fair values disclosed in the financial statements.

## 28. DERIVATIVE FINANCIAL INSTRUMENTS

### (a) Interest rate swap contracts - cash flow hedges

CONSOLIDATED	
2015	2014
\$	\$
1,292,306	1,159,143

### (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 2.09% and 2.71% 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	(811,400)	(736,074)
Charged to other comprehensive income	(133,163)	(107,607)
Deferred tax	39,950	32,281
Closing balance	(904,613)	(811,400)

## 29. 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.

## **29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

### **Risk Exposures and Responses**

#### **Interest rate risk**

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

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

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

#### **Price Risk**

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

#### **Credit Risk**

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

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

## **30. SUBSEQUENT EVENTS**

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

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

Principal Place of Business  
179 Murray Street  
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# Directors' Declaration

The Directors declare that:

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

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

P J JOYCE  
DIRECTOR

A J FLAKEMORE  
DIRECTOR

Hobart, 22 September 2015



**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 2015, 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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Partners: Harvey Gibson, Denny 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, Nathan Breveton  
Melissa Johnson, Donna Powell, Rebecca Meredith, Naorri Norman, Maryellen Sailer  
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 time of this auditor's report.

## *Opinion*

In our opinion:

- a. the financial report of The Royal Automobile Club of Tasmania Limited is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 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: 22 September 2015

**ANNUAL REPORT 2014/2015**  
**THE ROYAL AUTOMOBILE CLUB OF TASMANIA LIMITED**  
**ABN 62 009 475 861**

**President**

Peter Joyce

**Vice Presidents**

Kathryn Westwood

Peter Dixon

**Board**

Josephine Archer Roger Locke

Edward Best AM Jenny Self

Alison Flakemore Stuart Slade

Phillip Jones Sue Smith

Chris Langdon

**Company Secretary**

Michael Hopster

**Honorary Life Members**

David Catchpole

Trevor Challen, OAM

Denis Nation

Anthony Stacey AM

Jean Trethewey OAM

**Regional Advisory Committees**

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

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

**Registered Head Office** 179 Murray Street,  
Hobart, Tasmania, 7000

**Postal Address** GPO Box 1292, Hobart, Tasmania, 7001

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

**Branches** Hobart (Murray Street); Hobart (Collins Street); Hobart (Salamanca

Square) Launceston; Devonport; Ulverstone; Burnie; Rosny Park; Glenorchy; Kingston.

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

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

**Internal Auditors** Deloitte Touche Tohmatsu  
ANZ Centre, Level 8,  
22 Elizabeth Street  
Hobart, Tasmania, 7000

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

**Leadership Team**

**Chief Executive Officer:** Harvey Lennon

**Executive General Manager, Business Excellence:** Brendan Charles

**Executive General Manager, Member Services:** Darren Turner

**Executive General Manager, Membership & Community:** Stacey Pennicott

**Executive General Manager, Tourism:** Adrian Sampson

**Useful Numbers:**

**RACT General Enquiries:** 13 27 22

**RACT Roadside Assistance:** 13 11 11

**RACT Ultimate Members:** 1800 088 865

**RACT AutoServe:** 1300 127 684

**RACT Auto Glass:** 1300 230 440

**RACT Driving Lessons:** 1300 761 429

**Freycinet Lodge:** 03 6256 7222

**Strahan Village:** 03 6471 4200

**Cradle Mountain Hotel:** 03 6492 1404

**Gordon River Cruises:** 03 6471 4300

**RACT/RACV Hobart Apartment Hotel:** 03 6270 8600

**RACT Travelworld:** 1300 368 111



Burnie

24 North Terrace, 7320

Phone: (03) 6434 2933

Devonport

119 Rooke Street Mall, 7310

Phone: (03) 6421 1933

Glenorchy

Cnr Main Road & Terry Street, 7010

Phone: (03) 6212 9588

Hobart – (Cruise Travel Centre)

Shop 1, 110 Collins Street, 7000

Phone: (03) 6222 9222

Hobart – Murray Street

179-191 Murray Street, 7000

Phone: (03) 6232 6300

Hobart – (The Travel Studio)

2/29 Salamanca Square, 7004

Phone: (03) 6224 7444

Kingston

Shop 60, Channel Court, 7050

Phone: (03) 6242 3200

Launceston

Corner York & George Streets, 7250

Phone: (03) 6335 5633

Rosny Park

Rosny Mall, 2 Bayfield Street, 7018

Phone: (03) 6212 6755

Ulverstone (helloworld)

38 Reilbey Street, 7315

Phone: (03) 6425 8050