

Annual Concise Report

2019-2020

For the year ended 30 June 2020

The Royal Automobile Club of W.A. (Incorporated)

ABN 33 212 133 120



For the better

RAC President and Group CEO Report

On behalf of RAC it is our pleasure to provide the 2019/20 financial year report.

RAC Group revenue for the year ended 30 June 2020 was \$930 million with an overall profit after tax of \$27 million. The total net assets of the Group as at 30 June 2020 increased to \$916 million.

During the year RAC continued to support over 11 million members in WA through our services and important community and social impact activities to provide a safer, more sustainable and better-connected WA.

In line with our values as a purpose-led member organisation, RAC members received \$64 million in direct member benefits – the largest year ever.

It is also pleasing to report over 60 per cent of members are using the RAC Member Benefits program, making it one of the most comprehensive initiatives of its kind in WA.

In response to the impacts of COVID-19, a range of new measures were introduced during the year, including a dedicated Financial Hardship Team to assist members experiencing difficult and unique circumstances.

To acknowledge the exceptional work of our frontline healthcare professionals and first responders, RAC provided priority roadside assistance to support them during a breakdown situation and keep them moving.

At the local level RAC continued to undertake a range of activities focused on driving our community and social impact priorities of safe, sustainable and connected.

These activities include world-leading demonstration projects, such as our automated vehicle trials and the RAC Electric Highway® and supporting the lifesaving RAC Rescue Helicopter service which has now flown over 7,600 missions since 2003.

RAC has been active at the grass-roots level, including developing online education resources for our schools, parents and guardians to enable them to continue providing road safety education to students during COVID-19.

RAC engaged in several key state and national activities throughout the year, including making

submissions on issues such as government access to vehicle generated data, automated vehicle trials, the National Road Safety Strategy Inquiry and the Infrastructure Australia Audit.

Critically, RAC continued to call out the urgent need for the \$900 million Regional Road Safety Package to be funded. If delivered in full, this lifesaving, job creating, stimulus package will save more than 2,000 people from being killed and seriously injured on regional roads, upgrade more than 17,000 kilometres of the regional road network, reduce road trauma in regional WA by 60 per cent, and reduce the annual economic cost of road trauma – currently estimated to cost Western Australia as much as \$2 billion each year.

It was pleasing to see \$100 million dollars in joint funding from the Australian and Western Australian Governments was secured to deliver the first year of road upgrades.

RAC's role and responsibilities are clear. We are here to support our members and the WA community.

This cannot be achieved without the wonderful support of RAC members and the dedicated people who work for our organisation.



The recent difficulties have proven the shared strength of all Western Australians. As we continue to build our future together, on behalf of everyone at RAC we would like to say thank you and we look forward to supporting you in the year ahead.



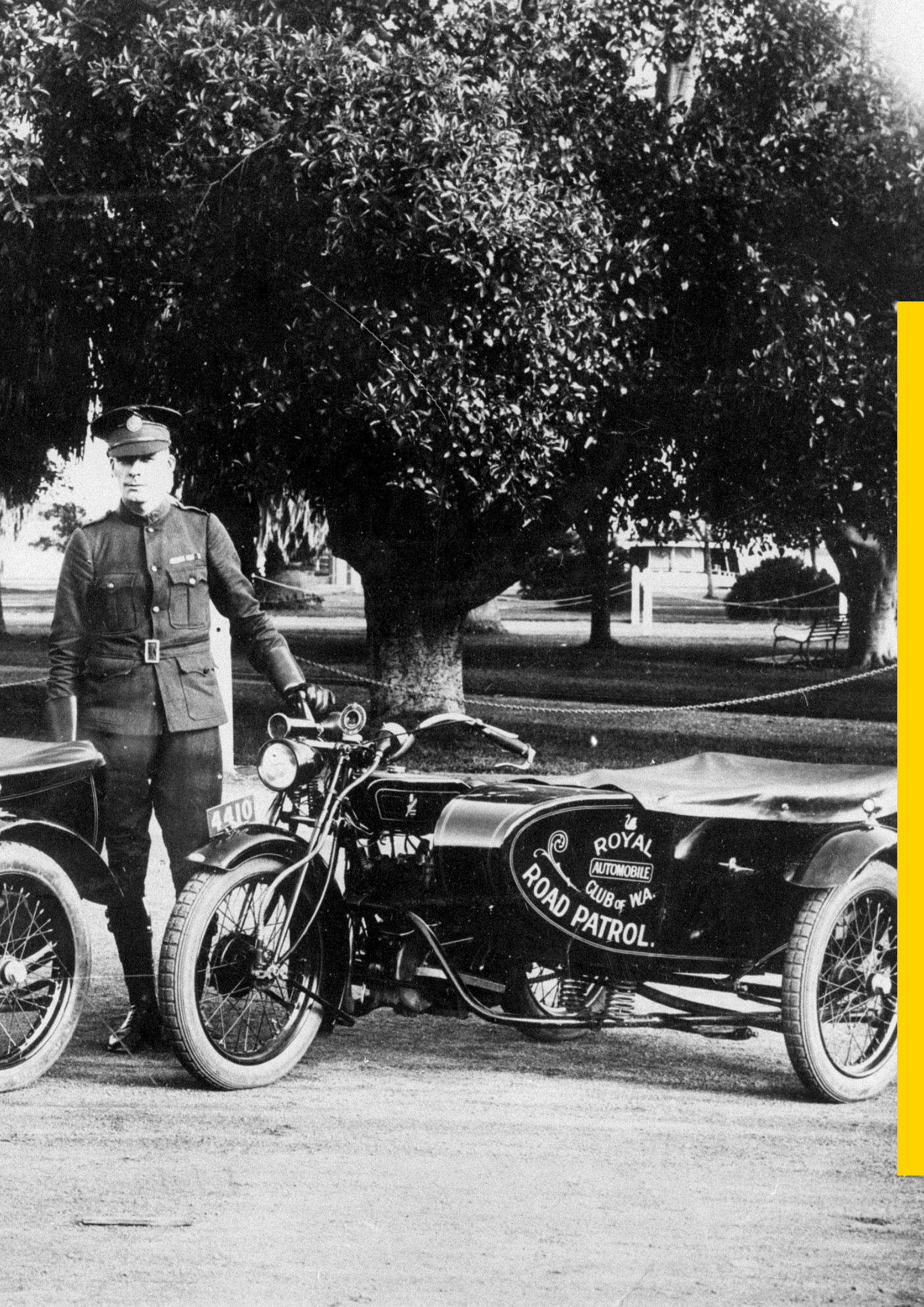
Jacqueline Ronchi

Jacqueline Ronchi
President



Robert Slocombe

Robert Slocombe
RAC Group CEO



Our Heritage

It's been 115 years since a small group of motoring enthusiasts gathered at the Peppermint Grove residence of German-born Richard Strelitz to form the Royal Automobile Club of Western Australia.

The Club has come a long way since 1905 when horse and cart were moving Western Australians around.

Cars were a novelty and even considered a nuisance by some. RAC's founding members were motivated by far more than the need for a social club, they saw the need to champion and protect the interests of car owners.

Venturing into often harsh landscape, early RAC members surveyed remote roadways to produce detailed maps and road signs for our vast State.

RAC has evolved into one of the most trusted and recognised organisations in WA, with more than one million members.

RAC is a member organisation which provides a number of services to members including Roadside Assistance, Insurance, Travel, Tourism, Finance, Auto Services, Batteries, Tyres, Home Services and Security.





Purpose, Vision and Mission

At RAC we are the driving force for a better WA.

Our vision is for a safer, sustainable and connected future for all Western Australians.

Since RAC started in 1905 our members and community needs have guided our path.

We will continue to serve them today and tomorrow by improving our services and experiences, and by being the voice for community change to improve life, for both our members and WA into the future.

Together with our members we will continue to create a better Western Australia.

Purpose

The driving force for a better WA.

Vision

2030: A safer, sustainable and connected future for Western Australians.

Mission

Delivering great member services and experiences, while inspiring positive community change, that makes life better in WA.



Social and community impact

RAC is a voice for more than one million members across more than 60 per cent of Western Australian households and speaks out on many challenges facing our State, including road safety, transport, land use and air quality.

Since our foundation more than 115 years ago, RAC has existed to be a driving force for a better WA by championing change across our communities.

With a direct link to our organisational vision, our focus is on three themes:

- 1 Safer** mobility is vital to the wellbeing of Western Australians.
- 2 Sustainable** mobility meets the social, environmental and economic needs of current and future generations.
- 3 Connected** mobility supports vibrant and liveable communities.

RAC undertakes a range of activities focused on driving community and social impact in these areas. From world-leading demonstration projects, such as our automated vehicle trials and the RAC Electric Highway®, to supporting life-saving initiatives, such as the RAC Rescue Helicopters. We're also active at the grass-roots level, partnering with local communities to create more vibrant places to live, work and visit.

Public Policy

RAC continued to engage in several key state and national activities throughout the year, including making submissions on issues such as government access to vehicle generated data, automated vehicle trials, the National Road Safety Strategy Inquiry and the Infrastructure Australia Audit. In addition, throughout the year we developed a range of education pieces in the form of mobility bulletins and conducted a number of community surveys.





Driver licensing survey 2019



RAC Member Priorities Tracker

In June 2020, 82% of our members told us that it is an key thing we should focus on to improve road safety. This is the highest priority for our members, ahead of other issues such as road quality, road conditions, and road safety measures.



Environmental sustainability survey 2020

As the world's largest car club, RAC has a responsibility to ensure that our operations are sustainable and that we are contributing to a better future for all. This report outlines our environmental sustainability strategy and the progress we have made in achieving our goals.

RAC submission to the Joint Standing Committee Inquiry into Road Safety in Australia January 2020

Priorities Tracker



Safer

Tragically, WA continues to have one of the nation's worst road safety records. Together we must do whatever possible to drive down our unacceptable road toll. Throughout 2019-2020, RAC continued to champion this issue across the State.

Regional road safety investment

Secured \$100 million dollars in joint funding from the Australian and Western Australian Governments to deliver the first year of the Regional Road Improvement Program.

If delivered in full, the \$900 million dollar lifesaving, job creating, stimulus package will save more than 2,000 people from being killed and seriously injured on regional roads, upgrade more than 17,000 kilometres of the regional road network, reduce road trauma in regional WA by 60 per cent, and reduce the annual economic cost of road trauma – currently estimated to cost Western Australia as much as \$2 billion each year.

Community education

A free regional road safety initiative for secondary students was launched and is aimed at reducing the number of young people killed and seriously injured by exposing them to the devastating realities of road trauma. RAC Project Roadsmart was delivered in Albany and Bunbury with additional events being planned across regional WA. RAC also continued road safety education in primary and secondary classrooms, and via community events during the year.

Distance Learning Program

During COVID-19 restrictions in WA, RAC initiated a program to provide schools, parents and guardians with online education resources to enable them to continue providing road safety education to students.

Safer Cars Commitment

A 4 or 5-star safety rating means your family has a much better chance of surviving a crash or avoiding severe injuries than in a vehicle with a 1, 2 or 3-star safety rating.

We continue our commitment to safer cars by not insuring or financing any vehicle that was built in 2012 or beyond with an ANCAP rating of less than 4 stars.



800+
lifesaving missions
in FY20¹



7613
missions
flown⁴

63%
of primary missions
are road trauma²

80%
of missions to
regional WA³

181,804 km
distance flown⁵



¹ Sponsored by RAC, funded by the State Government and managed by the Department of Fire and Emergency Services (DFES) the two RAC Rescue helicopters provide vital search and rescue and critical care medical services to the WA community.

² FY20

³ FY20

⁴ Since 2003.

⁵ FY20.

Sustainable

The mobility choices we make today should not impact negatively on the lifestyle and choices of future generations.

Instead of just worrying about the future, we're working to make it better. Whether it's electric vehicles or other sustainable travel options, greener buildings or advocating for reduce emissions, we're committed to finding solutions for a more sustainable future.

RAC Electric Highway®

Launched in 2015, the Australian-first RAC Electric Highway® allows electric vehicle owners to charge their cars while driving from Perth to Augusta – and back. The RAC Electric Highway® continues to provide publicly accessible fast-charging stations at 11 locations in Perth and the South West.

In June 2020, RAC transitioned the Electric Highway® to be part of Chargefox, Australia's largest electric vehicle charging network with over 400 publicly available chargers across the country. The Highway is now part of a national network comprising mainly of ultra-rapid chargers that will enable travel between capital cities and by extension, the south west of WA.

Less Emissions Mission

Members with a car recognised by RAC as having lower emissions get rewards across RAC's Insurance, Finance, Auto Services and Roadside Assistance products and services.

Free

**Roadside Assistance
upgrade**

**Up to 25%
discount**

**on Comprehensive
Motor Insurance**

10% off

**labour at RAC
Auto Services**



Connected

Western Australians need to be able to move easily around their communities, using a range of transport options, and to feel socially connected.

Planning and design practices must support vibrant communities and our transport system must cater for the increasing demands of a growing population. Transport must be affordable and accessible for all.

Pulse of Perth

RAC undertook a project to 'visualise' and show Western Australians how they use the transport system to travel around our city on a typical weekday.

Local Government Strategic Transport Priorities

RAC surveyed participating local governments to identify their strategic transport priorities.

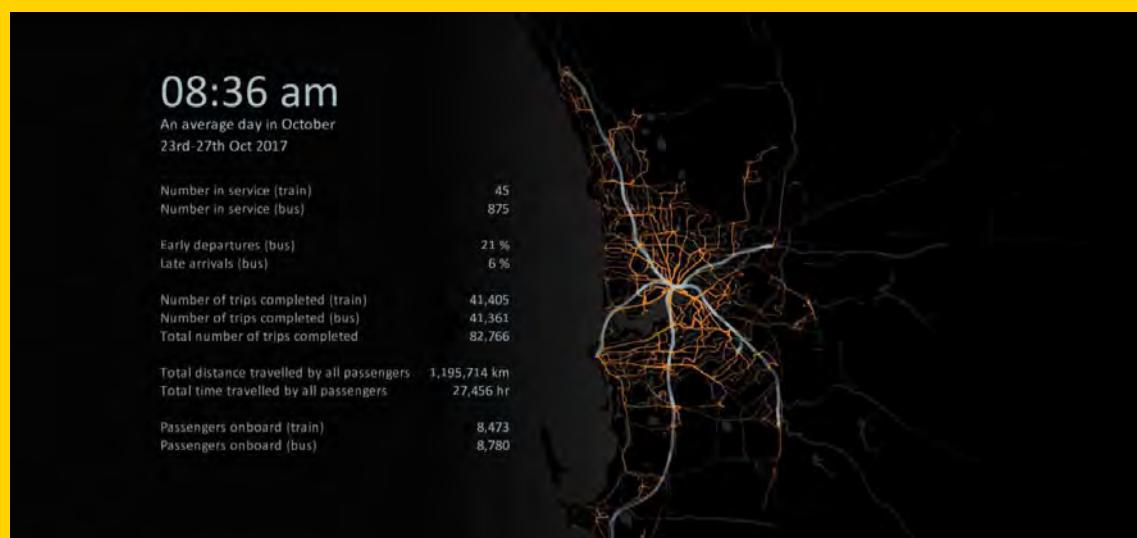
Urban Planning and Connected Communities

RAC's Urban Planning and Connected Communities survey explored what Perth residents know, think and feel about land use planning issues, including urban sprawl and higher density development.

RAC Connecting Communities Fund

Launched in November 2019, this fund and partnership with the Town Team Movement, focussed on:

- » Contributing to more vibrant, active, engaged and sustainable communities through place making or activation
- » Having a direct and positive impact on whole communities
- » Improving social wellbeing of a whole community, enable people to connect and/or volunteer



Capturing the pulse of Perth's transport system.

A photograph of a woman standing next to a light blue bicycle with a wicker basket on the handlebars. She is wearing a bright yellow jacket and a plaid dress. The background features a modern building with a wooden facade and large glass windows. The interior of the building is visible through the glass, showing a brick wall and some furniture. The scene is illuminated by warm, yellow string lights hanging from the building's structure. The overall atmosphere is cozy and inviting.

\$55,000

**allocated to Town Team
initiatives across WA**

Automated vehicles

Automated vehicles are transforming transport and mobility as we know it - driving a smarter, safer and more sustainable future.

RAC's Automated Vehicle Program is trialling the exciting new technology in real-life traffic conditions, to help us better understand and prepare for the changes it will bring to mobility.

Working with our partners, we've made this technology available for the community, industry leaders and government representatives to experience for themselves. Together, we're helping prepare Australia for the safe transition to automated vehicles and a future of safer, easier and cleaner mobility.

RAC Imagine Program™

A free primary school excursion was launched and provides the opportunity for young Western Australians to discover past and future technologies, and learn about the changing nature of transport, mobility and road safety, whilst addressing aspects of STEAM (Science, Technology, Engineering, Art and Mathematics) and HASS subjects (Humanities and Social Sciences).



1,302

students have now attended the RAC Imagine Program™

16,000

people have experienced an autonomous journey on the RAC Intellibus®



92%

felt positive about driverless vehicles after experiencing the RAC Intellibus®⁶

24,318 kms

travelled autonomously by the RAC Intellibus®



⁶ Consolidated results from post-ride surveys for the South Perth Trial.

Supporting members

343k
call-outs for Roadside Assistance



Multi-award winning
insurance

1

Roy Morgan Customer Satisfaction Awards
Best Major General Insurer in Australia
(2020)

\$478 million

paid in insurance claims

2

Canstar Most Satisfied Customers Award WA
Car Insurer
(2020)

3

Canstar Most Satisfied Customers Award WA
Home Insurer
(2020)

422

**call-outs to rescue kids
and pets locked in cars**



Supporting members



7,500+
RAC Security consultations,
installations and in-home visits

7,800+

RAC Home Repair and
Maintenance jobs

2.7M

calls made to the
contact centre



8.5M

sessions across
RAC digital assets

Giving back to members



**1.1
million**

RAC members

\$64M

in direct member
benefits⁷

4 cents

Per litre discount
on fuel⁸

38%

saving on
natural gas⁹

60%

of RAC members
used the member
benefits program

⁷ RAC members received \$64 million in direct member benefits during the past year – the largest savings ever.

⁸ Member benefit of four cents per litre at participating Puma Energy and Better Choice service stations across Western Australia.

⁹ Partnership with Kleenheat which provides savings of up to 38 per cent on natural gas charges as well as LPG discounts.

630,000+

**Households reached through
each edition of Horizons**



RAC Arena

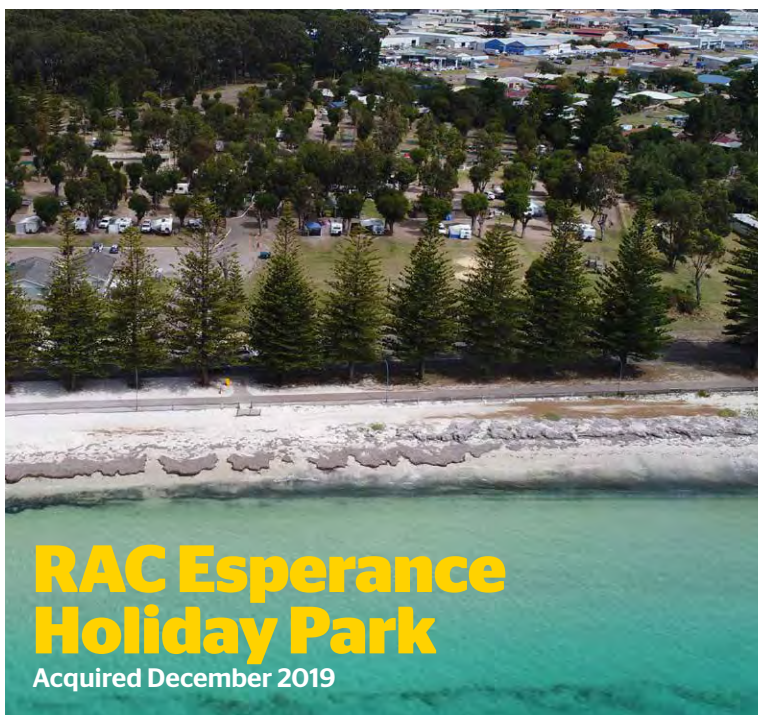


500k

fans entertained at RAC Arena



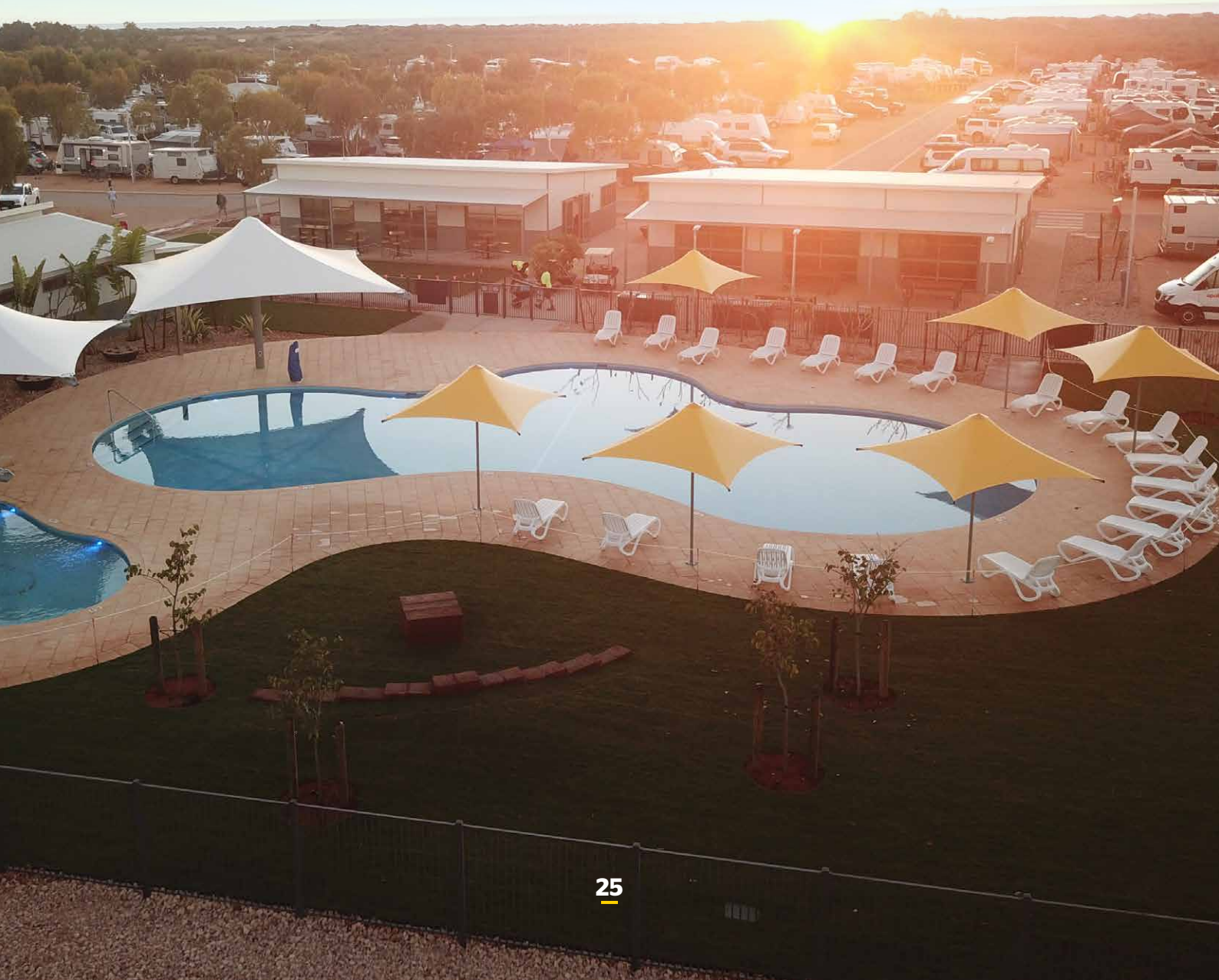
Supporting WA tourism



(Top) RAC Esperance Holiday Park
(Bottom) RAC Karri Valley Resort

RAC Exmouth Cape Holiday Park

Expanded with 130 new powered sites, swimming pool, camp kitchen, games room and ablutions.



1,400+

RAC people



Our People

As an Equal Opportunity Employer, RAC values diversity and inclusivity, and promotes a workplace that welcomes contributions from all people.

We're committed to engaging and giving back to Aboriginal and Torres Strait Islander people

through a comprehensive Reconciliation Action Plan (RAP). We are also a Platinum Occupational Health and Safety (OHS) rated organisation with and an award-winning employee health program.

Across the year our people recorded no lost time injuries. This is the first time this has occurred and is a significant achievement reflecting our organisation's shared commitment to injury prevention and injury management.



**Awarded Pinnacles
WA "Corporate
Social Responsibility
Excellence Award"**



1,600+

**Hours of volunteer
work for the WA
community**

Independent Auditor's Report to members



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Perth WA 6000 Australia
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Independent auditor's report to the members of The Royal Automobile Club of W.A. (Incorporated)

Report on the concise financial report

Opinion

We have audited the concise financial report, which comprises the consolidated balance sheet as at 30 June 2020, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and related notes, derived from the financial report of The Royal Automobile Club of W.A. (Incorporated) (the Association) and its subsidiaries (collectively the Group) for the year ended 30 June 2020. The concise financial report also includes discussion and analysis and the Councillors' declaration.

In our opinion, the accompanying concise financial report, including the discussion and analysis and the Councillors' declaration complies with Accounting Standard AASB 1039 Concise Financial Reports.

Basis for opinion

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

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

Concise financial report

The concise financial report does not contain all the disclosures required by Australian Accounting Standards. Reading the concise financial report and the auditor's report thereon, therefore, is not a substitute for reading the financial report and the auditor's report thereon.

The financial report and our report thereon

We expressed an unmodified audit opinion on the financial report in our report dated 7 September 2020.

Responsibilities of the councillors for the concise financial report

The Councillors of the Association are responsible for the preparation of the concise financial report in accordance with Accounting Standard AASB 1039 *Concise Financial Reports*, and the *Associations Incorporation Act 2015*, and for such internal controls as the Councillors determine are necessary to enable the preparation of the concise financial report.

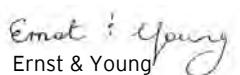
Independent Auditor's Report to members continued



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Auditor's responsibilities for the audit of the concise financial report

Our responsibility is to express an opinion on whether the concise financial report complies, in all material respects, with AASB 1039 *Concise Financial Reports* and whether the discussion and analysis complies with AASB 1039 *Concise Financial Reports* based on our procedures, which were conducted in accordance with Auditing Standard ASA 810 *Engagements to Report on Summary Financial Statements*.



Ernst & Young



F Drummond
Partner
Perth

7 September 2020

RAC Councillors' Report

Annual Concise Report 30 June 2020

The concise financial report is an extract which has been derived from the full financial report of The Royal Automobile Club of W.A. (Incorporated) for the financial year ended 30 June 2020. This report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

A free copy of The Royal Automobile Club of W.A. (Incorporated) (the "Club") and its controlled entities (the "Group" or "RAC") full financial report is available to all members upon request by contacting Legal Services on (08) 9436 4665.

Statement by Councillors

In the opinion of the Council, the accompanying concise financial report of The Royal Automobile Club of W.A. (Incorporated):

- (a) gives a true and fair view of the state of affairs of The Royal Automobile Club of W.A. (Incorporated) and the entities it controlled as at 30 June 2020; and
- (b) gives a true and fair view of the result of The Royal Automobile Club of W.A. (Incorporated) and the entities it controlled for the year ended 30 June 2020.

Signed in accordance with a resolution of Councillors on 7 September 2020.



Jacqueline Ronchi
President

The Royal Automobile Club of W.A. (Incorporated)
Perth, W.A.
Date: 7 September 2020





RAC Arena – Road Safety Week 2019

Meeting of Councillors

The number of meetings of the Club Council and of each Council's committee held during the year ended 30 June 2020, and the number of meetings attended by each Councillor were:

Councillor	Meetings of committees					
	Full meeting of Councillors		Club Board meetings		Audit and Risk	
	A	B	A	B	A	B
Jacqueline Ronchi	8	8	4	4	***5	5
Anthony Evans	7	8	2	2	**3	3
Ross Dowling	7	8	4	4	*	*
Leanne Bishop	6	6	*	*	2	2
Esme Bowen	5	5	*	*	*	*
Allan Blagaich	7	8	2	2	*	*
Freda Crucitti	7	8	*	*	*	*
Jill Darby	8	8	3	4	*	*
John Driscoll	8	8	2	2	*	*
Dalton Gooding	8	8	*	*	*	*
Alden Halse	8	8	*	*	5	5
Brian Hanson	6	6	*	*	*	*
Murray Lampard	2	2	*	*	*	*
Emmerson Richardson	8	8	4	4	*	*
Tim Shanahan	2	2	*	*	*	*
Julie Wadley	8	8	2	2	*	*
Jim Walker	8	8	*	*	5	5
Dennis Banks	*	*	*	*	5	5
Helen Cook	*	*	*	*	5	5

A = Number of meetings attended of the Council and each Council committee

B = Number of meetings held during the time the Councillor held office or was a member of the committee during the year

* = Not a member of the relevant committee ** = Attended in capacity as Club president *** = Attended 2 meetings in capacity as Club president

The changes during the year to the composition of the Club Council and each Council committee are detailed in the corporate governance statement.

Corporate governance statement

The Council of The Royal Automobile Club of W.A. (Incorporated) ('Club') is responsible for the corporate governance of the Club. The Council guides and monitors the business and affairs of the Club on behalf of the members. The corporate governance of subsidiary companies is the responsibility of the Board of Directors of RACWA Holdings Pty Ltd.



Corporate governance statement continued

Council composition

The composition of the Council is determined in accordance with the following principles and guidelines:

- » Councillors are elected from the membership of the Club and hold office for a period of three years;
- » only Honorary Life Members, Gold Life Members or Personal Members who have been entitled to vote for the preceding five years are entitled to hold office as a Councillor;
- » the Council elects from its members Councillors to hold the positions of President, Senior Vice President and Vice President;
- » a Councillor cannot hold the office of President for more than three consecutive years;
- » at each Annual General Meeting (AGM) one third of the Council will retire from office and are eligible for re-election;
- » while a Councillor holds the position of President or Senior Vice President for the year commencing as at the date of the next AGM, or ceases to hold the position of President at the conclusion of the next AGM because their term as President has expired, then the Councillor shall not be required to retire from office; and
- » when a vacancy on Council occurs, the Council may fill the vacancy and the appointee holds office for the unexpired portion of the appointee's predecessor's term. Candidates to fill casual vacancies are nominated by Councillors. Where there is more than one candidate to fill a casual vacancy, Council determines the appointee by ballot.

Council members

The names of the Councillors in office during the financial year were:

Jacqueline Ronchi	
Anthony Evans	
Ross Dowling	
Leanne Bishop	(from 18 November 2019)
Allan Blagaich	
Esme Bowen	(until 23 March 2020)
Freda Crucitti	
Jill Darby	
John Driscoll	
Dalton Gooding	
Alden Halse	
Brian Hanson	(from 18 November 2019)
Murray Lampard	(until 18 November 2019)
Emmerson Richardson	
Tim Shanahan	(until 18 November 2019)
Julie Wadley	
Jim Walker	

Anthony Evans retired as President on 18 November 2019, from which date Jacqueline Ronchi took office.

Jacqueline Ronchi retired as Senior Vice President on 18 November 2019, from which date Ross Dowling took office.

Ross Dowling retired as Vice President on 18 November 2019.

John Driscoll was elected to the position of Vice President on 25 November 2019.

All of the above persons, other than Leanne Bishop and Brian Hanson, were Councillors during the year ended 30 June 2019.

Corporate governance statement continued

Council responsibilities

As the Council acts on behalf of, and is accountable to, the members, Council seeks to identify the expectations of the members, as well as other regulatory and ethical expectations and obligations. Each Councillor is bound by the terms of a Code of Conduct. In addition, Council is responsible for identifying areas of significant business risks and ensuring arrangements are in place to adequately manage those risks. Council seeks to discharge these responsibilities in a number of ways.

The responsibility for the operation and administration of the consolidated entity is delegated by Council to the Chief Executive and the executive team. Council ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the Chief Executive and the executive team.

Council is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by Council. Council has a number of mechanisms in place to ensure this is achieved. In addition to the establishment of the committees, these mechanisms include the following:

- » Council approval of a strategic plan, which encompasses the entity's vision, mission and strategy statements, designed to meet stakeholders' needs and manage business risk;
- » the strategic plan is a dynamic document and Council is actively involved in developing and approving initiatives and strategies designed to ensure the continued growth and success of the Club;
- » implementation of operating plans and budgets by management and Council, and monitoring of progress against budget. This includes the establishment and monitoring of key performance indicators, both financial and non financial, for all significant business processes;
- » monitoring occupational health and safety;

- » procedures to allow Councillors, in the furtherance of their duties, to seek independent professional advice at the Club's expense;
- » ensuring there are effective management processes in place and approving major corporate initiatives;
- » enhancing and protecting the reputation of the organisation; and
- » ensuring the significant risks facing the organisation, including those associated with its legal compliance obligations, have been identified and appropriate and adequate control, monitoring, accountability and reporting mechanisms are in place.

Remuneration process and requirements

Council may be paid from the funds of the Club for their services as Councillors or as members of the committee of Council known as "Club Board".

Rule 16.4(b) of the Club's Rules provides that the total aggregate amount of remuneration and the actual aggregate amount of remuneration paid to all Councillors during a financial year will be notified to members each year.

The total aggregate amount of remuneration that may be paid to Councillors during a financial year is \$486,240. The actual aggregate amount of remuneration that was paid to Councillors in the 2020 financial year was \$468,911 (excluding superannuation).

Corporate governance statement continued

Club Board

The Council has appointed a committee known as Club Board, comprising members of the Council and the Chief Executive. The Club Board has delegated authority granted by the Council in accordance with a charter approved by Council. The Club Board reports to the Council on a regular basis.

The members of the Club Board during the year were:

Jacqueline Ronchi	
Anthony Evans	(until 18 November 2019)
Allan Blagaich	(from 16 December 2019)
Jill Darby	
Ross Dowling	
John Driscoll	(from 16 December 2019)
Emmerson Richardson	
Julie Wadley	(until 16 December 2019)
Robert Slocombe	Chief Executive

Group Audit & Risk Committee

The Council addresses audit and risk through the Group Audit and Risk Committee which operates under a charter approved by Council.

The members of the Group Audit and Risk Committee during the year were:

Jim Walker	Chair (from 3 September 2019), Councillor and Subsidiary Non-Executive Director
Jacqueline Ronchi	Chair (until 3 September 2019), President (from 18 November 2019) and Councillor
Dennis Banks	Subsidiary Non-Executive Director
Leanne Bishop	Councillor (from 16 December 2019)
Helen Cook	Subsidiary Non-Executive Director
Anthony Evans	President (until 18 November 2019) and Councillor
Alden Halse	Councillor and Subsidiary Non-Executive Director

It is the committee's responsibility to ensure that an effective risk and internal control framework exists within the Club. This includes internal controls to deal both with the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information as well as non financial considerations such as the benchmarking of risk key performance indicators.

The committee also provides Council with additional assurance regarding the reliability of financial information for inclusion in the financial reports.

The Group Audit and Risk Committee is also responsible for:

- » reporting to Council on compliance with internal controls existing within the Club;
- » directing and monitoring the internal audit function; and
- » nominating the external auditor and reviewing the adequacy of the scope and quality of the annual statutory audit.

The external auditor is invited to attend all Group Audit and Risk Committee meetings and is able to discuss any matters with the Group Audit and Risk Committee without management's presence.

Communication to members

Council aims to ensure that the members, on behalf of whom they act, are informed of the performance of the Council.

Information is communicated to the members through:

- » the concise financial report;
- » the RAC website, rac.com.au;
- » social media;
- » the Club's Official Journal; and
- » the AGM of the Club.

Consolidated statement of profit or loss

For the year ended 30 June 2020

		Consolidated	
	Notes	2020 \$'000	2019 \$'000
Revenue	2	930,355	819,129
Fair value (losses)/gains on financial assets at fair value through profit or loss		(13,994)	10,680
Claims expense		(437,727)	(373,650)
Outwards reinsurance premium expense		(50,675)	(44,797)
Insurance policy acquisition costs		(48,426)	(46,376)
Employee benefits expense		(157,956)	(145,824)
Depreciation and amortisation expense		(27,872)	(23,767)
Property expenses		(11,808)	(14,634)
Materials and consumables used		(19,741)	(20,188)
Postage, printing and stationery		(6,160)	(6,140)
Telecommunications expense		(1,605)	(1,768)
Information technology expense		(20,461)	(15,577)
Consulting expense		(14,005)	(7,388)
Advertising and promotional expenses		(18,963)	(20,642)
Towing and subcontractor expenses		(28,012)	(26,992)
Other expenses		(30,719)	(35,612)
Finance costs		(8,855)	(8,971)
Profit/(loss) from equity-accounted associates and joint ventures		3,629	(9,834)
Profit before income tax		37,005	27,649
Income tax expense		(9,897)	(4,453)
Profit for the year		27,108	23,196

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

Consolidated statement of comprehensive income For the year ended 30 June 2020

	Consolidated	
	2020 \$'000	2019 \$'000
Profit for the year	27,108	23,196
Other comprehensive income		
<i>Items that will not be reclassified subsequently to the consolidated statement of profit or loss</i>		
Changes in fair value of land and buildings	5,219	10,753
Income tax thereon	(1,565)	(3,226)
	3,654	7,527
Other comprehensive income for the year, net of tax	3,654	7,527
Total comprehensive income for the year	30,762	30,723
Total comprehensive income for the year is attributable to:		
Members of The Royal Automobile Club of W.A. (Incorporated)	30,762	30,723

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Discussion and analysis

Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income

Revenue from continuing operations

Revenue from operating activities of the Club and its controlled entities (the "Group") increased by \$111.2m compared to the prior year. The increase was driven by strong growth in the Insurance and Motoring businesses.

The COVID-19 outbreak and the response of governments' in dealing with the pandemic resulted in the closure of the Group's Tourism Parks and Resorts for two months and the cessation of sales in the Group's Travel business.

Trends in revenue arising from sales (refer to note 2)

Insurance premium revenue

The Motor and Home insurance portfolios experienced strong growth during the year, with gross written premium increasing by 140% on the prior year. This increased revenue by \$830m.

Reinsurance and other recoveries revenue

Three large storms during the year resulted in a significant increase in reinsurance recoveries.

Membership subscriptions

Membership subscriptions revenue grew during the year as a result of an increase in member numbers, upgrades of memberships, and a general price increase.

Tourism revenue

The COVID-19 pandemic resulted in the closure of the Group's Tourism Parks and Resorts for two months. This revenue reduction was partially offset by growth in revenue from acquisitions in the prior year (RAC Cable Beach Holiday Park) and the current year (Esperance Seafrost Caravan Park).

Trends in revenue arising from other revenue (refer to note 2)

Dividends and distributions from other corporations

Trust distributions received in the Group's investment portfolio are subject to various factors including the performance of the companies invested in, the level of buying and selling of investments (as profits

are distributed) and exchange rate fluctuations. Distribution revenue was higher than the prior year as there was more trading activity due to increased volatility in global equity markets.

Fair value (losses)/gains on financial assets at fair value through profit or loss

The fair value movements include realised and unrealised gains and losses in the Group's investment portfolio and Insurance's investment portfolio. The effect of the COVID-19 pandemic on equity investment markets resulted in unrealised losses during the year. In the prior year, there were unrealised gains in that portfolio. Debt investment markets saw gains from the lowering of bond yields amid easing monetary policy, although these gains were lower than the prior year.

Main influences on costs of operations

Claims expense

Both Motor and Home insurance portfolio claims expenses have increased commensurate with growth in policies issued and due to claims events occurring during the year.

Outwards reinsurance premium expense

The cost of reinsurance increased in line with growth in exposure and policies issued.

Employee benefits expense

Employee benefits expense increased to support revenue growth and project activity across the organisation.

Depreciation and amortisation expense

On 1 July 2019, AASB 16 Leases was adopted resulting in the Group's leases being capitalised to the balance sheet. Lease costs are now represented in "Depreciation and amortisation expense" and "Finance costs". In the prior year, lease costs were represented in "Property expenses".

Consulting expense

The Group is undertaking the implementation of a cloud strategy

whereby all IT systems and software are being transferred from on-premise to cloud-based solutions. An increase in consultancy fees was required to support this strategy.

Information technology expense

The COVID-19 restrictions caused an unexpected shift of the workforce from a centralised office-based model to a distributed home-based model. A number of one-off technology costs were required to support this transition. There was also an increase in technology costs to support the IT cloud strategy.

Other expenses

The subdued Western Australian residential property market led to a \$7.3m (2019: \$7.8m) net unrealised loss on the annual revaluation of the St Ives retirement villages and associated resident loans.

Profit/(loss) from equity-accounted associates and joint ventures

There was an improvement in performance across the businesses in the Enrich Health Group joint venture. The prior year includes an impairment loss on the Group's investment in the Enrich Health Group joint venture.

Income tax expense

The consolidated accounting profit for the Club was \$37.0m, which gives rise to a prima-facie income tax expense of \$11.1m at the Australian tax rate of 30%. The prima-facie income tax expense was reduced by \$1.2m to \$9.9m due to franking credits received from the Group's investment portfolio and the tax treatment of the net surplus from membership activities.

Other comprehensive income

Revaluation of land and buildings

The property market in WA remained subdued during the financial year. However, a reduction in the cost of capital led to an increase in the value of the Group's West Perth office. External valuations were obtained to support property carrying values.

Consolidated balance sheet As at 30 June 2020

		Consolidated	
	Notes	2020 \$'000	2019 \$'000
Assets			
Current assets			
Cash and cash equivalents	3	207,864	129,543
Trade and other receivables		248,833	211,750
Contract assets		17,689	17,121
Loans and advances		156,677	142,425
Reinsurance and other recoveries receivable		23,121	15,393
Inventories		1,459	1,652
Financial assets at fair value through profit or loss		171,762	183,797
Deferred acquisition costs		22,305	24,613
Total current assets		849,710	726,294
Non-current assets			
Loans and advances		162,982	167,882
Reinsurance and other recoveries receivable		2,066	1,790
Investments accounted for using the equity method		96,281	89,998
Financial assets at fair value through profit or loss		421,752	364,572
Property, plant and equipment and right-of-use assets		218,796	184,061
Investment properties		268,982	283,905
Intangible assets and goodwill		124,524	126,701
Total non-current assets		1,295,383	1,218,909
Total assets		2,145,093	1,945,203
Liabilities			
Current liabilities			
Trade and other payables		87,193	80,958
Interest bearing loans and borrowings		284,379	209,206
Current tax liabilities		10,994	7,909
Provisions		56,676	51,907
Outstanding claims liabilities		98,947	78,475
Unearned premium liabilities		358,938	315,960
Retirement village contract liabilities		201,588	203,490
Total current liabilities		1,098,715	947,905
Non-current liabilities			
Outstanding claims liability		10,839	9,592
Interest bearing loans and borrowings		113,211	87,995
Deferred tax liabilities		1,513	8,836
Provisions		5,087	4,842
Total non-current liabilities		130,650	111,265
Total liabilities		1,229,365	1,059,170
Net assets		915,728	886,033
Equity			
Reserves		42,743	39,089
Retained earnings		872,985	846,944
Capital and reserves attributable to members of The Royal Automobile Club of W.A. (Incorporated)		915,728	886,033
Total equity		915,728	886,033

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Discussion and analysis

Consolidated balance sheet

Trade and other receivables

Continued growth in the Insurance business has resulted in an increase in insurance premiums receivable. This relates to the annual premiums paid by members in monthly instalments.

Loans and advances (current and non-current)

The Finance business achieved year on year growth in both consumer loans and property loans. However, the growth was tempered by a business decision to reduce lending activity in light of the COVID-19 pandemic. The expected credit loss allowance was increased to reflect the uncertain economic impact of COVID-19.

Reinsurance and other recoveries receivable

Two large storms in May 2020 resulted in an increase in reinsurance recoveries receivable.

Financial assets at fair value through profit or loss (current and non-current)

These assets include investments in the Group's investment portfolio and investments in Insurance's investment portfolio. Insurance's portfolio increased due to strong growth and operating performance generating surplus cash for investment. In the Group's portfolio, the asset weightings were rebalanced resulting in a transfer from cash holdings to other investments.

Investments accounted for using the equity method

Additional capital was invested into the Enrich Health Group joint venture to support its growth. The investment also reflects the Group's share of the result in the joint venture.

Property, plant and equipment

Redevelopment of the RAC Exmouth Cape Holiday Park and the RAC Karri Valley Resort was undertaken during the year. The property, plant and equipment balance also increased due to the adoption of AASB 16 Leases, which resulted in the recognition of right-of-use assets totalling \$17.1m.

Investment properties

The subdued Western Australian residential property market led to an unrealised loss on the annual revaluation of the St Ives retirement villages.

Trade and other payables

The re-opening of the Group's tourism parks and resorts in late May and the restrictions on interstate and overseas travel led to an influx of forward bookings for the parks and resorts, which resulted in an increase in unearned income at the end of the financial year. Trade and other payables also increased as a result of growth in the Insurance business.

Interest bearing loans and borrowings

There was an increase in investment notes issued by the Finance business to support the growth of its loan portfolio and to increase cash reserves. A further \$15.0m of borrowings were obtained to support the tourism park growth strategy. The adoption of AASB 16 Leases resulted in the recognition of lease liabilities totalling \$18.9m.

Outstanding claims liability

Inclement weather throughout June and the two large storms in May resulted in a temporary increase in outstanding claims liabilities.

Unearned premium liabilities

The unearned premium liabilities increased as a result of insurance policy growth in the Motor and Home portfolios during the year.

Consolidated statement of changes in equity For the year ended 30 June 2020

	Attributable to owners of The Royal Automobile Club of W.A. (Incorporated)			
	Property, plant and equipment revaluation reserve \$'000	Available-for- sale investments revaluation reserve \$'000	Retained earnings \$'000	Total \$'000
Consolidated entity				
Balance at 1 July 2018	31,562	8,094	814,197	853,853
Adjustment on adoption of AASB 9 (net of tax)	-	(8,094)	9,551	1,457
Restated total equity at the beginning of the financial year	31,562	-	823,748	855,310
Profit for the year	-	-	23,196	23,196
Other comprehensive income (net of tax)	7,527	-	-	7,527
Total comprehensive income for the year	7,527	-	23,196	30,723
Balance at 30 June 2019	39,089	-	846,944	886,033
Balance at 1 July 2019	39,089	-	846,944	886,033
Adjustment on adoption of AASB 16 (net of tax)	-	-	(1,067)	(1,067)
Restated total equity at the beginning of the financial year	39,089	-	845,877	884,966
Profit for the year	-	-	27,108	27,108
Other comprehensive income (net of tax)	3,654	-	-	3,654
Total comprehensive income for the year	3,654	-	27,108	30,762
Balance at 30 June 2020	42,743	-	872,985	915,728

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Discussion and analysis

Consolidated statement of changes in equity

On 1 July 2019, AASB 16 Leases was adopted resulting in an adjustment to retained earnings. The prior year comparatives were not restated. Further details on these changes are disclosed in note 1(a).

Revaluation of the Group's direct property portfolio resulted in a \$3.7m increase in reserves.



Consolidated statement of cash flows

For the year ended 30 June 2020

	Consolidated	
	2020 \$'000	2019 \$'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	214,018	213,179
Insurance premiums received	710,495	619,058
Reinsurance and other recoveries received	66,698	52,275
Payments to suppliers and employees (inclusive of GST)	(313,135)	(289,856)
Claims paid	(477,752)	(420,847)
Outward reinsurance premium paid	(52,867)	(46,542)
Insurance policy holder acquisition costs and underwriting expenses paid	(44,202)	(51,541)
Net advances to finance customers	(13,659)	(39,606)
Net proceeds from finance borrowings	61,781	18,386
Dividend and distributions received	9,881	19,874
Interest income received	7,149	10,270
Income taxes paid	(15,241)	(10,043)
Interest paid	(9,241)	(8,908)
Other income received	9,633	6,576
Net cash inflow from operating activities	153,558	72,275
Cash flows from investing activities		
Payments for property, plant and equipment	(26,671)	(20,018)
Payments for intangibles	(6,587)	(6,114)
Proceeds from sale of property, plant and equipment	258	286
Payments for investment property	-	(279)
Proceeds from sale of investment property	310	983
Dividends received from associates	320	383
Purchase of financial assets at fair value through profit or loss	(565,187)	(426,071)
Proceeds from sale of financial assets at fair value through profit or loss	506,360	400,283
Payment for investment in joint ventures and associates	(2,975)	-
Payment for acquisition of business (net of cash acquired)	(446)	(7,045)
Net cash outflow from investing activities	(94,618)	(57,592)
Cash flows from financing activities		
Proceeds from borrowings	15,000	-
Retirement village resident loans repaid	(1,040)	(445)
Retirement village resident loans received	6,019	6,125
Loans advanced to related parties	(218)	-
Loan repayments from related parties	2,805	3,273
Repayment of lease liabilities	(3,185)	-
Net cash inflow from financing activities	19,381	8,953
Net increase in cash and cash equivalents	78,321	23,636
Cash and cash equivalents at the beginning of the financial year	129,543	105,907
Cash and cash equivalents at end of year	207,864	129,543

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Discussion and analysis

Consolidated statement of cash flows

Insurance premiums received

Insurance premiums received increased during the year as a result of insurance policy growth in both the Motor and Home portfolios.

Reinsurance and other recoveries received

A number of large storms during the year resulted in a significant increase in reinsurance and other recoveries received.

Payments to suppliers and employees (inclusive of goods and services tax)

Payments to suppliers and employees increased to support revenue growth across the organisation, the IT cloud strategy and other project activity to support our strategic initiatives.

Claims paid

The growth in claims paid was commensurate with the growth in insurance premiums received.

Net advances to finance customers and net proceeds from finance borrowings

The Finance business achieved year on year growth in both consumer loans and property loans. However, the growth was tempered by a business decision to reduce lending activity and increase cash reserves in light of the COVID-19 pandemic.

Dividends and distributions received

Most of the trust distributions received in the Group's investment portfolio were recognised as revenue in the prior year. Trust distributions received in the current year were lower than the prior year due to lower returns from the Group's investment portfolio.

Payments for property, plant and equipment

Redevelopment of the RAC Exmouth Cape Holiday Park and the RAC Karri Valley Resort was undertaken during the year. This was in addition to normal capital refreshment and replacement across the Group.

Purchase of and proceeds from sales of financial assets at fair value through profit or loss

There was a net outflow to the Insurance investment portfolio due to strong operating cash flows generated by the Insurance business being reinvested into the portfolio. There was a net outflow to the Group's investment portfolio due to the rebalancing of asset weightings between cash holdings and other investments.

Payment for investment in joint ventures and associates

Additional capital was invested into the Enrich Health Group joint venture to support its growth.

Payment for acquisition of businesses (net of cash acquired)

The Esperance Seafront Caravan Park, which is a leasehold property, was acquired during the year. In the prior year, the RAC Cable Beach Holiday Park, which is a freehold property, was acquired.

Proceeds from borrowings

Additional external borrowings were obtained to support the tourism park growth strategy.

Notes to the consolidated financial statements

1 Basis of preparation of concise financial report

(a) Basis of preparation

The concise financial report has been prepared in accordance with the requirements of Accounting Standard AASB 1039 "Concise Financial Reports".

The accounting policies adopted are consistent with those of the prior year, except as follows. In the current year, the Group has adopted the following new standards and amendments to standards issued by the AASB that are relevant to its operations and effective for the current annual reporting period:

- » AASB 16 Leases,
- » AASB 2019-8 Amendments to Australian Accounting Standards - Class of Right-of-Use Assets arising under Concessionary Leases,
- » AASB 2018-2 Amendments to Australian Accounting Standards - Plan Amendment, Curtailment or Settlement,
- » AASB 2017-7 Amendments to Australian Accounting Standards - Long-term Interests in Associates and Joint Ventures,
- » AASB 2017-6 Amendments to Australian Accounting Standards - Prepayment Features with Negative Compensation,
- » AASB 2018-1 Amendments to Australian Accounting Standards - Annual Improvements 2015-2017 Cycle - Previously held Interests in a joint operation - Income tax consequences of payments on financial instruments classified as equity - Borrowing costs eligible for capitalisation, and
- » AASB Interpretation 23 Uncertainty over Income Tax Treatments.

The nature and effect of the changes as a result of the adoption of AASB 16 is described below. The adoption of the other new and amended standards has not had any significant impact on the financial results or position of the Group. Disclosures have been changed where required. The new accounting policies apply to the period commenced 1 July 2019 and the policies in the 30 June 2019 annual financial statements apply to the comparative periods.

AASB 16 Leases

AASB 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117 Leases with the exceptions of leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less and no purchase option). At the commencement date of a lease, a

lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

Lessees will separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset (ROU asset).

Lessees remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, or a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally treat the remeasurement of the lease liability as an adjustment to the ROU asset.

Lessor accounting is substantially unchanged from today's accounting under AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.

Transition

The Group adopted AASB 16 on 1 July 2019 using the modified retrospective method with no requirement to restate prior periods. The resultant reclassifications and adjustments arising upon transition to AASB 16 have been recognised as a transition adjustment to the opening retained earnings on 1 July 2019.

At transition, the Group recognised lease liabilities of \$18.9m as part of interest bearing loans and borrowings and ROU assets of \$17.1m as part of property, plant and equipment and ROU assets. After adjusting related amounts previously recorded on the statements of financial position, this resulted in a reduction to retained earnings of \$1.1m (post tax). As permitted by AASB 16 the transition adjustment has been determined by the Group by electing practical expedients to not recognise short-term or leases of low value assets on its statement of financial position at the transition date. Judgement has been applied by the Group in determining the transition adjustment which includes the determination of which contractual arrangements represent a lease, the period over which the lease exists, the incremental borrowing rate, and the variability of future cash flows.

The table below presents a reconciliation of the operating lease commitments as disclosed in the Group's 30 June 2019 financial statements, to the lease liabilities recognised on the transition date:

Basis of preparation of concise financial report (continued)

	\$'000
Operating lease commitments disclosed as at 30 June 2019	32,658
(Less): Short term/Low value leases	(78)
(Less): Leases not yet commenced	(1,240)
(Less): Impact of discounting the future lease cash flows	(12,359)
(Less): Other	(131)
Lease liability recognised as at 1 July 2019	18,850

The weighted average incremental borrowing rate applied to lease liabilities recognised in the statement of financial position at the date of initial application was 3.15%.

(b) Rounding of amounts

Amounts in the financial report have been rounded off to the nearest thousand dollars, or in certain cases, the nearest dollar. The financial report has been presented in Australian dollars.

2 Revenue

	Consolidated	
	2020 \$'000	2019 \$'000
Sales revenue		
Insurance premium revenue	629,764	546,758
Reinsurance and other recoveries revenue	75,183	54,382
Membership subscriptions	84,155	80,354
Tourism revenue	25,174	25,903
Sale of goods	22,743	21,580
Services	21,435	20,309
Finance interest income	22,893	20,925
Sales commissions	8,741	10,102
Retirement village revenue	8,753	8,779
	898,841	789,092
Other revenue		
Interest from financial assets	8,144	10,188
Dividends and distributions from financial assets	14,256	10,729
Other items	9,114	9,120
	31,514	30,037
	930,355	819,129

Notes to the consolidated financial statements continued

3 Cash and cash equivalents

	Consolidated	
	2020 \$'000	2019 \$'000
Current assets		
Cash at bank and in hand	150,791	114,553
Deposits at call	55,092	13,112
Cash deposits – trust account	1,981	1,878
	207,864	129,543

(a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

	Consolidated	
	2020 \$'000	2019 \$'000
Balances as above	207,864	129,543
Balances per consolidated statement of cash flows	207,864	129,543

4 Contingencies

Contingent liabilities

The Group had contingent liabilities at 30 June 2020 in respect of:

Guarantees

The Group has issued a number of bank guarantees to third parties for various operational and legal purposes. These amounts are not material and it is not expected that these guarantees will be called upon.

5 Business combinations

(a) Summary of acquisition

On 4 December 2019, RAC Tourism Assets Pty Ltd, a subsidiary of RACWA Holdings Pty Ltd, acquired 100% of the business of the Esperance Seafront Caravan Park, a tourist park, for cash consideration of \$0.4m, from the Shire of Esperance. The property is held under a leasehold arrangement. The acquisition is aligned to the Group's tourism park growth strategy. The park was renamed as the RAC Esperance Holiday Park.

The acquired business contributed revenues of \$0.7m and a net loss after tax of (\$0.1m) to the Group for the period from 4 December 2019 to 30 June 2020.

Goodwill of \$0.3m was recognised in this business combination.

(b) Prior period

On 21 December 2018, RAC Tourism Assets Pty Ltd acquired 100% of the business of the Palm Grove Holiday Resort, a tourist park, for cash consideration of \$7.0m, from its private owners. The acquisition is aligned to the Group's tourism park growth strategy. The park was renamed as the RAC Cable Beach Holiday Park. There was no goodwill recognised in this business combination.

6 Events occurring after the reporting period

The COVID-19 outbreak and the response of governments in dealing with the pandemic has meant changes in the general activity levels within the community and the economy, but the scale and duration of these developments remain uncertain. The Group could be impacted by future outbreaks of COVID-19 and will continue to operate in accordance with government mandates.

Other than described above, there has been no matter or circumstance that has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

